Public Document Pack

Cabinet

Wednesday 19 June 2019 at 2.00 pm

To be held at the Town Hall, Pinstone Street, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillor Julie Dore	(Leader of the Council)
Councillor Olivia Blake	(Cabinet Member for Finance, Resources and Governance)
Councillor Lewis Dagnall	(Cabinet Member for Environment, Streetscene and Climate Change)
Councillor Jackie Drayton	(Cabinet Member for Children & Families)
Councillor Bob Johnson	(Cabinet Member for Transport and Development)
Councillor Mazher Iqbal	(Cabinet Member for Business and Investment)
Councillor Mary Lea	(Cabinet Member for Culture, Parks and Leisure)
Councillor George Lindars-Hammond	(Cabinet Member for Health and Social Care)
Councillor Abtisam Mohamed	(Cabinet Member for Education and Skills)
Councillor Paul Wood	(Cabinet Member for Neighbourhoods and Community Safety)

Sheffield City Council

PUBLIC ACCESS TO THE MEETING

The Cabinet discusses and takes decisions on the most significant issues facing the City Council. These include issues about the direction of the Council, its policies and strategies, as well as city-wide decisions and those which affect more than one Council service. Meetings are chaired by the Leader of the Council, Councillor Julie Dore.

A copy of the agenda and reports is available on the Council's website at www.sheffield.gov.uk. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. You may not be allowed to see some reports because they contain confidential information. These items are usually marked * on the agenda.

Members of the public have the right to ask questions or submit petitions to Cabinet meetings and recording is allowed under the direction of the Chair. Please see the website or contact Democratic Services for further information regarding public questions and petitions and details of the Council's protocol on audio/visual recording and photography at council meetings.

Cabinet meetings are normally open to the public but sometimes the Cabinet may have to discuss an item in private. If this happens, you will be asked to leave. Any private items are normally left until last. If you would like to attend the meeting please report to the First Point Reception desk where you will be directed to the meeting room.

Cabinet decisions are effective six working days after the meeting has taken place, unless called-in for scrutiny by the relevant Scrutiny Committee or referred to the City Council meeting, in which case the matter is normally resolved within the monthly cycle of meetings.

If you require any further information please contact Simon Hughes on 0114 273 4014 or email simon.hughes@sheffield.gov.uk.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

CABINET AGENDA
19 JUNE 2019

Order of Business

NOTE: The next meeting of Cabinet will be held on

Wednesday 17 July 2019 at 2.00 pm

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest** (DPI) relating to any business that will be considered at the meeting, you must <u>not</u>:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner undertakes.

- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

  *The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –

  - under which goods or services are to be provided or works are to be executed; and
  - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

- Any tenancy where (to your knowledge) –
  - the landlord is your council or authority; and
  - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

  (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and

  (b) either -
    - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
    - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or

- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Audit and Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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SHEFFIELD CITY COUNCIL

Cabinet

Meeting held 29 May 2019

PRESENT: Councillors Julie Dore (Chair), Olivia Blake, Lewis Dagnall, Jackie Drayton, Bob Johnson, Mazher Iqbal, Mary Lea, George Lindars-Hammond, Abtisam Mohamed and Paul Wood

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1. APOLOGIES FOR ABSENCE

1.1 There were no apologies for absence.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 The Chair (Councillor Julie Dore) reported that the appendix to the report at agenda item 11 (Cleaning Services for Sheffield City Council's Buildings and other Premises) (See minute 10 below) was not available to the public and press because it contained exempt information described in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) relating to the financial or business affairs of any particular person. Accordingly, if the content of the appendix was to be discussed, the public and press would be excluded from the meeting.

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 Cabinet held on 17 April 2019 were approved as a correct record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 Public Question in respect of Street Trees

5.1.1 Russell Johnson asked, in view of the climate of co-operation between Sheffield Tree Action Groups (STAG) and SCC-Amey following the talks, and the successful application of simple engineering solutions to reprieve healthy street trees, will the Council: (i) Return to the High Court to rescind the injunction against tree defenders?; (ii) Cease to attempt Court awarded cost recovery from defenders?; and (iii) Commit to no further injunction applications relevant to this matter?

5.1.2 The Leader of the Council, Councillor Julie Dore, stated that the Council would not return to the High Court to rescind the injunction against tree campaigners and would not cease to attempt Court awarded cost recovery from defendants. The Council could also not commit to no further injunctions as this depended on individual circumstances.

5.1.3 Councillor Lewis Dagnall, Cabinet Member for Environment, Streetscene and Climate Change, added that he was glad Mr Johnson recognised the progress that had been made in bringing together the Council and STAG. He believed in upholding the rule of law and Court proceedings must follow the rule of law. However, the Council would work closely with all campaigners to try and achieve a shared outcome.

5.2 Public Question in respect of Street Trees

5.2.1 Russell Johnson asked would the Council commit to learning the lessons for improvement of our City's governance from the Street Tree debate by co-operating with an independent debate? If not, would the Leader consider resigning to make way for more enlightened leadership?

5.2.3 Councillor Julie Dore confirmed that she would not be resigning and there was no inquiry taking place that the Council were required to co-operate with.

5.3 Public Question in respect of a Climate Emergency

5.3.1 Russell Johnson asked would the Cabinet agree that the Council's declaration of a 'Climate Emergency' and the frequently illegal levels of air pollution in Sheffield suggested that the remaining healthy urban trees should be retained and additional trees planted?

5.3.2 Councillor Lewis Dagnall confirmed that the Council was considering the next steps towards zero carbon value within the City. He valued the importance of urban and rural street trees which was why the Council was working closely with STAG and other interested parties. In order to tackle the issue, the Council needed to look at the wider landscape and not just the issue of street trees. He believed there was stronger action needed at Government level and it could not simply be left to Local Councils to tackle the issue.

5.3.3 Councillor Dore added that the Council intended to retain as many healthy trees as possible, which was why they were working closely with STAG to discuss the issue.

5.4 Public Question in respect of PFI Contracts

5.4.1 Russell Johnson asked, in the light of Birmingham's successful agreement with Amey to end their PFI roads contract, and taking into account Labour Party national policy, will the City Council now seek a similar disentanglement from Sheffield's Streets Ahead contract?

5.4.2 Councillor Lewis Dagnall stated that it was Labour Party policy that they favoured public companies running public services. However, the Party did not wish to have a detrimental impact on the Council's finances by cancelling contracts without considering the wider impact.

5.4.3 It was a priority for the Council to deliver the highway infrastructure the City needed. Satisfaction rates in highway infrastructure in the City had shown an increase since the commencement of the Streets Ahead contract.

5.5 Public Question in respect of the Green Party

5.5.1 Isabel O'Leary asked, in view of the strong vote for the Green Party in the local and the European elections, how did the Cabinet plan to work with the Green Party Councillors to best use their knowledge and expertise?

5.5.2 Councillor Dore responded that the Administration was always happy to work with other parties and the Council had mechanisms to do this, such as Scrutiny Committees and Policy Development Boards. There was a Scrutiny Committee which had responsibility for the environment and this was multi-party. As a result of the Administration's strong message in its declaration of a climate change emergency, discussions were taking place as to how to work collectively to achieve this, including with members of the public.

5.5.3 Councillor Paul Wood, Cabinet Member for Neighbourhoods and Community Safety, commented that the Council was moving forward with the Gleadless Valley Masterplan and the Green Party Councillor for Gleadless Valley would be part of the Steering Group.

5.5.4 Councillor Lewis Dagnall further commented that the Council believed in the Green New Deal. However, there was a commitment to ensure that no one in the City became poorer as a result of any new measures introduced. The Council needed to reflect that the far right parties won most seats in Sheffield in the recent European elections. There was a need to ensure people were brought together. He congratulated the Green Party and Councillor Shaffaq Mohammed, Leader of the Liberal Democrat Party at the Council, on their recent successes in the European Elections, but the success of the far right should not be forgotten.

5.6 Public Question in respect of the General Cemetery

5.6.1 Nigel Slack commented that, at the last Cabinet meeting, held on 17 April 2019, Mr Dimond asked a question about the plans for the General Cemetery and car parking. He also invited the Cabinet Member for Culture, Parks and Leisure to an event there on Saturday 27th April. Mr Slack understood the Cabinet Member attended and on the day of the event he received the following information from another attendee:-

"Went to the rally today and a bombshell dropped. The community liaison officer had to admit the car park spaces "for the disabled" were not asked for, or discussed with any disabled group, nor any advisory body. This was some over-zealous person who thought it would be a good idea to increase use of the Samuel Worth Chapel. When backed into a corner they played the disabled card. I called their bluff today. Left Parks Councillor with nothing to say but bluster.

On a positive point I showed them a compromise which would be to put down matting at the side of Samuel Worth Chapel so disabled visitors to an event at the *chapel could on request park there. It does not have an impact on the site and is unlikely to be used very often and it also helps re: deliveries to the Chapel if they have somewhere to park when necessary. It costs virtually nothing. It could be a way to also keep Heritage Lottery Funding as they will have improved parking."*

5.6.2 As a result of this, Mr Slack asked will the Council withdraw the current plans, undertake a duly diligent consultation and propose new plans that will safeguard the unique heritage and qualities of the Cemetery, protect the Heritage Lottery Fund funding already agreed and respect the needs of the disabled visitors over the potential for commercially exploiting this site? Will the Council, as part of this, work with local green space, heritage and wildlife campaigners to truly reflect a listening and learning approach to public engagement?

5.6.3 Councillor Dore commented that, whoever the attendee was, as the parent of a child with disabilities she found the term 'the disabled card' offensive and Mr Slack should pass this back to the person who used that term. If someone was commenting on the rights of disabled people then this should be respected.

5.6.4 Councillor Mary Lea, Cabinet Member for Culture, Parks and Leisure commented that an access audit at the site had been carried out by an independent consultant and this included a working with focus group made up of disabled people and individuals who had experienced in this field and, following this, the consultant had made recommendations for access for people with a wide range of disabled issues.

5.6.5 As a result of the recommendations, the proposal was to introduce three disabled parking spaces at the site. Officers had met with a representative of the Heritage Lottery Fund last week and they were aware of the opposition to the scheme. However, the representative was clear that improving inclusivity was a key part of the Lottery Fund's priorities and there would need to be a compelling reason to change the recommendations for the scheme.

5.6.6 The Lottery Fund would closely monitor the implementation of the scheme and there was a whole-site project group established which included a number of local residents.

5.7 Public Question in respect of Webcasting

5.7.1 Nigel Slack asked what was the "anything untoward" that seemed to have prevented the webcasting of the Council's Annual General Meeting?

5.7.2 Councillor Dore responded that her comments at the last Cabinet meeting referred to the next business Council meeting being webcast. She hoped that the next meeting on 12 June would be webcast unless anything untoward happened between now and then.

5.7.3 Councillor Olivia Blake, Cabinet Member for Finance, Resources and Governance, commented that the system had been installed and tested. Staff would need to be trained but it was hoped that webcasting would go live at the Council meeting on 12 June.

5.8 Public Question in respect of new Cabinet Members

5.8.1 Nigel Slack welcomed the new Cabinet Members. However, he had a concern that one of the consequences of election of Councillors by thirds was the impact on continuity and consistency when dealing with Cabinet Members. He hoped that the new Members and changes to portfolio responsibilities would not prove too disruptive to ongoing conversations and would therefore ask whether a handover process was in place to ensure previous progress and understandings were respected and followed through?

5.8.2 Councillor Dore thanked Mr Slack for his welcome to new Cabinet Members. A full briefing session would be held for them. Any current policy decisions would be taken into account and, as normal, these would be continually reviewed.

5.8.3 Councillor Bob Johnson, Cabinet Member for Transport and Development, added that briefings would be held with officers and previous Cabinet Members. However, as a new Cabinet Member he would take his own view and share this with Cabinet colleagues.

6. ITEMS CALLED-IN FOR SCRUTINY

6.1 There were no items called-in for Scrutiny since the last meeting of the Cabinet.

7. RETIREMENT OF STAFF

7.1 There were no staff retirements to report this month.

8. AMENDMENT TO THE OBJECTS OF THE HIGH HAZELS PARK CHARITY

8.1 The Executive Director, Place, submitted a report seeking Cabinet approval on behalf of the Council as Charity Trustee of High Hazels Park:-

(i) to the amendment to the wording describing the Charity's Objects in the amended Trust Deed attached to the report at Appendix 1 (as required by the Charity Commission and detailed in the Legal Implications section of the report); and

(ii) to adopt the amended Trust Deed as the Charity's governing document.

8.2 **RESOLVED:** That Cabinet acting as Charity Trustees of High Hazels Park:-

(a) approves the amendments to the Trust Deed for the future governance and management of High Hazels Park;

(b) agrees to adopt the amended Trust Deed as the Charity's governing document; and

(c) requests that the Director of Legal and Governance, in consultation with the Director of Culture and Environment, draft and complete all necessary legal documentation in order to implement the registration of High Hazels

Park as a charitable trust.

8.3 **Reasons for Decision**

8.3.1 The Charity Trustee's approval of the revised Trust Deed and its agreement to adopt this as the Charity's governing document will allow the completion of the application to register the Charity at the Charity Commission in compliance with the provisions contained in the Charities Act 2011.

8.4 **Alternatives Considered and Rejected**

8.4.1 Not to make the required amendments to the Trust Deed. However, this would result in the application for registration to be rejected by the Charity Commission and may result in reputational damage to the Council.

8.4.2 To adopt the alternative wording suggested by the Charity Commission. However, Legal Services have advised that this wording is not reflective of the purposes expressed in the 1894 deed of conveyance.

9. MONTH 12 CAPITAL APPROVALS

9.1 The Executive Director, Resources, submitted a report providing details of proposed changes to the Capital Programme as brought forward in Month 12 2018/19.

9.2 **RESOLVED:** That Cabinet:-

(a) approves the proposed additions and variations to the Capital Programme listed in Appendix 1 of the report, including the procurement strategies and delegates authority to the Director of Finance and Commercial Services or nominated Officer, as appropriate, to award the necessary contracts; and

(b) approves the budget adjustments required as part of the financial year end close down procedures as detailed in Appendix 2 of the report, and relating to:-

- Planned Slippage of expenditure of projects in delivery from 2018/19 to 2019/20 - £20m

- Re-profiling of schemes not in delivery from 2018/19 to 2019/20 – £8.5m

- Accelerated expenditure of projects in delivery from 2019/20 to 2018/19 of £5.9m

- Overspends – net additions to the programme of £1m

- Underspends - £1.8m.

9.3 **Reasons for Decision**

9.3.1 The proposed changes to the Capital Programme will improve the services to the people of Sheffield.

9.3.2 To formally record changes to the Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the Capital Programme in line with latest information.

9.3.3 Obtain the relevant delegations to allow projects to proceed.

9.4 **Alternatives Considered and Rejected**

A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

10. CLEANING SERVICES FOR SHEFFIELD CITY COUNCIL'S BUILDINGS AND OTHER PREMISES.

10.1 The Executive Director, Place, submitted a report setting out options and recommendations to Cabinet on future delivery options for its Cleaning Services contract.

10.2 **RESOLVED:** That Cabinet:-

(a) For the short term - notes that the Executive Director, Resources, in consultation with the Director of Finance and Commercial Services, the Director of Legal and Governance and the Cabinet Member for Finance, Resources and Governance, will use the delegation (given in a decision taken by the Cabinet on 16 September 2015) to consider and approve an extension of the current Cleaning Contract with Cordant for 12 months from 1 July 2019 until 30 June 2020 (inclusive); and

(b) For the long term :-

(i) notes the contents of the report including the principles and assumptions for the purpose of making recommendations and risks and mitigations set out in the report and Appendix;

(ii) approves the insourcing of the cleaning service to the Council within Transport & Facilities Management in the Place Portfolio, after the extension of the Contract expires;

(iii) delegates authority to the Executive Director, Place, in consultation with the Director of Human Resources, the Director of Finance and Commercial Services and the Director of Legal and Governance:

(A) to undertake formal consultation with Trade Unions regarding the transfer of staff engaged by Cordant who, under the TUPE

Regulations 2006 (Amended), would transfer into the Council and any other transfer and transition arrangements (where applicable);

(B) to make arrangements to monitor the performance and delivery of the new service arrangements; and

(C) to take all other necessary steps not covered by existing delegations to achieve the outcomes outlined in the report.

10.3 **Reasons for Decision**

10.3.1 12 Month Extension

- Despite the issues outlined in section 1, steps are being taken to address the current performance.
- Cordant has appointed a new operational manager for the service which is starting to have an impact as there is a much stronger focus on performance management.
- A specific performance indicator has been implemented which addresses the payroll performance and again this is starting to have an impact as levels have started to reduce.
- This option will provide continuity of service and a value for money solution for the next 12 months whilst plans can be put in place to deliver the longer term solution for the service.

10.3.2 Insourcing

This option is recommended as, by insourcing the service, the following benefits could be achieved:-

- It will increase the ability to support some of the lowest paid staff. More often than not these are part time female workers.
- A working environment which values staff, has effective consultation, good terms and conditions, effective training and offers increased opportunity for development.
- The flexibility to respond positively to changing policies to help meet strategic goals such as addressing low pay inequalities.
- It also gives the Council the ability to be more flexible in its service delivery i.e. by shifting resources quickly to tackle changing local needs and emergencies which can be more challenging with outsourced contracts.
- It will allow the Authority an influence over procurement and supply chains which with outsourced services rests with the contractor. By doing this, decisions can be made which reflect the Council's ambitions for local supply

and the environment.

- Insourced services have the potential to deliver significant social value benefits and boost the local economy through the employment of staff with a clear workforce development strategy, payment at a minimum of the ‘real Living Wage’, providing added value to services such as supporting local communities; improving environmental performance and sustainability and offering opportunities for vulnerable groups.

- Bringing the service back in house will also give the Council greater control of being able to deliver efficiency savings.

10.4 **Alternatives Considered and Rejected**

10.4.1 Option 3 – Retendering
This option is considered to be viable and also a cost effective way to move forward in the short term. However, taking into account the benefits of insourcing for the long term and also for community, this option is not recommended.

10.4.2 Option 4 – Hybrid Model
This option is not recommended at this stage as more internal resources may be required to monitor both insourcing and outsourcing service delivery models.

10.4.3 Option 5 – Teckal company
This option will need more time to review and establish due to its complexity, so it is not recommended at this stage.

10.4.4 Option 6 – Collective Ownership Model
This option is not recommended as it is not clear to Officers whether it would bring any additional benefits to the Council other than those being covered in insourcing and Teckal company.

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Author/Lead Officer of Report:
Simon Hughes/Principal Committee Secretary

Tel: 27 34014

Report of:	*Executive Director, Resources*
Report to:	*Cabinet*
Date of Decision:	*19 June 2019*
Subject:	*Staff Retirements*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	[ ]	No	[X]
- Expenditure and/or savings over £500,000		[ ]		
- Affects 2 or more Wards		[ ]		

Which Cabinet Member Portfolio does this relate to? *N/A*

Which Scrutiny and Policy Development Committee does this relate to? *N/A*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	[ ]	No	[X]

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information?	Yes	[ ]	No	[X]

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

To report the retirement of the following staff from the Council's Service and to convey the Council's thanks for their work.

Recommendations:

To recommend that Cabinet:-

(a) place on record its appreciation of the valuable services rendered to the City Council by the above-mentioned members of staff in the Portfolios stated;

(b) extend to them its best wishes for the future and a long and happy retirement; and

(c) direct that an appropriate extract of the resolution now made under the Common Seal of the Council be forwarded to those staff above with over 20 years' service.

Background Papers: None
(Insert details of any background papers used in the compilation of the report.)

1. PROPOSAL

1.1 To report the retirement of the following staff from the Council's Service and to convey the Council's thanks for their work:-

Portfolio		**Years' Service**
People		
Gillian Robinson	Teaching Assistant, Abbey Lane Primary School	29

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Author/Lead Officer of Report: Helen Phillips-Jackson – Strategic Commissioning Manager for Substance Misuse

Tel: 0114 20 **53926**

Report of:	*John Doyle*
Report to:	*Cabinet*
Date of Decision:	*19th June 2019*
Subject:	*Adults Substance Misuse Services re-tender in Sheffield*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	X	No	
- Expenditure and/or savings over £500,000		X		
- Affects 2 or more Wards		X		

Which Cabinet Member Portfolio does this relate to? ***Health and Social Care***

Which Scrutiny and Policy Development Committee does this relate to? ***Healthier Communities and Adult Social Care***

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	X	No	

If YES, what EIA reference number has it been given? **559**

Does the report contain confidential or exempt information?	Yes		No	X

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

In July 2018 Cabinet approved the 2018-22 Sheffield Drug Strategy, which set out an all age partnership vision and action plan to tackle problems caused by drugs to individuals, families and communities.

This report, in line with the Strategy, sets out the proposed approach to recommissioning drug and alcohol treatment and support services for adults aged 18 and above in Sheffield. The current contracts end on 31st March 2020 and fall within the council's public health duties.

Recommendations:

- That Cabinet approves the proposed procurement process and service model as set out in this report, to secure services for the support and treatment of the adult residents of Sheffield with substance use disorders.
- That Cabinet delegates authority to the Director of Commissioning, Learning and Inclusion, in liaison with the Director of Legal and Governance Services, Director of Finance and Commercial Services, and the lead Cabinet Member for Health and Social Care, to approve the procurement strategy for the tender for the Adult Substance Misuse Services.
- That Cabinet delegates authority to the Director of Commissioning, Learning and Inclusion, in liaison with the Director of Legal and Governance Services, Director of Finance and Commercial Services, and the lead Cabinet Member for Health and Social Care to agree appropriate contract terms and approve a contract award following the tender process.

Background Papers:

Appendix 1 – Consultation summary

Appendix
FINAL.docx

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Liz Gough
		Legal: Louise Bate/Marcia McFarlane
		Equalities: Ed Sexton EIA reference 559 Approved 12th April 2019
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	John Doyle
3	**Cabinet Member consulted:**	Cllr George Lindars-Hammond
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Helen Phillips-Jackson	**Job Title:** Strategic Commissioning Manager: Substance Misuse
	Date: 5th June 2019	

1. PROPOSAL

1.1 Summary:

Sheffield City Council (SCC) is required to commission sufficient good quality treatment and support services for people affected by problems with drugs and alcohol. Good quality drug and alcohol support and treatment services are proven to help to keep people safe, reduce harm, to identify their needs and to support them to achieve a positive outcome for themselves as individuals, their families and children, and the wider community. Treatment services support the reduction or crime and anti-social behaviour, improve people's health, and support families to stay together and to keep children safe.

Current adult drug and alcohol treatment and support is commissioned by SCC through four contracts:

- *Opiate Service*
- *Non Opiate Service*
- *Alcohol Service*
- *Arrest Referral and Criminal Justice Integrated Team (CJIT)*

In the course of an average 12 month period of delivery, around 3,600 people receive a structured treatment intervention through these contracts, and many more receive brief contacts, interventions, and contact via outreach.
In the Drug Strategy approved by Cabinet in July 2018 we set out our intention to end all of the above four contracts on the same date – 31st March 2020, in order to allow us the scope to implement our vision for drug and alcohol support in the city through a whole system re-tender.

The Sheffield Drug Strategy set out an 'all age approach' to recognising and responding to drug use in Sheffield, from education and prevention, to treatment and reducing crime. We will commission all services as part of an overall framework of provision which can meet the needs of different groups, including children and young people and addressing the impact that substance use has on families.

However, it is important, for well-established clinical and safeguarding reasons that ***clinical treatment services*** for adults and children are delivered separately. The nature of drug and alcohol problems in children and young people have a very different profile to those of adults, and the support interventions are quite different. The UK drug misuse and dependence guidance states:

'Specialist drug treatment and competencies for young people are different to those for adults. The treatment services that address young people's substance use problems need to sit within the wider framework and standards for young people that support both engagement and access of children and young people to services and appropriate responses to young people and their parents'.[1]

[1] https://www.gov.uk/government/publications/drug-misuse-and-dependence-uk-guidelines-on-clinical-management

Therefore the children and young people's treatment service will be commissioned separately but the processes will be linked in order to ensure there is a consistency of quality in the city, that bidders are able to respond to both published tenders during the same period, and that the contracts commence on the same date. Requirements will be put in place during both procurement processes that the successful bidders meet post award and ensure they work together and their transitions approach from young people's into adult services, where this transfer is necessary, is safe and comprehensive.

Adult substance misuse services have a significant impact on the success and safety of families: parents accessing good quality treatment interventions for substance use disorders are supported to consider the impact of their use on their children, to reduce risk in the household, to prioritise the wellbeing of the child, and to ultimately recover from their substance use disorder which supports families to stay together.

Alongside the newly commissioned treatment service contract we will continue to commission a post of Children's Safeguarding lead working into these adult treatment services, whatever the outcome of the tender. This family focused approach links substance misuse treatment, children's safeguarding and maternity services and is a well-established and proven model which has had national recognition as best practice. This strategic approach will also ensure that an increased proportion of our overall resources go to more preventative and early intervention services for children and young people.

In line with Cabinet approvals, the Opiate and Non-Opiate services were granted a 6 month waiver to 31st March 2020, and the Alcohol and CJIT services contracts will also end on this date. The organisations delivering these contracts have all accepted the terms of these extensions, and have been notified formally of our intent to terminate these contracts on 31st March 2020. We must now deliver a thorough and time bound competitive tender process to ensure that there are services in place for a contract start date of 1st April 2020 to minimise disruption to the system and ensure there is a high quality support offer to people with substance use disorders in Sheffield.

This report follows a comprehensive four month consultation process and the detail of the delivery and outcomes of this is detailed in Appendix 1 of this document. ***The primary result of the consultation is the decision to integrate the four contracts listed above into one contract for the delivery of all facets of the treatment and support system for adults with substance use disorders, from 1st April 2020.***

The benefits of this include:

- Removal of any system duplication for service users;
- Simplicity in the pathway;
- Improved information sharing with fewer barriers;
- Reduced resource required for service overheads allowing most resource to be utilised on frontline service

Feedback during the consultation period has shown overwhelming support for this; both from staff working in the currently commissioned provision, service users, and wider stakeholders.

The procurement process will ensure that the service is commissioned in line with local needs assessment, clinical guidance, national strategic guidelines and outcome measures. Commissioning will streamline provision, will achieve cost savings required on the Public Health Grant, and will offer value for public money.

In order to allow a sensible mobilisation period for the new contract, the Invitation to Tender will be published on Monday 2nd September 2019, with the award decision announced in December 2019 and a 16 week mobilisation period between public award announcement and contract commencement on 1st April 2020. The contract period sought will be a minimum of 5 years, with an option to extend period of an additional 3+2 years. This will be confirmed in the procurement strategy being prepared to implement after the June cabinet. The competitive tender process will be delivered in line with Sheffield City Council's 'Ethical Procurement Policy'[1] which sets out in detail the process by which the council ethically sources providers for its contracts, across the following broad principles: that SCC trades with suppliers that comply with ethical codes of conduct, that social outcomes are improved for Sheffield, and that the power of procurement increases local economic impact.

Current indicative budget for the service is around £5 million per annum, subject to final confirmation from the two funding sources. The funding sources for the service are: primarily the Public Health Grant, and an annual contribution from the Office of the Police and Crime Commissioner (OPCC). The final budget on publication of the tender will include the reduction on current spend of the Public Health Grant that is required for the 20/21 period onwards and these savings will be reflected in the budget planning process with finance business partners. The OPCC currently provide annual funding of £550k for these services, and are expected to confirm their final contribution well in advance of the competitive tender process. Resource will be scaled dependent on the final confirmed budget at the point of publication of the tender in September 2019.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The strategy will contribute to the Corporate Plan as follows:

The proposed tender exercise will result in a support and treatment model which utilises the best of existing provision (for example, open access services where there is no need to be referred by a professional – people can walk in and access an assessment there and then), along with utilising the benefits of a one contract model streamlined to release resource in areas where we need to provide more interventions, more successfully (e.g. enhanced community outreach provision with a prevention focus).

Delivery via one contract will make the system more straightforward for service users who will be able to access a range of support through a single point,

[1] http://democracy.sheffield.gov.uk/documents/s30435/Ethical%20Procurement%20Policy.pdf

including one IT system. Information will only need to be taken once, information sharing will apply across the whole service, and people will not need to have multiple assessments to access different elements of the service.

The service will provide personalised responses to people experiencing a range of substance use disorders, and in varying degrees of need, and promote the achievement of positive outcomes for these individuals through reduced harm, engagement in services, and recovery from their substance of use. They will also support parents to successfully manage their families and parent their children in a safe and effective way. This will allow us to meet the best practice in current clinical guidelines.

An in touch organisation

While the process has to be completed due to these contracts ending on 31st March 2020, the plans for the one contract model has been developed by listening to those that it will impact upon the most through the four month consultation period delivered between January and April 2019. The outcome of the consultation will support us to commission a contract which keeps the best elements of our current provision, streamlines it, and will encourage innovation for improvement. The service will be open access, and will be designed by and with commissioners, providers, and service users, to meet current and future need of people using substances. As with the Sheffield Drug Strategy, these services will seek to understand the diverse needs of Sheffield residents using substances, their friends, families, children and carers, and deliver a whole system flexible support response in line with evidence and best practice and which responds to emergent substance use issues quickly and effectively.

Strong economy

The cost of drug and alcohol use to individuals, communities, their families and children, and the pressure it places on services is significant.

The annual cost of illicit drug use in the UK is around £10.7 billion a year, and the annual cost of alcohol related harm in England is £21.5 billion a year. These costs include lost economic productivity, crime, policing and NHS.[2]

It is in the interests of the national and local economy that good quality substance use disorder support and treatment is in place, and the pending contract will deliver all elements of the commissioned response to adult substance use flexibly and efficiently within one contract.

The evidence of return for the investment in these services is significant[3]:

- Needle and syringe provision costs around £200 per service user, per year and delivers a £22k-£41k saving per year for every case of Hepatitis C prevented, and a £10k-£42k saving per year for each case of HIV prevented;
- Nationally the combined benefits of drug and alcohol treatment is equivalent to £2.4 billion;

[2] https://www.gov.uk/government/publications/alcohol-and-drug-prevention-treatment-and-recovery-why-invest/alcohol-and-drug-prevention-treatment-and-recovery-why-invest
[3] https://www.gov.uk/government/publications/alcohol-and-drug-prevention-treatment-and-recovery-why-invest/alcohol-and-drug-prevention-treatment-and-recovery-why-invest

- Drug treatment provides a £4 social return on every £1 invested;
- Alcohol treatment provides a £3 social return on every £1 invested.

Around 72% of people entering alcohol treatment, and 80% of those entering drug treatments, are not in paid employment[4]. The provision of successful treatment also increases the likelihood of recovery and a successful employment outcome.

Thriving neighbourhoods and communities

Adult substance use impacts individuals, families, children, and communities. The impact is disproportionate in some areas of the city, with deprived communities experiencing higher levels of substance use related harm. Substance use can impact on communities and their safety and atmosphere significantly, with anti-social behaviour, offending, public drug and/or alcohol consumption and intoxication, related litter, and visible drug dealing all being issues that cause problems for communities in the city. By ensuring that there is good quality, accessible treatment in Sheffield, this will make a significant contribution to reducing these harms. This includes secondary and tertiary prevention of parental substance use which is a known cause of Adverse Childhood Experiences (ACEs) and is likely to result in poorer outcomes for children in those families affected.

The contract will include criminal justice interventions delivered at Shepcote Lane custody suite, HM courts, and in the community, when all four contracts currently delivered are streamlined into one. The Office of the Police and Crime Commissioner provide funding for the criminal justice specific elements of the service. Investment in substance use services has a significant impact on reducing offending and its associated costs to society:

Drug and alcohol treatment in England in 2016/17 resulted in 4.4 million fewer crimes:

- 44% reduction in the number of dependent individuals re-offending;
- 33% decrease in the number of offences committed.

The service will be commissioned to ensure comprehensive community coverage via outreach, treatment clinics, and recovery groups and activities, so that services and recovery are visible in the community and that the needs of different communities are met, by planning the activity in consultation with these communities, and working flexibly for and with the needs of the very different communities across our city.

Better health and wellbeing

The proposed service has a positive impact on individuals' physical, mental and emotional wellbeing.

Drug related deaths are increasing nationally, which is mirrored locally. The reasons for this are numerous.

All evidence shows that *being in treatment is the single most significant*

[4] Government Drug Strategy 2017

***protective factor* against drug related deaths.**

The cost of substance use, both to organisations treating the health problems associated with them, and to the individuals suffering them and their families, can be extreme. The service will have a specific focus on physical health and wellbeing as part of its delivery, as well as seeking to work closely with mental health services to prevent and respond to people with mental ill health alongside their substance use. The service will prioritise prevention of these health problems occurring, and proposes effective responses to reduce the harm from substance use, achieving positive outcomes and promoting recovery.

Tackling inequalities

Substance use levels are disproportionately high in deprived communities, and in those who have experienced adverse childhood experiences (ACEs). Inequalities and ACEs increase the risk of substance use significantly, and in those who use substances, of dependent/high risk use into adulthood. Families in communities at risk will be supported by this service: addressing parental substance use early and quickly will prevent the occurrence of this particular ACE for children currently growing up in the city and increase the chance of successful parenting and family life. For example, [5] nationally, 20% of children 'in need' are affected by parental drug use, and around 18% by alcohol use. Parental substance use features in 25% of cases on the child protection register, and substance misuse is involved in 38% of serious case reviews.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 An extensive consultation on this proposal has been carried out.

Over 260 individuals have been spoken to in person as part of the process.

We have carried out over 100 one to one interviews as well as a number of group consultations, and an online survey via Citizen Space. The survey available to the public and was circulated via numerous channels. The consultation period was open from early January to early April 2019.

In developing an inclusive and relevant plan for the commissioning of substance misuse services the following consultations have been carried out in line with the Government's Consultation Principles and Involvement Guide:

Those consulted included:

- Staff currently delivering the existing four contracts at all levels;
- A specific management event with representation from each of the above services;
- Group consultations with current service users of all the existing four services;
- Waiting room consultation sessions held at the Fitzwilliam Centre;
- Group consultations delivered with and by organisations involved in substance misuse pathways in Sheffield but not commissioned by DACT, including SASS and Drink Wise Age Well;

[5] https://www.gov.uk/government/publications/alcohol-and-drug-prevention-treatment-and-recovery-why-invest/alcohol-and-drug-prevention-treatment-and-recovery-why-invest

- Attendance at recovery / SMART groups to access people post structured treatment;
- Sheffield Recovery Ambassadors;
- People not currently in treatment (either have never been or have been in the past) via low threshold groups such as Breakfast Club;
- Online survey – an online survey was designed and was open for 8 weeks in total this was shared across all of our networks of providers, stakeholders, and service users including made public via social media pages such as Facebook Recovery Page and Twitter to allow the public to respond.

The consultation has been carried out well in advance of the tender publication in order to ensure the service design is based on the views of those consulted with.

The full details of the consultation process and the themes and feedback received as a result of it can be found in Appendix 1 embedded below.

Appendix
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Based on the outcomes of our needs analysis, and consultation exercise, we will be asking bidders to focus particularly on the following areas during delivery of the contract:

- **An increased focus on prevention, including prevention of ACEs in the children of substance using parents** (both drug and alcohol use), as well as substance use related offending, through a dedicated outreach function which can respond quickly and flexibly to emergent themes;
- **Retaining the open access treatment model**: this is highly valued and seen as an excellent offer;
- **Delivery of more community based interventions**, both of treatment clinics and recovery activities, and diversionary activities to reduce offending and reoffending;
- **Increased community based training and awareness sessions** to be delivered with a view to improving access to information for families and supporting integrated locality working;
- **An increase in support groups and recovery activities** across the service;
- Supporting people in treatment to improve their **mental and physical health** through focussed interventions offered alongside treatment;
- **Retention of the criminal justice interventions** which prevent and disrupt offending and divert people to treatment in order to remove the need to offend, but with some possible refocus to maximise the resource available;
- **Retention of the Sheffield specific innovations** that have been fed back on consistently positively on during consultation, for example the bespoke Spice Clinic and the Juice Clinic for people using image and performance enhancing drugs;
- **Continued commitment** to high standard **evidence based**, high coverage and low threshold **harm reduction and treatment** interventions;
- **An improvement on our outcome data** of successful completions from treatment with no re-presentations within 6 months. However, efforts to do this will not include any methods that prevent individuals re-entering

treatment if they need to.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

4.1.1 The report is focussed on the elimination of discrimination and, as such, directly supports the council's Public Sector Equality Duty which is set out in section 149 of the Equality Act 2010. People using substances are often discriminated against and experience multiple and complex disadvantages. The process aims to ensure quickly and easily accessible, compassionate, individualised support at the right time for people using substances.

There is overwhelming evidence that drug and alcohol use disorders disproportionately impact on disadvantaged groups in society, including people with disabilities (especially mental health issues), BME and deprived communities. In addition, relating specifically to alcohol use, people resident in more deprived communities will experience disproportionately high levels of harm from the same alcohol consumption as someone resident in a more affluent community, due to the impacts of other health inequalities they experience.

4.1.2 A thorough Equality Impact Assessment (reference 559) has been undertaken. It considers how the strategy would potentially benefit groups with protected characteristics, including age, gender, disability and sex; and its wider impacts on health, poverty and other issues.

4.2 **Financial and Commercial Implications**

4.2.1 Very high level financial information is contained within the report.

The cost of the proposed contract is approximately £5m per year dependent on final confirmed allocations from SCC's PH grant and funding from the Office of the Police and Crime Commissioner. The final budget will reflect the savings required on the PH Grant, as referenced earlier in the report.

Our intention is to offer the following savings to the PH Grant spend on substance misuse contracts:

Year 1 of contract – 2020/21 – 2.6% reduction on 19/20 total contract spend

Year 2 and 3 of contract – further 5% reduced from the Y1 value providing a static budget for years 2 and 3.

This approach will deliver a 7.6% saving to the PH Grant allocation to the adult services by the end of Y2 of the contract, which is an over-commitment on the required saving, offered earlier, in order to secure a static contract spend in Y2 and Y3. This supports both the aims of the council in needing to plan realistic and deliverable savings, but also meets the needs of bidders during a competitive tender who have expressed during consultation a preference for savings to be taken early in the contract period to allow planning for sustainable service delivery. In years 4 and onwards of the contract, annual negotiations will be carried out between commissioner and provider regarding funding.

Indicative saving amounts have been provided in the table below by People Portfolio Financial partners, who have confirmed they are satisfied with this approach to the required savings and budget planning.

	Current Value £000	Public Health Grant £000	PCC £000
Opiate	2573	2573	0
Non Opiate	586	586	0
Alcohol	747	691	56
CJIT & Arrest Referral	1336	909	427
	5242	4759	483
Expected saving 2020/21 - 2.6% of current PH Grant		124	
Expected saving 2021/22 - 5% of current PH Grant		238	
Total saving		362	

4.3 Legal Implications

4.3.1 Section 6 of the Crime and Disorder Act 1998 places a duty on the local authority to implement a strategy for combatting the misuse of drugs, alcohol and other substances in the local authority's area. When implementing the strategy the local authority must comply with its general duty under S3(1) Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised; such improvement includes effective service delivery, value for money and ensuring the project outcome is achieved.

Sheffield City Council's Drugs Strategy includes the recommissioning of services and this will involve procurement and contract award processes. When doing these processes the Council must comply with relevant provisions of the Council's Constitution including its Contracts Standing Orders and Financial Regulations. Where the Public Contract Regulations 2015 applies, the Council must not breach or unlawfully avoid them.

When contracting with providers, the Council uses its general powers under Section 111 of The Local Government Act 1972 to enter contracts in order to the discharge the council's function. The Public Sector Equality Duty requires the Council in the discharge of its function to give regard to the need to eliminate discrimination advance equality of opportunity and foster good relations between different people when carrying out their activities.

Since the proposals do not suggest any possibility that the council intends providing any of the currently outsourced services for itself, there are no Employment implications from these proposals.

4.4 Other Implications

(Refer to the Executive decision making guidance and provide details of all relevant implications, e.g. HR, property, public health).

All other implications have been captured in the processes above.

5. ALTERNATIVE OPTIONS CONSIDERED

(Outline any alternative options which were considered but rejected in the course of developing the proposal.

5.1 There is not a 'do nothing' option available: all SCC commissioned substance misuse support contracts now end on 31st March 2020 and in order to ensure there is legally contracted provision from 1st April 2020 a new commissioning process must be carried out in a timely manner. The ending of all the contracts on the same date allows us the opportunity to ensure our vision as set out in the drug and alcohol strategies are realised via the commissioned treatment provision, and achieve savings and efficiencies by streamlining and integrating the service and remove barriers for service users such as duplication and issues with information sharing.

The commissioning process also allows us to review our outcomes, and focus attention and prioritise areas where improvement is required.

The alternative option in terms of the model would be to commission two or more separate contracts to mirror the current provision. However, the outcome of the consultation was overwhelmingly that a one contract model was preferred by staff, stakeholders and service users. It also offers the opportunity for reduced overheads in a time when savings are required, and so is the sensible approach to providing these savings while minimising the impact on frontline service.

Another option considered is the council taking on the delivery of these services and running them as a council service. This has been rejected for a number of reasons. Firstly, the services involve a significant element of clinical expertise and delivery of high volume clinic based activity. Secondly, the Council has no experience or delivery knowledge of these services and has no past precedent for running them, whereas there is a well-developed market of qualified and experienced providers who would be willing and able to deliver these services if successful in the competitive tender process. This is evidenced through our current service delivery arrangements. Finally, the Council has no systems in place for clinical supervision of a workforce, licences to hold medication, is unable to manage safe prescribing: and the costs of setting this up would be disproportionately high and poor value for money when existing fit for purpose options exist in this market.

6. REASONS FOR RECOMMENDATIONS

Good quality drug and alcohol support services are essential to help individuals turn their lives around and build stronger families and communities in Sheffield.

The Council has a duty to organise and arrange drug and alcohol treatment and support services for the people of Sheffield. The council cannot directly run these services, so a recommissioning process is required.

The current legal contractual arrangements in place for these services expire on 31 March 2020, so carrying out this process at this time will allow us to ensure there is continuity of service, with new contracts commencing on 1st April 2020, and to offer the necessary savings to the PH Grant with minimum impact on frontline service. This was the over-arching action set out in the Drug Strategy 2018-2022.

The service will be based on local need and trend analysis, and performance data for current service provision will inform where change and improvement is needed for the forthcoming contract period.

Appendix 1 – Consultation

Introduction

The consultation period started on the 8th January and closed at the end of April 2019. During this time we consulted with a vast number of people with an interest in this process, including the current commissioned services workforce, people from stakeholder organisations, current and former service users, and people experiencing substance use disorders who were not currently in treatment. See full list below of those consulted:

Agency/Venue	Type of Consultation	Volume
Addaction	1:1	9
Addaction	Group	27
Sheffield Health & Social Care (SHSC) – Non Opiate & Alcohol Service	Group	11
Sheffield Health & Social Care – Non Opiate Service	1:1	7
Sheffield Health & Social Care – Alcohol Service	1:1	8
Substance Misuse Commissioned Services Managers	Group	6
Sheffield Health & Social Care – Opiate Service	Group	24
Sheffield Health & Social Care – Opiate Service	Group	20
Sheffield Health & Social Care – Opiate	1:1	19
Sheffield Alcohol Support Service (SASS)	Group	10
Salvation Army	1:1	6
Substance Misuse Operational Group (Drink Wise Age Well, SASS, The Corner, South Yorkshire Police & SHSC)	Group	10
Ambassador Group (Service Users)	Group	9
SMART Group (Self-Management and Recovery Training)	Group	7
Service Users via waiting room within the Opiate Service	1:1	16
SURRG (Service User Reference & Recovery Group)	Group	7
South Yorkshire Police – IOM Sergeant	1:1	1
Drug & Alcohol Coordination Team (DACT)	1:1	1
Drink Wise Age Well (Service Users)	Questionnaire	8
Addaction – Breakfast Club (Service Users)	Group	6
SASS – Service Users	Questionnaire	12
Available to all, of which 27 were Service Users and 2 members of the public	Citizen Space Survey Paper Survey	31 24

In addition to the above, we offered to consult with one further service, who didn't engage in the process. In total, we consulted with 279 people of which 78 (28%) were service users.

Methodology

We offered 1:1 consultations with the incumbent provider's commissioned workforce from Sheffield Health & Social Care and Addaction and asked for individuals to come forward from each of the delivery areas. Of the 88 staff members at Sheffield Health and Social Care; 34 (39%) staff members engaged in a 1:1 consultation interview.

Consultation Process

Of those consulted with on a 1:1 basis; they were each asked a set of 13 questions:-

- 9 x generic questions - for example: does your service make the most of volunteers and what do you think PSI (psychosocial interventions) delivery should look like?
- 4 x service specific questions - for example: what does the current needle exchange provision work like and how should the call volumes be managed within this service to ensure effective communication?

For the group based consultations and on-line questionnaire there were 4 primary questions mirroring the questions we asked in the 1:1 consultations to ensure consistency across all services. These questions focused on the wider systematic treatment system for example: what works well and what doesn't work well in the current treatment system and do you think there is anything missing from current service provision. All questions were open questions to allow participants maximum opportunity to give their views without being led.

The questionnaire was available on-line via Citizen Space to the general public and links to it were emailed across networks widely including publication via social media, for example, on Twitter where the tweet with the link to the survey had nearly 3000 views. The questionnaire was also promoted at local operational and strategic meetings and was made available at each provider service, in the waiting area in paper copy format.

A bespoke questionnaire was developed for service user groups (SMART groups) and two recovery services worked specifically with their own service users to complete the questionnaire, which asked about recovery opportunities and their experiences treatment. A group session was held with workers of these services.

Service users were approached in the waiting areas in the opiate service and structured one to one conversations were held, with those who agreed to engage. Group sessions were held with our service user group including those individuals who're in recovery via the Ambassador scheme and those actively in addiction via a SMART recovery group.

Key Themes

On the whole, people fed back consistently on the same themes. We have identified these which are discussed in turn:-

Theme 1 – Model

One integrated substance misuse (drugs and alcohol) treatment service was considered the best outcome to address communication between services, partnership working, information sharing, movement/fluidity of clients and resources. However, several people were of the opinion that service users should continue to be segregated by substance particularly alcohol and opiate users in order to manage waiting room dynamics.

Theme 2 – Location

The general consensus was that the location of services should remain in the city centre, due to ease in terms of accessibility for service users and key partners. However, a city centre location was also perceived as a barrier for some people accessing treatment and suggestions were made to increase the number of community based hubs in the outer parameter areas. This will be specified for the new contract.

Co-location with criminal Justice partners such as South Yorkshire Police and the Probation Service is paramount to coordinated activity and the positive engagement of clients.

We need to review the use of the current treatment locations to utilise them more successfully for the volume of presenting clients.

There was a debate about using different buildings/ locations based on typology of substance or based on progression through treatment – with no overall consensus. However, it was universally recognised that people that use alcohol and non-opiates, and the criminal justice and opiate service users were more suitability aligned if this was an area for specific commissioning recommendations to be made.

Theme 3 – Open access to treatment

There is a genuine need and appetite to keep these services open access in the city, which provides immediate access to a worker, an assessment and pharmacological treatment if appropriate. It was seen as a positive way to engage with service users and encourage entry (re-entry) into treatment, for those who require it. However, the feedback also highlighted challenges of this model. It was acknowledged that the system is open to abuse and that it perhaps *'reduces the value of a prescription',* with people *'not valuing treatment as they take it for granted',* in some cases.

It was stated that open access does not work for all service users, all of the time, particularly those that cycle in and out treatment multiple times due to their complex lives. The consultation was clear there needs to be an alternative offer for this group and the commissioning process will pursue this. In summary open access needs to be flexible, needs led, and have consistency to establish boundaries, motivate change and promote engagement. A different offer is required for the 'revolving door' cohort and those that are hard to reach.

Theme 4 – Pharmacological Treatment (prescribing/medication based treatment)

There has been a significant increase in caseload numbers in both the opiate and alcohol contracts during current delivery periods. The introduction of nurse prescribers have benefited both services, and the workers in the alcohol service shared that the multi-disciplinary team of nurse prescribers, doctors and PSI workers worked well, this was echoed in service user feedback. However the increase in opiate service users has created pressure to provide *'IAPT based talking therapies such as motivational interviewing and brief interventions'*, alongside the clinical requirements of issuing a opioid substitute therapy prescription.

Of the service users consulted in the opiate service, all but two were using illicit substances on top of their prescription and none of the service users considered themselves as being in 'recovery' from substance use, which highlighted a need for improved 'recovery identity' in future treatment services and greater exploration of the part that medication assisted treatment plays in recovery.

People would like to see flexibility in their treatment offer, an offer that is client led, dynamic and strengths based. Staff members shared that the frequency of appointments should be based on client need and not process driven and that it would be positive for commissioners to allow more flexibility for services to operate flexibly.

The number of drug workers providing practical and motivational support is small compared to the significant number of clients in the opiate service. This means access to a drug worker can be limited and more opportunistic. Service users told us that they want to be challenged about their drug use and want regular encouragement to change their patterns of behaviour.

Service users told us that they wanted to tell their story once and be assessed once; therefore a consistent drug worker / key worker was preferred. The planned integrated treatment model will support this comprehensively.

It was stated that a different offer should be considered for those addicted to over the counter/prescribed pain killers which is a growing area of need; these service users fed back that they did not see the necessity in providing a urine sample at each appointment, and saw this as a barrier to a trusting relationship with their key worker, (urine sampling is delivered in line with clinical guidance but there is some flexibility).

It was stated the issuing prescriptions as an operational process needs to be efficient and responsive to best utilise both clinical and administration staff's time.

An increase in nurse led prescribing has been viewed as a positive move, this was seen as a more efficient and cost effective process and all consultees suggested that this resource should be increased in the new contract period.

There is a good pharmacy network for those that require supervised consumption. However, people would like to see greater trust in service users, in terms of pick up requirements.

People would like to see the introduction of an on-line digital based offer – e.g. web chat or text based facilities.

Views on reimbursement of travel expenses was varied and based on a number of sometimes seemingly inconsistent criteria. It was explained that this was a difficult process to implement and often created conflict within the service. The general consensus was that this should not continue in the new contract period, however, it has, for many individuals played an effective contingency management role and therefore discussions about this approach should be explored during the commissioning process.

<u>Theme 5 – Psycho-Social Interventions (PSI) / talking therapies and mental health</u>

The current approach to PSI offer differs across the contract areas. There was a general consensus that the offer within the alcohol service works well as they deliver a broad spectrum of PSI from brief interventions/ motivational interviewing (which helps to establish engagement with treatment) through to trauma based interventions, which is often client led. However, caseloads in the alcohol service are high, which impacts on the allotted time for appointments and flexibility of appointments offered. This needs to be addressed in the new contract period.

Staff stated that clients are presenting more often with complex mental health needs, which includes a history of trauma. Staff members feel like they're *"plugging a gap that mental health services should be providing"* and that they would hugely benefit from hands on expertise from this area of work such as a co-location arrangement or specific training and development opportunities to strengthen the workforce.

The Opiate service currently offers a 12 week structured PSI programme which is seen to be too rigid for some service users to engage in due to their own complexities and the nature of their substance misuse. This offer is underutilised; however, when service users do engage with PSI, the experience is thought to be positive and has good outcomes. It was felt that practitioners may be too 'quick' to refer service users into PSI when focus should be initially given to the basic hierarchy of need i.e. stable housing and working to motivate change though the provision of brief interventions and extended brief interventions in the lead up to more in-depth PSI treatment, similar to the current alcohol offer.

The acronym PSI has negative connotations for both service users and workers. Therefore any future changes to PSI delivery should include a name change to make them more accessible; i.e. 'talking therapies'.

IAPT is often not appropriate for people using illicit substances, and CBT is not applicable for the majority of people in treatment. The offer in the new contract period should be stepped in intensity across all the substance areas, and be trauma informed including exploring adverse childhood experiences and their impact on people's substance use.

In the new contract period there should be a menu of talking therapy options at every stage of a client's treatment journey and an offer that includes a range of PSI – including on a one on one basis and also group offer aligned to the 'cycle of change'; e.g. motivation to engage, relapse prevention, with service users wanting the reintroduction of holistic therapies and more group based activities.

Service users said access to mental health services is difficult; staff members said that communication and pathways with mental health services needs focus. Dual diagnosis will be addressed in the commissioning process.

It was explained that for those individuals with dual diagnosis (co-morbid mental health condition and drug use) there was a need to work differently with mental health services. It was explained that more emphasis is needed to explore and understand how they got to where they got to in the first place; consideration should be given to better pathways for those who require mental health treatment, having access to mental health workers to support the treatment service and possible co-location arrangements including a dual diagnosis clinic.

<u>Theme 6 – Harm Reduction/Needle Exchange/Mobile Van</u>

The needle exchange and harm reduction interventions are considered *"the start of recovery"* and current delivery in the non-opiate service is considered *'gold standard'* by many people and it is felt this should be replicated more closely in the Opiate service. It was stated that the needle exchange was not always a priority in the Opiate service due to competing demands. Access to clean drug paraphernalia in the clinical rooms was generally well received, however caused some issues for staff in terms of harm reduction/recovery.

People supported the continued availability of a needle exchange at both sites (if both sites continue), which would include continued access to equipment in a clinical setting and wanted to see the continuation of the JUICE (steroid and image and performance enhancing drugs) clinic. There was a recognised need for the introduction of a needle exchange database/case management system to record activity and better manage client care.

There was a general consensus that the current recovery van / mobile needle exchange has been inconsistently used. It takes time to repair and it is expensive operationally (as it requires 2 workers). It was felt that branding on the van created stigma and was a barrier to engagement and that it would be better if the van was completely anonymised. Some people felt this resource should go. However, there were some who felt if it was to be continued then it should be prioritised, utilised regularly and for other purposes such as undertaking outreach and undertaking harm reduction initiatives at festivals etc. This will be reflected in our renewed focus on outreach provision as a result of this consultation period and our experiences over the past few years of delivering the contract.

Theme 7 – Criminal Justice

The overall consensus on the current criminal justice offer is the need for the continued provision within police custody, prison and courts. It was consistently recognised that partnership working and effective communication with key stakeholders (including staff members) is vital with treatment providers, the police; agencies such as court, prison and the custody suite are also paramount.

Theme 7a – Custody Suite

Individuals explained that changes within the wider Criminal Justice System such as changes to police legislation, including the option to voluntarily attend a police station without being arrested, had reduced overall activity. Whilst current custody coverage 'captures' the business periods/peak testing times; it was suggested that the hours of coverage could be reduced or adjusted to reflect these changes, and therefore use worker resource in a different way such as having a greater emphasis on preventative work addressing offending and reoffending via street outreach. It was explained that going forward, there is a greater need for flexibility to adapt to the external changes that are happening locally and nationally and will continue to do so. Future outreach provision will be utilised to move quickly in response to local need. Getting the balance between time spent in custody and time spent undertaking preventative work in the community needs to be considered. It was shared that for some individuals in custody, it was the most appropriate time to assess them comprehensively but for others it was the wrong time and a different offer could be explored.

Good links with the custody staff and liaison and diversion need to be maintained.

Current criminal justice targets need reviewing to reflect changes in current drug use and offending behaviour, be less process driven and more outcomes focused. This will be addressed in the new specification.

Outreach within this current service offer is a unique selling point and the ability to conduct home visits and accompaniment to appointments needs to be explored within the new offer.

The current criminal justice offer is to work with individuals using opiates and crack cocaine. It was shared with us that there is a need to explore drug testing beyond this and the offer in custody, in line with new drug trends such as cannabis and NPS.

Theme 7b – Prison

People felt that the use of peer support within the Criminal Justice System i.e. to facilitate a prison pick-up should be available within the new contract period.

Effective in-reach prior to release to establish support needs of prisoners and to link in with the treatment provider if continuation of prescribing is required.

A consistent theme is that people are often released from prison without accommodation, which impacts on their treatment and engagement. It also leads to re-offending and license recall.

Theme 7c – Court

It was explained there is a need to establish robust links with liaison and diversion, this service has been recently re-commissioned and pathways and partnership work with this service is essential. Collective feedback suggested that it is difficult to keep the momentum going with court staff/judges due to ongoing change and the differing offer between Sheffield and Rotherham treatment services.

Theme 8 – Volunteer offer

There was a general consensus that the ambassador scheme for individuals in substance misuse recovery was positive in the current commissioning arrangements and should continue. It was shared that the opportunities for volunteering by peers at the end of the ambassador scheme can be limited, particularly within the clinical treatment services and this was primarily due to worker capacity and their ability to offer a meaningful volunteer placement opportunity with sufficient supervision. This is an area for consideration in the new contract.

There was a general consensus that ambassadors, peers and other volunteers were well utilised in the criminal justice service; there is a community engagement co-ordinator role who recruits and supervises volunteers, makes links with the neighbouring universities and other partners to build the recovery/volunteer offer. This was overwhelmingly seen as a positive and growing area and will be highlighted for expansion in the new contract.

There are no current volunteers in the opiate, alcohol and non-opiate service. It was felt this was a missed opportunity, e.g. options for counsellors earning their 100 hours post training, linking in with universities beyond the current offer of clinical placements. This will be responded to in the above developments.

It was shared that a quality offer for volunteers requires consistent supervision, a solid induction period, structure to their role and meaningful opportunities. It should not replace a paid workforce, but rather enhance the service delivery than replace it.

Theme 9 – Group Work and Peer Support

Service users voiced an interest in a consistent group support offer. However, for those not involved in a group currently such as SMART, they and many of the clinical staff were unaware of the groups available. Therefore, there is a need for more awareness of the group work offer.

There was a general consensus that where groups were happening (e.g. breakfast club, SMART, art club) that these were well received by workers and service users, and supported service users in their recovery and engagement with treatment provision or criminal justice based interventions. It was felt that more could be done, and there could be different groups offered for people at different points of their treatment and recovery journey, with some being worker led and some worker and peer led.

Furthermore, workers and service users felt there were opportunities to be explored to base groups in communities (many service users said groups helped to reduce their isolation and social integration) but also to link in with established groups in communities; focusing in with each individual's interests.

There are limited structured group sessions available at present in the opiate, alcohol and non-opiate service, although the SMART group for alcohol was well received. Access to SMART, NA and other mutual aid groups across the city was seen as a positive for those who attended these groups. Having a 'recovery hub' was also suggested.

Groups around employment, training and skills building and links with ETE services were also suggested as potential opportunities. Learning from Sheffield's involvement in the Individual Placement Support (IPS) PHE trial will be used to inform this in the newly commissioned contract.

Theme 10 – Communication and IT

All workers and partners shared that there were significant difficulties experienced when trying to contact treatment providers via telephone. Service users shared that they don't like the current telephone system and gave examples of particular difficulties which impacted them. The consensus was a more efficient telephone system for managing this is required in the new contract period making it as easy as possible for service users as the priority, but also other professionals, to be able to contact the service.

Feedback from the consultation was unanimous in its request that IT efficiency was a priority in the new contract period.

Theme 11 – Rehab/inpatient detox

It was explained that the interface between inpatient detox and community treatment has changed overtime, and there is a need for this process to be more streamlined and effective. However, the provision of inpatient detox and residential rehab spot purchasing is not in the scope of this re-tender and so this feedback will be applied elsewhere.

Theme 12 – Health/Wound Care Offer

The wound care offer was seen as very positive by all and considered as a service that should continue. Linking this service with hostels was considered a positive from past practice, but something that had since been withdrawn due to staffing capacity issues and should be recommenced.

It was shared that there is an aging cohort of opiate users and that the physical healthcare needs of this cohort are increasing. General consensus was that further addressing healthcare and wellbeing needs should be factored into future commissioning requirements, with this being an area that could secure additional funding. A number of suggestions to address health issues of service users were shared by clinicians including:-

- Significantly improving the links and pathways (due to continuation of prescribing needs) with GP practices. Clinicians are reliant on good communication with GPs practices to understand current health care provision and this should be given focus;
- Keeping the pregnancy clinic and consider additional resource for in-reach into the maternity units;
- Consider a female only offer/clinic in line with national drug strategy;
- Retain good links into Hep C treatment; working in partnership with the hospitals and offering onsite Hep C treatment/ satellite clinics;
- The general consensus from staff members is that greater flexibility to conduct home visits should be permitted particularly where patients are deemed clinically appropriate;
- Consideration of a new harm reduction clinic / hub to focus on wound care, BBV interventions and general health and wellbeing check such as blood pressure checks etc.;
- Consideration of adopting the principles of Patient Activation Measures (PAM), where workers support service users to better manage their own long term health conditions and social prescribing.
- Continuing to work more effectively with GPs to continue alcohol relapse prevention medication.

Theme 13 – Outreach

Outreach provision was generally seen as being under resourced currently, but many shared the need for this has increased and activity should be planned in the next contract period. It was felt that further outreach provision could create the flex between responding to emerging trends, linking in with complex people and with hostels and vulnerable people's services, engaging with key partners i.e. the police and used to engage criminal justice clients.

Recommendations for future commissioning arrangements

The following should be considered:-

- Commission one integrated treatment service, which includes all substance use treatment and a criminal justice provision, with elements of city centre and locality / community based provision.
- A treatment system that is open access, that provides a specialist response to those with complex needs or those that are cycling in and out of treatment (revolving door cohort), which is flexible, is challenging, whilst motivating and client led.
- Pharmacological and psychosocial treatment should go hand in hand, with BIs, EBIs and PSI offer to all and specialist talking therapies on a one to one and group basis with a key focus on mental health and a conduit into mental health services.

- A group work offer for all stages of the recovery journey to enhance motivation, engagement, longer term abstinence and reduce the need for individuals to re-presentation to treatment.
- Effective partnership working with key partners, including police, courts, probation, hostels, GPs and hospitals.
- A criminal justice offer that meets statutory requirements and maximised opportunities to engage individuals involved in the criminal justice system to disrupt offending behaviour and engage with drug treatment
- An outreach offer into communities and in-reach into key partner agencies with an emphasis on prevention.
- Continued needle exchange provision that is gold standard and continuation of the JUICE clinic.
- Introduction of a health hub to focus specifically on physical health care needs - including wound care, harm reduction and BBV interventions.
- A proficient IT and telephony system for service users, concerned others and professionals to use.

Disclaimer: Due to the volume of the consultation responses; they have been grouped into the themes for this document. The records of all the consultation that took place are held by Sheffield Drug and Alcohol Co-ordination Team.

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Author/Lead Officer of Report: Dave Phillips, Head of Strategic Finance

Tel: 0114 273 5872

Report of:	*Eugene Walker*
Report to:	*Cabinet*
Date of Decision:	*21st May 2019*
Subject:	*Revenue and Capital Budget Monitoring 2018/19 – As at 31st March 2019*

Is this a Key Decision? If Yes, reason Key Decision:- Yes ✓ No ☐

- Expenditure and/or savings over £500,000 ✓
- Affects 2 or more Wards ✓

Which Cabinet Member Portfolio does this relate to? *Finance and Resources*

Which Scrutiny and Policy Development Committee does this relate to? *Overview and Scrutiny Management Committee*

Has an Equality Impact Assessment (EIA) been undertaken? Yes ☐ No ✓

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes ☐ No ✓

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

This report provides the outturn monitoring statement on the City Council's Revenue and Capital Budget for 2018/19

Recommendations:

1. Cabinet are asked to:

   (a) Note the updated information and management actions provided by this report and attached appendices on the 2018/19 Revenue Budget Outturn.

   (b) Note the recommendation of the Executive Director of Resources and Statutory Finance Officer, at paragraph 14 above, that the General Fund reserve is returned to the minimum recommended level of £12.6m (approximately 3% of net revenue expenditure) during 2019/20.

(c) In relation to the Capital Programme, note the Outturn position described in **Appendix 6**.

(d) In relation to the Treasury Management Review in **Appendix 7**, consider the 2018/19 Treasury Management Outturn Report and ask that it be forwarded to the Full Council, in compliance with CIPFA's Code of Practice on Treasury Management.

Background Papers:

<table>
<tr><th colspan="3">Lead Officer to complete:-</th></tr>
<tr><td rowspan="4">1</td><td rowspan="3">I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</td><td>Finance: Dave Phillips</td></tr>
<tr><td>Legal: Sarah Bennett</td></tr>
<tr><td>Equalities: No</td></tr>
<tr><td colspan="2">Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</td></tr>
<tr><td>2</td><td>EMT member who approved submission:</td><td>Eugene Walker</td></tr>
<tr><td>3</td><td>Cabinet Member consulted:</td><td>Councillor Olivia Blake
Cabinet member for Finance and Resources</td></tr>
<tr><td rowspan="3">4</td><td colspan="2">I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.</td></tr>
<tr><td>Lead Officer Name:
Dave Phillips</td><td>Job Title:
Head of Strategic Finance</td></tr>
<tr><td colspan="2">Date: 5th June 2019</td></tr>
</table>

1. PROPOSAL

1.1 This report provides the outturn monitoring statement on the City Councils Revenue and Capital Budget for 2018/19

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 To formally record changes to the Revenue Budget and gain Member approval for changes in line with Financial Regulations.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 *No*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

4.1.1 There are no specific equal opportunity implications arising from the recommendations in this report.

4.2 Financial and Commercial Implications

4.2.1 The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2017/18, and as such it does not make any recommendations which have additional financial implications for the City Council.

4.3 Legal Implications

4.3.1 There are no specific legal implications arising from the recommendations in this report.

4.4 Other Implications

4.4.1 Although this report deals, in part, with the Capital Programme, it does not, in itself, contain any property implications, nor are there any arising from the recommendations in this report.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

6. REASONS FOR RECOMMENDATIONS

6.1 To record formally changes to the Revenue Budget and the Capital Programme.

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REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 31st MARCH 2019

Purpose of the Report

1. This report provides the Financial Outturn statement on the City Council's Revenue Budget and Capital Programme. The first section covers Revenue Budget Monitoring. The Capital Programme is reported at paragraph 27.

REVENUE BUDGET MONITORING

Summary

2. The Council finished the year with an overspend of £4.6m on the General Fund budget. This is obviously a concern, as it shows the financial pressure the Council is under, with, in particular, a backdrop of rising cost and demand pressures within Social Care services and sector-wide funding issues. Sheffield is not alone in this – the Local Government Association predicts an overall funding gap for local authorities of £3bn in 2019/20, and £8bn by 2024/25[1]. The Council's deficit would have been much higher but for other positive movements in budgets, such as unexpected grant income, deferred capital financing charges and reductions in spend in other services. This is a similar message to 2017/18– large social care overspends, offset by improvements in other services and corporate budgets in an attempt to balance the position. However, action is clearly needed to address the position.

3. In March 2019 the Council approved its 2019/20 Revenue Budget. As a response to the pressures in Social Care services outlined above, Social Care budgets as a whole were increased by £20m. This increase was funded by a prudent, one-off release of earmarked reserves and the Collection Fund surplus. The expectation is that this increase stabilises the General Fund budget for 19/20, to allow longer-term work to bring future budgets into balance.

4. Consequently the Council's medium term planning has taken in to account the pressures outlined in this report, and there are plans to bring the Council's budget back to a stable footing. These plans do however rely upon the delivery of agreed savings and the successful mitigation of pressures, including agreeing service changes jointly with partners in Health. The Council also continues to press Central Government to provide additional funding to recognise the pressures within social care services locally and nationally.

[1] https://www.local.gov.uk/about/news/funding-black-hole

5. The outturn by Portfolio is summarised in the table below:

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 9
PEOPLE	250,573	235,228	15,345	⇩
PLACE	196,584	198,272	(1,688)	⇩
PPC	3,229	3,145	84	⇩
RESOURCES	5,168	7,211	(2,043)	⇩
CORPORATE	(450,914)	(443,856)	(7,058)	⇩
GRAND TOTAL	**4,641**	**-**	**4,641**	⇩

6. In terms of the outturn position of £4.6m overspend, the key reasons are:

- **People** finished the year with an overspend of £15.3m. The key features of this position are:
    - An overspend against Children & Families budgets of £6.7m, including £4.0m of delays to anticipated savings, £1.8m overspend on Fieldwork staffing costs due to increased caseloads and £572k overspend in non-staffing budgets relating to transport costs and contact time for children in care. The service also carries a £472k overspend relating to the removal of mandatory leave for employees.
    - An overspend of £9.2m in Care and Support, due to £2.6m of unachieved savings within Learning Disabilities services, £5.3m of cost pressures due to increased activity in home care provision and £1.4m of additional costs in the roll forward of clients.
    - There are a number of smaller movements within this position. **Appendix 1** provides a fuller picture on a service-by-service basis.
- In the **Place** Portfolio, the key outturn variances include slippage in the delivery of planned budget savings on the Place Change Programme and Housing General Fund (£3.5m), offset by sustainable and one-off reductions in expenditure budgets which will not affect service delivery, and staff savings from a voluntary early severance/retirement scheme (in total £5.2m), resulting in a net £1.7m underspend.
- **Resources** reported an underspend of £2.0m. The principal reason for this is a review of the bases for apportionment of corporate support services and accommodation of office staff to the Housing Revenue Account, resulting in a £1.7m improvement against budget. This underspend is increased by £468k due to reduced costs of pensions for former employees, £200k of general small savings and by utilising in-house staff instead of external resources, and £200k

savings due to contract price renegotiations. This is offset by £617k of reduced contract rebates negotiated by Resources, where the resulting benefit from the reduced cost of the contracts has remained within the spending departments.

- **Policy, Performance & Communication** are showing an overspend of £84k. The prime movements within this overspend are £261k of reduced income against the advertising contract, with some offsetting savings identified across the service.
- **Corporate** are reporting an underspend of £7.1m. This is due to £4.0m of improvements within Capital Financing following lower borrowing costs than forecast in the budget, and the capitalisation of borrowing costs relating to the Heart of the City Development, £2.2m of grant income announced in December 2018 (therefore not in the budget) and £1.0m of the corporate redundancy provision not needed to fund employee reduction schemes.

7. Fuller details of all reductions in spend and overspends within Portfolios and significant movements from the Month 9 Report can be found in **Appendix 1**.

Public Health

8. Services funded by Public Health grant are showing a £234k reduction in expenditure against the original approved budget. Further details of the outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

9. The 2018/19 budget is based on an assumed in year surplus position of £23.6m which is to be used to fund the ongoing HRA Capital Investment Programme. The outturn position is an £81k adverse movement from budget. Further details of the Housing Revenue Account can be found in **Appendix 3**.

Unearmarked and earmarked Reserves

10. Within the existing statutory and regulatory framework, it is the responsibility of the Executive Director of Resources to ensure that the Council has an adequate level of reserves and that there are clear protocols for their establishment and use.

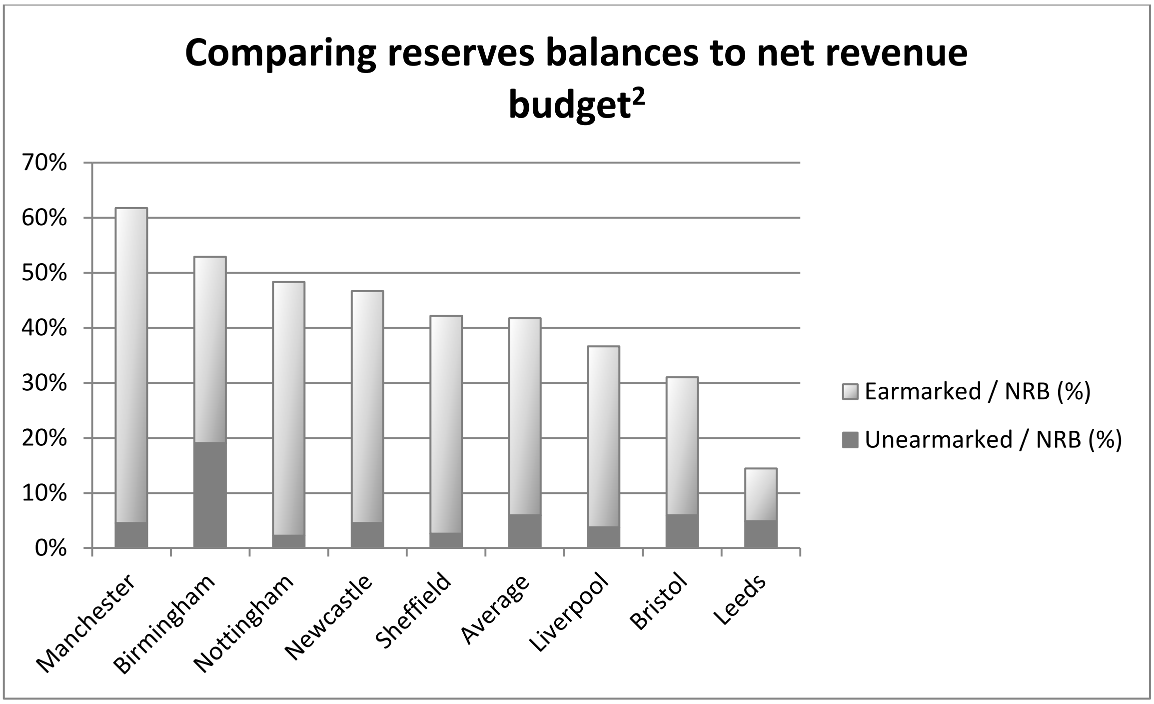
11. Useable revenue reserves balances as at 31st March 2019 are estimated to be £208.3m, pending audit scrutiny. These reserves comprise mainly of earmarked reserves, and can be seen in **Appendix 4**.

12. Included in the above total is £8.1m for unearmarked reserves, which represents just 2.0% of the 2018/19 net budget requirement of £401.2m. Unearmarked reserves remain below the minimum prudent level recommended by the Executive Director of Resources, mainly as a result of the £4.6m overspend in 2018/19. This reserve is to be returned to the minimum recommended level of 3% of net revenue expenditure during 2019/120. If the reserve is used, it will be replenished to the stated minimum

level as soon as practically possible; the Council will always need a minimum level of emergency reserves.

13. Consequently it is recommended that the General Fund balance be replenished to at least £12.6m, representing 3% of the net budget requirement for 2019/20. The s.151 Officer will, within the remit of his authority to ensure appropriate levels of reserves, determine the most appropriate reserve to be used for this purpose, following a review of the adequacy of reserve balances.

14. To add context to Sheffield's reserve position the graph below shows the reserves of the other core cities as a percentage of their Net Revenue Budget (NRB).



15. Sheffield's overall reserves are in line with the Core City mean average and despite increasing pressures these are still felt to be adequate. Notably, across almost all core cities, unearmarked reserves only make up a small percentage of revenue reserves. Sheffield's unearmarked reserves are the second lowest when compared to Net Revenue Budget.

16. Earmarked reserves are set aside to meet known or predicted future liabilities, such as Business Rates Appeals. These liabilities mean that earmarked reserves are not normally available to fund budget overspends. However we examine these reserves each year to see if any are no longer needed and can be released. The 2019/20 Budget includes a release from earmarked reserves of £11m, following this approach, to support our social care and wider budgets.

[2] Reserves levels as closing balance in relevant 2017/18 Audited Statement of Accounts (or Unaudited, if Audited data not available), net revenue comparator taken from MHCLG Revenue Account 2018/19 data.

17. Earmarked reserves also exist because of the need to smooth the significant payments made on programmes such as the Major Sporting Facilities (MSF) and PFI schemes over the 20 year plus terms of the underlying agreements. In both cases the Council currently has a temporary surplus. However, over time this position will change, and future payments will be higher than our resources, so the reserves will be needed to support their primary purpose.

18. During 2016/17 £65.1m was used temporarily to support the Pension Deficit early payment enabling the delivery of £5m of savings over the period 2017/18 to 2019/20. These funds will be fully repaid by 2019/20. These repayments can be seen in a number of the earmarked reserve movements for 2018/19 and account for over £21.9m of the increase in earmarked reserves.

19. Further details on reserves and their use can be found in **Appendix 4**.

Insurance Funds

20. A review of the Insurance Account has been undertaken to identify the level of fund required. This includes:

- Known outstanding liabilities.
- Incurred but not reported liabilities (IBNR)
- Claims previously paid by Municipal Mutual Insurance (one of the Council's Insurers who went in to a form of receivership in the 1990's)
- Emerging claims
- Uninsured asbestos related claims.

21. The Directors of MMI 'triggered' the scheme of arrangement under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). Ernst Young are now responsible for the management of the MMI's business, affairs and assets in accordance with the terms of the Scheme.

22. The Scheme provides that following the occurrence of a Trigger Event, a levy may be imposed on all those scheme creditors which, since the record date, have paid an amount or amounts in respect of established scheme liabilities which, together with the amount of elective defence costs paid by MMI on its behalf, exceeding £50,000 in aggregate. Additionally, payments made after the imposition of a Levy in respect of established scheme creditors will be made at a reduced rate (the payment percentage). Ernst Young have carried out a review of assets and liabilities of MMI and to date a levy of 25% has been paid. The levy will continue to be reviewed at least once every 12 months.

23. The Council currently has a potential claw back of £3.7m with MMI and £629k relating to South Yorkshire Residuary Body (SYRB).

24. The Insurance Account as at 31 March 2019 has £20.2 Million; outstanding liabilities as at 31 March 2019 are £22.7 Million. The Insurance Account is therefore 89% funded as at 31 March 2019. This level of funding is considered adequate.

Corporate Risk Register

25. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. The most significant risks are summarised in **Appendix 5** along with any actions being undertaken to manage each of the risks.

Capital Summary

26. The approved capital programme budget for 2018/19 at 31 March 2019 was £216.1m. The overall outturn of expenditure against this approved budget was £192.7m. This is £12.7m lower than the Outturn forecast in Month 9.

27. Further monitoring of the Capital Programme is reported in **Appendix 6**.

Annual Treasury Management Review

28. The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury review of activities, and the actual prudential and treasury indicators for 2018/19. This review is needed to meet the requirements of the CIPFA Code of Practice on Treasury Management (the code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). During 2018/19 the Full Council received the Annual Treasury Strategy, whilst Cabinet were presented with the Outturn Report. Reports were also taken to the Cabinet Member for Finance during the year.

29. The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

30. The Annual Treasury Management Review is attached as **Appendix 7**.

Implications of this Report

Financial implications

31. The primary purpose of this report is to provide Members with information on the City Council's Financial Outturn for 2018/19, and it does not make any further recommendations that have additional financial implications for the City Council.

Equal opportunities implications

32. There are no specific equal opportunity implications arising from the recommendations in this report.

Legal implications

33. There are no specific legal implications arising from the recommendations in this report.

Property implications

34. Subject to the description of the Capital Programme within **Appendix 6**, there are no other property implications arising from the recommendations in this report this report.

Recommendations

35. Cabinet are asked to:
    (a) Note the updated information and management actions provided by this report and attached appendices on the 2018/19 Revenue Budget Outturn.
    (b) Note the recommendation of the Executive Director of Resources and Statutory Finance Officer, at paragraph 14 above, that the General Fund reserve is returned to the minimum recommended level of £12.6m (approximately 3% of net revenue expenditure) during 2019/20.
    (c) In relation to the Capital Programme, note the Outturn position described in **Appendix 6**.
    (d) In relation to the Treasury Management Review in **Appendix 7**, consider the 2018/19 Treasury Management Outturn Report and ask that it be forwarded to the Full Council, in compliance with CIPFA's Code of Practice on Treasury Management.

Reasons for Recommendations

36. To record formally changes to the Revenue Budget and the Capital Programme and gain Member approval for changes in line with Financial Regulations.

Alternative options considered

37. A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best

options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

Dave Phillips
Head of Strategic Finance

PORTFOLIO REVENUE BUDGET MONITORING AS AT 31ST MARCH 2019

People Portfolio

Summary

1. As at year end, the Portfolio has a full year outturn overspend of £15.3m on Cash Limit budgets and an overspend of £207k on DSG budgets. This is a decrease of £700k on the cash limit overspend at Month 9 and a decrease of £1.8m on the DSG overspend at Month 9.

2. The key reasons for the outturn position by service on the cash limit budgets are:

Care & Support: Learning Disabilities (overspend of £4.4m):

- Purchasing LD is showing an overspend of £4.2m. This is principally made up of £1.4m of additional costs in the roll forward of clients, unachieved savings of £2.6m and £277k net growth above 18/19 pressures. This service received £249k additional income for Transforming Care clients from the NHS which was not budgeted and has therefore offset some of this overspend.
- Non-purchasing LD is showing an overspend of £189k. This is made up of an overall overspend across LD In-house Provider Services, mainly short breaks and supported living staffing and an unachieved saving of £103k mitigated by an underspend in Adult Placement Shared Lives.

Care & Support: Long Term Care (LTC) Purchasing (overspend of £5.3m):

- This is mainly due to increased activity in home care provision owing in part to improved pathway flows from hospital discharges, including reduced Delayed Transfers of Care and reduced length of stay in Short Term Intervention Team (STIT), and also providers delivering close to commissioned hours. This causes an increase in costs where more staff and resources are needed to fulfil more overall contact time.
    - It is worth noting that client income has increased significantly however this is in direct correlation to the increase in provision. Should the numbers stabilise and start to fall so will the income received. There has also been a rise in Bad Debt Provision which has been pursued through active debt chasing.

Care & Support: Commissioning (overspend of £290k)

- This is mainly due to the purchasing equipment contract risk share agreement with the CCG. Recruitment of specialist staff to triage equipment allocation with the intention of ensuring the right equipment is procured took place in January of 2019. It is expected that this new approach will address some of the overspend issues going forwards into 2019/20.

Care & Support: Access & Prevention (underspend of £731k)

- The underspend is predominantly due to additional income of £313k, mainly around an unbudgeted Travel Grant £50k plus budget moved to First Contact from Community Support Workers £115k which is funding from the CCG. There is further recharge income above budget due to the Council capitalising some equipment for adaptations previously purchased through revenue funding. This has been achieved by revising the Housing Assistance Policy and utilising the Disabled Facilities Grant. There is also significant staffing underspend across the service of £360k representing slippage in recruitment and vacancies.

Care & Support: Safeguarding and Practice Development (underspend of £47k)

- This is due to legal charges being lower than budget on Safeguarding and a slight overspend on Assessor Fees.

Community Services (underspend of £70k)

- Family and Community Learning finished the year with an overspend of £422k wholly due to delayed implementation of an MER saving.
- Locality Management finished the year with an underspend of £133k on Community Support Workers and reduced salary costs due to vacancies.
- Employment and Skills has an underspent budget against Disadvantaged Area Funding £142k due to a delayed project contract agreement and £114k underspend against the 100 Apprentices Scheme due to changes in non-levy paying employers. This led to a decline in numbers enrolled.

Children & Families (overspend of £6.7m)

- Placement budgets include a £3.2m overspend mainly due to delay in anticipated savings of £3.1m and the full year impact of the 2017/18 overspend.
- Fieldwork Services finished the year at a £2.4m overspend. This is due to £1.8m overspend on staffing costs, mainly due to increased staffing to deal with increased caseloads and also an overspend of £572k in non-staffing budgets, due to increased transport costs and contact time for children in care, driven by increases in demand for these services.
- Health Strategy finished the year with a £862k overspent due delays in anticipated savings within Short Breaks, respite and Direct Payments.
- There is also a £445k increase in employee costs for Children and Families as a result of the 2018/19 mandatory leave pressure.

Commissioning Inclusion and Learning Service (overspend of £39k)

- Commissioned Mental Health Services finished the year with a £263k overspend. This is due to delays in anticipated savings across all three organisations which form part of the risk share. This position will be reviewed when the three organisations have produced their year-end accounts as the position was fixed at Month 9 outturn. Should any position have materially changed there will be an adjustment made in 2019/20 to reflect that against the risk share.

- Housing Related Support displays a £92k underspend at year end. This is due to reduced staff costs around vacancies and Young People Pilot costs lower than budgeted.
- Early Support and Prevention finished the year with a £116k underspend due to a contract variation in Carers Breaks.
- Inclusion and Learning Service displays £40k underspend on Pupil Admissions due to lower than budgeted legal charges.

Business Strategy (underspend of £511k)

- The main reasons for the underspend is a combination of a reduction in staffing costs and overachievement of income targets across the service. These have been partially offset by an overspend of £100k for the mandatory leave pressure for the service.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 9
BUSINESS STRATEGY - PEOPLE	11,440	11,951	(511)	⇩
CARE & SUPPORT	118,190	109,001	9,189	⇩
CHILDREN & FAMILIES	84,625	77,927	6,698	⇧
COMMUNITY SERVICES	9,468	9,538	(70)	⇩
COMM'G INCLUSION&LEARNING SERV	26,850	26,811	39	⇩
GRAND TOTAL	**250,573**	**235,228**	**15,345**	⇩

DSG

3. The following is a summary of the position on DSG budgets at Month 12:

Portfolio	FY Variance Month 12 £000s	FY Variance Month 9 £000s	Movement £000s
BUSINESS STRATEGY - PEOPLE	(17)	382	(399)
CHILDREN AND FAMILIES	308	280	28
COMM'G INCLUSION&LEARNING SERV	(84)	1,331	(1,415)
COMMUNITY SERVICES	-	-	-
Grand Total	**207**	**1,993**	**(1,786)**

4. The key reasons for the outturn position on the DSG position are:

Business Strategy (underspend of £17k)

- This is due to transport overspends of £434k due to continued increase in demand and increases in costs, offset by underspends of £79k against Business Strategy Operational Budgets, £60k on Portfolio Leadership Team staffing costs and £302k related to lower than expected PFI charges.

Children and Families (overspend of £308k)

- Children with Disabilities placements shows an overspend of £378k due to increase demand and costs for these places. There is also an overspend £85k against Children's Residential Homes offset by an underspend in Childrens' Disabilities Service staffing costs of £114k.

Commissioning, Inclusion and Learning Services (underspend of £83k)

- There is a staffing overspend against the SEN Early Years team of £120k and also £69k overspend on Out of City SEN due to increased places and legal costs offset by £66k underspend on Independent Specialist Placements (ISP).
- There is also an underspend against Inclusion of £90k mainly against Locality SEND where lower than expected costs for High Needs children have come through from localities.
- An underspend £101k against Schools and Learning, mainly in the areas of Virtual School, Participation and Children's Commissioning.

Commentary

5. The following commentary comments on the main variances at service level from the last reported position at Month 9.

Care and Support

- A £9.2m overspend (shown in the table above) relates in total to cash limit. This is a reduction in overspend from the Month 9 reported position of £179k.
- The main reason for the movement in the cash limit outturn position is:
    - Access, Prevention and Reablement - £102k improvement mainly due to the capitalisation of equipment due to the change in the Housing Assistance Policy of £63k, new NHS income of £40k and the remainder is reduced staffing costs of £103k. This has been offset by increased costs against new IT systems that were not included in the budget of £62k.
    - Learning Disabilities shows an improved position of £117k mainly due to removal of duplicated Direct Payment packages of £207k offset by client growth pressures of £105k in excess of assumed growth.

  - Long Term Support - £128k worsened position mainly due to increased costs on Care Home costs £141k which is due to one client’s costs back dated 2 years.

Community Services

- The service finished the year at a £70k underspend (shown in the table above) relating to cash limit with no movement on the DSG position. This is an improved position of £152k on the Month 9 forecast position.
- The reason for the improvement is reduced spend of £31k against Disadvantaged Area Funding, £36k due to higher apprenticeship income and reduced costs in Family and Community Learning, £62k of small underspends within Library Services and £21k of underspends against staffing in Locality Management.

Children and Families

- This service finished the year with a £6.7m overspend (shown in the first table above) relating to cash limit and a £308k overspend on DSG. This is an increase in the overspend of £132k from Month 9 on the cash limit and an increase of £28k on the DSG overspend from Month 9. This is mainly due to increased costs in Fieldwork staffing.

Commissioning, Inclusion and Learning Service

- A £39k overspend (shown in the table above) relating to cash limit and a £84k underspend on DSG. The £39k overspend shown in the first table for this service is a reduction in the overspend of £268k from Month 9 on cash limit and a reduction of £1.4m on the DSG overspend from Month 9.
- The main reason for the improvement in the cash limit position is within Mental Health Purchasing. The Month 12 position was fixed at the Month 9 outturn for SCC but included an estimated figure for the two health organisations following agreement between all the Directors.
- The main reason for the movement in the DSG position is due to an unexpected early receipt of SEN high needs funding of £1.2m originally anticipated to be received in 19-20.

Business Strategy

- The £511k underspend in the first table above is an improvement of £187k compared to the Month 9 position, and the £17k underspend on DSG in the second table is a £399k improvement.
- The main reason for the increased underspend on cash limit is due to a reduction in expected spend on Travel passes and underspend on staffing costs.

- The main reason for the movement in DSG spend is lower than expected PFI recharges from the Place Portfolio.

Place Portfolio

Summary

6. The Place Portfolio outturn at Month 12 was £1.7m under budget, a favourable movement of £628k since Month 9.

7. The key outturn variances include slippage in the delivery of planned budget savings on ‘Place Change Programmes’ and Housing General Fund (£3.5m), offset by both sustainable and one-off reductions in expenditure budgets which will not affect service delivery and staff savings from a voluntary early severance/retirement scheme (£5.2m), resulting in a net £1.7m underspend.

8. The favourable movement since Month 9 arose from a number of services actual spend being slightly less than had previously been forecast, in particular a lower level of facility repairs partly as a result of the relatively mild winter.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 9
BUSINESS STRATEGY & REGULATION	28,360	28,447	(87)	⇩
MAJOR PROJECTS	62	106	(44)	⇔
CULTURE & ENVIRONMENT	92,244	93,342	(1,098)	⇧
HOUSING GENERAL FUND	4,656	4,306	350	⇩
CITY GROWTH	29,225	29,386	(161)	⇩
TRANSPORT AND FACILITIES MGT	42,037	42,686	(649)	⇩
GRAND TOTAL	**196,584**	**198,272**	**(1,688)**	⇩

Resources Portfolio

Summary

9. At Month 12 the Resources Portfolio Outturn is an underspend of £2.0m. The key reasons for the outturn position are:

- An underspend of £1.7m on the recharge to the Housing Revenue Account for corporate support services and accommodation following a revision of the bases for the allocation of corporate overheads which are linked to the cost drivers of the services;
- £468k due to reduced costs of pensions for former employees;

- A net £200k of other savings across the portfolio through good management of resources including holding vacancies or deploying staff to deliver services in-house rather than engaging external contractors e.g. training and development courses;
- £200k saving in the Human Resources service following negotiations with a contractor which resulted in a one-off price reduction; offset by
- £617k lower arising from contract rebates where the reduced cost of some negotiated contracts has been passed directly to the spending department rather than being received centrally.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 9
BUSINESS CHANGE & INFORMATION SOLUTIONS	4,212	4,391	(179)	⇔
CORPORATE REBATES & DISCOUNTS	(1,181)	(1,798)	617	⇔
CUSTOMER SERVICES	6,812	6,774	38	⇔
FINANCE & COMMERCIAL SERVICES	6,095	6,416	(321)	⇔
HUMAN RESOURCES	5,238	5,291	(53)	⇩
LEGAL & GOVERNANCE	4,285	4,309	(24)	⇔
RESOURCES MANAGEMENT & PLANNING	182	197	(15)	⇔
TOTAL	25,643	25,580	63	⇩
CENTRAL COSTS	(23,004)	(20,898)	(2,106)	⇩
HOUSING BENEFIT	2,529	2,529	0	⇔
GRAND TOTAL	**5,168**	**7,211**	**(2,043)**	⇩

Commentary

10. The outturn position for the Resources Portfolio has improved by £1.8m since Month 9 principally due to the recalculation of central overhead recharges to the HRA mentioned above.

Policy, Performance and Communications Portfolio

Summary

11. At Month 12 the Portfolio outturn is an overspend of £84k. This is an improvement of £245k from the reported forecast position at Month 9. The full year variance is predominantly due to reduced income of £261k on the advertising contract following slippage in rolling out new sites. This is partially offset by savings identified by management across the portfolio.

12. There was an improvement of £245k on the Month 9 following better understanding about the expected distribution of advertising income across the organisation.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 9
POLICY, PERFORMANCE & COMMUNICATION	3,364	3,280	84	⇩
PUBLIC HEALTH	(135)	(135)	0	⇔
GRAND TOTAL	**3,229**	**3,145**	**84**	⇩

Corporate Transactions

Summary

13. As at Month 12, the Corporate portfolio is showing a £7.1m underspend. The Corporate budget is made up of the following:

- Corporate expenditure: Council wide budgets that are not allocated to individual services, including capital financing costs and the provision for redundancy and severance costs.
- Corporate income: Revenue Support Grant, locally retained business rates and Council Tax income, some specific grant income and contributions to/from reserves.

14. The key reasons for the position of a £7.1m underspend are:

- Within the Capital Financing budget, £4.0m of improvement due to usage of cash balances rather than incurring borrowing (therefore deferring interest costs in the short term) and the capitalisation of borrowing costs within the Heart of the City II development.
    - It should be noted that this internal borrowing is not a permanent funding source, but is judged a prudent tactic to avoid interest costs in the short term. In coming years, when borrowing becomes necessary to fund capital schemes and manage the Council's overall cash position, these costs avoided in 2018/19 will effectively materialise. The Treasury Management Strategy is described in more detail at **Appendix 7**.
- £1m released from the corporate redundancy provision as these funds not needed to fund employee reduction schemes, and £2.2m of Levy Account Surplus grant income announced originally at the provisional Local Government Finance Settlement[1] in December 2018 and received in March 2019.

[1] https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2019-to-2020

15. This position has improved by £2.9m since Month 9. The principal reasons for this are the recognition of the £2.2m grant income described above, and continued improvement relating to avoided borrowing costs in the final quarter of the year.

Financial Results

16. The table below shows the items which are classified as Corporate.

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 9
CAPITAL FINANCING	25,469	29,484	(4,015)	⇩
CORPORATE ITEMS	(476,384)	(473,340)	(3,044)	⇩
GRAND TOTAL	(450,915)	(443,856)	(7,058)	⇩

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PUBLIC HEALTH BUDGET MONITORING AS AT 31st MARCH 2019

Purpose of the Report

1. To report on the 2018/19 Public Health grant spend across the Council for the month ending 31st March 2019.
2. The report provides details of the full year spend of Public Health grant compared to budget.
3. The net reported position for each portfolio/service area would normally be zero as public health spend is matched by a draw down of public health grant. For the purposes of this report, and in order to identify where corrective action may be necessary, we have shown actual expenditure compared to budget.

Summary

4. At Month 12 the overall position was an underspend of £243k which is summarised in the table below.

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 9
PEOPLE	28,739	28,685	54	⇩
PLACE	2,799	2,942	(143)	⇔
DIRECTOR OF PH	1,817	1,971	(154)	⇩
GRAND TOTAL	33,355	33,598	(243)	⇩

5. The key reasons for the forecast positions spend are:

- A £54k overspend in People due to £131k overspend in Children's Public Health within sexual health demand-led services and an overall overspend within Drug and Alcohol Action Coordination Teams (DACT) services of £309k. This is offset by savings against residential rehabilitation of £152k, DACT vacancy and non-pay savings of £81k, underspends against contracts within Mental Health Partnership & Grant Aid of £69k, vacancy savings in the MAST service of £32k, a saving following a review of Housing Related Support commitments of £33k and other, smaller underspends across the Portfolio.
- A £143k underspend in Place due to employee savings on Public Health Infrastructure of £98k, and an underspend against Children & Families Weight Management Contract.

- A £154k underspend in Director of Public Health mainly as a result of reduced GP Health Checks, plus an over-recovery of income on Public Health Intelligence and Oral Health.

6. There are only minimal movements since the position reported at Month 9. The most significant of these are:

   - The movement in People is mainly as a result of an increased overspend in Enhanced (contraceptive) demand led services and Drug and Alcohol demand-led services.
   - The movement in Place is largely as a result reduced underspends on salaries on Smokefree Environments payments to health relating to projects that have not yet been agreed.
   - The movement in Director of Public Health is mainly due to reduced GP Health Check contract costs.

HOUSING REVENUE ACCOUNT BUDGET MONITORING AS AT 31ST MARCH 2019

Purpose of this Report

1. To provide a summary report on the HRA 2018/19 revenue budget for the month ending 31st March 2019, and agree any actions necessary.

Summary

2. The HRA Business Plan is based on the principle of ensuring that investment and services required for council housing is met by income raised in the HRA.

3. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme. As at Month 12 the full year overall outturn position is a small adverse movement £81k from the budgeted position. As such the funding contribution to capital investment programme will be revised to take this into account.

4. This is in line with the HRA Business Plan which sets out the Council's plans and priorities for investment in Council housing over the next five years. Capital investment continues to be made on improving Council housing with the focus on new roofs, improvement to communal areas as well as building new council housing.

5. The main areas affecting the outturn position include lower than budgeted rental income of £369k and an overall net increase in increased repairs and running costs £606k which have been offset by a reduction of £844k on loan interest payments due to revised borrowing assumptions.

Financial Results

Housing Revenue Account (excluding Community Heating)	**FY Outturn Month 12 £000s**	**FY Budget Month 12 £000s**	**FY Variance Month 12 £000s**
1.NET INCOME DWELLINGS	(141,338)	(141,707)	369
2.OTHER INCOME	(6,344)	(6,295)	(49)
3.TENANT SERVICES incl REPAIRS & MAINTENANCE	86,572	85,966	606
4.DEPRECIATION	23,310	23,310	(0)
5.INTEREST ON BORROWING	14,317	15,161	(844)
6.CONTRIBUTION TO CAPITAL PROGRAMME	23,483	23,564	(81)
Total	-	-	-

Community Heating

6. The budgeted position for Community Heating is a draw down from Community Heating reserves of £419k. As at month 12 the position is a draw down from reserves of £433k, an unfavourable movement of £14k.

Community Heating	FY Outturn Month 12 £000s	FY Budget Month 12 £000s	FY Variance Month 12 £000s
Income	(2,161)	(2,471)	310
Expenditure	2,594	2,890	(296)
Total	**433**	**419**	**14**

Description	Balance at 31/03/18 £000	Movement in 2018/19 £000	Balance at 31/03/19 £000	Movement in 2019/20 £000	Balance at 31/03/20 £000	Explanation
Non-earmarked Reserves						
General Fund Reserve	10,631	(2,508)	8,123	4,490	12,613	The Council's working balance: used as a last resort for emergency spend. The balance as at 31st March 2019 at just 2.0% of net spending, benchmarks low compared to most Local Authorities. This reserve is to be topped up to £12.6m as an agreed minimum.
	10,631	**(2,508)**	**8,123**	**4,490**	**12,613**	
PFI Reserve	(988)	34,665	33,678	(1,704)	31,974	The PFI reserve exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of contracts in future years. During 2016/17 these reserves were used temporarily to fund the Pension Deficit early payment. These funds have been repaid during 2018/19.
Highways PFI Reserve	13,624	(5,622)	8,002	(3,672)	4,329	
Total PFI Reserve	**12,636**	**29,043**	**41,679**	**(5,376)**	**36,304**	
Invest to Save	**2,892**	**2,462**	**5,354**	**1,610**	**6,964**	Used to fund transformation projects aimed at delivering long term revenue savings.
Major Sporting Facilities	**29,869**	**(5,710)**	**24,159**	**(5,147)**	**19,012**	The Major Sporting Facilities (MSF) reserve exists because of the need to smooth the future significant payments due to Sheffield City Trust (re: Ponds Forge, the Arena, Don Valley Stadium and Hillsborough Leisure Centre).
New Homes Bonus	**6,749**	**5,000**	**11,749**	**0**	**11,749**	This reserve is earmarked to support economic development across the City.
Insurance Fund Reserve	**11,212**	**(1,038)**	**10,174**	**(610)**	**9,564**	This reserve is set aside to cover potential insurance claims made against the Council.
Public Health	**1,423**	**(271)**	**1,152**	**(345)**	**807**	During 2013/14 the Dept of Health allocated Public Health Grant to enable local authorities (LA) to discharge their new public health responsibilities. Grant conditions for this funding requires the LA to transfer any unspent funds to reserves for use in future years.
Service Area Reserves	**10,823**	**3,307**	**14,129**	**0**	**14,129**	These are a variety of service specific reserves agreed by Cabinet in previous years set aside for long-term projects / plans, examples include the Workplace Accommodation Strategy and the Flexible Development Fund
Children's and Adult Social Care	**15,998**	**2,866**	**18,864**	**(18,864)**	**0**	Social Care reserves are held to deal with transforming Social Care in Sheffield to better meet the much publicised challenges facing the sector and to deal with unforeseen costs.
Business Rates Appeals	**19,105**	**471**	**19,576**	**19**	**19,595**	This reserve is required to cover potential reductions in Business Rate income following future succesful appeals.
Other earmarked	**50,191**	**3,101**	**53,292**	**21,900**	**75,192**	Other Earmarked reserves include funds which are set aside to cover predicted liabilities such as redundancies, equal pay claimsa and the costs of the ICT 2020 project. During 2016/17 £48m of these reserves were used temporarily to fund the Pension Deficit early payment. These funds willl be fully repaid during 2017/18 to 2019/20 ensuring that the funds are available when needed for their primary purpose.
Total Earmarked Reserves	**160,897**	**39,231**	**200,129**	**(6,813)**	**193,316**	
Total Revenue Reserves	**171,528**	**36,723**	**208,252**	**(2,323)**	**205,929**	

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CORPORATE RISK REGISTER
AS AT 31st MARCH 2019

1. This Appendix provides a brief overview of the main financial risks facing the Council in 2019/20 and beyond. A more detailed schedule of these risks will be monitored by the Executive Management Team to ensure that the risks are mitigated.

Corporate Risks

Capital financing costs

2. The Council currently maintains a substantial but manageable under borrowed position (i.e. The Council has used reserves to cash-flow capital spend, rather than borrow externally) to help support the revenue budget and mitigate residual counterparty default risk on cash investments. In operating with an under borrowed position the Council exposes itself to interest-rate risk. This risk is exacerbated by the uncertainty created by the on-going Brexit negotiations – albeit the UK has been granted an extension to the 31st October 2019. Recognising this, our Treasury Management function maintains a regular dialogue with the Director of Finance and Commercial Services and the Executive Director of Resources to monitor the risk and review mitigation opportunities.

Business Rates

3. Following the advent of the Government's Business Rates Retention Scheme in April 2013, a substantial proportion of risk has been transferred to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth.

4. There has been a concerted effort by the Valuation Office Agency to clear outstanding appeals prior to and following the launch of the 2017 Revaluation. As at 31st March 2019, there were still over 400 properties relating to the 2010 valuation list with a rateable value of approximately £70m under appeal in Sheffield.

5. Not all of the £70m rateable value noted above is at risk and not all the appeals will be successful. However due to uncertainty around these factors prudent provisions are taken whenever appropriate to mitigate the loss of income as a result of successful appeals.

6. Of the over 400 properties outstanding, approximately 40% are ATM's. There is a longstanding legal case concerning the right to charge Business Rates on ATM's. The case has currently been decided in favour of the supermarkets bringing the case however the VOA has appealed the right to petition the Supreme Court against this ruling. Sheffield City Council has fully provided for the risk of losing this appeal.

7. As part of the Business Rates Retention Scheme, there is a built-in revaluation process every five years to ensure the rateable values of the properties remain accurate. This process was delayed for 2 years but eventually came into effect from 1 April 2017. This has seen all hereditaments in Sheffield revalued and assigned a revised rateable value. There is the potential that there will be a large number of appeals due to this revaluation which has been taken into account when compiling the 2019/20 budget.

8. The appeals process following the 2017 Revaluation has also changed and is now known as Check, Challenge, Appeal. The aim of this system is to reduce the number of spurious and speculative appeals and reduce the time taken to process genuine appeals.

9. To date, the number of Check, Challenges and Appeals processed appears to have reduced on previous years. Data released by MHCLG in November 2019 show a national reduction in Check, Challenges and Appeals however we have very little cumulative data at a local level. There were only 470 outstanding challenges for South Yorkshire as at 30th September 2018 of which approximately half will relate to Sheffield.

10. Up to the point at which the General Election was called for June 2017, the local government sector was working on the assumption that 2019/20 would see the implementation of 100% business rates retention, the implications of which were covered in significant detail in last year's MTFS.

11. However, the Provisional Local Government Finance Settlement (Dec 17) announced that only 75% of business rates would be retained by Local Authorities. The new level of retention is set to be implemented in 2020/21. The Council still expects this increase to replace existing grants such as RSG and the Public Health grant, and as such we expect this to have no overall impact on the Council's net financing position.

12. The Council's financial position is significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility, especially give the legislative changes above, and will require close monitoring and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

Medium Term Financial Analysis

13. On 18th July 2018, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Strategy (MTFA) 2018/19 to 2022/23. This report provided an update of the Council's MTFS to reflect the budget decision of the Council for 2018/19 and the potential impact on the next 5 years of the Government's plans for deficit reduction. This report established the planning scenarios for the medium term.

14. The report on the MTFA indicated that there would be ongoing reductions in Revenue Support Grant (RSG) as outlined in the December 2015 Autumn Statement, which covers the period to 2020/21. The reductions in RSG are now expected to exceed £84m including 2019/20.

Implementation of savings proposals

15. The MTFS described a net revenue funding gap of £39.5m by 2022/23. This position assumes the delivery of £72m of savings in that term. The risks of delivery of savings in all years specific areas such as adults' and children's social care is considerable, given the increasing demand pressures and the levels of savings that have been achieved in previous years. These risks are underscored by the need for the Council to identify and deliver additional savings to be able to address the £39.5m gap. The risk is that non-delivery of budgeted savings will create a threat to the medium term financial sustainability of the Council.

16. To mitigate this, officers are working on the safe and legal implementation of budget proposals by:

    (a) Ensuring that there is a thorough understanding of the impact of proposals on different groups and communities, including undertaking Equality Impact Assessments for budget proposals and discussed with Cabinet Members;

    (b) Carrying out appropriate, meaningful consultation activity with affected communities and stakeholders, and ensuring that where the proposal affects a supplier or provider, that they undertake appropriate consultation and equalities work with service users; and

    (c) Discussing budget proposals with affected members of staff in advance of them being made public, and putting in place MER processes where required, in consultation with HR.

Pension Fund

17. External bodies whose pension liability is underwritten by the Council are likely to find the cost of the scheme a significant burden in the current economic context. If they become insolvent the resulting liability may involve significant cost to the Council.

18. The greatest risks to the Council are those schemes at risk of their pension fund closing in a deficit position. The deficit when the fund crystallises is based upon a 'least risk basis' calculation by the actuary, which results in a significantly higher deficit than if calculated on an ongoing basis. The Triennial Review which covers 2017-20 highlights the total liabilities being underwritten by the Council for external bodies is £10.4m. This figure is on an ongoing, rather than least risk, basis. In the worst case, if these funds were to crystallise, the potential liability could be much higher.

19. These risks are continually reviewed to ensure that any impacts of potential crystallisations are minimised.

Economic Climate

20. There is potential for current adverse economic conditions to result in increased costs (e.g. increased homelessness cases) or reduced revenues.

21. The Council seeks to maintain adequate financial reserves to mitigate the impact of unforeseen circumstances.

External Funding

22. The Council utilises many different grant regimes, for example central government, Sheffield City Region and EU. Delivering projects that are grant funded involves an element of risk of grant claw back where agreed terms and conditions are not stringently adhered to and evidenced by portfolios. In order to minimise risk strong project management skills and sound financial controls are required by Project Managers along with adherence to the Leader's Scheme of Delegation to approve external funding bids.

23. As SCC funding reduces, portfolios are increasingly seeking out new sources of external funding, both capital and revenue. EU funding contracts have more complex conditions, require greater evidence to substantiate expenditure claims and are less flexible on timescales and output delivery targets. This increases the inherent risk in projects which are EU funded. Furthermore as the Council reduces its staff resources a combination of fewer staff and less experienced staff increases the risk of non-compliance with the funding contract conditions and exposes the authority to potential financial claw back.

24. Moreover, the pressure on the General Fund means that Service Managers are forced to seek more external funding such that the general level of risk associated with grants is increasing because of the additional workload this creates amongst reduced and potentially inexperienced staff.

25. The result of the referendum on EU membership does not in the short term change the risk profile of EU grants.

Taxation

26. As a general rule, the Authority is able to recover the majority of the value added tax (VAT) incurred on its payments to suppliers, i.e. its input tax. There are, however, special rules surrounding the recovery of input tax relating to supplies that are deemed 'exempt' from VAT, e.g. selling, leasing and letting of commercial land and buildings, education and insurance services. The VAT Act 1994 allows local authorities to recover input tax incurred in providing VAT-exempt supplies, so long as the tax

attributable to exempt activities is less than 5% of the VAT incurred on all goods and services purchased.

27. The Council took advantage of its partial exemption position when making an exempt lease to a strategic partner as part of the Heart of the City development, delivering substantial savings. The Council has agreed a 7-year average partial exemption calculation with HMRC due to the spikes in construction costs which result in a breach in a couple of individual years. Any breach of the agreed threshold over the term would lead to substantial VAT recovery by HMRC.

28. Building the lease into the Authority's 7-year average partial exemption calculation leaves us at just below 4% in terms of the 5% limit, i.e. headroom of just over 1%. As a result, continual monitoring of our partial exemption position is vital in ensuring that we do not breach and also to inform decision-making on future projects being undertaken by the Authority.

29. Land and property transactions potentially pose one of the greatest risks of partial exemption breach. The Tax Team currently engages with colleagues in the Property Services team on at least a monthly basis to establish whether planned land and property transactions are likely to cause any partial exemption issues. In addition to this, communications are due to be issued in the next month to Heads of Service in portfolios making exempt supplies, which will further raise awareness of the partial exemption issues currently being faced by the Authority. Furthermore, systems have been developed internally to enable effective monitoring.

Treasury Management

30. The Council proactively manages its counter-party risk. Counterparty risk arises where we have cash exposure to bank and financial institutions who may default on their obligations to repay to us sums invested. Counterparty risk continues to diminish as banks have been obliged to improve their capital funding positions to mitigate against future financial shocks. However, the UK's decision to leave the European Union has the potential to intensify these risks as the UK's decision to exit the EU creates significant political, economic, legislative and market uncertainty which is unlikely to be resolved in the short term. The Council is continuing to mitigate counterparty risk through a prudent investment strategy, placing a substantial proportion of surplus cash in AAA-rated, highly diversified and liquid funds and the remainder with counterparties with investment grade ratings.

31. As part of the 2019/20 budget process, we developed Treasury Management and Investment Strategies, both of which were based on discussions with members and senior officers about our risk appetite. This included a review of our counter-party risk to ensure it is reflective of the relative risks present in the economy. A cautious approach was adopted whilst the uncertainties created by the proposed exit from the EU are resolved and the level of market volatility returns to normal levels. Given the

profound nature of the exit from the EU, we will continue to review our Treasury Management and Annual Investment Strategies during 2019/20 to ensure we have the ability to respond appropriately to market volatility.

32. The Council is also actively managing its longer term need for cash. Cash flow requirements show that the Council will require new borrowing in the coming years to finance capital investment (current and past unfunded expenditure). This is intensified by the size and timing of investment requirement arising from the development of the Heart of the City II project and any divestment. Added to this are the uncertainties caused by the UK exit from the EU will require the Council to remain vigilant to interest-rate risk, and will draw down loans in a timely manner to militate against borrowing costs rising above our target rates.

33. The Council has obtained full compliance with the increasingly stringent requirements of Payment Card Industry Data Security Standard (PCI DSS). PCI DSS is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes including Visa, MasterCard and American Express. Work will continue to improve systems and control measuresto ensure on-going compliance with PCI DSS requirements and to reflect the changing nature of the Council’s card data environment.

34. A key supplier of card payment services [Santander] have indicated that they will withdraw from the market with effect from 31st May 2019. We have taken action to provide alternative payment facilities and this work is complete. Activity on the Santander service is declining and we no longer expect any significant distruption of internet payments

35. IFRS 9 introduces a new expected credit loss model which broadens the information that the Council is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments. Given the Council has a number of loans that have been award on a ‘non-commercial’ basis, there is the potential that impairment provisions on these loans will increase and impact on revenue budgets.

Welfare Reforms including Universal Credit

36. A programme of welfare reforms, introduced in 2013, led to cuts in a range of benefits including Housing Benefit (HB) and Council Tax Support posing a risk to residents’ ability to pay their rent and council tax and therefore increases in arrears.

37. The most significant reform, the introduction of Universal Credit (UC) which replaces HB for those of working age, is being rolled out in Sheffield with full take up expected in 2023 or later.

38. UC poses a significant financial risk to the Council as support towards housing costs, which is currently paid through HB direct to the Housing Revenue Account will in most cases, under UC, be paid directly to individuals. It is estimated that this could double or even treble the cost of collection and increase rent arrears to £15m by the end of 2020/21. However, impacts are uncertain at present as there is limited data available therefore estimates will be reviewed as we learn from the roll out.

39. The Council administers a locally funded hardship scheme to provide extra support to residents who cannot pay their council tax and a government funded scheme which supports those who cannot afford to pay their rent. The Council will also continue to take robust action to recover arrears from those who simply will not pay. It is however committed to not evicting a tenant as a result of arrears due to delays in universal credit payments.

40. There is also a UC Project Working Group which is supporting the roll-out of UC and taking steps to ensure the Council is prepared for full take up.

People Risks – Children Young People and Families

Education Funding

41. Schools are entitled to receive a proportion of the Council's Dedicated Schools Grant (DSG) which Schools Forum have decided can be de-delegated back to CYPF to fund central services. Academies can on conversion choose whether to buy into those services thus creating a potential funding gap. In 2019/20 up to £500k could be at risk to centrally funded services should Academies choose not to buy back those services funded from de-delegated DSG from the local authority.

42. If an academy is a sponsored conversion then the Council will have to bear the cost of any closing deficit balance that remains in the Council's accounts. In 2018/19 this cost to the Council is estimated at around £500k for 2019/20 and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.

43. As part of transition to a National Funding Formula, when all funding allocations to schools will be directly managed by Education Funding Agency, Sheffield school forum is expected to review and approve all previously held centrally held allocation subject to a limitation of no new commitments or increase in expenditure over the next two years. These historical commitments are now part of central school block and school forum approval is required each year to confirm the amounts on each line. Expenditure in centrally held funding amounts to around £8m.

Children's Social Care

44. There continue to be an increase in demand and costs for services for children social care both in terms of placement costs, fieldwork costs and support costs.

45. There are a number of ongoing transformational projects in place to manage the increasing demand and costs within available resources. These include preventing children coming into care and ensuring appropriate family based services, thereby avoiding the need for high cost, out of city placements.Implementation of these programmes is contingent upon cross service and cross portfolio working.

People Risks – Adult Social Care

46. In 2019/20 we have a significant partnership arrangement with the CCG which includes various funding streams for core services in Adult Social Care. There is a risk that these funding streams are not sustainable long term and there would be a risk to the Council delivering core services should this funding cease.

47. The new year will see a continuation of the pooled budget arrangement with the Clinical Commissioning Group and the Sheffield Health and Social Care Foundation Trust to manage Mental Health services jointly within the Better Care Fund and identify savings through a new joined up approach to delivering services. Work needs to strengthen within the arrangement to ensure that all partner organisations benefit from the joint working and that the clients receive the right level of support irrespective of where the funding of the service happens.

48. For 2019/20 we have put in measures to address the budget gap on all Adult Social Care Purchasing both Older People and Learning Disabilities however the risk remains that continued demand pressures increasingly affect our position to balance. Demand management plans within service should address some of the continued pull on resources and potentially redress some of the continued increases seen over the last two years.

49. There is a risk around legislation changes imposed by central government on future funding of social care and the potential impact on client contributions to their care.

50. For 2019/20 there is a risk that providers will seek to increase their fees, given the current level of over spend on the ASC budgets this will cause increased pressure.

Place Portfolio

Revenue Budget savings

51. The Place budget comprises four significant contracts - Streets Ahead programme, Waste Management, the South Yorkshire Passenger Transport Levy and the Private Finance Initiative costs of some buildings – which together absorb the major part of the portfolio’s General Fund support. The Portfolio cannot meet projected reductions in local authority funding by only reducing costs in the services that share remaining part of the General Fund budget without a significant reduction to those services. Thus in the 2015-16 Business planning round, the Portfolio’s strategy was based on

reducing the cost of the first three of these contracts to preserve the other services. The PFI cost is fixed and cannot be reduced without buying out the provider.

52. The South Yorkshire Transport Levy and Waste Management contracts have been successfully reduced . Officers continue to review the opportunities to realise further benefits from the Streets Ahead contract..

53. The Portfolio has also developed further strategic interventions planned over the next four years including reducing the level of support to Sports Trusts, and has embarked on the Place Change Programme to review all the other services seeking a business-like approach to service delivery to maximise efficient and effective delivery whilst understanding the full cost of operational decisions. This knowledge can then be used to set fees and charges to recover the full cost of the service. Realising the efficiencies and opportunities within these reviews are crucial to the Portfolio delivering a sustainable balanced position going forward. Delivery of the Sports Trusts savings will be dependant on the performance of the Council's partners and the general leisure market conditions. This is proving to be challenging and is being carefully monitored.

54. The portfolio's future financial strategy is to reduce its dependence on General Fund support by replacing it with funding from third parties or fees and charges. Raising additional income will be dependent on the performance of the overall economy and the competitive position of the services in the market place.

55. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience in 2017/18 has shown that this discipline is not present in all projects and has exposed the portfolio on occasions to find funding from the Revenue Budget to fund overspends.Furthermore, the Council has agreed a number of contingent liabilities relating to developments within the city centre. If these were to crystallise there would be an immediate Revenue and Capital Budget impact

Housing Revenue Account Risks

56. There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. Work is continually ongoing to assess the financial impact of these. Identified risks to the HRA are:

    - **Welfare Reform /Universal Credit**: the Government's welfare reform continues to be a significant risk to the HRA. The risk to income collection will continue to become increasingly difficult as Universal Credit and continues to be rolled out. Mitigations are in place such as funding additional officers to manage the impacts of welfare changes on affected tenants. Work is continually ongoing analysing the financial risk to the business plan.

- **Interest rates**: fluctuations in the future levels of interest rates have always been recognised as a risk to the HRA. These are managed through the Council's Treasury Management Strategy.
- **Repairs and Maintenance:** existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions)

Capital Programme Risks

Project Cost Control

57. There is an inherent risk within all the programme of overspending on any single project as a result of unforeseen circumstances (e.g. ground conditions or contamination) or poor management and planning. The Council has made significant improvements in the management of capital projects including improved risk management, however, in the event of an overspend it will have to use its own limited resources to plug the gap.

Housing Growth

58. There is a risk to delivering the full scope of major schemes such as Park Hill and other housing growth schemes because of the instability in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved and delayed realisation of the projected benefits including New Homes Bonus and Community Infrastructure Levy. Along with capital receipts these funding streams form key elements of the Corporate Investment Fund. Any reduction in these funding streams will limit the Council's investment capacity.

Olympic Legacy Park

59. The Council supports the on-going development of the Olympic Legacy Park to regenerate the Lower Don Valley. Some parts of the infrastructure need private party or external funding to realise the vision. The Council has an obligation to provide a number of facilities to the educational establishment facilities on site against a very tight timescale. If the other site developments do not proceed in time, the Council may have to step in with funding which will place additional strain on the funding of the capital programme.

Heart Of the City 2 (formerly Sheffield Retail Quarter)

60. The Council committed to incur around £62m to acquire land and carry out initial feasibility work to develop a plan for the retail quarter in the city centre. A further budget of £27m was approved for the appointed development manager to take forward the pre-construction phases of the scheme.
61. The Council has also approved a further £89m for the construction of the first building and associated public realm. The office accommodation of the building has been pre-

let to HSBC on a 25 year lease, with options to exit at years 10 and 15. This means the Council carries the longer term vacant property risk on the office and also on a more periodic basis for retail and food and beverage units created as shorter leases expire. This building is now complete and the letting activity is in progress to secure tenants for retail and F&B units.

62. The route for delivery of the remainder of the Heart of the City II will now be done via an incremental measured block by block approach, working within the approved masterplan, which can be delivered comprehensively over time but not necessarily by a single developer and/or the Council. This approach mitigates the Council's risk and financial exposure and delivers momentum.

63. The remainder of the £27m budget is now allocated across the development blocks to complete its own pre-construction phase. On completion of that phase further funding will be sought through the capital approval process to develop the properties.

64. This phased approach to delivery also allows for future changes in the scheme to reflect changes in shopping habits/behaviours and the expectations of shoppers and users of the city centre. As a result of this approach a further £35m has also now been approved for the development of blocks B & C of the scheme.

65. Approval is now also being sought for the next block, H and this block is being sub divided to deliver a separate Office building as a result of securing a pre-let to a blue chip occupier.

66. The scheme is being funded through prudential borrowing which will be repaid primarily from the rental value created from the various types of property and from the increased Business Rates that the completed scheme will produce (known as Tax Incremental financing (TIF)). The financing costs are being capitalised while the scheme is in development. There is a risk that if the scheme ceases to be active that the financing costs of circa £4m pa will have to be provided for from existing budgets. The long term impact of the phased delivery has been built in to the Medium Term Financial Strategy.

67. A programme of development of this size carries with it significant levels of risk across a number of areas. These risks are amplified because of the length of the development programme and because of the uncertainties caused by the rapidly changing retail landscape and the unknown effect of Brexit.

68. In order to mitigate those risks stringent governance will be exercised over the progression of the scheme so that additional cost commitments will only be made if there is tangible evidence that scheme has positively achieved its pre-conditions and that the demand, rental levels and costs can be evidenced to be in line with or an improvement on base assumptions.

Schools' Expansion programme

69. In February 2016 the Cabinet approved a report setting out the need to provide additional places in primary, secondary and Sixth Form establishments. The immediate demand for places required the Council to commit funds ahead of receipt from central government. The actual funding gap between expenditure incurred and funds received at 2018/19 year end was £13.5m. Future confirmed allocations of funding total £13.1m, with a further £8.4m expenditure committed. Therefore, the current amount at risk (i.e. expenditure committed without confirmed funding allocation) is £8.8m.

70. An announcement is expected in 2019/20 of the grant allocation for 2021/22. If the amount granted is less than £8.8m, this will require a further application of council resources in lieu of further funding.

71. Initial estimates by the School Organisation Team indicated the 21/22 allowance could be up to £11m. However, changing government methodologies over the calculation of the grant mean this cannot be relied upon. This therefore remains a risk to the Council. That said, robust monthly monitoring of the Schools Places Expansion Programme has ensured that the level of potential risk has been quantified and work on the accounting treatment has significantly reduced the potential draw on corporate resources.

72. In the event of a change of government policy which further reduced the financial support available to local authorities' capital programmes, the Council would very probably be faced with a greater affordability gap in the schools' capital programme than has already been identified above, requiring it to contribute its own capital resources.

73. The Council already faces pressure to maintain the condition of the school building estate so there is a limited opportunity to divert funds earmarked for maintenance to support the school place expansion programme. The Council has taken steps to minimise this exposure by challenging the construction industry to build to a specific cost target against Education Funding Agency standards, and, matching the provision of some 16–18 year places to demand.

May 2019

CAPITAL OUTTURN REPORT 2018/19

Sheffield City Council

1 INTRODUCTION

A succinct summary of the report content and conclusions

1.1 Purpose of report

Capital spending pays for buildings, roads and council housing and for major repairs to them. It does not pay for the day-to-day running costs of council services. We strive to use our capital monies to make the biggest possible positive impacts upon Sheffield people's lives.

Our capital spending falls under nine priority areas:

- Economic growth
- Housing investment
- People: capital and growth
- Transport
- Quality of life
- Heart of the City II
- Housing growth
- Green and open spaces
- Essential compliance and maintenance

Further details on each of these priorities are contained in our Capital Strategy.

In March 2018, Cabinet approved a capital programme budget for the financial year 2018/19. This Outturn Report sets out how we delivered against the 2018/19 approved budget.

The purpose of this report is to set out:

- levels of actual spend that occurred throughout 2018/19 (sections 2 and 3)
- key projects which underspent and the reasons for this (section 4)
- key projects which overspent and the reasons for this (section 5)
- levels of slippage and the reasons for this (section 6)
- how the capital programme is funded and how these resources have been spent (section 7)
- actions we are taking to improve our performance (section 8).

A Glossary is included at section 9 to promote a clear, shared understanding of financial and project terminology.

1.2 Headline conclusions

The Council continues to improve its delivery of capital schemes. Effective governance minimises the risk of overspends.

Whilst there continues to be slippage on the capital programme, we now understand the distinction between delivery slippage and re-profiling (as set out at section 6). This has helped to highlight where variations against budget are the result of strategic decisions rather than failure of delivery. Use of this analysis will continue alongside our continued monitoring and critical challenge of unrealistic budget profiles in order to deliver a robust capital budget with minimal variances.

The Council will make ongoing improvements to its processes and governance to reduce slippage in the capital programme in order to maximise the timely delivery of benefits to Sheffield citizens.

Damian Watkinson
Finance Manager, Commercial Business Development
Finance and Commercial Services
May 2019

2 KEY FACTS

Key high-level budget and expenditure information

2.1 Budget and expenditure headlines

Approved capital programme budget for 2018/19 as at 31 March 2018 (Month 1)	£242.5m
Approved capital programme budget for 2018/19 as at 31 December 2018 (Month 9) – the latest report to Cabinet	£240m
Approved capital programme budget for 2018/19 at 31 March 2019 (Month 12)	£216.1m
Actual expenditure against the revised budget of £216.1m	£192.7m

2.2 Reasons for budget changes between Month 9 and Month 12

These approved capital budgets were reduced by £23.9m between the end of December 2018 and March 2019. The key figures are set out in the table below:

	2018/19 (£m)	2019/20 (£m)	Future (£m)	Total (£m)
Month 9 approved budget	240.0	143.8	335.3	719.1
Additions	2.5	9.9	71.5	83.8
Variations	7.8	3.8	0.0	11.6
Reprofile	-15.2	-5.9	21.1	0.0
Slippage and acceleration	-19.0	1.0	18.0	0.0
Month 12 approved budget	216.1	152.6	445.8	814.5

The reasons for the 2018/19 in-year budget changes between Month 9 and Month 12 fall under four key categories:

Reprofiling		Slippage		Additions		Variations	
Housing Capital Programme (Housing investment)	-£14m	New build Council housing (Housing growth)	-£5m	Communal areas budget (Housing investment)	+£2m	Annualised capital interest - Heart of the City II	+£5.5m
Astrea Academy fixtures (People: Capital & growth)	-£1m	Housing investment	-£5m			Distribution of grants to schools	+£1.5m
		Corporate essential replacements programme (Essential compliance)	-£1.7m				
		Heart of the City II	-£3m				
		Transport programme	-£1.1m				
TOTAL: -£15m		**TOTAL: -£15.8m**		**TOTAL: +£2m**		**TOTAL: +£7m**	

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3 PERFORMANCE BY PRIORITY AREA

A summary of expenditure against budget at Month 12

3.1 Year-end net slippage figures

The overall outturn of expenditure against the approved budget of £216.1m budget was £192.7m. The table below summarises the outturn expenditure by Priority Area, categorising variances against budget.

Year-end net slippage - the aggregate of Slippage and Accelerated Spend - totalled £14.2m. This represents 7% of the approved Month 12 budget.

Portfolio	Approved Expenditure Budget	Expenditure 31/03/19 (Qtier)	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Percentage Year End Net Slippage
ECONOMIC GROWTH	11,806,014	10,597,232	1,208,781	1,831,279	-	(140,432)	(475,680)	42,499	(48,885)	14%
ESSENTIAL COMPLIANCE & MAINT	4,963,240	4,045,790	917,450	1,094,434	222,065	(446,047)	(643)	47,642	(0)	13%
GREEN & OPEN SPACES	1,287,647	1,191,655	95,992	87,653	-	(287)	(6,590)	15,216	-	7%
HEART OF THE CITY II	48,949,818	48,158,858	790,960	3,145,908	-	(2,135,819)	(219,128)	-	-	2%
HOUSING GROWTH	18,357,225	11,006,485	7,350,740	917,985	7,926,733	(1,495,071)	(4)	1,097	-	-3%
HOUSING INVESTMENT	53,022,606	48,500,271	4,522,335	4,973,503	-	(1,138,094)	(115,694)	802,620	-	7%
PEOPLE CAPITAL & GROWTH	48,752,708	44,482,635	4,270,073	4,583,636	314,477	(558,473)	(180,521)	110,953	0	8%
QUALITY OF LIFE	20,948,372	20,025,543	922,829	688,953	-	-	(867)	234,743	(0)	3%
TRANSPORT	7,994,214	4,711,039	3,283,175	2,687,573	-	(7,945)	32,202	571,345	-	34%
GRAND TOTAL	**216,081,844**	**192,719,507**	**23,362,337**	**20,010,924**	**8,463,275**	**(5,922,167)**	**(966,925)**	**1,826,115**	**(48,885)**	7%

3.2 Year-end net slippage explanation

The highest levels of year-end net slippage can be found on the Economic growth (14%), Essential compliance and maintenance (13%) and Transport (34%) priorities. Taking each of these in turn:

Economic growth

- delays to the Knowledge Gateway scheme (£800k) caused by reprofiling due to issues found on site
- slippage to the end of the Lower Don Valley Flood Defence scheme (£300k) linked to the failure of Carillion

Essential compliance and maintenance

- delay in commissioning works due to changing priorities on the Structural Works Programme (£300k)

Transport

- delay to the Clean Bus Technology scheme caused by supply chain issues suffered by First and Stagecoach in obtaining retrofit engines (£1.5m)

3.3 Impact upon the Council's resources

The vast majority of overspends were funded from External Grants or contributions. These therefore did not require additional support from SCC resources.

However, this was also the case in relation to the underspends (savings) achieved.

There has therefore been no overall benefit to discretionary capital funds.

4 SPEND BELOW BUDGET

A summary of the top ten projects which spent below budget

The table below sets out the ten projects with the highest spend below the approved budget, together with categorisation of the variance and the reason for it. The ten projects represent over half the slippage of the entire capital programme.

Scheme Title	Priority	Approved Expenditure Budge	Integra Expenditure 31/03/19 (Qtier	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpenc	Internal Adjusment	Comments
DEVONSHIRE QUARTER	HOUSING GROWTH	4,463,000	-	4,463,000	-	4,463,000	-	-	-	-	Entering into an exclusivity agreement on one of the sites and have agreed the acquisition of another with contract exchange expected in May 2019 with a deferred completion in 2020 due to the vendor incurring clawback if completed before then. The budget therefore needs to be slipped to cover these costs.
ASTREA ACADEMY	PEOPLE	21,919,491	17,737,585	4,181,906	4,181,906	-	-	-	-	-	Slippage on scheme due delays early in programme re: ground conditions and statutory providers. However, sufficent progress was made to allow all students to attend by the start of the school year
BROWNFIELD SITE	HOUSING GROWTH	6,220,085	2,756,352	3,463,733	-	3,463,733	-	-	-	-	Nursery Street freehold reversion and Manton Street acquisition achieved in 18/19. The list of sites is currently being reviewed and it is proposed to substitute further sites in 19/20 as some of the original sites are not currently available, or in some cases SCC will dispose of the freehold reversion to facilitate development by the market. This budget was originally set up to allow flexibility and sites to be substituted to enable SCC to intervene where necessary to bring forward development, so needs to be kept intact.
CLEAN BUS TECHNOLOGY	TRANSPORT	1,946,800	474,375	1,472,426	1,472,426	-	-	-	-	-	Slippage required • First had a few supply problems with the retrofitting equipment so their programme slipped by a couple of months. The grant funder is aware of this and has agreed to this slippage. • Stagecoach had a major problem when the supplier of the retrofit equipment lost their accreditation and then went into liquidation. They engaged a new accredited supplier but their programme slipped by three months. The grant funder is aware of this and has agreed to the slippage.
GARAGE STRATEGY-IMPROVEMENT	HOUSING INVESTMENT	1,835,759	418,100	1,417,659	1,417,659	-	-	-	-	-	Underspend due to late issue of work to contractors. Garage Strategy has been under review but the remaining budget will be needed.
PITCHED ROOFING & ROOFLINE	HOUSING INVESTMENT	12,000,000	10,732,516	1,267,484	1,267,484	-	-	-	-	-	59 properties outstanding at the end of 18/19. Kier have reviewed the outstanding work and provided a programme to complete the remaining properties by June19
HEART OF THE CITY II ACQUISITIONS	HEART OF THE CITY	5,412,182	4,148,017	1,264,165	1,264,165	-	-	-	-	-	Budget allowance for contigency for risks on wider project which havent materialised and later than expected settlement on CPO acquisitions
PORTOBELLO CYCLE ROUTE	HEART OF THE CITY	917,730	97,243	820,487	917,730	-	-	(97,243)	-	-	University of Sheffield developments around Portobello currently do not align with the delivery dates originally proposed for the Portobello cycle scheme, therefore SCC has reviewed and amend the original programme to accommodate these works and prevent abortive costs and disruption to the public. Additional costs funded from Local Transport Plan
KNOWLEDGE GATEWAY	ECONOMIC GROWTH	4,661,202	3,843,940	817,261	817,261	-	-	-	-	-	Slippage due to a reprogramme of works and expenditure due to unforeseen delays around the demolition works
COMMUNAL AREAS-LOW RISE FLATS	HOUSING INVESTMENT	5,695,194	5,053,356	641,838	641,838	-	-	-	-	-	The variance is due to the portion of the budget allocated to Going Local projects not being spent. Approval has been given for a number of other projects so the remaining budget needs to be slipped to cover these, and retention payments for the communal contracts
Total		**65,071,443**	**45,261,485**	**19,809,958**	**11,980,469**	**7,926,733**	**-**	**(97,243)**	**-**	**-**	

5 SPEND ABOVE BUDGET

A summary of the top ten projects which spent above budget

The table below sets out the ten projects with the highest spend above the approved budget, together with categorisation of the variance and the reason for it.

Scheme Title	Priority	Approved Expenditure Budget	Integra Expenditure 31/03/19 (Qtier	Variance	Slippage	Reprofile	Accelerated Spend	Overspend	UnderSpend	Internal Adjusment	Comments
H HENRYS BLOCK	HEART OF THE CITY	252,082	1,458,885	(1,206,804)	-	-	(1,206,804)	-	-	-	Acquisition of property interests settled earlier than anticpated in budget
COUNCIL HSG ACQUISITIONS PROG	HOUSING GROWTH	4,264,835	5,178,275	(913,440)	-	-	(913,440)	-	-	-	General Council Housing acquisitions reached 68, 9 more than planned
ELECTRICAL STRATEGY	HOUSING INVESTMENT	7,314,474	7,856,290	(541,816)	-	-	(541,816)	-	-	-	Acceleration due to the agreed escalated programme being achieved by contractor , therefore reduce the 19/20 budget
ON SITE ACQUISITIONS	HOUSING GROWTH	483,200	1,007,228	(524,028)	-	-	(524,028)	-	-	-	Due to acceleration on the construction and handover of the first tranche of properties the second payment to the developer needed to be paid in advance of receiving these properties. The second payment had been budgeted in 19/20.
OLP FA PITCH	ECONOMIC GROWTH	-	387,799	(387,799)	-	-	-	(387,799)	-	-	Additional scheme costs funded by contribution from UTC
HEART OF THE CITY II OFFICES	HEART OF THE CITY	35,676,278	36,010,646	(334,368)	-	-	(334,368)	-	-	-	Costs incurred for tenant requested changes which will be recovered from HSBC in 19/20
A PALATINE CHAMBERS BLOCK	HEART OF THE CITY	232,888	505,884	(272,996)	-	-	(272,996)	-	-	-	Acquisition of properties settled earlier than anticpated .
EWI NON-TRADITIONAL1	HOUSING INVESTMENT	500,000	732,250	(232,250)	-	-	(232,250)	-	-	-	Variance is due to the contractors escalating the programme and making good progress on site, therefore reduce the 19/20 budget
HOCII - STRATEGIC DEV PARTNER	HEART OF THE CITY	713,731	938,976	(225,245)	-	-	(225,245)	-	-	-	Higher than aniticpated costs for cost management, data management and internal fees. Will be covered in part from additional budget released with later blocks but needs reviewiing against overall appraisal allowances and potential funding from contingency
KITCHEN/BATHRM PLANNED REPLMT	HOUSING INVESTMENT	8,043,366	8,208,488	(165,122)	-	-	(165,122)	-	-	-	A significant number of vacant properties have been added into the programme. There will be a CAF in May19 to bring forward additional budget to cover the scope of the additional work.
Total		**57,480,853**	**62,284,722**	**(4,803,869)**	**-**	**-**	**(4,416,070)**	**(387,799)**	**-**	**-**	

6 SLIPPAGE

A statement of slippage levels for 2018/19 and comparison against previous years

6.1 Why is slippage important?

Slippage impacts not only our financial position, but also the services we provide:

- **Financial planning** – inaccurate profiling makes it difficult for us to plan new investments and determine our borrowing requirements.
- **Revenue budget** – whilst slippage can have a positive effect through reducing our borrowing costs, it can also increase our costs when capital investment should result in reduced revenue running costs which are then delayed. There is also the risk that interests rates could rise in the intervening period, increasing our borrowing costs.
- **Construction inflation** – project delay can lead to increased tender costs as time progresses in a growing market.
- **Ancillary costs and consequential works** – delays to, for example, new school buildings can result in temporary accommodation being required at additional cost and disruption. Delays to planned maintenance can cause additional costs for short-term revenue repairs and increase the cost of the capital replacement in the longer term due to asset deterioration and the urgency of the repair.
- **Reputational damage** – if projects are not delivered as publicised, this can cause both internal and external damage to the Council's reputation.

Reducing the levels of slippage in the capital programme is a key priority for the Council. Spend on delivery demonstrates that projects are being delivered on the ground for the benefit of our citizens.

6.2 What causes slippage?

It's important that we understand why slippage is occurring so we can address it and report on it in a clear and timely manner. Key reasons for slippage include:

- **Delays in planning consent** – this can be lengthy and must follow due process.
- **Timing of third party funding contributions** – slippage can occur when a project is entered onto the capital programme and funding is then delayed.
- **Tender returns and value engineering** – if tender returns exceed budget, this can require a lengthy period of redesign, costing and validation in order to bring a scheme back within budget.

- **Access issues** – if a delivery window is missed (such as school holidays), this can result in significant slippage until the next available window.
- **Final accounts and snagging –** where these are not resolved in a timely manner, we may need to retain monies for final payments and resolution of defects.
- **Project planning –** optimism bias, and the fact that funding may need to be made available if risks (such as planning consent) do not materialise, can lead to delivery slippage. Furthermore, we have historically added projects to the capital programme at feasibility stage. This can lead to delays when feasibility throws up issues which delay delivery. Project managers are also focussed on obtaining the total funds for their projects, rather than accurately forecasting the profile of their spend.

The actions we are taking to address these are set out at section 8.

6.3 Historical position

Reducing the levels of slippage in the capital programme is a key priority for the Council. Spend on delivery demonstrates that projects are being delivered on the ground for the benefit of our citizens.

In recent years, total slippage (which includes year-end slippage plus in-year slippage) has been on a downward trend. From a high point of 43% in 2012/13, slippage levels tumbled to 24% in 2017/18. This is largely as a result of the introduction of the 'Gateway Process', which introduced greater rigour and accountability to project governance.

6.4 Current position

In 2017/18, action was taken to confirm the definitions of 'slippage' and 're-profiling' and draw a clear distinction between the two in order to aid transparency and clarity.

'Slippage' relates to spend below budget, which reflects a scheme in delivery falling behind programme. Stakeholders need to understand the reasons for this and take remedial actions to try and bring the project back on track.

'Re-profiling' is the re-allocation of budget between years for projects which are not yet in delivery. Budget allocations are being moved which could be due to a number of reasons. For example, further feasibility work could be required to be undertaken, or further funding sought. Or we could minimise risk to Council taxpayers by splitting a project into a series of projects in order to spread delivery risk.

We have therefore adopted this revised definition of slippage for 2018/19, and will continue to calculate on this basis for future years to enable a robust comparison with previous years to be undertaken.

The table below summarises the breakdown between slippage and re-profiling, including (a) that authorised in-year as part of the regular approvals process, and (b) that occurring at year-end as part of overall planned expenditure.

Maximum Authorised Expenditure In year	Expenditure Delivered	In Year Slippage (£m)	Year End Net Slippage (£m)	Total Slippage (£m)	Slippage as %age of budget
276.7	**192.7**	18.4	14.1	32.5	12%
		In Year Reprofile (£m)	**Year End Net Reprofile (£m)**	**Total Reprofile (£m)**	**Reprofile as %age of budget**
		43.0	8.5	51.5	19%

This is the first year that slippage has been calculated in this way. The figure of 12% will therefore form the benchmark going forward.

The major contributory factors to the **Year End Net Slippage** figure are set out at sections 4 and 5 above.

Key elements of the **In-Year Slippage** were due to New Build Council Housing (£5m), Investment into existing Council Housing Stock (£5m) and Sheffield Retail Quarter Offices (£2.3m)

The major contributory factors to the **Net Re-profile** figure are set out at section 4 above.

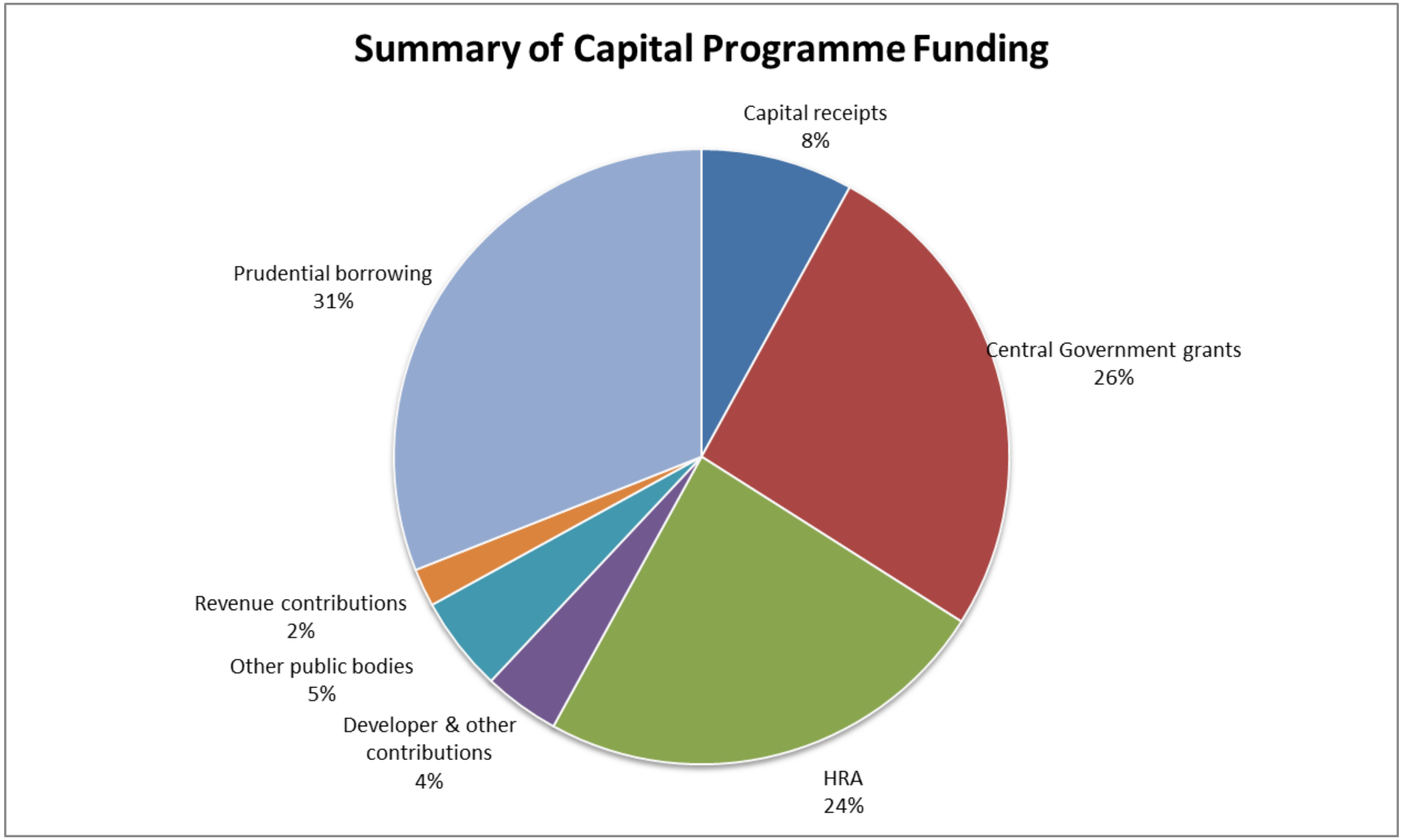
Key elements of the **In-Year Re-profile** amount were the strategic decision to deliver the Heart of The City II Programme in phases, rather than a single “big bang” development(£24m) , the remainder of re-profiled expenditure related largely to the Council Housing Investment Programme as part of its annual review and recalibration of its 5-year programme.

7 FUNDING AND RESOURCES

How the capital programme is funded; key risks to note

7.1 Breakdown of capital funding

Capital expenditure in 2018/19 totalled £192.7m. The breakdown of funding sources is shown in the pie-chart below:



Taking each of the key funding streams in turn:

A Prudential borrowing

The £60m of Prudential Borrowing makes up approximately 1/3 of the capital programme. This funds:

- Heart of The City II scheme (£45m). Future revenues and capital receipts from developed sites are expected to offset future principal and revenue costs.
- Major Sporting Facilities (£13m) financing arrangements.
- Household waste disposal improvements (£2m) – these will generate revenue savings to offset the borrowing costs.

B Capital receipts

Expenditure funded by capital receipts (£15.6m) has been directed mainly to investments in existing council housing stock (£5.9m), investment in Housing Growth (£5m) and investment in the corporate estate (£3.9m).

C Central government grants

The majority of the £36.7m funded by Central Government Grants relates to grants from the Department for Education for the creation of new school places and maintenance of schools' infrastructure (£24.9m).

However, it should be noted that of this £24.9m, £13m represents the application in advance of receipt of School Places Basic need Funding for 2019/20 and 2020/21 (see section 7.2 below).

The remainder of Government Grant Funding relates to:

- Addressing Social Care Issues through Disabled Facilities Grants and introduction of the Whole Family Case Management System (£5m)
- Economic Development at Castlegate (£2.8m)
- Contributions towards Clean Air Targets (£0.5m)

The Council was required to return a £2.2m grant to Government. The Council was acting as broker for a private enterprise that was ultimately unable to utilise the funds.

D Housing Revenue Account (HRA)

The HRA is the account in which a Council's housing revenue (e.g. tenants' rent) and housing costs (e.g. property management and maintenance) are kept. It is separate from the General Fund. Expenditure of £46.8m has been incurred on the maintenance of Council housing stock.

E Developer and other contributions

These contributions totalling £7.2m are made up of section 106 and Community Infrastructure Levy (payments from developers as part of planning conditions set out by the Council when granting planning permission for developments), contributions from other authorities relating to the administration of regional loans and a major contribution to tenant requested changes as part of the Heart of the City II offices project.

7.2 Key risks to note

In July 2017, Cabinet approved the principle of cash-flowing the required **Schools Places Expansion Programme** in advance of receipt of funding allocations from Central Government.

The original forecast position for year-end 2018/19 was for programme expenditure to exceed grant received by £22.2m. The actual position at year end was a deficit of only £13.5m. This reduced in-year deficit is due to programme slippage (largely in relation to Astrea Academy - £4.2m) and a decision by the Department for Education to advance £3m of the £16.2m allocation of funds due in 2019/20 and 2020/21 into 2018/19.

Our auditors have agreed that the financing of the majority of this reduced in-year deficit can be taken via debtors against the remainder of the confirmed allocations (£13.1m). This means that only £0.4m of the Council's own resources now need to be applied.

A further £8.8m expenditure remains to be funded (budgeted expenditure in 2019/20 onwards plus slippage from 18/19). The represents the amount at risk i.e. the amount of expenditure committed to currently unfunded by confirmed allocations.

An announcement is expected in 2019/20 of the grant allocation for 2021/22. If the amount granted is less than £8.8m, this will require a further application of Council resources in lieu of further funding in 2019/20.

Initial estimates by the School Organisation Team indicated that the 2021/22 allowance could be up to £11m. However, changing government methodologies for the calculation of the grant mean this cannot be relied upon. This therefore remains a risk to the Council. That said, robust monthly monitoring of the Schools Places Expansion Programme has ensured that the level of potential risk has been quantified and work on the accounting treatment has significantly reduced the potential draw on corporate resources.

8 IMPROVING OUR PERFORMANCE

Key actions we have taken to date and proposals for future improvements

Building upon the causes of slippage set out at section 6, we have taken and will continue to take steps to minimise the risk of slippage on the capital programme:

Only fully funded projects can enter the capital programme

Slippage can occur when a project is entered onto the capital programme and funding is then delayed. Going forward, only fully-funded schemes can enter the capital programme.

Full project values will only be added to the capital programme following Gateway 2 approval

This removes the risk of high project values being added to the capital programme at feasibility stage, when there is a higher risk of delay and the project has not been fully scoped. Work has already taken place to separate out business units and further work is ongoing in this regard.

Ongoing challenge and support for project managers' forecasting

Work has taken place in 2018/19 with project managers to challenge their highlight reports and forecasts, with the aim of improving performance. This work will continue in 2019/20.

Improved reporting

We introduced a new 'Variance Report' in 2018/19 to review all projects which were at variance for budget or delivery profile. This was a useful exercise, but proved disproportionately resource-intensive to maintain. We will therefore revisit this in 2019/20 to produce a new report to tackle this issue. The revised report is likely to include reporting on programme, risks, issues and other quality aspects of the project.

Constructive challenge of business cases

We introduced a 'Gateway Review Group' to provide an initial quality assurance filter for business cases prior to their submission to programme groups for consideration. This group includes representatives from Finance and Commercial Services and Capital Delivery Service to ensure a joined-up approach to both the financing and delivery of a project.

Revisiting business units to distinguish slippage from re-profiling

The historical elements of this exercise are due to complete in Q1 2019/20. Going forward, entire project values should not be added to the capital programme until a contract has been awarded and we have confidence that it will progress. Where projects are split into phases, future phases should not be added to the programme at the outset of phase 1.

Revisiting our commissioning process

Working with colleagues in Place Portfolio, we are working with elected Members to ensure our commissioning processes are further refined, minimising the risk of delay to projects later on in the governance process.

Tackling delivery risks

A key risk to capital project delivery is statutory undertakers. Historically, it has been difficult to engage with them as they often do not respond in a timely manner or provide robust estimates of costs or delivery timelines. Although our scope to improve this is likely to be limited, we will consider what if any actions we can take to improve the situation. We will also share lessons learned and best practice to support continuous improvement.

More effective working with strategic partners

We will revisit our operational processes when commissioning ‘non-core’ highways works through our strategic partner, Amey. We believe there is scope to improve these and reduce levels of slippage on the elements of the Transport capital programme they deliver.

9 GLOSSARY

Definitions of key terminology

Slippage	For projects which are in delivery. Actual spend is below the level forecasted by the project manager. The logical conclusion is that the delivery of the project is falling behind programme.
Re-profile	For projects which are not yet in delivery. Preliminary budget allocations are moved in order to better reflect how we anticipate a project will be delivered as feasibility progresses and risks identified, quantified and mitigated.
Accelerated spend	Spend which is taking place sooner than anticipated – i.e. ahead of profile. This does not mean that the project will over spend.
Overspend	Spend in excess of approved budget. Further monies are required to complete the project.
Underspend	A saving. We have spent less to deliver the project than we anticipated and the saved funds can be diverted to other projects (or returned to the funder).
Internal adjustment	An accounting treatment applied at the end of an accounting period to bring balances up to date / virements between budget allocations.
Net slippage	The overall level of slippage remaining when accelerated spend or over spend has been deducted from the levels of slippage.
Variance	Where a level of spend or timescale is not in accordance with that originally forecasted.
Forecasting	A process undertaken each month by Project Managers to set out the anticipated profile of spend on each project. Reasons for changes are included in the Highlight Report.

Sheffield City Council

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Treasury Management Outturn Report 2018/19

Contents Page

Annex 2: Prudential and Treasury Indicator**Key Messages**

All investment and borrowing transactions were in line with the approved 2018/19 Annual Treasury Strategy Statement and the Annual Ethical Investment Strategy.

Borrowing for the year was below expectations, as there was little need to commit to long-term borrowing to "lock in" current low interest rates. This position remains under review, and we took advantage of a temporary fall in interest rates to replace £25m of maturing borrowing in March 2019.

Investment Income for the year exceeded budget despite low rates for most of the financial year.

During 2018/19 Bank of England Base Rates increased from 0.5% to 0.75% and inflation dropped to target levels (2%). Interest rates remain at historically low levels though.

Director of Finance and Commercial Services Overview

The Council is required, under the Local Government Act 2003, to produce an annual review of Treasury Management activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2018/19, the Full Council received the annual Treasury Management Strategy Statement (TMSS), whilst Cabinet were presented with the 2017/18 Outturn Report and a Mid-Year Treasury Management Update Report.

The regulatory environment places responsibility on Members for the review and scrutiny of TM policy and activities. This report is therefore important, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.

The Strategy for 2018/19

The expectation for interest rates within the Treasury Management Strategy for 2018/19 correctly anticipated that the Bank Rate would only increase by 0.25% during the financial year.

The Treasury Management Strategy also anticipated steady increases in borrowing costs, and given Sheffield's under borrowed position (using temporarily available cash balances to delay external borrowing, avoiding interest payments) we expected to take significant borrowing before rates started to rise. In practice increases in the cost of borrowing did not materialise due to domestic (Brexit) and international politics (e.g. US trade relation) as well as general cooling for many economies.

Consequently, the Authority reacted to continuing lower rates by further deferring new borrowing other than replacing borrowing maturing in the year. This has avoided in-year revenue costs but adds to the risk that potential interest rate increases will increase costs in future.

Investment returns have exceeded budgeted levels- partly as a result of the increase in UK Base Rate and partly due to the fact that investment balances remained at a higher level than anticipated.

The Council operated within the Prudential Indicator Limits for 2018/19 set by the authority (see annex for details of limits).

Recommendation

Cabinet is asked to consider the 2018/19 Treasury Management Outturn Report and ask that it be forwarded to the Full Council, in compliance with CIPFA's Code of Practice on Treasury Management.

Key Messages

Major capital investment, such as the Heart of the City Programme, has seen the CFR increase in year.

Actual capital expenditure was lower than anticipated, so the overall CFR figure at the year-end (£1,537m) is lower than the projection in the 2018/19 TMSS.

Within the overall CFR total, the HRA's CFR remains unchanged – as expected.

Outturn Report

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

The CFR grows when we use borrowing to fund capital projects but falls as we put money aside each year to repay that debt. The money we put aside to repay the debt each year is known as our 'minimum revenue provision' (MRP), and mimics depreciation charges that are used in the private sector.

The table below shows the outturn for 2017/18 and 2018/19, and the 2018/19 budget position including PFI liabilities.

	2017/18 Actual (£m)	2018/19 Actual (£m)	2018/19 Budget (from TMSS)
General Fund CFR (non PFI)	747	791	811
General Fund - PFI Liabilities	410	400	401
Overall General Fund CFR	1,157	1,191	1,212
HRA CFR	346	346	346
Total CFR	1,503	1,537	1,558

After adjusting for PFI liabilities of £400m, the overall underlying financing requirement of the Authority was £1,191m (up 3% on 2017/18).

Actual capital investment for 2018/19 was £208.3m, slightly down on the £214.1m set out in the TMSS. Capital Expenditure financed by borrowing was £20.7m lower than anticipated during the year; this is reflected by the lower than anticipated increase in the General Fund's CFR; as shown in the table above.

Gross external debt, excluding PFI liabilities, has increased by a net £3m to £803m, after accounting for maturing loans, when compared to 2017/18.

As the 2018/19 TMSS predicted, the overall CFR position for the Housing Revenue Account's (HRA) of £346m is unchanged on last year. The HRA CFR primarily relates to legacy housing investment, such as the Decent Homes programme.

Key Messages:

UK Growth remains subdued – partly due to the effects of Brexit and partly due to cooling in the wider global economy.

UK Base Rates were increased to 0.75% in August 2018, but there have been no further increases since, and the likelihood of future increases looks low in the near term.

Inflation has fallen to slightly below Bank of England target levels (2%), and is only expected to increase marginally above target in the next 2 to 3 years.

Brexit remains a cause of major uncertainty in the UK, and to a lesser extent EU, economies.

External Context: The Economy and Interest Rates

After weak economic growth of only 0.2% in quarter one of 2018, UK growth picked up to 0.4% in quarter 2 and to a particularly strong 0.7% in quarter 3, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was expected. However, some recovery in the rate of growth is expected going forward. The annual growth in Q4 came in at 1.4% year on year confirming that the UK was the third fastest growing country in the G7 in quarter 4.

After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018, it was not a surprise to commentators that they abstained from any further increases since then. Commentators believe we are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. If there were a disorderly exit, it is likely that Bank Rate would be cut to support growth. Nevertheless, the MPC has been having increasing concerns over the trend in wage inflation which peaked at a new post financial crisis high of 3.5%, (excluding bonuses), in the three months to December before falling only marginally to 3.4% in the three months to January. British employers increased their hiring at the fastest pace in more than three years in the three months to January 2019, as the country's labour market defied the broader weakness in the overall economy as Brexit approached. The number of people in work increased by 222,000, helping to push down the unemployment rate to 3.9 percent, its lowest rate since 1975. Correspondingly, the total level of vacancies has risen to new highs.

Inflation: As for CPI inflation itself, this has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the latest forecast for inflation over both the two and three year time horizons remained marginally above the MPC's target of 2%. The rise in wage inflation and fall in CPI inflation is positive news for consumers, as their spending power improves in this scenario, as the difference between the two figures is now around 1.5%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

Brexit: The Conservative minority government has so far been unable to muster a majority in the Commons over its Brexit deal. The EU set a deadline of April 12 for the House of Commons to propose what form of Brexit it would support but no agreement has been reached. Currently, Prime Minister May is talking with Labour to get the withdrawal agreement over the line. However, if this fails, then it increases the chances of a general election in 2019. An election could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

Key Messages:

Investment rates reflected the rise in UK Base rates to 0.75% since August 2018.

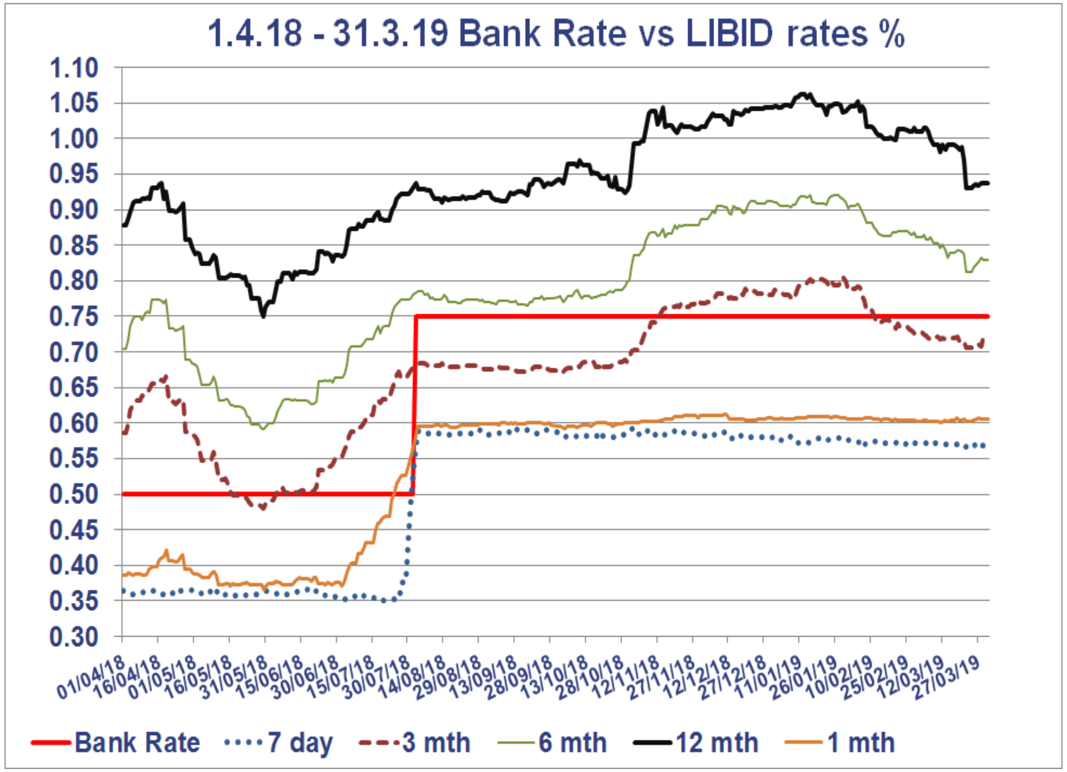
There was modest increase in market rates during late 2018 based on perceived inflationary pressures in the UK economy but this was short-lived, with rates falling back again.

Investment policy continues to apply a cautionary approach with investments made in low risk counterparties; but with correspondingly low returns.

Borrowing and Investment Rates

Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018, with an increase announced at the Monetary Policy Committee (MPC) meeting on the 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.

It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments after 2 August where cash balances and liquidity requirements were sufficient to allow this.



Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

Key Messages:

TMSS expected modest increase in borrowing rates during 2018/19.

Borrowing rate increases failed to materialise.

The Council took advantage of a temporary fall in borrowing rates arising from Brexit uncertainty – borrowing £25m at an average rate of 2.23%.

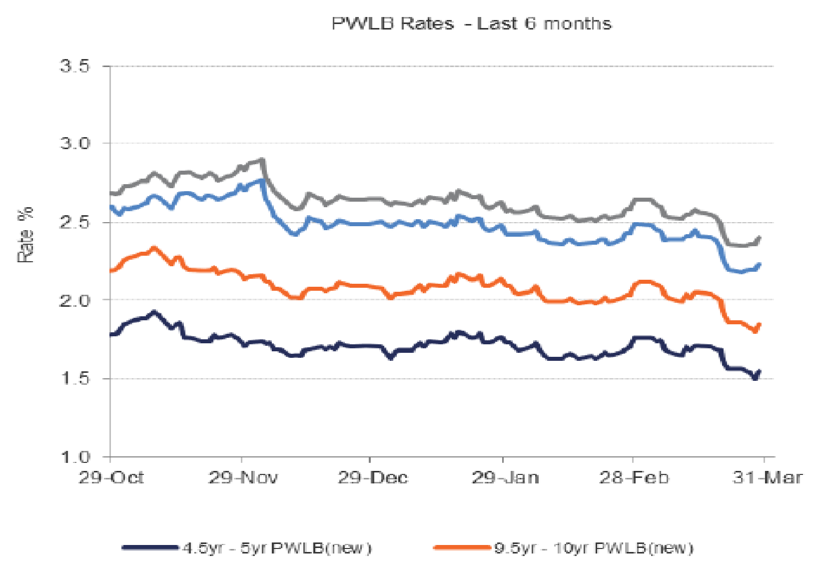
The TMSS predicted modest increase in borrowing rates during the year but with significant volatility month on month (an example of this volatility in PWLB rates is shown in the graph on the right).

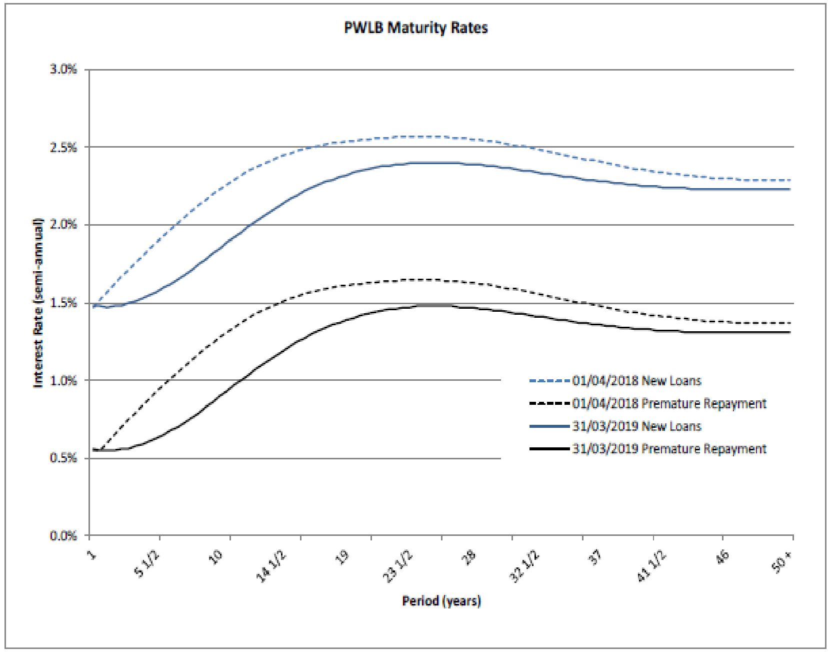
Borrowing rates failed to increase as forecast in the TMSS and, due to a dip in PWLB rates at the year end, rates actually fell when compared to the beginning of the year – albeit temporarily.

Consequently the Authority was under little pressure to lock in new borrowing and thus reduce its under borrowed position. This has resulted in savings in capital financing costs during 2018/19 – helping to support revenue budgets.

During March 2019, PWLB rates fell significantly caused by the increased uncertainty prior to the the original Brexit departure date - driving rates lower and creating an opportunity to borrow. This drop in rates can clearly be seen at the end of the chart above. However, PWLB rates have subsequently returned closer to the average for the year.

We took advantage of the fall in rates to take £25m of new borrowing in March 2019 but this effectively replaced borrowing that had matured earlier in the year.





Key Messages:

Internal Funds largely allowed the Authority to postpone borrowing for the schemes listed the table opposite.

Borrowing will be needed to replace these internal funds as they will eventually be used for their original purpose.

The overall level of capital investment being funded through prudential borrowing is less than originally expected.

Borrowing Outturn for 2018/19

The table below shows the breakdown for capital expenditure that should have been financed by external borrowing during the year. However, SCC only borrowed a net £3m to support the Council's capital investment programme. The balance was temporarily financed using surplus internal funds; a consequence of this strategy is an increase to the Authority's under borrowing position.

	£000	£000
Original borrowing estimate per 18/19 TMSS		**81,400**
Expenditure on Schemes creating a Borrowing need:		
Heart of the City	45,404	
Leisure Facilities	12,532	
Waste Management	2,202	
Other	520	
Total Borrowing needed:		**60,658**
Variance to TMSS		**- 20,742**

Increasing under borrowing is contrary to the Strategy set out in the 2018/19 TMSS, which sought reduce this risk. However the borrowing environment and opportunity to delay further the revenue costs of borrowing made this alternative strategy acceptable.

Under borrowing remains at manageable levels, but this does add to interest rate risk – if and when interest rates do begin to rise. However, significant rate increases are not anticipated in the near future and, as put forward by the Bank of England, any future increases are expected to be modest and gradual.

Key Messages:

Borrowing taken in the year broadly replaces borrowing repaid in the year.

Some of the borrowing repaid was short term borrowing which typically attract lower level of interest rates.

The new borrowing undertaken is for longer duration, but the interest rates continue to be attractive.

The low level of net borrowing does mean that under borrowing has increased, contrary to the strategy set out in the TMSS. However interest rates are only expected to increase gradually.

Details of the borrowing taken and repaid in 2018/19 are shown in the table below:

Loan Repayments and Borrowing 2018/19						
New Borrowing				Loans Repaid		
Counterparty	Amount (£000)	Term (Years)	Interest Rate (%)	Counterparty	Amount (£000)	Original Rate (%)
PWLB	20,000	50	2.56	PWLB	5,000	1.76
PWLB	10,000	50	2.20	RBS LOBO	20,000	7.43
PWLB	10,000	49	2.22	Local Auth ST	2,000	1.35
PWLB	5,000	19	2.31	Local Auth ST	15,000	0.45
	45,000				**42,000**	
Net borrowing	**3,000**					

Borrowing is currently attractive to take advantage of historically low borrowing rates, and to ensure our under borrowed level remains at sustainable levels in line with the TMSS. However current rates and forecasts for future rates have remained lower than anticipated in the Treasury Strategy. This extension of the current low rate environment; coupled with strong cash balances has allowed the Authority to borrow internally for the Capital Programme, and avoid the additional revenue expense of the cost of carry (the difference between borrowing and investment rates for funds borrowed prior to being needed) for new borrowing. Consequently, any additional borrowing will be taken cautiously, whilst keeping a close watch on forecasts of longer-term rates. Once these rates are forecast to increase significantly in the near future, we will take out additional long-term debt in advance of these increases, to lock in the current low interest rates.

The decision to defer borrowing until Q4 of 2018/19 was taken in consultation with the Head of Strategic Finance, resulting in the capital financing budget being underspent for the year. This underspend was used to help support the corporate budget. The average rate of interest paid on the Council’s external debt has decreased to 4.04% in 2018/19 compared to 4.12% in 2017/18.

As at 31 March 2018, the loans portfolio, excluding PFI liabilities, totalled £803m, and indicates the Council is under borrowed by £334m – up £41m on 2017/18 (£293m), mainly comprising £61m of borrowing need, reduced by £16m of MRP made.

Key Messages:	
Debt rescheduling is still unattractive in the main. However, repayment of a £20m LOBO loan with RBS was possible. Investment balances held by the Council were expected to decrease during the year - but this turned out not to be the case. Investment balances increased by £24m compared to 31 March 2018 – primarily as a result of PWLB borrowing taken in March 2019. Investment returns remain subdued – due to market conditions and the policy to invest in low risk counterparties. However, the level of return was better than budget (0.76% vs 0.60%)	<u>Debt Rescheduling</u> During the year the average 1% differential between PWLB new borrowing and premature repayment rates made most PWLB rescheduling unfeasible. However, the Council was approached by one of its market lenders, Royal Bank of Scotland, offering preferential rates on early redemption of the Lender Option Borrower Option (LOBO) loan. Consequently, as the early repayment of the loan offered approx. £250k per annum financial savings over the remaining 40 year team, the Council redeemed this £20m loan early, as shown in the table on page 9. **Investment Outturn** <u>Ethical Investment Policy</u> The Council's Investment Policy is set out in the annual Investment Strategy approved by Full Council in March each year. The Policy outlines the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data, such as rating outlooks, credit default swaps, etc. In addition, the Council commits to not holding any direct investments in fossil fuels or, to the best of their knowledge, companies involved in tax evasion or grave misconduct. The investment activity during the year conformed to the approved Investment Strategy. <u>Investments held by the Council</u> The Council maintained an average balance of £109.2 of internally managed funds compared to the Council only having funds for day to day cash flow purposes. As at 31st March 2019, investments were £114m; up £24m on the previous year (2017/18). The Council had no liquidity difficulties during the year. The internally managed funds earned an average rate of return of 0.76% against a budgeted return of 0.60% as higher cash balances allowed more money to be held in longer term call accounts. The Council would not normally plan to have such high cash balances, but balances are increased by the size and uncertainties in timing of the capital programme.

Key Messages:	Other Issues
The introduction of a new financial reporting standard (IFRS 9) has had limited impact on treasury investments. However, provisions for expected credit losses on loans to third parties and other non-treasury investments have impacted on the Council's revenue budget.	**IFRS 9:** The changes required by the introduction of IFRS 9 involved the classification and measurement of financial instruments and introduced provisions for Expected Credit Losses (ECL), rather than incurred credit losses under previous arrangements. ECL have the potential to be higher and hence incur a greater charge to revenue than under the previous approach. The reclassification of financial instruments in the accounts required by IFRS9 had little impact on treasury investments. The reclassification saw all opening balances transfer from Loans and receivables to amortised cost and therefore had no impact on revenue. In terms of Expected Credit Loss provisions, the high quality counterparties and the short term nature of treasury investments meant the expected credit loss was immaterial. However, non-treasury Investments (e.g. loans to third parties or loans to subsidiaries) were all assessed for expected credit losses and the additional provision charged to revenue where applicable.

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Annex 1: Outturn Position with General Fund & HRA Split

The overall Treasury position as at 31 March 2019 (excluding debt from PFI and finance leases) split across the General Fund and the Housing Revenue Account was as follows:

Authority	2017/18 (£m)	Rate/ Return	2018/19 (£m)	Rate/ Return
Total debt	800	*4.10%*	803	*4.04%*
CFR	1093		1137	
Over / (under) borrowing	-293		-334	
Total investments	90	*0.48%*	114	*0.76%*
Net debt	710		689	

General Fund	31 March 2018 Principal	Rate/ Return	31 March 2019 Principal	Rate/ Return
Total debt	510	*4.00%*	518	*3.97%*
CFR	747		791	
Over / (under) borrowing	-237		-273	
Total investments	90	*0.48%*	114	*0.76%*
Net debt	420		404	

HRA	31 March 2018 Principal	Rate/ Return	31 March 2019 Principal	Rate/ Return
Total debt	290	*4.54%*	285	*4.57%*
CFR	346		346	
Over / (under) borrowing	-56		-61	
Total investments	0	*n/a*	0	*n/a*
Net debt	290		285	

Annex 2: Prudential and Treasury Indicators

During 2018/19, the Council complied with its legislative and regulatory requirements including the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2017/18 Actual £000	2018/19 Actual £000	2018/19 Estimate (TMSS) £000
Capital expenditure:			
General Fund	*183,523*	*148,812*	135,400
HRA	*63,001*	*59,511*	78,700
Total	*246,524*	*208,323*	214,100
Capital Financing Requirement:			
General Fund	1,156,759	1,191,113	1,212,100
HRA	345,941	345,914	345,914
Total	1,502,701	1,537,027	1,558,014
Gross debt	1,209,555	1,203,082	1,347,700
Net External debt (gross debt less investments)	1,119,452	1,089,088	1,221,300
Investments			
Longer than 1 year	0	0	0
Under 1 year	90,103	113,994	84,380
Total	90,103	113,994	84,380

The Council's net external debt has decreased by £30.4m this year, whilst our overall need for borrowing, which is represented by the CFR, has increased by £34.3m.

Movements in Net Debt	2018/19 Movement £000
New Borrowing	3,000
Less PFI Repayments	-9,473
Less increase in Investment balances	-23,891
Total	-30,364

The CFR increases when we use borrowing to fund capital projects, whilst external debt goes up when we take on new loans or other credit arrangements such as PFI liabilities.

Net debt has decreased as a result of a decision taken by the Council to defer borrowing identified in the original TMSS and continue to operate with a higher than forecast under borrowed position. This opportunity to delay / avoid revenue cost is afforded because cash balances remain high and the rate environment continues to be stifled by political and economic headwinds, this decision does also carry increased interest rate risk exposure.

However, following the above strategy combined with an under spend on the capital programme meant that the Council continued to hold large sums of cash on deposit throughout the year. These deposits were placed with an array of AAA rated, instant access money market funds and fixed-term and call account deposits with banks. This investment policy meant that we sought to minimise security risks of our deposits, but deposit returns were relatively low at 0.76% (albeit above the average UK Bank Base Rate of 0.67% during 2018/19).

Author/Lead Officer of Report:
Damian Watkinson,
Finance Manager

Tel: 0114 273 6831

Report of:	*Eugene Walker*
Report to:	*Cabinet*
Date of Decision:	*19th June 2019*
Subject:	*Capital Approvals for Month 01 2019/20*

Is this a Key Decision? If Yes, reason Key Decision:- Yes ✓ No ☐

- Expenditure and/or savings over £500,000 ✓
- Affects 2 or more Wards ✓

Which Cabinet Member Portfolio does this relate to? ***Finance and Resources***

Which Scrutiny and Policy Development Committee does this relate to?
Overview and Scrutiny Management Committee

Has an Equality Impact Assessment (EIA) been undertaken? Yes ☐ No ✓

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes ☐ No ✓

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

This report provides details of proposed changes to the Capital Programme as brought forward in Month 01 2019/20.

Recommendations:
• Approve the proposed additions and variations to the Capital Programme listed in Appendix 1, including the procurement strategies and delegate authority to the Director of Finance and Commercial Services or nominated Officer, as appropriate, to award the necessary contract

Background Papers:

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: *Tim Hardie*
		Legal: *Sarah Bennett*
		Equalities: No
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	*Eugene Walker*
3	**Cabinet Member consulted:**	*Councillor Olivia Blake* *Cabinet member for Finance and Resources*
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: *Damian Watkinson*	**Job Title:** *Finance Manager Business Partner Capital*
	Date: 30/05/2019	

MONTH 01 2019/20 CAPITAL APPROVALS

1. SUMMARY

1.1 A number of schemes have been submitted for approval in line with the Council's capital approval process during the Month 01 reporting cycle. This report requests the relevant approvals and delegations to allow these schemes to progress.

1.2 Below is a summary of the number and total value of schemes in each approval category:

- 8 additions of specific projects to the capital programme creating a net increase of £62.9m;
- 10 variations creating a net increase of £0.975m;
- 1 Scheme with a variation to procurement strategy

1.3 Further details of the schemes listed above can be found in Appendix 1.

2. WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

2.1 The proposed changes to the Capital programme will improve the recreational leisure facilities, schools, roads and homes used by the people of Sheffield, and improve the infrastructure of the city council to deliver those services.

3. BACKGROUND

This report is part of the monthly reporting procedure to Members on proposed changes to the Council's capital programme.

4. OUTCOME AND SUSTAINABILITY

4.1 By delivering these schemes the Council seeks to improve the quality of life for the people of Sheffield.

5. OTHER IMPLICATIONS

5.1 Finance Implications

The primary purpose of this report is to provide Members with information on the proposed changes to the City Council's Capital Programme further details on each scheme are included in Appendix 1.

5.2 Procurement and Contract Award Implications

This report will commit the Council to a series of future contracts. The procurement strategy for each project is set out in Appendix 1. The award of the subsequent contracts will be delegated to the Director of Financial and Commercial Services.

5.3 **Legal Implications**

Any specific legal implications in this report are set out in Appendix 1.

5.4 **Human Resource Implications**

There are no direct Human Resource implications for the Council.

5.5 **Property Implications**

Any specific property implications from the proposals in this report are set out at Appendix 1.

6. ALTERNATIVE OPTIONS CONSIDERED

6.1 A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

7. REASONS FOR RECOMMENDATIONS

7.1 The proposed changes to the Capital programme will improve the services to the people of Sheffield

7.2 To formally record changes to the Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.

7.3 Obtain the relevant delegations to allow projects to proceed.

Finance & Commercial Services | Commercial Business Development

May 2019

<table>
<tr><th></th><th>Scheme name / Q number / summary description</th><th>Value £'000</th></tr>
<tr><td>A</td><td colspan="2">Economic growth</td></tr>
<tr><td></td><td colspan="2">New additions</td></tr>
<tr><td></td><td>None</td><td></td></tr>
<tr><td></td><td colspan="2">Variations and reasons for change</td></tr>
<tr><td>Page 123</td><td>Grey to Green 2
Scheme description
The initial phase of Grey To Green Phase 2 was approved at Cabinet in November 2018 and consisted of works to:
• Pedestrianise Castlegate and narrow redundant carriage ways on Exchange Street/Place to create a setting for development plots, public event space, Sustainable Urban Drainage and meadow planting areas to transform the public realm and improve the environment.
• Redirect bus routes from Castlegate via Exchange Place and Blonk Street, including a new bus gate at Blonk Bridge.
• Extend green and open space corridors with pedestrian and cycle priority to create a gateway to the city centre, particularly for the adjoining hotel cluster and riverside business district.
• Create potential development sites from highway land at Exchange Place/Wharf St.
And following the award of European Development Fund funding of £836k, the following works have been included in the project :
• Additional Sustainable Urban Drainage
• Additional cycling lanes
• Additional footways
• Additional tree planting
• Renewed street furniture and lighting
What has changed?
Works proposed in the original approval included the installation of electric charging points. This work is now to be carried out under another project and as a result, the Grey to Green 2 budget has been reduced by £80k (Early Measures Funding).
In addition, £50k income was included from a third party contribution to provide an enhanced access to the Terminal Warehouse building and Victoria Quays. The actual cost of the work is £39.5k and therefore the budget has been adjusted accordingly.</td><td>-90.4</td></tr>
</table>

Variation type: -

- [budget decrease]

Funding	N/A
Procurement	N/A

B Transport

New additions

20 mph Zones [Fox Hill, Hillsborough and Sharrowvale] +37

Why do we need the project?

On 8 March 2012, the City Council Cabinet Highways Committee approved the 'Sheffield 20mph Speed Limit Strategy', the long-term aim of which is to establish 20mph as the maximum speed in appropriate residential areas of Sheffield. Since then 18 'sign only' 20mph speed limit areas have been introduced across the City.

Reducing the speed of traffic in residential areas will, in the long term, reduce the number and severity of accidents, reduce the fear of accidents, encourage sustainable modes of travel and contribute towards the creation of a more pleasant, cohesive environment.

The current 20mph speed limit areas consist of a speed limit change but no physical measures to reduce vehicle speeds within the areas. Drivers are alerted to the speed limit by 20mph speed limit repeater signs. 20mph speed limit areas are identified by entry signs to the area together with smaller repeater signs throughout the area.

How are we going to achieve it?

The latest areas to be proposed for 20 mph zones are Fox Hill, Hillsborough and Sharrowvale. Initial consultation and preliminary design works are to be undertaken to establish the feasibility and full costs of these schemes.

The total cost for these initial works for the three areas is £37k which is to be funded from Local Transport Plan (LTP). The table below shows the individual cost breakdown, estimated design and delivery costs and the commuted sums.

	Feasibility	Estimated Design	Estimated Delivery	Commuted Sum	Total
Fox Hill	10	8	30	29	77
Hillsborough	15	12	80	76	183
Sharrowvale	12	10	60	57	139

37	30	170	162	399

What are the benefits?

- Improve road safety for all by reducing the number and severity of road traffic collisions.
- Encourage more walking and cycling.
- Promote a more pleasant local environment and improve safer access around local neighbourhoods, shops, schools, health centres
- provide better access to public transport
- Improve health by reducing obesity levels and increasing fitness
- Reduction in traffic speeds

When will the project be completed?

Feasibility stage - 2019-20

Funding Source	Local Transport Plan	**Amount**	37k	**Status**	Ring-fenced for Transport Schemes	**Approved**	
Procurement		In House Delivery via Transport Traffic and Parking Services					

Variations and reasons for change

Anti Idling : Air Quality +55.5

Scheme description

As Highway Authority, the Council has to respond to new legislation on managing air quality or face punitive fines if levels of pollution are not brought to below the required levels.

In August 2018, Cabinet approved phase 1 of the scheme which was to address levels of air pollution at a number of schools by introducing anti idling areas.

This was achieved with the purchase and installation of 600 signs at 150 schools advising motorists they could be fined if they leave their engines running when asked not to do so by an enforcement officer.

What has changed?

Phase 2 of the project is now ready to be implemented with the installation of a further 600 (approximate) anti-idling signs around secondary schools, taxi ranks and hospitals.

The overall costs of the project (phases 1 and 2) is £107.5k and is fully funded from Local Transport Plan. The project budget for 2019-20 will be increased by £55.5k to enable delivery of phase 2.

The total cost of the commuted sum is estimated at £24k for both phases.

	Variation type: - • [budget increase]	
	Funding — Local Transport Plan	
	Procurement — N/A Contract Award	
C	**Quality of life**	
	New additions	
	None	
	Variations and reasons for change	
	None	
D	**Green and open spaces**	
	New additions	
	Shirebrook Valley Visitors Centre (Feasibility budget approved December 2017) Phase 1 **Why do we need the project?** • *Issue/Opportunity* Shirebrook Valley Visitor Centre is well used by the Ranger team in Parks & Countryside, volunteer groups and offers facilities for educational visits. There is an opportunity to upgrade the accommodation for staff, volunteer groups and visitors so that it becomes a destination site for health and well-being initiatives in the South East of the City, linked to current Council priorities, with enhanced educational facilities. • *Why address Phase 1 now – internal refurbishment* A condition survey and feasibility report issued in March 2018 concluded that the facilities were in poor condition overall. Since then the roof covering, roof insulation and rainwater goods have been renewed through a separate project, and thermal comfort has been improved. However, there are internal areas affected by previous water damage and these also need to be addressed. With a modest amount of re-modelling the education space could be expanded; and internal walls could be dry-lined and floors insulated to improve thermal comfort and energy efficiency further. The current heating appliances are inadequate and inefficient and there is scope to improve the ICT network to suit the client's requirements within a general scheme of refurbishment.	+169

- *Implications of not doing Phase 1 now*

The internal condition of the Centre would deteriorate further meaning the educational offer could not be expanded nor could the Centre realise its full potential as a destination site.

How are we going to achieve Phase 1?

- Create an expanded educational area by re-modelling 2no. internal partition walls and openings.
- Include 1 no. new partition wall and 1 no. new acoustic sliding partition wall.
- Unblocking a stopped-up opening to create an additional 1 no. new internal glazed window.
- Remove any existing insulation in ceiling voids.
- Add internal insulation to the walls and underfloor insulation.
- Renew stained and/or damaged ceiling tiles.
- Insulate floors and renew floor finishes
- Renew kitchen fittings.
- Renew the heating appliances.
- Install new extract ventilation fans, energy efficient lighting, and socket outlets.
- Install new ICT network to client's requirements

What are the benefits?

Phase 1

- Fully refurbish the Centre
- Upgrade the facilities provided
- Expand the area available for educational use through a modest amount of internal re-modelling

Phase 2

- Develop marketing, branding, signage, and improve the exterior of the building

Phase 3

- Site improvements e.g. paths works, habitat improvements

Outputs Phase 1

- Set out in 'How are we going to achieve Phase 1?' above.

Benefits Phase 1

- Improved accommodation for staff, volunteers and visitors using the Centre
- Improved educational facilities
- Improved thermal comfort within the building and reduced energy loss through the floors and external walls
- Improved amenities for health & well –being initiatives in the South East of the city

When will Phase 1 be completed?

17th January 2020

Costs:
Previous Yrs - Feasibility £11.6K

19/20 - Phase 1 Works £70K
19/20 - Phase 1 Fees £15K
19/20 - Phase 1 Contingency £2K
Total £87K

2020+ Phase 2 Estimate £15K
2020+ Phase 3 Estimate £66.4K
Total £81.4K

Project Total £180K
Previous approved Budget £11K
Additional Budget therefore £169K

Funding Source	Public Health Revenue Contribution	**Amount**	150K £30K	**Status**	Allocated/Held Allocated	**Approved**	Cllr Lea Darren Whittaker
Procurement	i. Refurbishment works to be procured by a closed competitive tender procedure inviting Sheffield contractors to tender.						

Variations and reasons for change

None

E Housing growth

New additions

None

Variations and reasons for change

Housing Growth Plan Site Feasibility 50

Scheme description
There is a shortfall of affordable housing in Sheffield and an emerging aspiration to deliver 3,000 council homes in the next 10 years. Seeking to maximise the use of Council land for new council housing, feasibility is being carried out at 10 sites. Taking a logical and sequential approach to

understanding the development opportunity and constraints of those sites, the findings will enable the development of an affordable housing programme and enable the development of market-facing tender documents for cost and time efficiencies.

What has changed?
The site list was changed by Housing Growth Board which removed Knutton Rise, Longley OPH, St Johns School and Corker Bottoms and added Harborough Avenue/Viking Lea Drive. This leaves 8 sites rather than the original 10. The 8 sites therefore are:

Scowerdons, Berners Road, Daresbury View, Hemsworth Primary School, Newstead Estate, Gaunt Road, Algar Place, and Harborough Avenue/Viking Lea Drive

Following completion of the survey tenders, the provision to achieve topographical, desktop utility, UEXO and Phase 1 archaeology on the 8 sites has exceeded the original allocation of £25K. Therefore more funding is required to achieve Phase 1 on all the sites.

A bid for grant was submitted to the Local Government Association Building Council Homes fund, which successfully awarded £50K. With the total cost of all the surveys – and further additional services required for Phase 1 - now £124.2K, this means adding the £50K grant to the funding.

Variation type: - budget increase

Budget:
Costs 18/19 £47K
Current 19/20 Budget £27K + £50K = £77K
Current Total £74K + £50K = £124K

Funding:
HRA £74K
Grant £50K

Funding	LGA Building Council Homes Programme Grant accepted via Form SP1 (grants under £100K) March19
Procurement	i. Surveys will be procured by competitive quotes from local suppliers (wherever possible) with a Suitability Assessment.

F	**Housing investment**
	New additions
	None

	Variations and reasons for change	
	Asbestos Surveys **Scheme description** Contract to carry out asbestos surveys on the Housing stock. **What has changed?** Slippage of £57.8K from 18/19 was put into 19/20 giving a 19/20 budget of £257.8K, however estimated costs per year for these surveys is £180K and the 20/21 and 21/22 budget is currently only £150K. Therefore further slippage is required from 19/20 to 20/21 and 21/22 to maintain the £180K annual budget for the remainder of the contract. The remaining budget not required will be moved back to the block allocation for Health and Safety Works for future allocation. **Variation type: -** budget decrease **Budget:** Current 19/20 Budget £258K - £78K = £180K Current 20/21 Budget £150K + £30K = £180KCurrent 21/22 Budget £150K + £30K = £180K Current 19-22 Budget £558K - £18K = £540K **Funding** HRA via Health & Safety Allocation (see below) **Procurement** N/A	-18
	Health & Safety Essential Works Block Allocation **Scheme description** HRA funds held for allocation to schemes that deal with essential works to meet Health and Safety standards in Council dwellings. **What has changed?** An element of the slippage from 18/19 to 19/20 on Asbestos Surveys is not required so is returned to the block for future allocation. **Variation type: -** budget increase **Budget:** Current 20/21 Budget £6,850K + £18K = £6,868K	18

Funding	HRA
Procurement	N/A

Kitchens & Bathrooms

0

Scheme description
Ongoing programme to replace kitchens and bathrooms in Council dwellings.

What has changed?
More was spent in 18/19 than budgeted because void properties where the kitchen or bathroom needed replacing have been added to the programme therefore increasing the number of outputs. The overspend this created in 18/19 was deducted from the 19/20 therefore budget is being brought forward from 21/22 to replenish this.

Variation type: - Acceleration/

Budget:
Current 19/20 Budget £-7K + £2,500K = £2,493K
Current 20/21 Budget £300K
Current 21/22 Budget £5,000K - £2,500K = £2,500K
Current 19-22 Budget £5,293K - £0K = £5,293K

Funding	HRA
Procurement	N/A

Internal Works (Deer Park Windows)

0

Scheme description
HRA funds held for allocation to schemes that deal with internal works e.g. kitchens, in Council dwellings

What has changed?
There is a ring-fenced amount in the block allocation for internal works for the Deer Park Windows scheme with £1m budgeted in 19/20. The specification for these works is not finalised and there are other works to take into consideration i.e. fire safety sprinklers and waste management refuse chutes. To minimise disruption to the tenants, all the works need to be planned together and therefore expected that the work on the windows won't happen before 20/21, which already has a budget of £1.5m. The £1m budget in 19/20 therefore needs re-profiling into 21/22.

Variation type: - Reprofile

Budget:

	Current 19/20 Budget £1,000K - £1,000K = £0K Current 20/21 Budget £1,500K + £0K = £1,500K Current 21/22 Budget £0K + £1,000K = £1,000K Current 19-22 Budget £2,500K + £0K = £2,500K		
	Funding	HRA	
	Procurement	N/A	
G	**People – capital and growth**		
	New additions		
Page 132	**Netherthorpe Primary School Lathe & Plaster remedial works** **Why do we need the project?** Issues have been discovered with the lathe and plaster ceilings at Netherthorpe School. These require remedial works. **How are we going to achieve it?** Undertake remedial works to the lathe and plaster ceiling using existing contract with local contractor. **What are the benefits?** Ensure safe learning environment for pupils and teachers		+15
	Funding Source: School Condition Allocation; **Amount**: 15k; **Status**: Allocation notification received; **Approved**:		
	Procurement	Existing contract with local contractor	
	Shooters Grove Primary School Adaptation Works **Why do we need the project?** Adaptations to the school site are urgently required to address accessibility issues at the school to support a child who has been allocated a place at the school from September 2019 **How are we going to achieve it?** Undertake required adaptations which may include (but not limited to) ramps, door widening and platform lift installation **What are the benefits?**		+150

	Inclusive learning environment for pupil with accessibility needs							
	Funding Source	SEND Capital Allocation	**Amount**	150k	**Status**	Allocation notification received	**Approved**	
	Procurement		YORbuild regional framework contract by rotation					
	Variations and reasons for change (please specify all that apply: budget increase / budget reduction / reprofiling / scope change / procurement)							

Dobcroft Infant School: Replacement Mobile Classroom Unit — +342

Scheme description

- The existing double classroom mobile at the school has been condemned as unsafe, and assessed as being beyond economic repair
- Unavailability of this accommodation reduces the teaching capacity at the school
- Without the requisite number of teaching spaces, the school would not be able to deliver the curriculum to all pupils on roll
- A replacement facility is required for the start of the 19/20 academic year.

What has changed?

- Following the approval of £11k feasibility an estimated total cost of £353k and procurement route have been identified. However, it should be noted that due to the very short timescales as replacement classroom required on site for September 2019, final designs are not yet available to price.
- The anticipated costs are based on previous tender works and so are best estimates derived from past schemes. Risk that as the design progresses the costs increases.
- Construction design costs are indicative and are to be reviewed as the design progresses.
- If site services and programme allow, the addition of a WC is to be included in the replacement

Variation type: -

- **Budget Increase**

Funding	School Condition Allocation
Procurement	i. Demolition and replacement works by a closed competitive procedure inviting Sheffield contractors to tender. ii. Asbestos survey by direct call off from the Corporate Asbestos Surveyor and Project Management Framework. iii. Ecology Phase 1 survey to be completed by the in-house Ecology team.

	Schools' Devolved Formula Capital (DFC) **Scheme description** • . In 2018/19 SCC agreed a policy of directly pass-porting the DFC Allocations for maintained schools from Central Govt. directly to the individual schools as best placed to make decisions on the use of these funds. **What has changed?** • Confirmation of the DFC allocation for schools for 2019/20 has now been received and authorisation to make the relevant payments is now sought. **Variation type: -** • Budget Increase	644
	Funding – Devolved Formula Capital Grant Allocation	
	Procurement – N/A	
	Essential compliance and maintenance	
	New additions	
	Staniforth Road Rationalisation - feasibility **Why do we need the project?** • Staniforth Road depot workshop is a large garage which is also used as an MOT centre for private hire taxis • The roof to the workshop is beyond economical repair • The location of this work area is central to the depot which means members of the public have access to the whole site **How are we going to achieve it?** • A feasibility study will be carried out to present options for: ○ Relocating the contents of the store to an alternative location or dispose of ○ Install new equipment for the MOT centre ○ Consider access implications for the remainder of the workshop structure ○ The vehicle testing bays will be SCC staff only, so access to the building in which they are housed will need to be restricted/integrated	26.4

into the security arrangements for the rest of the site

What are the benefits?

- Objectives:
  - Repair / replace leaking roof
  - Maintain function of the depot whilst the works are being undertaken
  - Address the replacement of the life expired roof covering to the Vehicle Testing Bay at Staniforth Road Depot
  - Radiant space heaters attached to the underside of the roof which will need to be considered as part of the works. The economic viability of the work will determine whether there's better value in providing a new building – part of the option appraisal.
  - Car Parking – There is a desire to maximise the number of parking spaces available on site (and segregate visitor parking from site parking), but there is no specific number of spaces forming part of the requirement.
- Benefit: Addresses the replacement of the life expired roof covering to the Vehicle Testing Bay at Staniforth Road Depot

When will the project be completed?

31/8/2019 (feasibility)
31/03/2020 Full scheme (indicative)

Funding Source	Capital Receipts	**Amount**	£26,364	**Status**	Agreed with budget holder	**Approved**	
Procurement		i. Feasibility work to be delivered in-house through the Capital Delivery Service.					

Central Library accessible toilet WC - feasibility 11

Why do we need the project?

- Sheffield Central Library is a grade II listed building and requires an accessible WC to comply with our duties under the Equality Act 2010.
- Visitors to the Central Library do not have access to a Wheelchair Accessible Toilet in the "public" area of the building
- Visitors with mobility issues have complained about access to suitable toilet facilities within the Central Library
- Whilst we are able to meet our obligations to provide an Accessible Toilet to the public at the Central Library, access to it is difficult for users and places additional, unnecessary duties on staff
- A feasibility study is required to determine where within the building a Wheelchair Accessible Toilet is best located.

How are we going to achieve it?

- Undertake surveys, provide designs and estimates of cost and time to the provision of Wheelchair Accessible Toilet in public area of Central

Library

What are the benefits?

- Objectives:
  - This first phase of the project should confirm the preferred design strategy, scope of work, procurement route and form of contract
  - The project, at this juncture, seeks to identify an appropriate location for a Wheelchair Accessible Toilet, and provide an indication of cost and programme for so doing
- Benefits: developing accessibility WC facilities to the central library

When will the project be completed?

TBC. Estimated Gateway 2 submission July 2019

Funding Source	Revenue Contribution To Capital	**Amount**	£10,993	**Status**	Agreed with budget holder	**Approved**	
Procurement		i. Feasibility work to be delivered in-house through the Capital Delivery Service.					

90188 Bolehill Reinstatement - feasibility 9

Why do we need the project?

- Bolehills recreation ground had an adequate pavilion which was demolished following an arson attack
- The loss of the pavilion has had a major effect on the community, in particular the bowls club who have lost their well-used, fit for purpose accommodation.
- Replacement accommodation required.

How are we going to achieve it?

- Provide modular accommodation that is:
  - Secure
  - Safe
  - Compliant with legislation
  - Accessible
  - Sustainable
  - Low cost
- Accommodation to provide:
  - Meeting room space

- Welfare facilities
- The new building will be smaller in size than the previous building and will be designed reduce the risk of an arson attack
- This approval to give authorisation to undertake feasibility works to confirm preferred solution and costs.

What are the benefits?

- Objectives:
  - To enable bowls and other activities to continue at bole hills recreation

When will the project be completed?

March 2020 (indicative)

Funding Source	Revenue Contribution To Capital	**Amount**	£9,161	**Status**	Agreed with budget holder	**Approved**	
Procurement		i. Feasibility work to be delivered in-house through the Capital Delivery Service.					

Variations and reasons for change (please specify all that apply: budget increase / budget reduction / reprofiling / scope change / procurement)

Corporate Building Essential Replacement Programme Structural Works -26.4

Scheme description

- In February 2017 an allocation of £560k was agreed for the completion of essential structural works across the corporate estate. Of this allocation £356k remains uncommitted

What has changed?

- The Staniforth Road rationalisation project (see above) is to be funded from this allocation. Therefore budget to be reduced.

Variation type: -

- Budget reduction - £26.4k

I	**Heart of the City II**	
	New additions	
	94059 Heart of The City II Block H2 and H3	62,500

Why do we need the project?

- Heart of the City 2 (formerly Sheffield Retail Quarter) seeks to transform Sheffield city centre with an improved retail, working, leisure and living environment.
- This is a longstanding and ambitious programme. Cabinet Approval in March 2018 was for a phased delivery approach.
  Blocks H2 & H3 (Cambridge Street and Carver Street) are the next tranche of phase 2 of the HOC II delivery programme (following Blocks B & C). Approval is being sought for H2 & H3 to ensure momentum of the programme.
- If works are not undertaken now the city centre could decline further and public opinion would be damaged.

How are we going to achieve it?

Demolition and construction delivery of Blocks H2 & H3 to include:

- New retail, leisure and office provision.
- The procurement will be for both blocks but will include two distinct phases so that the office building (H2) can be accelerated as required to meet market demand.

What are the benefits?

- Jobs - 65 during construction / 753 during operation of the buildings
- £466m GDP
- Business Rates - Increase of £1.3m p.a. from new commercial properties
- Significant future income from commercial sale or lettings
- Positive public perception of the Heart of the City scheme
- Improve the attractiveness of the city centre as a place to shop, live and work
- Realise the vision set out to Cabinet in March 2018

The total cost of project is estimated at £66.7m of which £4.2m has already been approved in pre-construction budgets; therefore an increase of £62.5m is required.

When will the project be completed?

- Q2 2022

Funding Source	Prudential Borrowing	**Amount**	£62.5m	**Status**	Impact included in Treasury and MTFS forecasts	**Approved**	Principle approved Cabinet March 2018

Procurement	i. Blocks H2 and H3 demolition, refurbishment and building works to be procured by OJEU restricted procedure using a Standard Selection Questionnaire. ii. Project and cost management by direct call off from the Capital Service Delivery Partner framework.

	Variations and reasons for change (please specify all that apply: budget increase / budget reduction / reprofiling / scope change / procurement)		
	94066 Heart of The City II Block H1– Refurbishment **Scheme description** • As part of the Heart of the City development there is an overall budget allocation of £4.1m for Block H1 (known as Leah's Yard) **What has changed?** • Due to increasing Health & Safety issues regarding the stability of the structure, stabilisation and refurbishment works need to be actioned ASAP. **Variation type: -** • Procurement Strategy variation only		0
	Funding		
	Procurement	i. Refurbishment and stabilisation works to be procured by OJEU restricted procedure using a Standard Selection Questionnaire. ii. Project and cost management by direct call off from the Capital Service Delivery Partner framework.	

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Author/Lead Officer of Report: *Steve Parker, Housing and Neighbourhood Service*

Tel: *0114 273 6338*

Report of:	*Laraine Manley, Executive Director, Place*
Report to:	*Cabinet*
Date of Decision:	*19 June 2019*
Subject:	*Heat Metering Re-tender*

Is this a Key Decision? If Yes, reason Key Decision:- Yes [x] No [ ]

- Expenditure and/or savings over £500,000 [x]
- Affects 2 or more Wards [ ]

Which Cabinet Member Portfolio does this relate to > *Neighbourhoods and Community Safety*

Which Scrutiny and Policy Development Committee does this relate to> *Safer and Stronger Communities*

Has an Equality Impact Assessment (EIA) been undertaken? Yes [ ] No [x]

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes [ ] No [x]

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

The purpose of the report is to obtain approval for Sheffield City Council to tender for, and award a new contract for the provision of Heat Metering Services for its District Heating network.
Existing contractual arrangements are due to end in September 2019 and it is intended to award a new contract from this date.

Recommendations:

1) Approve the procurement of *District Heating Metering Services* via a Public Sector Framework Agreement as detailed and outlined within this report.

2) Delegate authority to the Director of Finance and Commercial Services in consultation with the Director of Housing and Neighbourhoods following such procurement exercise to award such contract and take such other necessary steps not covered by existing delegations to achieve the outcomes outlined in this report

Background Papers:
None

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Sarah Rani –*Commercial Services* Clare Jamieson-*Finance*
		Legal: *Henry Watmough Cownie*
		Equalities: *N/A*
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	*Laraine Manley*
3	**Cabinet Member consulted:**	*Jim Steinke* *Paul Wood TBC*
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: *Steve Parker*	**Job Title:** *Home Ownership and Revenues Manager*
	Date: *16/3/2019*	

1. THE PROPOSAL

1.1 Background

The “ District Heating” or “Community Heating” scheme operated by the City Council supplies heating and heating/hot water to almost 6,000 homes. The system provides heat and hot water to groups of properties from central boiler houses rather than using individual property boilers.

Running costs relating to District Heating are paid by the Council and charged to a separate account within the overall Housing Revenue Account (HRA).

The account is run on a self-financing basis with the total annual costs of approximately £2.7m being recovered by the Council from charges to customers.

Around 7/8 years ago plans were developed and approved by Cabinet to upgrade the city’s community heating sites with the installation of heat metering. This followed earlier investment in boiler plant refurbishment and internal controls to properties which allowed householders to better control/reduce their energy bills by paying for the actual heat used rather than through a flat rate weekly charge based on property size.

The contract for this project was for the installation of meters and associated works to approx. 6,000 dwellings on the District Heating network and for the associated management and administration of heat meters in terms of prepayment processes (inc. taking prepayments from customer by various means), data transfer to and from meters and for data analysis and reporting. The contract also included the requirement to provide the Council with a bespoke utility billing system (*It had been decided that the Council would operate a budget plan billing system for customers as an alternative to the prepayment method using heat cards*) and a specifically designed billing system was required to facilitate this.

The Contract was awarded to ENERG Switch 2 in February **2014** and they started installing meters within properties in March 2014 with an expected contractual duration time of 3 years for the installation of meters/equipment. The contract also allowed for an additional 1 year for the ongoing associated management and administration functions following the completion of the installation work, giving a total contract duration period of 4 years.

1.2 The Current Position

The initial contractual arrangements for the ongoing management and administration of heat meters now needs renewing and this report seeks to gain endorsement of the proposed approach for securing new contractual arrangements.

The Council have invested heavily into Heat Metering and we are not proposing to make significant changes or carryout adaptations to the equipment that was installed in customers' homes as part of the 2014-2017 installation programme. Therefore any new contractual arrangements for the management and administration of heat meters will need to be compatible with the existing equipment and the associated communication infrastructure already in place. It is also essential there is a swift and seamless transition from the old to the new contact, as it is of paramount importance there is no risk to the district heating provision for our customers.

Heat metering and the necessary infrastructure to operate it is quite complex involving constantly evolving technology and specialist expertise. It is considered to be a relatively unique and niche service sector with not a huge number of service providers.

Due to its complex nature the process of developing new contractual arrangements for this service has warranted a significant lead-in period and careful consideration involving extensive research (including 2 market testing exercises). A specific Project Group was set up which has met routinely over the last 16 months or so.

To ensure we arrive at the best outcome for the Council, it has been necessary for Commercial Services to extend the current contract (through a waiver of standing orders) up to September 2019 to allow sufficient time for a full appraisal of the evolving technology, the market conditions and of the overall variability of the options available.

The current annual cost for the contract is in the region of £280k to £320K per annum.

1.3 The Proposed Way Forward

It is proposed that the new contract should be for 4 years with a break clause at years 2 and 3.

A contract of this length will allow us to both a) have an appropriate degree of longevity / stability and b) the necessary degree of flexibility in what is a relatively rapidly evolving service sector.

With the guidance of Commercial Services we have considered a full range of procurement options and the shortlisted ones are set out in section 5 of this report. However after considering the nature of this contract and taking on board the essential regulatory compliance/ value for money requirements, we are proposing to procure this through The Yorkshire Procurement Organisation (YPO) framework 642 for Utilities Metering and Data Collection Services – Lot 1 Heat Metering.

Further details of the proposed Procurement Strategy are set out below.

1.4 The Proposed Procurement Strategy for Heat Metering Services

The preferred and most suitable route to market is to issue a call for competition under the YPO framework agreement. The contract will be for period of no more than 4 years (in compliance with framework guidelines) SCC has a long standing relationship with YPO who have a proven and established track record in delivering frameworks for use by the public sector.

The YPO framework for Utilities Metering & Data Collection Services was procured following an OJEU complaint process and awarded in Feb 2017 for 2 years with the option to extend for a two further periods of 12 months. The framework consists of 7 lots and we will be calling off Lot 1 – Heat Metering; this consists of a total of 5 suppliers including:

- Ista Energy Solutions Ltd
- Switch2 Energy Ltd
- Enica Ltd
- Energy Metering Technology Ltd
- Energy Assets Limited

Any further competition is carried out by the YPO Energy Team. The proposed timetable for the delivery of this procurement in compliance with OJEU and Public Procurement Regulations are set out below:

Dates	Stage
24rd June	Call for Competition published
7th July	Closing date
22nd July	Evaluation
22st July	Contract award
3rd September	Contract start

2. HOW DOES THIS DECISION CONTRIBUTE ?

2.1 Since its introduction the heat metering scheme has proved to be very successful and feedback from our customers has been very good. On average they are saving around 40% on their heating bills to what they were paying before on the old fixed weekly charge under an unmetered supply. As we are using less fuel to source heating this also benefits the environment by lowering carbon omissions in the city

This decision will specifically allow us to implement new contractual arrangements that will enable this to continue and ensure we maintain high quality/efficient services for our district customers moving forward.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 *Following the procurement a detailed consultation will take place with service users.*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 <u>Equality of Opportunity Implications</u>

4.1.1 Advice received that an EIA is not required.

4.2 Financial and Commercial Implications

4.2.1 Running costs relating to District Heating are paid by the Council and charged to a separate account within the overall Housing Revenue Account (HRA). The account is run on a self-financing basis with an overall annual cost of approximately £2.7m being recovered by the Council from charges to customers.

The annual cost for this specific contract is in the region of £280k to £320K per annum and provision has been set aside within the District Heating Account to accommodate these charges.

4.3 Legal Implications

4.3.1 Officers have been mindful of the importance of putting in place appropriate arrangements to secure the desired outcomes. Ensuring compliance with all necessary EU and Local Authority legal requirements, including TUPE where necessary. The proposed contract does have a value in excess of the European procurement thresholds. However, the proposed tender process does comply with the requirements of the Public Procurement Regulations 2015.
Under the Landlord and Tenant 1985 and the Housing Act 1985 the Council is empowered to impose the service charge for this service, tenants having previously been consulted on the service charges.

4.4 Other Implications
(none)

5. ALTERNATIVE OPTIONS CONSIDERED

As part of an extensive appraisal of the potential procurement options available to the Council, the following options were considered.

- ❖ Option 1 > Above OJEU Invitation to Tender for services (Open procedure)
- ❖ Option 2 > Call off via mini competition under a Public Sector Framework Agreement – options included YPO 642 Framework for Utilities Metering and Data Collection Services and Fife Council 10366 Framework for Heat Metering and Billing Services

- ❖ Option 3 > Renegotiate and extend the current contract through a waiver of Contracts Standing Orders

It was concluded that Option 3 which would seek a further waiver of Contracts Standing Orders would contravene PCR Regulations and present a serious risk of challenge form alternative suppliers in the market. This would also not provide the council the opportunity to test the market through a competitive exercise and therefore may not achieve value for money.

Option 1 would require a significant length of time in completing a full above OJEU threshold procurement exercise and would likely exceed the expiry of the current contract ending September 2019. Furthermore, this option would require further resources in terms of time and people.

Having considered all options through the regular project group meetings, (inc, advice from Commercial Services) Option 2 is recommended for the following reasons:

- The framework agreements are compliant with EU/UK procurement
- Pre–agreed terms and conditions all providers have signed and accepted this agreement and terms and conditions of call off.
- Assured supplier standards - suppliers are pre-qualified as to their general suitability, giving customers confidence in the quality of service/products they can provide
- Use of framework agreements is recognised best practice for the procurement of goods and services in public sector
- Reduced timescales - with no need to publish requirements by OJEU or pre-qualify suppliers
- Immediate access/use of frameworks
- Ability to use our own detailed and tailored specification
- can allow for direct call offs and also mini competitions

Both frameworks offer a compliant, cost effective and straight forward/quicker route to market consisting of multiple suppliers who have been pre-qualified and deemed suitable to provide the requested services. Furthermore, the incumbent suppliers Switch 2 are a named supplier on both frameworks.

6 . REASONS FOR RECOMMENDATIONS

6.1 After considering the nature of this contract and taking on board the essential regulatory compliance/ value for money requirements, the best option for the Council is to award via mini competition under a Public Sector Framework Agreement

Out of the two available frameworks, The Yorkshire Procurement Organisation (YPO) is the favoured option, Sheffield City Council has a long standing relationship with YPO and they have a proven and established track record in delivering frameworks for use by the public sector.