

Overview and Scrutiny Management Committee

Thursday 3 September 2020 at 9.00 am

To be held as an online video conference.

The Press and Public are Welcome to Attend

Membership

Councillors Mick Rooney (Chair), Ian Auckland, Steve Ayriss, Ben Curran, Denise Fox, Julie Grocutt, Tim Huggan, Douglas Johnson, Mike Levery, Cate McDonald, Sioned-Mair Richards and Jim Steinke

Substitute Members

In accordance with the Constitution, Substitute Members may be provided for the above Committee Members as and when required.

PUBLIC ACCESS TO THE MEETING

The Overview and Scrutiny Management Committee comprises the Chairs and Deputy Chairs of the four Scrutiny Committees. Councillor Cate McDonald Chairs this Committee.

Remit of the Committee

- Effective use of internal and external resources
- Performance against Corporate Plan Priorities
- Risk management
- Budget monitoring
- Strategic management and development of the scrutiny programme and process
- Identifying and co-ordinating cross scrutiny issues

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. on Friday. 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 Scrutiny Committee 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.

Scrutiny Committee meetings are normally open to the public but sometimes the Committee 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.

If you require any further information about this Scrutiny Committee, please contact Alice Nicholson, Policy and Improvement Officer, on 0114 27 35065 or email alice.nicholson@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.

**OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE AGENDA
3 SEPTEMBER 2020**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of Public and Press**
To identify items where resolutions may be moved to exclude the press and public
- 4. Declarations of Interest**
Members to declare any interests they have in the business to be considered at the meeting
- 5. Minutes of Previous Meeting**
To approve the minutes of the meeting of the Committee held on 4th June, 2020
- 6. Public Questions and Petitions**
To receive any questions or petitions from members of the public
- 7. Update on the Council's 2020-21 Revenue Budget**
Report of the Head of Strategic Finance

Supporting documents attached:-

Revenue Budget and Capital Programme Monitoring 2020-21
Capital Approvals for Month 2 2020-21
- 8. Date of Next Meeting**
The next meeting of the Committee will be held on a date to be arranged

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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 not:

- 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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Overview and Scrutiny Management Committee

Meeting held 4 June 2020

(NOTE: This meeting was held as a remote meeting in accordance with the provisions of The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.)

PRESENT: Councillors Mick Rooney (Chair), Ian Auckland, Steve Ayris, Ben Curran, Denise Fox, Julie Grocutt, Tim Huggan, Douglas Johnson, Mike Levery, Cate McDonald, Sioned-Mair Richards and Jim Steinke

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(NOTE: This meeting was held as a remote meeting in accordance with the provisions of The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.)

1. APOLOGIES FOR ABSENCE

1.1 No apologies for absence were received.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 In relation to Agenda Item 7 (Call-in of the Leader's Decision on Month 11 Capital Approvals 2019/20 – Heart of the City II – Block A (Palatine Chambers)), Councillor Denise Fox declared a personal interest as partner of Councillor Terry Fox (Deputy Leader of the Council and Cabinet Member for Finance, Resources and Governance), who had liaised with the Leader in making the decision, and was in attendance at this meeting.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 14th February 2020, were approved as a correct record and, arising therefrom, (a) the Chair reported that as Councillor Mark Jones (Cabinet Member for Environment, Streetscene and Climate Change) had been busy dealing with issues surrounding Covid-19, he had not yet received any indication from Councillor Jones as to when a Citizens' Assembly would be established to look at climate change and (b) the Policy and Improvement Officer (Deborah Glen) (i) reported that Louise Brewins (Head of Performance and Intelligence) had agreed to the request from Committee on 19th September 2019, regarding the Corporate Performance Framework, (ii) confirmed that, following discussions with colleagues in the Ethical Procurement Team, performance outputs would be included on the Corporate Performance

Framework and (iii) reported that she would chase up the information requested of the Executive Director, Resources, in connection with ethical procurement, and circulate such information to Members.

5. PUBLIC QUESTIONS AND PETITIONS

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

6. CALL-IN OF THE LEADER'S DECISION ON MONTH 11 CAPITAL APPROVALS 2019/20 - HEART OF THE CITY II - BLOCK A (PALATINE CHAMBERS)

6.1 The Committee considered the following decision of the Leader, made on 16th April 2020, regarding the Month 11 Capital Approvals 2019/20 - Heart of the City II - Block A (Palatine Chambers):-

- (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 contract; and
- (b) approves the making of grants to third parties, as detailed in Appendix 2 of the report.

6.2 Signatories

The lead signatory to the call-in was Councillor Martin Smith, and the other signatories were Councillors Ian Auckland, Steve Ayris, Tim Huggan and Mike Levery.

6.3 Reasons for the Call-in

The signatories wanted the Council to review the size and timing of the investment for Heart of the City II (Block A) in the light of the current economic circumstances, together with the associated project risks.

6.4 Attendees

- Councillor Terry Fox (Deputy Leader and Cabinet Member for Finance, Resources and Governance), attending in place of the Leader (Councillor Julie Dore), who was not able to attend
- Councillor Mazher Iqbal (Cabinet Member for Business and Investment)
- Councillor Martin Smith (Lead Signatory to the Call-in)
- Nalin Seneviratne (Director of City Centre Development)
- Jayne Clarke (Finance Manager)

6.5 Councillor Martin Smith, as lead signatory, stated that, whilst he supported the Heart of the City II Scheme, there were three main reasons for the call-in, firstly due to the high value of the contract, secondly that the development was taking place in the most prominent block of the Heart of the City scheme and thirdly, the

decision required further scrutiny in the light of the potential adverse effect of Covid-19 on the economy, particularly in the light of the effects on the hospitality sector, which formed the core of this element of this Project. Councillor Smith concluded by expressing his surprise at such a decision being taken during the peak of the pandemic.

- 6.6 Councillor Mike Levery also welcomed the Heart of the City II scheme, but stressed that the scheme had been approved in line with the vision approved by the Cabinet in 2018, whereas the world had changed considerably since then. He stressed that the Council was already looking at a difficult budget preparation for 2021/22, and approving this project would result in an increase in borrowing costs. He expressed concerns with regard to the Council committing to the construction phase, and questioned whether there was any mitigation regarding risk. He concluded by stating that the Council needed to do the correct thing that met the City's needs.
- 6.7 Councillor Steve Ayris stated that he was also in support of the Heart of the City scheme, albeit at the correct time. He queried what the Council's vision of the City Centre was at this time, given the current situation regarding Covid-19, stating that, until the Council had seen the economic recovery plan, there would obviously be a lack of clarity on this issue. Councillor Ayris also referred to the fact that there could be an upturn in the virus, requiring further lockdown measures. He considered that there was a need for a careful evaluation of the economic and social impact of Covid-19 before committing more public funds. Councillor Ayris referred to the recent decision of Sheffield Hallam University to drop its Gateway Tower project on Sheaf Street, for economic reasons, as well as referring to the closure of a number of large stores in the City Centre, and to the difficulties currently being faced by other major retailers in the City. He stressed that Covid-19 was having a major adverse effect on the hospitality sector.
- 6.8 Councillor Tim Huggan queried the logic of the decision being taken by the Leader, who would be leaving the Council next year, and would not see any impact of the decision. He also referred to the current pandemic, and questioned whether this was the right time to be making such a decision.
- 6.9 Councillor Mazher Iqbal provided a brief history of the Heart of the City I scheme, indicating that the £160 million investment had enabled the Council to lever in substantial private sector investment. The scheme had comprised a number of high quality buildings and open spaces within the City Centre. In order to de-risk the Heart of the City II scheme, the scheme had been broken down into different segments, where decisions regarding progression could be made at different stages. Councillor Iqbal stated that the Heart of the City II comprised a mixed development of housing, leisure, hotel, food and beverage and retail facilities, and was expected to create around 500 construction jobs. When complete, it was expected to provide between 5,000 and 7,000 jobs. The Council was very aware of the risks involved, particularly regarding the £470 million cost of the scheme. There was now a new development partner, Queensberry, and the scheme had already delivered its first success in terms of Block D (HSBC), with two major retailers, Monki and Weekday, moving in some time ago and a recent announcement just made regarding letting office space to CMS, an international

law firm. Councillor Iqbal stated that Blocks B and C were currently under construction, planning permission had recently been approved in respect of Block F, a large company had expressed an interest in respect of Block G, and the plans in respect of Block H were currently out to consultation. Radisson Blu, a well renowned hotel chain, had expressed an interest in Block A, and had been selected through the competitive process, with the plans shortly to go through the planning process, as well as public consultation. Councillor Iqbal stated that he appreciated the reason for the call-in, particularly in the light of the current situation, but stressed that, given the increasing confidence in the City Centre, he believed that such a project was deliverable and sustainable. Although Radisson Blu had committed to the development in Block A, the planning and construction process could take up to two to three years, when it was hoped things had changed by then. He stated that the Council had been working closely with the Business Improvement District (BID) and South Yorkshire Police in connection with re-opening the City Centre following the lockdown. He added that officers were in contact with the British Retail Consortium, the body responsible for analysing retail performance both locally and nationally, and referred to the success of the HSBC building, the first completed building as part of Heart of the City II. He stated that members of the public and businesses were starting to have an increased confidence in the City Centre, and it was expected that, with the development of the further blocks, such confidence would be higher. Councillor Iqbal referred to the recent establishment of a Business Recovery Group, which comprised representatives of the City's two Universities, the Chamber of Commerce and other organisations, and which met weekly to discuss issues regarding business confidence in the City Centre.

- 6.10 Councillor Terry Fox stated that he appreciated and accepted the concerns now raised, and stated that the Leader had made the decision in consultation with himself and Councillor Mazher Iqbal, together with relevant senior officers, in order to highlight the City's ambition going forward. He stressed that he was convinced, at this moment in time, it was the correct approach, and was fully behind the project. One of the Council's main aims was to get quality, long-term jobs into the City, including apprenticeships, and this was seen as an ideal opportunity. He concluded by stating that the Council took a very prudent approach, seeking advice from relevant officers and representatives from external organisations at each stage of the overall scheme.
- 6.11 Nalin Seneviratne reported that Block A was a gateway to the Heart of the City II scheme, and represented an important and strategic part of the overall development. The Block comprised three buildings, Barkers Pool House, Palatine Chambers and the former Gaumont Cinema building, and the site had been relatively unoccupied for some years, other than temporary lets and shop licences. John Lewis had agreed to vacate Barkers Pool House with effect from November 2020, to enable the redevelopment to proceed. The overall project would include the demolition of Barkers Pool House, the retention of the Victorian façade on Pinstone Street, the construction of a new 4-star hotel and the re-cladding and refurbishment of the former Gaumont Cinema building, to allow for modern-day retail use. The hotel development would form the primary use of the block, and would account for over 75% of the revenue with regard to the investment value generated by the development. Pre-construction activity was well advanced and,

whilst the application for planning permission had originally been ready for submission later this month, there was now likely to be a delay due to this call-in. Mr Seneviratne stated that risk management of the Project was a major issue, as it was for the whole Scheme, and that the Council could not go out to tender for construction prices until the budget had been approved. Also, as part of the risk management process, and particularly in the light of the current economic circumstances, the project would be developed step by step, and even when the finance was approved, further checks would be made on the construction market to assess the position at that time. Radisson Blu, the second largest hotel operator in the world, would be responsible for operating the hotel as part of the project, with the Company still very much committed to working with the City. The Council was working with Colliers international, consultants who provide strategic and commercial advice for developers, and were also consulting with a company called STR, who were a premier provider of data on hotel performance. The hotel was scheduled to open at the beginning of 2023, at which time it was expected that the Covid-19 virus will have passed. Mr Seneviratne stressed that the Council could sell the building if it was deemed necessary. There were a number of standard project risks associated with the site, which included the need to ensure that the scope of the hotel did not exceed its budget, dealing with external repairs to existing buildings, issues with regard to construction works on such a tight site and dealing with the removal of asbestos on the site. It was envisaged that there would be an income of between £2.6 and £3 million on an overall investment of £47 million, with a return to the Council of between 5.5 and 6.4%, minus any management and finance costs. Mr Seneviratne concluded by referring to the importance of having such a major hotel operator in the City, particularly one that would employ its staff on the real living wage.

6.12 Jayne Clarke stated that the project would be funded through prudential borrowing during construction, therefore there would be no revenue impact on the Council's budget. The prudential borrowing only kicked in if and when the Council drew down on expenditure, therefore there would be no major interest charges. In terms of risks, having a major tenant helped, and would result in the receipt of substantial business rates.

6.13 Members of the Committee raised questions, and the following responses were provided:-

- In terms of the timing of the Leader's decision, the process commenced prior to the start of Covid-19 pandemic, and the City Development Programme Board took the view that the Council needed to keep a close eye on each step as the project progressed. The Council took commercial advice from Colliers International, who had a wealth of knowledge in terms of the hospitality sector. It was envisaged that the hotel would be completed in early 2023, and that the pandemic was more than likely to be over by that time. The advice from Colliers had been obtained around three to four weeks ago as part of the risk management process, and following the Leader's decision on 16th April 2020. The Programme Board wanted to see the results of construction pricing, and that a review of the hotel market would also occur prior to entering into the contract.

- The Programme Board comprised Councillor Mazher Iqbal, Eugene Walker (Executive Director, Resources), Gillian Duckworth (Director of Legal and Governance), Laraine Manley (Executive Director, Place), Ryan Keyworth (Director of Finance and Commercial Services), Jayne Clarke (Finance Manager), Tammy Whitaker (Head of Regeneration and Property Services), David Sellars (Senior Lawyer, Legal Services), Edward Highfield (Director of City Growth) and Neil Jones (Programmes and Partnerships Team Manager), and Andrew Peacock from CBRE, an international real estate firm. The Board would always seek specialist independent advice, and the decision regarding the capital approval had been made on the back of having Radisson Blu on board. The Council was currently working through the agreement process with Radisson Blu.
- The Council was currently beyond the Heads of Terms arrangements with Radisson, and the legal agreements had nearly been finalised, but not yet entered into. It was fully accepted that there was a level of risk involved in the project, therefore the Council wanted to go out to the market in terms of construction prices prior to committing any further. The Council was not able to go out to tender unless the finances had been approved. Radisson was seeking its final board approval this month, and wanted to progress the deal, in time for the hotel opening in 2023. The Company had committed a considerable sum in terms of costs with regard to design and legal discussions. When the Council obtained the tenders, a further review would be undertaken, which would include seeking further advice from Colliers International.
- The Council had instigated an overall review of the Heart of the City II Scheme, and not just regarding Block A. This had involved asking its development partner, Queensberry, to undertake a review on the current position with regard to the retail market. The Council had also liaised with the CBRE, who were represented on the Programme Board, and also sought advice on capital markets. The plan was to submit a report to the Cabinet in July 2020, containing an update on the overall scheme, including details of finances.
- The Council's former Chief Executive (John Mothersole) used to be a member of the Project Board, but the present interim Chief Executive (Charlie Adan) was not. The Leader of the Council was also not a member of the Board as it was not possible for her to cover all meetings, therefore the duties regarding such attendance had been delegated to Councillors Mazher Iqbal and Terry Fox. There were comprehensive political checks and balances of the whole process, and the proposals would be submitted to the Cabinet for final approval. All decisions made with regard to the Heart of the City II scheme had been made by the Executive Director, Resources, and Executive Director, Place, in consultation with Councillors Mazher Iqbal and Terry Fox and other Members and officers as appropriate. All financial decisions still go through Cabinet as part of the capital approvals process.
- Queensberry were the Council's development manager and received a fee for their work.

- Unless dealing with a major city or a tourist hotspot, hotel operators don't generally take leases any more. The Council was looking at the hotel management agreement with Radisson Blu. There was a considered amount of risk shared with that Company in terms of performance fees, and Radisson Blu also bared a considerable level of risk in the operation. Radisson Blu would be looking to establish a company in the City to operate the hotel.
- The information contained in the independent report produced by Colliers International had not been included in the papers for consideration at this meeting, as it was not required to be so. It was not apparent that there was any other information available at the time the papers for this meeting were published.
- If there were any delays on the part of Radisson Blu in terms of entering into an agreement, there would be no financial detriment to the Council as it would not be entering into an agreement. The aim was to get the agreement with Radisson Blu in place prior to entering into construction contracts. The Council was the developer in this case, therefore carrying the risk, and this was why the deal was being progressed very prudently. The Council made every effort to try and identify an occupier in respect of each Block, as part of the overall scheme, as in the case with Radisson Blu in terms of Block A. If Radisson Blu decide they didn't want to go ahead, the Council would not construct a hotel. If Radisson Blu decided they wished to delay construction, particularly in the light of the current economic situation, the Council would work with them on this.
- The Council had recently undertaken a complete financial review of the scheme, and did this on a regular basis. There was a much smaller retail content in this particular project compared with past plans, therefore this was seen as less of a risk. Sheffield is one of the largest cities in the country, and retailers were still interested in locating to the City. In terms of other development in the City Centre, Charter Square had now been completed, and was ready to accommodate a leisure operator. This therefore proved that there was still interest and confidence in the City Centre, despite the current situation with regard to Covid-19.
- One of the key ambitions for the current Administration was to ensure that the City Centre was a place where local residents and visitors from elsewhere in the country, and elsewhere in the world, could come to work, live and play. Each different Block as part of Heart of the City II went through an appraisal process in view of the public finances involved. Reference was also made to the £150 million development with regard to West Bar, the development of the Old Town Hall building on Castlegate and the recent works on The Moor, which all represented development schemes which helped to add to the vibrancy of the City Centre. The development of the Radisson Blu hotel would give confidence to other investors, both nationally and, hopefully, globally.
- Queensberry were traditionally retail developers, and still managed a number

of retail schemes around the country. The Council, together with Queensberry, worked closely with commercial property agents Central Retail and Distrikt, which was involved in niche and emerging markets in the food and beverage sector. It was also in collaboration with the CBRE. The Council would bring in such organisations when it required specific advice. It was acknowledged that a number of major retailers had closed down in the City Centre, but there were also a number of success stories. The Council was always monitoring what was happening locally, nationally and globally. There were plans for the City Centre to reopen in the near future and as part of this work, the Business Recovery Group had written to all businesses in the City Centre, asking what their plans were.

- In terms of borrowing, the Council only drew down funding when there was a shortfall in its requirements as part of the Council's overall treasury management. Interest would only be incurred at such stage when funding was drawn down. Interest was then capitalised whilst each block was under construction.
- Block A was well progressed in terms of its design, and was just about ready to go out for public consultation, and the Council was ready to go out to the construction market in respect of the design stage. At the present time, the retail elements were effectively shell and core, with the hotel design well advanced.
- If it was the case that no major retailers could be attracted to this space, such space could be used for other purposes. All blocks as part of the overall scheme were designed flexibly for this purpose. The projected yield in respect of the commercial and retail element of the project was 5.7%.
- It was hoped that, like with the HSBC building in Block D, the construction costs in respect of Block A would be less than envisaged. The overall plan of the scheme was to target viable, sustainable and deliverable developments, such as HSBC. There were approximately 2,000 employees working in HSBC's offices in Block A, and the international law firm, CMS, had recently agreed to take up the remainder of the office space in the building.
- It was envisaged that the second phase of the Heart of the City Scheme would build on the success of the first phase, and it was hoped that, following further major development schemes, more local people, as well as tourists, would choose to visit the City Centre. There was an element of risk to the project following the call-in and there were concerns that if the Council did not show a level of ambition, this would portray a negative outlook. If the development of Block A did not proceed, there would be a lack of confidence in terms of the future of the overall scheme, as well as a potential for it to have a major adverse effect on the City's reputation.
- The independent report from Colliers now referred to would be circulated to all Members of the Committee.
- The term of the agreement with Radisson Blu was 20 years, and if the

Company pulled out at any stage, the Council could sue them for breach of contract. Every check would be made to ensure that everything was satisfactory prior to signing up with Radisson Blu, prior to construction commencing. The target date for the signing of the agreement was July, although there could now be a delay in this.

- Radisson Blu would set up in Sheffield as an operator, taking a fee, as well as sharing the risk. The Council, as developer, would be the owner of the hotel, but could look to sell at any point. It was likely that the Council would review the position after three years of the hotel operating in order to see how things were going.
- The Council would be taking the income from the hotel business, therefore more visitors would result in more income for the Council. It was however, believed that the level of turnover would be manageable. The delivery of the scheme would be in three years. The income from the hotel was expected to be between £6 and £7 million per annum, of which the Council would receive a share.
- A number of major companies were deemed to be taking a risk by investing in the City in the middle of the Covid-19 pandemic. As well as major companies, the Council had also been approached by a number of independent traders, expressing an interest in being part of the scheme. As each Block was occupied, this gave other businesses and traders confidence. The more businesses and retailers attracted to the City, as part of the scheme, would create a huge number of jobs, as well as creating a supply chain.
- It would definitely be detrimental to the local economy if the development of this project did not proceed, and would be particularly detrimental for local independent traders.
- A large proportion of the City's income comes from business rates and Council Tax, therefore it was important to make sure that the City's economy was strong. There had been objections to past developments in the City Centre, which had proved to be major successes, such as the Peace Gardens and St Paul's. It was accepted that there was pressure on all areas of the Council's budget, but it was important that decisions regarding future developments were taken, whilst being prudent at the same time.

6.14 Councillor Martin Smith expressed his thanks to all participants at the meeting for their contributions, but still expressed concerns at the decision being taken at the very height of the Covid-19 pandemic. He was particularly concerned that the Council had sought independent advice on the economic effects of Covid-19 only after the decision was taken by the Leader on 16th April 2020, and the fact that such advice was not circulated to the Cabinet, this Scrutiny Committee or the Leader of the Council. Councillor Smith stated that as there was no full legal agreement with Radisson Blu, he believed that this element of the project should be paused, subject to the outcome of the Covid-19 pandemic on the City's economy.

6.15 RESOLVED: That the Committee:-

- (a) notes the information reported as part of the presentation, the responses to the questions raised and the comments now made;
- (b) agrees that no action be taken in relation to the called-in decision, but requests that further updates on the Heart of the City II scheme be submitted to the Economic and Environmental Wellbeing Scrutiny and Policy Development Committee.

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

- For the resolution (8) - Councillors Ben Curran, Denise Fox, Julie Grocutt, Douglas Johnson, Cate McDonald, Sioned-Mair Richards, Mick Rooney and Jim Steinke
- Against the resolution (4) - Councillors Ian Auckland, Steve Ayris, Tim Huggan and Mike Levery

(NOTE: Prior to the passing of the above resolution, an amendment moved by Councillor Tim Huggan and seconded by Councillor Mike Levery, to replace paragraph (b) with the following, was put to the vote and negatived:-

“requests that the decision be deferred to allow for further scrutiny of the independent report of Colliers International”

The votes on the amendment were ordered to be recorded, and were as follows:-

- For the resolution (4) - Councillors Ian Auckland, Steve Ayris, Tim Huggan and Mike Levery
- Against the resolution (8) - Councillors Ben Curran, Denise Fox, Julie Grocutt, Douglas Johnson, Cate McDonald, Sioned-Mair Richards, Mick Rooney and Jim Steinke

7. OVERVIEW AND SCRUTINY DURING COVID-19

- 7.1 The Committee received a presentation from the Head of Policy and Partnerships (Laurie Brennan) containing proposals with regard to the role of scrutiny during Covid-19.
- 7.2 Mr Brennan reported on the democratic accountability and scrutiny during Covid-19, the role of scrutiny as the Council recovers from the pandemic, the effectiveness of the virtual scrutiny meetings held to date, and a suggested way

forward.

7.3 Members of the Committee raised questions, and the following responses were provided:-

- It was planned that a review of the proposals would be undertaken in August 2020, and it was confirmed that the suggestions now reported only comprised temporary arrangements.
- The Committee was being asked to put forward a number of suggestions and a range of views, which could then be considered at a meeting of the Committee Chairs, and the respective Policy and Improvement Officers.

7.4 Members of the Committee raised the following points:-

- It was correct that specific emphasis should be given to meetings of the Healthier Communities and Adult Social Care Scrutiny and Policy Development Committee, in the light of Covid-19.
- It was important to look at other issues which would be considered by the other Scrutiny Committees, such as domestic violence and the impact of Covid-19 on the Housing Revenue Account.
- Whilst the current, temporary arrangements appeared to be working satisfactorily, there was no substitute for the usual scrutiny function.
- There could be justification for arranging meetings of all the Scrutiny Committees as Covid-19 was affecting the City in a number of different ways.
- It was important that all the Scrutiny Committees were back up and operating as soon as possible as there were a number of Members on the other committees with specific knowledge, which was valuable as part of the Council's democratic process, particularly during these difficult times. All the Scrutiny Committees should be meeting, although not as regularly as they used to.
- There was no need to arrange meetings for the sake of it, particularly given the present situation, and the demands on officer time and resources.
- The Chairs and Deputy Chairs of all the Scrutiny Committees should meet to discuss which topics required scrutiny.
- This Committee should meet in the near future to discuss which topics should be prioritised.
- There was a need to be mindful of staffing resources available, as well as issues regarding Information Technology.

7.5 RESOLVED: That the Committee:-

- (a) notes the information reported as part of the presentation, the responses to the questions raised and the comments now made;
- (b) agrees that arrangements be made for a further meeting of this Committee to be held in the near future, given the number of important issues requiring consideration, and discussion be held at that meeting on a proposed plan with regard to arranging meetings of the other Scrutiny Committees, with such proposals being based on current staffing resources and IT capacity; and
- (c) requests that the Head of Policy and Partnerships meets with the Chairs and Deputy Chairs of all the Scrutiny Committees to prioritise a list of suggested topics for consideration, to inform the discussion to be held at the next meeting of this Committee, as referred to above.

8. DATE OF NEXT MEETING

- 8.1 It was noted that the next meeting of the Committee would be held on a date to be arranged.



Report to Overview and Scrutiny Management Committee

3rd September 2020

Report of: Head of Strategic Finance

Subject: Update for OSMC on Council's 2020/21 Revenue Budget

Author of Report: David Phillips, Head of Strategic Finance

Summary:

The Council's 2020/21 Revenue Budget was agreed at Full Council on 4th March 2020. Since the Budget was set in early March the City and Council have been hit by the Covid-19 pandemic. This pandemic has had a very significant effect on the Council's finances and the delivery of its budget. This paper updates the Council's Overview and Scrutiny Committee (OSMC) on these effects.

Type of item: The report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	X
Other	

The Scrutiny Committee is being asked to:

1. Note the additional pressures caused by the COVID crisis, and
2. Note that the Council's current level of reserves provides time for action to be taken strategically in response to the COVID crisis and the more general financial position, but that actions will be needed, on current projections, to maintain financial stability in the medium term. These actions will include further co-operation with other key stakeholders, in particular the NHS.

Background Papers:

1. Report to Cabinet 15 July 2020: Revenue Budget and Capital Programme Monitoring 2020/21 – as at 31/05/2020
2. Report to Cabinet 15 July 2020: Month 2 Capital Approvals

Category of Report: OPEN

Introduction

The Council's 2020/21 Revenue Budget was agreed at Full Council on 4th March 2020. The Revenue Budget sets out a detailed one-year representation of the Council's business plans, and is used to set Council Tax and Services financial and resource allocations.

Since the Budget was set in early March the City and Council have been hit by the Covid-19 pandemic. This pandemic has had a very significant effect on the Council's finances and the delivery of its budget. This paper updates the Council's Overview and Scrutiny Committee (OSMC) on these effects.

The impact of the crisis

- 1. A balanced budget was set in March 2020**

The City Council agreed a balanced revenue budget in March 2020. This budget absorbed £30m of revenue pressures, with a combination of £15m of savings, additional funding from Central Government (for the first time in ten years) and increases in Council Tax and Business Rate (CT & BR) income bridging the gap.
- 2. COVID costs are over £80m**

The Council's costs for the COVID pandemic for 2020/21 are currently (end June 2020) estimated at £82m. However further costs are still emerging, and a second wave could significantly increase these costs.

These costs include slippage on the bulk of the £15m of savings schemes, progress on which has been delayed by the pandemic. Officers are currently working on accelerating the delivery of these schemes.
- 3. This sum breaks down as follows**

Reduced CT and BR £27m.

Slippage of previously agreed savings proposals £15m.

Other areas £40m, for example extra payments to support leisure providers (£12m) & social care providers (£6m), reduced income (£13m), and misc increased costs (£9m). These figures are all net of additional specific funding received.
- 4. Unfunded COVID costs for 2020/21 are currently £11m**

£27m of the above costs relate to forecast reductions in CT and BR income that do not hit our revenue budget until 2021/22 and beyond. In addition CG has to date provided £44m of un ring-fenced funding towards the Council's additional costs and reduced income.

- | | |
|---|---|
| 5. In addition non-COVID overspends for 2020/21 are £6m | There are other areas of the Council's budget that are overspending. These overspends are currently forecast to be £5.9m, mainly due to (non-COVID) additional pressures in Physical and Learning Disabilities, unfunded Air Quality scheme costs, and staffing pressures within Customer Services and HR. Officers are working on reducing these overspends. |
| 6. A net overspend of £17m is therefore forecast | The impact of both the above two items is a forecast overspend of £17.4m for 2020/21 as at the end of June 2020. |
| 7. The Council's has £35m of reserves available, plus £13m in its GF balance. Therefore it is <u>not</u> about to become insolvent | <p>The Council's Medium Term Financial Strategy for 2020/21 to 2023/24 approved in Oct 2019 identified that up to £35m of reserves could be made available to support transformational programmes. In addition the Council has £13m in its General fund (GF) un-earmarked balance. This is in effect the Council's emergency fund and must be replenished if it is used. Nevertheless both this fund and the GF reserve can be used to support the Council's financial position.</p> <p>The MTFA for 2021 and beyond is expected to come to Cabinet in the next 2 months.</p> |
| 8. The Council's financial challenge is in the short term less severe than at a number of comparable LAs | <p>A number of other local authorities, including a number of other Core Cities, are indicating that they are under more immediate financial pressure than we are, with their usable reserves likely to be exhausted sooner, and / or they are more exposed to significant losses on their commercial projects.</p> <p>For example Manchester CC has benefited from being a major shareholder in Manchester Airport, and anticipates a significant fall in income as air travel has greatly reduced.</p> <p>Nottingham CC is concerned about the impact of the crisis on income from their associated green energy venture <i>RobinHoodEnergy (RHE)</i>. RHE was already under considerable financial pressure, with cumulative losses of £34m by 31 March 2019, and it has just been the subject of a Public Interest Report from Nottingham's external auditors which criticised the Council for allowing other services to suffer in its efforts to support RHE.</p> <p>Leeds CC appears the worst affected Core City, with public statements that they forecast the costs of the pandemic (even after CG funding) will exhaust their available reserves</p> |

during 2020/21.

-
9. **However our medium term position is very challenging**
- We cannot yet fully determine the longer-term impacts on our reduced revenues and increased costs. For example we anticipate there will be additional services needed to support people with mental health issues, or families in crisis, and reduced CT and BR income as businesses close and citizens become unemployed.
- No clarity on longer-term CG funding can be expected until after the CG Comprehensive Spending Revenue is completed late in 2020, and the share allocated to LG is then determined.
- If insufficient support for our continuing COVID costs emerges from this review, then the Council's financial position will become very challenging.
-
10. **If sufficient CG support is forthcoming, we will be able to play a full part in the recovery of the City from the pandemic**
- We are keen to play a full role in the recovery of the City from the pandemic. Receipt of sufficient CG funding will enable the City Council to direct these funds to the places which will be the most benefit citizens and regrow the local economy, jobs and prosperity.
-
11. **We are taking various actions to control our budget and our longer-term financial position**
- Monitoring and controlling the immediate financial impacts of the crisis
 - Reviewing the delivery of the Council's current agreed savings programme to minimise the delays to implementation caused by COVID
 - Reviewing emerging non COVID-related financial pressures to reduce or eliminate them where possible
 - Learning lessons from the ways of working adopted during the pandemic, including actions that can be taken jointly with other key partners such as Sheffield CCG and Sheffield City Trust, to identify improvements that maintain service levels to the public whilst potentially reducing costs.
 - Re-working the Council's Medium Term Financial Analysis, including identifying any reserves that can be temporarily released to support the financial position.
 - Lobbying Central Government for further support to recognise the short and longer term impacts of the pandemic, and the role the Council can play in

	regenerating the economy.
12. The crisis also impacts on the Council's Housing Revenue Account	In addition to General Fund impacts, income received from Housing Rents is expected to fall by around £4.5m in 2020/21. There will however be around £3m of short-term savings in materials costs as repairs have been delayed. However over the medium term, these delayed repairs are estimated to cost between £8m and £12m to resolve.
13. Capital spending will have been delayed by the crisis	Various capital projects have been delayed by the crisis, and a number of schemes will have to be re-assessed for their viability.
14. The Council will need to re-assess its priorities for its revenue and capital spending	In response to the pandemic, and to aid recovery, the Council will need to re-assess its strategic priorities to ensure that it invests its revenue and capital resources to the areas that are most appropriate.

Conclusions

- | | |
|--|---|
| 15. It is recommended that OSMC | <ol style="list-style-type: none"> 1. Note the additional pressures caused by the COVID crisis, and 2. Note that the Council's current level of reserves provides time for action to be taken strategically in response to the COVID crisis and the more general financial position, but that actions will be needed, on current projections, to maintain financial stability in the medium term. These actions will include further co-operation with other key stakeholders, in particular the NHS. |
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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: *6th July 2020*
Subject: *Revenue and Capital Budget Monitoring 2020/21 –
As at 31st May 2020*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input checked="" type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>Finance and Resources</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Overview and Scrutiny Management Committee</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(Insert reference number)</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
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 as at the end of Month 2, 2020/21

Recommendations:

1. Cabinet are asked to:
 - (a) Note the updated information and management actions provided by this report and the attached appendix on the 2020/21 Revenue Budget Outturn.
 - (b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 2**.

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: <i>Dave Phillips</i>
		Legal: <i>Sarah Bennett</i>
		Equalities: No
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>Eugene Walker</i>
3	Cabinet Member consulted:	<i>Councillor Terry Fox Cabinet member for Finance and Resources</i>
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: <i>Dave Phillips</i> 	Job Title: <i>Head of Strategic Finance</i>
	Date: 6 th July 2020	

1. PROPOSAL

- 1.1 This report provides the outturn monitoring statement on the City Councils Revenue and Capital Budget for 2020/21.

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.



Revenue Budget & Capital Programme Monitoring As at 31st May 2020

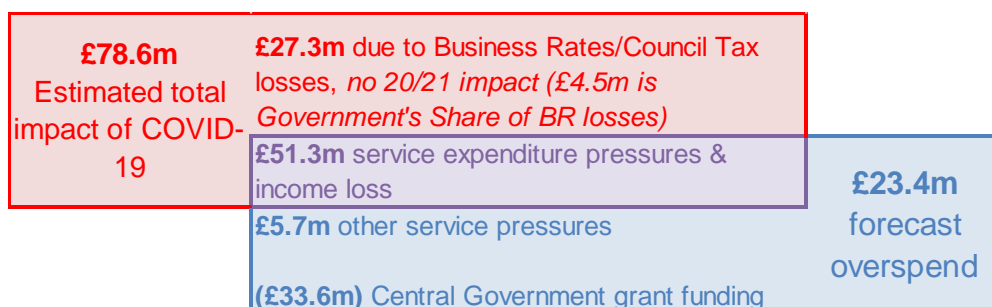
Report author: Dave Phillips, Head of Strategic Finance

Purpose of the Report

1. This report describes the budget monitoring position on the City Council's Revenue Budget and Capital Programme as at Month 2.

Summary

2. The Council's revenue budget is currently forecast to be overspent by £23.4m.
3. The vast majority of the forecasted pressure on revenue budgets for this year is due to the impacts of the coronavirus on Sheffield. The Council has estimated that the overall financial cost of issues relating to the COVID-19 pandemic will be upwards of £78m, though this will change as the longer term effects of the virus become better known. The below graphic reconciles between the estimated gross pressure (also reported back to MHCLG) and the impact on revenue budgets in 20/21.



Response to the position

4. Sheffield is not alone in facing additional financial pressures caused by the COVID pandemic, and councils nationwide are struggling to cope with the additional pressures. The Council is taking the following actions to manage the position and mitigate the financial pressures:
 - Monitoring and controlling the immediate financial impacts of the crisis
 - Reviewing the delivery of its current agreed savings programme to minimise the delays to implementation caused by COVID
 - Reviewing emerging non COVID-related financial pressures to reduce or eliminate them where possible
 - Learning lessons from the ways of working adopted during the pandemic, including actions that can be taken jointly with other key partners such as Sheffield CCG and Sheffield City Trust, to identify improvements that maintain service levels to the public whilst potentially reducing costs

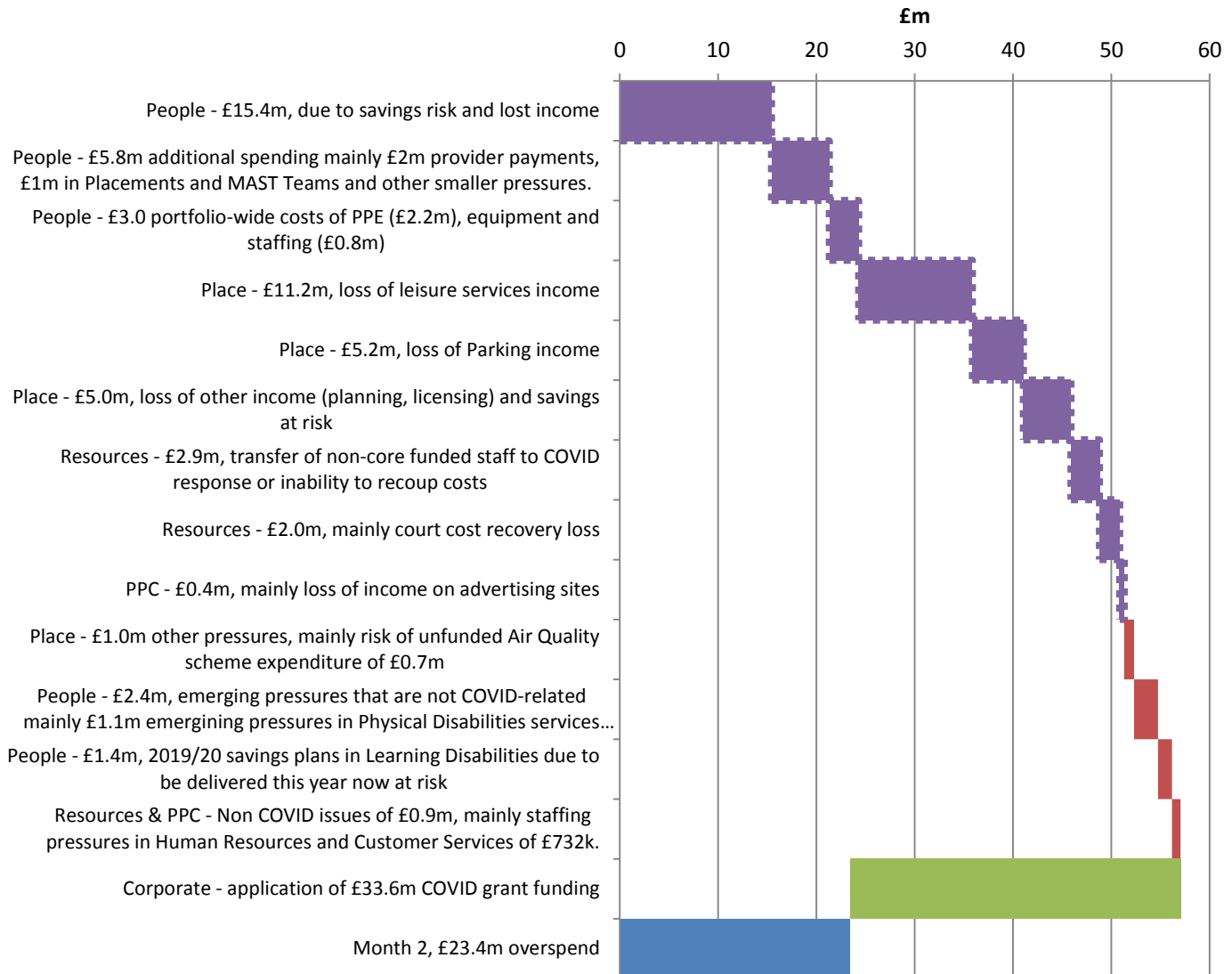
- Re-working its Medium Term Financial Analysis, including identifying any reserves that can be temporarily released to support the financial position. A reserve usage of the current level of £23m could possibly be sustained, however if the financial pressures continue to climb, then the Council's reserve position will become unsustainable. Previously we had identified that we had £35m of reserves that we could use to cash-flow our transformational change programme over the next four years, and in addition our General Fund balance is £13m. Hence we have almost £50m of reserves that could be released over the next four years, so using £23m in the first year represents a significant risk. Consequently we will need further financial support from Central Government if the Council's medium term financial position is to be sustainable. Without this Government support we will move in time to the position where we cannot set a sustainable budget
 - Lobbying Central Government for further support to recognise the short and longer term impacts of the pandemic, and the role the Council can play in regenerating the economy
5. The Council does welcome the additional revenue funding announced so far by the Government to manage the financial pressures it and other local authorities face, though, as above, it must be emphasised that more financial support is needed to support the sector through the immediate crisis and the medium term.
6. In summary the Council is confident that it can manage the financial pressures emerging from the crisis in the short-term, assuming that there are no further significant spikes in infections and further lockdowns. The Council is also planning the transformative changes that are needed to re-balance its financial position and protect services in the medium term. This process will be challenging however, and the Council is also keen to act as a catalyst to regenerate the economy of the city and the wider region. To fulfil fully this role, and to maintain a sustainable financial position in the medium term, the Council will need significant further Central Government funding.

Detailed position

7. The below graph summarises the early movements toward this forecast outturn from an initially balanced budget with comments on significant movements.

2020/21 Forecast Outturn - £23.4m

COVID related issues in purple dashed outline - £51.3m



Position by Portfolio

8. The below table summarises the outturn position by portfolio at Month 2. Reasons for the variance to budget are given in the waterfall chart above.

Portfolio	Forecast Outturn	Full Year Budget	Forecast Variance
People	303,248	275,117	28,132
Place	223,554	200,941	22,613
Policy, Performance & Communications	3,410	2,927	483
Resources	8,292	2,496	5,796
Corporate	(515,105)	(481,481)	(33,624)
Grand Total	23,400	0	23,400

Dedicated Schools Grant (DSG)

9. At Month 2, the Council is forecasting a £767k overspend on DSG budgets. The key reasons for this overspend are savings undeliverable due to COVID lockdown of £193k, £156k staffing pressure within MAST teams due to demand in children's services and £288k pressure caused by pay award in excess of budget assumptions .

Public Health

10. Public Health services are funded by Public Health Grant – any variances to budgeted expenditure will be managed by adjusting the drawdown of grant income to match, therefore Public Health variances will be nil in terms of net expenditure and therefore invisible within the above reported position. The Public Health reserve will be utilised in case of any overspend at year end – there is forecast to be no General Fund impact this year. This table demonstrates the variances to budget before the application of grant income.

Public Health	Forecast Outturn	Full Year Budget	Forecast Variance
People	27,863	27,704	(159)
Place	2,828	2,772	(56)
Director of Public Health	1,890	1,860	(30)
Total	32,581	32,336	(245)

11. The key reason for this position is the overall reduction in staffing costs in Drug and Alcohol Coordination Teams and Public Health Staffing due to COVID-19 lockdown.

Housing Revenue Account

12. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme of £23.1m. As at Month 2 the account is forecasting a £4.5m adverse variance from this budgeted position.

Housing Revenue Account (<i>excluding Community Heating</i>)	Forecast Outturn	Full Year Budget	Forecast Variance
1. Net Income - Dwellings	(138,711)	(142,801)	4,090
2. Other Income	(6,267)	(6,217)	(50)
3. Tenant Services incl. Repairs & Maintenance	89,379	88,843	537
4. Depreciation	23,935	23,935	0
5. Interest on borrowing	13,133	13,175	(41)
6. Contribution to Capital Programme	18,530	23,065	(4,535)
Total	(0)	0	(0)

13. The main reason for this variance is anticipated disruption to rental income due to bad debt following lockdown. This position is fluctuating, and being closely monitored.

14. There is also a variance on the community heating account of £13k, which reflects a broadly balanced position.

Collection Fund

15. As at Month 2, the local share of the Collection Fund income stream is forecasting an overall in-year deficit of £22.7m, made up of a £18.2m deficit on Council Tax and a £4.5m deficit on Business Rates. This position is discussed in more detail within **Appendix 1**.

Capital Summary

16. The approved capital programme budget for 2020/21 at 31 May 2020 was £225.1m. The overall outturn of expenditure against this approved budget is forecast to be £214.1m, representing a variance of £10.9m. Further monitoring of the Capital Programme is reported in **Appendix 2**.

Corporate Risk Register

17. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. Ordinarily, significant changes to this Register would be detailed in this report. However, the chief risk facing the Council currently is the immediate response to a global pandemic, and the full effects are not yet known. The Council's Incident Management Group (IMG) reports more frequently on this topic and it is proposed to instead refrain from discussing any changes to this Register here.

Implications of this Report

Financial implications

18. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2020/21, and it does not make any further recommendations that have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

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

Property implications

21. There are no other property implications arising from the recommendations in this report this report.

Recommendations

22. EMT are asked to:
- (a) Note the updated information and management actions provided by this report and the attached appendix on the 2020/21 Revenue Budget Outturn.
 - (b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 2**.

Reasons for Recommendations

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

Alternative options considered

24. 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.

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

Tel: 0114 273 6831

Report of: *Eugene Walker*
Report to: *Cabinet*
Date of Decision: *15th July 2020*
Subject: *Capital Approvals for Month 02 2020/21*

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 2 2020/21.

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: <i>Tim Hardie</i>
	Legal: <i>Sarah Bennett</i>
Equalities: No	
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission: <i>Eugene Walker</i>
3	Cabinet Member consulted: <i>Terry Fox</i>
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: <i>Damian Watkinson</i>
	Job Title: <i>Finance Manager Business Partner Capital</i>
Date: 01/07/2020	

MONTH 02 2020/21 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 02 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:

- 6 additions of specific projects to the capital programme creating a net increase of £1.346m
- 8 variations of specific projects in the capital programme creating a net reduction of £5.905m
- 1 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 the relevant 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 Service – June 2020