

Cabinet

Wednesday 20 July 2016 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 Leigh Bramall	(Deputy Leader/Cabinet Member for Business and Economy)
Councillor Ben Curran	(Cabinet Member for Finance and Resources)
Councillor Jackie Drayton	(Cabinet Member for Children, Young People & Families)
Councillor Jayne Dunn	(Cabinet Member for Housing)
Councillor Mazher Iqbal	(Cabinet Member for Infrastructure and Transport)
Councillor Bryan Lodge	(Cabinet Member for Environment)
Councillor Mary Lea	(Cabinet Member for Culture, Parks and Leisure)
Councillor Cate McDonald	(Cabinet Member for Health and Social Care)
Councillor Jack Scott	(Cabinet Member for Community Services and Libraries)

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
20 JULY 2016**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of Public and Press**

Note: (i) Appendices B and C to agenda item 12 ‘Sheffield Retail Quarter – Delivery of First Phase, are not available to the public and press because they contain 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.

(ii) Appendices Two and Four for item 11 ‘Corporate Statutory Servicing and Repairs (CSSR) Service – Delivery Options Post-March 2017’ are not available to the public and press because they contain 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.
- 4. Declarations of Interest** (Pages 1 - 4)

Members to declare any interests they have in the business to be considered at the meeting
- 5. Minutes of Previous Meeting** (Pages 5 - 14)

To approve the minutes of the previous meeting of the Cabinet held on 22 June 2016.
- 6. Public Questions and Petitions**

To receive any questions or petitions from members of the public
- 7. Items Called-In For Scrutiny**

The Director of Legal and Governance will inform the Cabinet of any items called in for scrutiny since the last meeting of the Cabinet
- 8. Retirement of Staff** (Pages 15 - 18)

Report of the Acting Executive Director, Resources
- 9. School Places Consultation: Ecclesall** (Pages 19 - 36)

Report of the Executive Director, Children, Young People and Families

10. **Revenue Budget and Capital Programme Monitoring 2016/17 Month 2 as at 20 July 2016** (Pages 37 - 84)
Report of the Acting Executive Director, Resources
11. **Corporate Statutory Servicing and Repairs (CSSR) Service - Delivery Options Post-March 2017** (Pages 85 - 138)
Report of the Acting Executive Director, Resources
12. **Sheffield Retail Quarter - Delivery of First Phase** (Pages 139 - 176)
Report of the Executive Director, Place

NOTE: The next meeting of Cabinet will be held on Wednesday 21 September 2016 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 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 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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Cabinet

Meeting held 22 June 2016

PRESENT: Councillors Ben Curran (Chair), Jackie Drayton, Jayne Dunn,
Mazher Iqbal, Bryan Lodge, Mary Lea, Cate McDonald and Jack Scott

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1. APPOINTMENT OF CHAIR

1.1 **RESOLVED:** In the absence of the Chair and the Deputy Chair, Councillors Julie Dore and Leigh Bramall, Councillor Ben Curran be appointed Chair of Cabinet for the duration of the meeting.

2. APOLOGIES FOR ABSENCE

2.1 Apologies for absence were received from the Chair, Councillor Julie Dore and the Deputy Chair, Councillor Leigh Bramall.

3. EXCLUSION OF PUBLIC AND PRESS

3.1 No items were identified where it was proposed to exclude the public and press.

4. DECLARATIONS OF INTEREST

4.1 There were no declarations of interest.

5. MINUTES OF PREVIOUS MEETINGS

5.1 The minutes of the meetings of Cabinet held on 9 March and 18 May 2016 were approved as correct records.

6. PUBLIC QUESTIONS AND PETITIONS

6.1 Public Question in respect of Learning Disability Carers

6.1.1 Adam Butcher asked what could be done to ensure that Learning Disability Carers are involved with the Commissioning Plan for Adult and Parent Carers, on the agenda for today's meeting.

6.1.2 Councillor Cate McDonald, Cabinet Member for Health and Social Care, responded that an extensive consultation had been undertaken with carers over an 18 month period. The report on the agenda for today's meeting was the final piece of the jigsaw in respect of how to utilise the funding.

6.1.3 All interested parties had been involved in the consultation and the Council had listened to what they had to say. The process would continue following approval of the report. The Carers Strategy would be re-examined following the publication of the National Carers Strategy. If Mr Butcher or others felt that there was something

missing from the Plan or that the Council could do better they should get in touch.

6.2 Public Question in respect of Agency Staffing Provision

6.2.1 Nigel Slack commented that he was interested to read the report, being considered at the meeting today, on the proposed Temporary Staff contract tender and was glad to see the Foundation Living Wage from day one of employment as part of this tender, in line with the Council's previous commitments.

6.2.2 Mr Slack added that the Living Wage was, however, only one part of an employment package and he would like to ask the Council if they would also commit to making reasonable minimum requirements for areas such as sick pay, holiday pay and entitlement, minimum hours etc. as part of this temporary staffing contract? Mr Slack also asked whether, in line with commitments made last year, the contract would be available for public scrutiny, as far as commercial confidentiality allows, and ask that any redactions will be rigorously challenged before being accepted?

6.2.3 In response, Councillor Ben Curran, Cabinet Member for Finance and Resources, stated that under the Agency Working Regulations Law, temporary staff were required to receive the same conditions as permanent members of staff from 12 weeks. Under the proposals outlined in the report on today's agenda, temporary staff would receive the same conditions as employees of the Council as permanent staff from their first day of employment on a pro rata basis. The contract would be available for public scrutiny subject to the usual regulations on commercial confidentiality.

6.3 Public Question in respect of the Future of Public Buildings

6.3.1 Nigel Slack commented that there was a persistent rumour that the Council was in preliminary discussion with a major hotel group regarding the future of the Graves building and therefore the Central Library and the Graves Art Gallery. Could the Council confirm if they are now or ever have been in discussion with any hotel group or other potential developer with respect to this building? Will the Council also confirm whether there is any covenant or other legal constraint on the Council to prevent such a move in the future?

6.3.2 Councillor Mary Lea, Cabinet Member for Culture, Parks and Leisure, commented that the Graves building and others referred to were very important buildings. A number of possible options for their futures had been looked at over the years but she was not aware of any discussions with the hotel group. A written response would be provided to Mr Slack in respect of the question of the covenant.

7. ITEMS CALLED-IN FOR SCRUTINY

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

8. RETIREMENT OF STAFF

8.1 The Chief Executive submitted a report on Council staff retirements.

8.1.1 **RESOLVED:** That this Cabinet :-

(a) places on record its appreciation of the valuable services rendered to the City Council by the following staff in the Portfolios below:-

<u>Name</u>	<u>Post</u>	<u>Years' Service</u>
<u>Children, Young People and Families</u>		
Ranjit Chakravorty	Study Support and Volunteers Co-Ordinator	30
Josephine Cobley	Teacher, Talbot Specialist School	33
Glyne Cooke	Development Manager	36
Anne Everson	Social Worker	26
Margaret Firth	Deputy Headteacher, Oughtibridge Primary School	39
Margaret Gardener	Senior Teaching Assistant Level 3, Birley Spa Community Primary School	26
Susan Huscroft	Headteacher, Birley Spa Community Primary School	38
Stephanie Lawson	Senior Teaching Assistant, Stradbroke Primary School	30
Maria Lysandro	Residential Support Worker	24
Debbie Marshall	Teacher, Ecclesall Infant School	25
Patricia Munt	Headteacher, Oughtibridge Primary School	39
Pauline Newton	Teacher, Birley Spa Community Primary School	36
Lesley Nicol	Team Manager	29
Trevor Owen	Head of Safeguarding and Review	42
Diane Pratt	Teacher, Carfield Primary	36

	School	
Lynn Stevenson	School Business Manager, Whiteways Primary School	30
Helen Towers	Teacher, Waterthorpe Nursery Infant School	36
Susan Withey	Consultant (EMA/EML)	21
<u>Communities</u>		
Neil Ashton	Senior Housing Officer	34
Leslie Benn	Area Manager	43
Stephen Bradshaw	Housing Co-ordinator	33
Sharon Cadd	Senior Housing Officer	29
Patricia Clarkson	Housing Officer	29
Susan Cook	Warden	31
Lynn Cutts	Assistant Area Manager	31
Julie Ford	Housing Co-ordinator	26
Lorraine Foulstone	Senior Housing Officer	26
Louisa Lazenby	Housing Co-ordinator	29
Helen Mitchell	Housing Co-ordinator	26
June Richards	Warden, Housing Neighbourhood Services	and 29
Anthony Round	Warden, Housing Neighbourhood Services	and 29
Dennis Slack	Housing Co-ordinator	40
Janet Siddall	Warden, Housing Neighbourhood Services	and 25
Audrey Simpson	Senior Housing Officer	32
Deborah Slack	Social Worker	32
Linda Sunley	Senior Housing Officer	32

Carol Taylor Warden, Housing and 32
Neighbourhood Services

Sandra Wheldon Housing Co-ordinator 29

Alison White Senior Housing Officer 30

Place

Robert Almond Policy and Project 28
Development Manager

June Burke Community Events Officer 30

Pauline Davison Information Officer 29

Tina Moores Community Activity Leader, 34
Activity Sheffield

Nicholas Silvani Principal Transport Planner 41

Robert Thurlby Environmental Health 34
Technician

Resources

Stephen Clark HR Service Manager – 31
Transitions

Jane Cobbledick Learning and Development 38
Consultant

Richard Oates Motor Vehicle Fitter 37

Wendy Parker Learning and Development 28
Officer

Phillip Smith Transport Manager 46

Fraser Walters Learning and Development 39
Officer

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

(c) directs that an appropriate extract of this resolution under the Common Seal of
the Council be forwarded to them.

9. COMMISSIONING PLAN FOR ADULT AND PARENT CARERS

9.1 The Executive Director, Communities submitted a report outlining the Commissioning Plan for Adult and Parent Carers which detailed the commissioning intentions for Sheffield City Council (2016-20) including the services we wish to purchase and other interventions and programmes.

9.2 **RESOLVED:** That:-

- (a) the report is noted and approval is given to the Commissioning Plan for Parent and Adult Carers;
- (b) in accordance with the Commissioning Plan and this report, Cabinet approves the use of the Council's existing framework of Collaborative Partnerships that provide preventative health and wellbeing following the People Keeping Well principles for community based outreach carers services;
- (c) in accordance with the Commissioning Plan and this report, Cabinet approves the procurement via an open tender process for core city wide support services for carers, including the delivery of Carers Assessments (as set out in section 10 of the Care Act), the management of a small grant pot, developing support plans for carers, helping identify services and managing the overall budget available to support carers;
- (d) in accordance with the Commissioning Plan and this report, Cabinet approves the move from a contract for sitting services for all carers to an approach where the assessment of the need for a sitting service is included in social care assessments and where an eligible need is identified this need will be met through a direct payment or through a separately procured contract for which separate approval will be sought;
- (e) in accordance with the Commissioning Plan and this report, authority is delegated to the Director of Commissioning, in consultation with the Cabinet Member for Health and Social Care and the Interim Director of Finance and Commercial Services, to:
 - (i) award contracts for core city wide support services for carers following the open tender process;
 - (ii) approve the extension of core city wide support contracts after the expiry of the initial 3 year term;
 - (iii) develop options, procure and award contracts for short breaks; and
 - (iv) approve one off procurement and contracts for raising awareness of carer issues; and
- (f) the Director of Commissioning, in consultation with the Cabinet Member for Health and Social Care, the Director of Legal and Governance and the Interim Director of Finance and Commercial Services, be authorised to take such other steps as he deems appropriate to achieve the outcomes in this report and the Commissioning Plan.

9.3 **Reasons for Decision**

- 9.3.1 The Commissioning Plan is based within the Framework of Improving Carers Lives and directly aligns with the principles as set out in the recently approved Young Carers, Parent and Adult Carers Strategy.
- 9.3.2 The commissioning intentions have been guided by the co-production activity the Authority has undertaken with carers.
- 9.3.3 The Strategy will enable the Authority to comply with a new statutory duty as set out in section 10 of the Care Act 2014.

9.4 **Alternatives Considered and Rejected**

- 9.4.1 The alternative option would be not to have a strategy for carers. This is not a viable alternative as it would result in a breach of a statutory duty, and has been outlined in the strategy and this report; it is legally, morally, socially and economically important for Sheffield to continue to support its carers.
- 9.4.2 Carers are identified in the Council's Corporate Plan 2015-2018: provide direct support to more carers than ever before.

10. **AGENCY STAFFING PROVISION**

- 10.1 The Acting Executive Director, Resources submitted a report requesting Cabinet approval for the procurement of a new temporary agency supplier.
- 10.2 An amended report outlining financial, legal and equalities implications of the proposed decision was circulated to Members prior to the meeting.
- 10.3 **RESOLVED:** That Cabinet:-
- (a) approves the strategy for procurement of a temporary agency supplier via a competitive dialogue process; and
 - (b) delegates the power to award the contract for the agency services to the Interim Director of Finance and Commercial Services, in consultation with the Cabinet Member for Finance & Resources, on the basis that:
 - The most suitable provider/partner is chosen via a competitive dialogue process.
 - That the chosen provider/partner will work with Sheffield City Council to develop Social and Economic values that will benefit the people of Sheffield and the wider region.
 - That, in the event that the competitive dialogue process results in the Council forming a new business with the chosen provider, the chosen provider/partner works closely with the Council to grow the newly formed

business within Sheffield and the wider region.

- That the new contract is actively managed through the existing Human Resources Client Management arrangement with support from Commercial Services.

10.4 **Reasons for Decision**

- 10.4.1 To ensure access to an agency with market place presence and expertise in providing temporary staffing for a wide range of job roles.
- 10.4.2 To use agency provider expertise in developing our strategy to deliver improved social values for the people of Sheffield and the Sheffield City Region.
- 10.4.3 To minimise the risks that were identified during the consideration of alternative options.

10.5 **Alternatives Considered and Rejected**

- 10.5.1 A number of delivery models have been considered as part of this exercise and include ;
- Establish an in-house Agency or Traded Company
 - Establish the Council's own framework of providers
 - Procurement of Managed Services or Neutral Vendor, either through a consortia, collaboration or directly to the market
 - Establish a non-traded company
 - Set up a Public Sector/Private Sector collaboration (e.g. SCC / Reed)
 - Set up a Public Sector collaboration (e.g. SCC / University of Sheffield / NHS Sheffield)

11. **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING 2015/16 MONTH 12 (AS AT 31/3/16)**

- 11.1 The Acting Executive Director, Resources submitted a report providing the Outturn monitoring statement on the City Council's Revenue and Capital Budget for 2015/16.
- 11.2 **RESOLVED:** That Cabinet:-
- (a) notes the updated information and management actions provided by this report on the 2015/16 Revenue Budget Outturn;

- (b) approves the carry forward request detailed in paragraph 9 of the report;
- (c) approves a further £50k from the New Homes Bonus fund to support the development of the regeneration of Attercliffe through the development of the Olympic Legacy Park as detailed in paragraph 13 of the report;
- (d) approves the use of Public Health reserves to fund a number of projects as detailed in paragraph 8 of Appendix 2 of the report;
- (e) approves the spend request as shown in paragraph 19 of Appendix 1 of the report; and
- (f) in relation to the Capital Programme:-
 - (i) approves the proposed additions to the Capital Programme listed in Appendix 7.1, including the procurement strategies and delegate to the Interim Director of Finance and Commercial Services, or her nominated officer, the authority to award the relevant contracts following stage approval by the Capital Programme Group;
 - (ii) approves the proposed variations, deletions and slippage in Appendix 7.1; and
 - (iii) notes the latest position on the Capital Programme.

11.3 Reasons for Decision

- 11.3.1 To record formally changes to the Revenue Budget and 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.

11.4 Alternatives Considered and Rejected

- 10.4.1 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.

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

Tel: 27 34014

Report of: *Acting Executive Director, Resources*

Report to: *Cabinet*

Date of Decision: *20 July 2016*

Subject: *Staff Retirements*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000		<input type="checkbox"/>		
- Affects 2 or more Wards		<input type="checkbox"/>		
Which Cabinet Member Portfolio does this relate to? <i>N/A</i>				
Which Scrutiny and Policy Development Committee does this relate to? <i>N/A</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:

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:-

<u>Name</u>	<u>Post</u>	<u>Years' Service</u>
<u>Children, Young People and Families</u>		
Maureen Bradder	Senior Business Support Officer	36
Jacqueline Cottom	Headteacher, Dobcroft Junior School	36
Ruth Crookes	Assistant Curriculum Leader of Maths, Birley Community College	30
Ann Hall	Curriculum Specialist, Lound Infant School	45
Carol Holmes	Curriculum Leader of Art, Birley Community College	22
Jayne Iles	Senior Teaching Assistant Level 3, Owler Brook Primary School	25
Joan Leckey	Senior Teaching Assistant (Special) Level 3, Talbot Specialist School	20
Yvonne Palmer	Senior Teaching Assistant Level 3, Owler Brook Primary School	28
<u>Communities</u>		
Brenda Allen	Business Support Officer	24
Patricia Parkin	Housing Co-ordinator	31
<u>Place</u>		
Vivien Fella	Personal Assistant	37

Maura Gallagher

Secretary to Head of
Service

30



Author/Lead Officer of Report: Joel Hardwick

Tel: ext 35476

Report of: Jayne Ludlam
Report to: Cabinet
Date of Decision: 20th July 2016
Subject: Primary School Places in Ecclesall

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 type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>Children, Young People & Families</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Children & Young People</i>		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>n/a</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Purpose of Report:

Consultation has taken place on proposals to increase the number of primary school places in the Ecclesall area. This report provides feedback on the consultation and seeks a decision on whether to proceed with the proposals in light of the issues raised during consultation.

Recommendations:

Cabinet is recommended to:

- i. Approve the proposal to increase the capacity and upper age range at Ecclesall Infant School as described in the statutory proposals. The lower age range would remain and would not change. This approval is conditional on the granting of planning permission before 1st July 2017.
- ii. Agree the commitments and actions outlined at 4.2 in the report

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: Paul Schofield
	Legal: Nadine Wynter
	Equalities: Bashir Khan
<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>Jayne Ludlam</i>
3	Cabinet Member consulted: <i>Cllr Jackie Drayton</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>Joel Hardwick</i>
	Job Title: <i>School Organisation Manager</i>
Date: <i>20th July 2016</i>	

1. PROPOSAL

- 1.1 Consultation has taken place on proposals to increase the number of primary school places in the Ecclesall area. This report provides feedback on the consultation and seeks a decision on whether to proceed with the proposals in light of the issues raised during consultation.
- 1.2 Demand for primary school places in the southwest of Sheffield has risen in recent years. This has followed the local and national trend of rising births but is also the result of a significant movement of young families into the area. This trend is a particular feature of the demographics in this part of the city.
- 1.3 Broader consultations around primary and secondary school places in this part of the city were held during Summer and Autumn 2015. Following this, in February 2016, Cabinet agreed to consult on proposals to increase places in the Ecclesall area. The proposal was to grow Ecclesall Infant to become a 90-place per year 'through' primary school, with Clifford Infants and Ecclesall Junior remaining as local linked Church of England schools.
- 1.4 The schools involved have different legal statuses. Ecclesall Infants is a Community School; the Local Authority is the admissions authority, owns the buildings, and appoints a minority of governors. Both Clifford and Ecclesall Junior are Church of England (CE) schools, but with some differences. Clifford is a Voluntary Aided school, meaning that the governors are the admissions authority, the CE Diocese owns the buildings, and a majority of governors are appointed by the Diocese. Ecclesall Junior is a Voluntary Controlled School; the CE Diocese owns the buildings, the Local Authority is the admissions authority, and a minority of governors are appointed by the Diocese. At present governors across Ecclesall Infant and Ecclesall Junior have opted to work together in a partnership called a 'soft federation'. This means both schools have their own governing body, but those governors work together on some aspects. This governance arrangement helps support the Executive Headteacher arrangement that is currently in place.
- 1.5 The key responsibility of the Local Authority that underpins these proposals is to ensure that there are sufficient places. The leadership, governance, and day-to-day management arrangements of each school are the responsibility of their individual governing body and school leadership, and the Church of England Diocese where appropriate. The consultation process and responses are outlined at section 3 below. The conclusions and recommended next steps are described at section 4.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The proposals contained within this report are an essential part of ensuring that there are enough school places for every school age child

in Sheffield. This is a fundamental statutory responsibility of local government and it is essential to Sheffield City Council's focus on enabling children to have a great start in life, achieve their full potential, and contribute to the success of the city. At the heart of the vision for increasing school places in Sheffield is the Council's role in enabling excellent education outcomes and equitable access for all to high quality education.

- 2.2 The outcome would be to ensure that there are enough primary school places in an area that has seen sustained increases in the pupil population over a long period. The proposals would leave sustainable schools for the long term serving this part of the city.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The statutory requirement is for a 4-week consultation. In this case consultation ran for five weeks to allow for the half-term holiday that fell during the period. Consultation started on 19th May 2016. As required, statutory notices were placed at the school, on the Council website, and in the local paper and the proposals were sent to the governing bodies and the diocese. Information was also distributed through the schools to all families and posted to over 700 local households. Five meetings were held across the three local schools and were well-attended. In total, 220 responses were received to the consultation in addition to the comments collected at meetings and a petition was received opposing the proposals that had 235 signatures.

- 3.2 Cabinet Members had access to all consultation responses in full through the Council Leader's office prior to the Cabinet meeting. Consultation responses mainly focussed around four areas: (i) the implications for Clifford Infants and Ecclesall Junior (ii) the phased transition (iii) the impact on local residents, particularly around traffic, and (iv) the consultation process. A numerical analysis of responses is contained at Appendix 2 to support the summary below.

3.3 Implications for Clifford Infants & Ecclesall Junior

- 3.3.1 The long-term vision outlined was for Clifford CE Infant and Ecclesall CE Junior to work together in the next period to look at joint leadership and governance arrangements. The main issues raised were:

- Certainty & detail: a number of people felt strongly that more certainty and detail are required in describing the future for Clifford Infant and Ecclesall Junior
- Leadership & governance: some wanted the Clifford leadership and governors to manage the junior site at the first opportunity, whilst others sought reassurance that the current leadership across the Ecclesall schools would be staying on during this period.
- Size of the junior school: some Clifford families expressed concern about the future of a smaller junior school, either because they see

benefits in the current arrangement of a larger school or more general concerns over the sustainability and success of a smaller school. This led some to express a preference for retaining a larger junior school.

- Capital investment at the Ecclesall Junior site: There was general consensus throughout the consultation that the junior site is relatively constrained and responses were keen for a commitment of capital funding as part of maximising the opportunity of accommodating a smaller number of pupils.

3.3.2 Ultimately many of the concerns expressed in this area were seeking reassurances or more detail about how the proposal is implemented.

3.4 Phased transition

3.4.1 The proposal put forward during consultation, worked up with Governing Bodies and the Diocese, outlined a transition period from the current arrangement. It would mean the current infant school growing over a four-year period to become a 'through' primary school and the junior school reducing its size over the same period. The main alternative discussed was to move all children across from the junior school in one go once the buildings at the infant site were ready, leaving the junior school to build from a single year intake to capacity over a four year period. The main issues raised were:

- Support for moving all the junior children to new buildings at Ecclesall Infant: a variety of reasons were given, including having siblings in the same school, taking advantage of the new buildings and playspace, and some from Clifford felt this gave an earlier opportunity for Clifford to develop the junior school under the Clifford leadership.
- Support for the phased approach: there was also support from some around the benefits of phasing in terms of the short-term sustainability of the junior school and guarding against any negative impact on children of leaving the junior school to grow from a single year intake. Some parents noted their preference for remaining in a church junior school, having opted for the school for that reason.
- Lack of elder peers: there was concern about either model from parents around children being the first to move into a junior phase who would be the eldest year group throughout that 4-year period.

3.4.2 Although moving all children at once did have some very clear support, ultimately there was a variety of concerns raised that would need to be addressed individually.

3.5 Impact on local residents

3.5.1 The most frequently cited concern across the consultation was from local residents around traffic and parking. It is important to acknowledge the strength of feeling around this subject. The proposal would involve an increase from the current infant capacity of 180 pupils, to 630 pupils as a 'through' primary. Residents noted the existing issues relating to the

infants, juniors and High Storrs Secondary. The concerns covered the volume of traffic, parking on local residential roads, and access for emergency vehicles. Some residents also raised concerns around the loss of green space and access for construction traffic.

3.6 Consultation Process

3.6.1 Those opposing the proposals often criticised the consultation process and suggested that the consultation ought to be lengthened or restarted. Some felt that there had not been sufficient time or opportunity to respond to the consultation. Further comments suggested that the detail was insufficient to understand fully and comment on the proposal.

3.7 Other

3.7.1 The majority of responses related to the issues noted above. Some people offered a view on adding early years provision at the infant school, with no clear overall support for this element and some concerns raised about the further addition of numbers on the site as well as the impact on existing local provision. The reduction of places at the junior school was also noted by some as an overall reduction in church school places, although this concern did not feature often and did not appear to be an issue for local families.

3.8 Summary of responses to the consultation

3.8.1 Support for the existing school leadership and governance at all three schools came across strongly from families throughout the consultation. Overall, there was broad support for providing additional places in this area. Some people simply supported the proposals as stated, the most common overall response was to express concerns or raise issues. Others felt that an alternative option would be preferable, and others, particularly local residents, opposed the proposal as stated. The most common alternative option suggested was to create junior places at Clifford through purchasing the house next door on Psalter Lane. The main reason given during this process for supporting that alternative was in order to allow a smaller expansion at Ecclesall Infants.

3.8.2 The concerns raised around transition and around the implications for Clifford and Ecclesall Junior were varied and did not form a clear single response. Ecclesall Infant parents commonly wanted to see all children on the Ecclesall Infant site at the first opportunity, whilst other parents were concerned at having smaller numbers at the juniors or having chosen church provision and being asked to move to a community school. Some responses were looking for the Clifford leadership to become the leadership across Ecclesall Junior at the first opportunity, whilst others were keen to ensure that the current leadership remains at least during transition.

4. **CONCLUSION & NEXT STEPS**

4.1 In terms of the consultation process, the Council remains satisfied that not only were the basic legal duties of consultation fulfilled, but that they were in many ways exceeded. The number of public meetings and letters surpasses the requirements of the Secretary of State's guidance and matches or surpasses previous school reorganisation projects. The documentation described the proposals and their implications as far as possible at this stage, ahead of detailed design, a planning application process, and ahead of governing bodies making decisions about future leadership. The meetings were well attended, everyone who wished to attend was offered a place at one of the workshops, and the discussions were detailed and engaging. The number of, and detail contained within, responses also gives confidence that people were able to consider and respond to the proposals.

4.2 There were some very strong feelings aired during the consultation. The most common overall response was to raise issues and many of these were around how the proposals would be implemented. Many called for further opportunities to understand, comment on, and shape the proposals if they are to proceed. In order to address the specific issues raised during consultation and to allow for that further consultation, we would propose the following:

- Transition: that Cabinet makes a commitment that the Local Authority will support work led by the three governing bodies and the Diocese to come together during the Autumn Term, in partnership with families, to put together clear transition plans to address the issues raised during this consultation, including consideration of a 2019 start for transition and the extent to which Ecclesall CE Junior classes could be taught in the new buildings, whilst taking into account the implications for the Junior school and the future children from Clifford who would transfer.
- Traffic & parking around Ecclesall Infant: in acknowledging the strength of feeling around existing issues relating to traffic and parking it is proposed that agreement to proceed is subject to the scheme being acceptable in planning terms, following further engagement and consultation, including work around traffic impact.
- Design: further work would be required working towards detailed design, with further opportunities for residents and parents to engage, contribute and see what is planned before designs are finalised as well as engagement around ensuring that construction is undertaken considerately
- Ecclesall Junior site: that Cabinet makes a commitment that the Local Authority will support Governors and the Diocese to ensure that work takes place on the Ecclesall Junior site to create a good environment for a smaller number of pupils, within the constraints of the current financial position facing the Local Authority, school, and the Diocese.
- Clifford I & Ecclesall J: that Cabinet makes a commitment that the Local Authority will support work led by the two governing bodies and the Diocese to come together during the Autumn Term in partnership with families to put together clear plans around future leadership and timing.

- Sustainability: the Council's commitment to supporting the long-term success and sustainability of these three local schools and their neighbours
- Early Years: there was little support for this development during the consultation, the need in terms of places is currently unclear, and we would not wish to destabilise existing local provision. Should the need develop in the future then this could be a possibility and would be subject to fresh consultation

4.3 On the basis of the above, the recommendation in this report is to proceed with the proposals subject to the mitigation outlined above. A number of the elements above are for the governing bodies and the Diocese to decide. The Council is not in a position to pre-empt their decisions either as part of the consultation just finished or in the immediate decision-making that follows. It can however commit to supporting the partnership work necessary to address the issues raised and secure a positive implementation and transition period. All three governing bodies have committed to working together in the next phase. This would be key to providing families across all three schools with the reassurance that they need.

5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

5.1 Equality of Opportunity Implications

5.1.1 The proposal would ensure that there are enough local places available in this area and would therefore avoid local children being disadvantaged by having to travel outside of their local area to attend school. The further work identified around the transition process should ensure that a faith-based place is available for all pupils from Clifford and Ecclesall Junior who currently access one and wish to have one in the future.

5.2 Financial and Commercial Implications

5.2.1 If approved, the proposal would require a capital project to provide additional accommodation. If proceeding, all capital approvals would be sought separately through Cabinet at the appropriate time with detailed costs and set in the context of the overall capital strategy. A provisional estimated cost of providing the extra places is £4.9m. This would be prioritised from the Basic Need grant. This is a high level estimate based on the number of additional places and a true budget for providing these places would be established through detailed feasibility work. Further work would also be undertaken to understand the needs of the Ecclesall Junior site and the Council would work with partners to identify resources to support this aspect.

5.3 Legal Implications

5.3.1 Local Authorities have a duty under section 14 of the Education Act 1996 to secure sufficient schools in their area. The proposals described in this report are defined as prescribed alterations, meaning they require a legal

process to bring them about. Proposals to reorganise school provision are governed by the procedures set out in the The School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2013. Local Authorities are also required to have regard to the statutory guidance when exercising functions under the Prescribed Alterations Regulations. A copy of the guidance is attached to this report at Appendix 1.

- 5.3.2 In relation to the consultation process, the following statutory requirements are set out in Schedule 3 to the 2013 Regulations: *'Any person may send objections or comments in relation to any proposals to the local authority within four weeks from the date of publication. The representation period starts on the date of publication of the proposals and ends four weeks later'*.
- 5.3.3 The following requirements are also set out in the statutory guidance. *'The decision-maker will need to be satisfied that the appropriate fair and open local consultation and/or representation period has been carried out and that the proposer has given full consideration to all the responses received. If the proposer has failed to meet the statutory requirements, a proposal may be deemed invalid and therefore should be rejected. The decision-maker must consider **ALL** the views submitted, including all support for, objections to and comments on the proposal.'*
- 5.3.4 Providing that Cabinet is so satisfied then it is acting lawfully and within its powers should it decide to approve the proposal set out in this report.
- 5.3.5 In relation to the alternative option suggested, in response to the consultation, to create junior places at Clifford through purchasing the house next door on Psalter Lane, there is no suggestion that the property is currently available for purchase. Negotiations could take place with the owners of the property, but there is no guarantee that they would be willing to sell. There is the possibility that compulsory purchase powers conferred on the Council by virtue of the provisions of Section 530 of the Education Act 1996 could be used to acquire the property. In order to justify the exercise of compulsory purchase powers it would be necessary to satisfy the public interest test i.e. it must be established that the public interest in making the compulsory purchase order outweighs the detriment to the persons who are being deprived of their property interests. This can be a heavy burden in cases such as this where the interest is a private residence, particularly where there are alternative proposals that are capable of implementation. Whether the property was acquired by agreement or compulsorily the cost of purchasing the property would result in a significant increase in the cost of the proposals. In either scenario, the Council would have to pay the full market value for the property and the owner's professional fees in relation to the sale. Also, if a compulsory purchase order were to be required, the costs of making the order and processing it through to confirmation would need to be factored in, as would the resulting delay, with an uncontested order likely to take in the region of six months and a contested order in the region of 12 months. Given that Clifford is a voluntary aided school, the

Council would be under a statutory obligation to transfer ownership of the property to the Diocese as owners of the remainder of the school site.

6. ALTERNATIVE OPTIONS CONSIDERED

- 6.1 The most common alternative option suggested was to create junior places at Clifford through purchasing the house next door on Psalter Lane. This proposal would address the need for places. However, the expansion would require the purchase of a house that is not currently for sale and would leave the Clifford site extremely constrained with little prospect of addressing this in the future. It would not address the current constraints of the Ecclesall Junior site and therefore would not be the best long-term use of the Council's available capital and assets.
- 6.2 Overall there was broad support for providing additional primary school places in this area and it is anticipated that the places are needed for the foreseeable future.

7. REASONS FOR RECOMMENDATIONS

- 7.1 Providing sufficient primary school places is a statutory duty of the Council. This will mean that Sheffield children reaching primary school age in 2017 and beyond will continue to have a school place in the area of the city in which they live. The option outlined is the best use of capital and sites in this part of the city and the best way to provide great local primary school places for the long term.

Appendix 1: Statutory Guidance

2: Factors relevant to all types of proposals

Related proposals

Any proposal that is 'related' to another proposal must be considered together. A proposal should be regarded as 'related' if its implementation (or non-implementation) would prevent or undermine the effective implementation of another proposal. Decisions for 'related' proposals should be compatible.

Where a proposal is 'related' to another proposal to be decided by the Regional Schools Commissioner (RSC) (e.g. for the establishment of a new free school established under the presumption route) the decision-maker should defer taking a decision until the RSC has taken a decision on the proposal, or where appropriate, grant a conditional approval for the proposal.

Conditional approval

Decision-makers may give conditional approval for a proposal subject to certain prescribed events¹. The decision-maker must set a date by which the condition should be met but can modify the date if the proposer confirms, before the date expires, that the condition will be met later than originally thought.

The proposer should inform the decision-maker (and the Secretary of State via schoolorganisation.notifications@education.gsi.gov.uk for school opening or closure cases) when a condition is modified or met. If a condition is not met by the date specified, the proposal should be referred back to the decision-maker for fresh consideration.

Publishing decisions

All decisions (rejected and approved – with or without modifications) must give reasons for such a decision being made. **Within one week** of making a decision the decision-maker should arrange (via the proposer as necessary) for the decision and the reasons behind it to be published on the website where the original proposal was published. The decision-maker must also arrange for the organisations below to be notified of the decision and reasons:

- the LA (where the Schools Adjudicator or governing body is the decision-maker);
- the governing body/proposers (as appropriate);
- the trustees of the school (if any);
- the local Church of England diocese;
- the local Roman Catholic diocese;
- for a special school, the parents of every registered pupil at the school;
- any other organisation that they think is appropriate; and
- the Secretary of State via schoolorganisation.notifications@education.gsi.gov.uk (in school opening and closure cases only).

Consideration of consultation and representation period

The decision-maker will need to be satisfied that the appropriate fair and open local consultation and/or representation period has been carried out and that the proposer has given full consideration to all the responses received. If the proposer has failed to meet the statutory requirements, a proposal may be deemed invalid and therefore should be rejected. The decision-maker must consider **ALL** the views submitted, including all support for, objections to and comments on the proposal.

Education standards and diversity of provision

Decision-makers should consider the quality and diversity of schools in the relevant area and whether the proposal will meet or affect the needs of parents; raise local standards and narrow attainment gaps.

A school-led system with every school an academy,

The 2016 White Paper *Education Excellence Everywhere*, sets out the department's aim that by the end of 2020, all schools will be academies or in the process of becoming academies. The decision-maker should, therefore, take into account the extent to which the proposal is consistent with this policy.

Demand v need

Where a LA identifies the need for a new school, to meet basic need, section 6A of EIA 2006 places the LA under a duty to seek proposals to establish a free school via the 'free school presumption'. However it is still possible to publish proposals for new maintained school outside of the competitive arrangements, at any time, in order to meet demand for a specific type of place e.g. places to meet demand from those of a particular faith.

In assessing the demand for new school places the decision-maker should consider the evidence presented for any projected increase in pupil population (such as planned housing developments) and any new provision opening in the area (including free schools).

The decision-maker should take into account the quality and popularity of the schools in which spare capacity exists and evidence of parents' aspirations for a new school or for places in a school proposed for expansion. The existence of surplus capacity in neighbouring less popular schools should not in itself prevent the addition of new places.

Reducing surplus places is not a priority (unless running at very high levels). For parental choice to work effectively there may be some surplus capacity in the system as a whole. Competition from additional schools and places in the system will lead to pressure on existing schools to improve standards.

School size

Decision-makers should not make blanket assumptions that schools should be of a certain size to be good schools, although the viability and cost-effectiveness of a proposal is an important factor for consideration. The decision-maker should also consider the impact on the LA's budget of the need to provide additional funding to a small school to compensate for its size.

Proposed admission arrangements

In assessing demand the decision-maker should consider all expected admission applications, not only those from the area of the LA in which the school is situated.

Before approving a proposal that is likely to affect admissions to the school the decision-maker should confirm that the admission arrangements of the school are compliant with the School Admissions Code. Although the decision-maker cannot modify proposed admission arrangements, the decision-maker should inform the proposer where arrangements seem unsatisfactory and the admission authority should be given the opportunity to revise them.

National Curriculum

All maintained schools must follow the National Curriculum unless they have secured an exemption for groups of pupils or the school community.

Equal opportunity issues

The decision-maker must have regard to the Public Sector Equality Duty (PSED) of LAs/governing bodies, which requires them to have 'due regard' to the need to:

- eliminate discrimination;
- advance equality of opportunity; and
- foster good relations.

The decision-maker should consider whether there are any sex, race or disability discrimination issues that arise from the changes being proposed, for example that where there is a proposed change to single sex provision in an area, there is equal access to single sex provision for the other sex to meet parental demand. Similarly there should be a commitment to provide access to a range of opportunities which reflect the ethnic and cultural mix of the area, while ensuring that such opportunities are open to all.

Community cohesion

Schools have a key part to play in providing opportunities for young people from different backgrounds to learn with, from and about each other; by encouraging, through their teaching, an understanding of, and respect for, other cultures, faiths and communities. When considering a proposal, the decision-maker must consider its impact on community cohesion. This will need to be considered on a case-by-case basis, taking account of the community served by the school and the views of different sections within the community.

Travel and accessibility

Decision-makers should satisfy themselves that accessibility planning has been properly taken into account and the proposed changes should not adversely impact on disadvantaged groups.

The decision-maker should bear in mind that a proposal should not unreasonably extend journey times or increase transport costs, or result in too many children being prevented from travelling sustainably due to unsuitable walking or cycling routes.

A proposal should also be considered on the basis of how it will support and contribute to the LA's duty to promote the use of sustainable travel and transport to school.

Further information is available in the statutory Home to school travel and transport guidance for LAs.

Funding

The decision-maker should be satisfied that any land, premises or necessary funding required to implement the proposal will be available and that all relevant local parties (e.g. trustees or religious authority) have given their agreement. A proposal **cannot** be approved conditionally upon funding being made available.

Where proposers are relying on the department as the source of capital funding, there can be no assumption that the approval of a proposal will trigger the release of capital funds from the department, unless the department has previously confirmed in writing that such resources will be available; nor can any allocation 'in principle' be increased. In such circumstances the proposal should be rejected, or consideration deferred until it is clear that the capital necessary to implement the proposal will be provided.

School premises and playing fields

Under the School Premises Regulations all schools are required to provide suitable outdoor space in order to enable physical education to be provided to pupils in accordance with the school curriculum; and for pupils to play outside safely. Guidelines setting out suggested areas for pitches and games courts are in place although the department has been clear that these are non-statutory.

Factors relevant to prescribed alteration proposals:

Enlargement of premises

When deciding on a proposal for an expansion on to an additional site (a 'satellite school'), decision-makers will need to consider whether the new provision is genuinely a change to an existing school or is in effect a new school (which would trigger the free school presumption in circumstances where there is a need for a new school in the area.

Decisions will need to be taken on a case-by-case basis, but decision-makers will need to consider the following non-exhaustive list of factors which are intended to expose the extent to which the new site is integrated with the existing site, and to ensure that it will serve the same community as the existing site:

The reasons for the expansion

What is the rationale for this approach and this particular site?

Admission and curriculum arrangements

How will the new site be used (e.g. which age groups/pupils will it serve)?

What will the admission arrangements be?

Will there be movement of pupils between sites?

Governance and administration

How will whole school activities be managed?

Will staff be employed on contracts to work on both sites? How frequently will they do so?

What governance, leadership and management arrangements will be put in place to oversee the new site (e.g. will the new site be governed by the same governing body and the same school leadership team)?

Physical characteristics of the school

How will facilities across the two sites be used (e.g. sharing of the facilities and resources available at the two sites, such as playing fields)?

Is the new site in an area that is easily accessible to the community that the current school serves?

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APPENDIX 2: Consultation Analysis

The consultation responses range from detailed letters to single questions. The nature of the proposals is not given to simple yes or no responses. This is evidenced below by the number of responses that raised issues rather than offering simple support or opposition. It is very important that consultees respond in detail to support their views and make suggestions in order that the Council can use the consultation response to positively shape proposals. It is therefore a matter of some interpretation to categorise every individual response. The following analysis is based on the emails and e-forms submitted and therefore does not include for example, comments made during workshops. This analysis helps ensure that the weight given to different themes in the report's narrative description and the next steps identified are fair reflections of the consultation.

Overall Responses

- Express support – 16%
(including for example 'support', 'agree', 'welcome the proposal')
- Express concern or raise issues – 37%
(not clearly expressing support or opposition, but mentioning concerns)
- Express opposition – 28%
(including for example 'oppose', 'do not support', 'against the proposal')
- Support alternative proposal – 16%
(opposition to the proposal and with a clear statement of support for an alternative – mainly the addition of junior places at Clifford and a smaller expansion of Ecclesall Infant)
- Asked questions without expressing support or opposition – 3%

Concerns and Issues

Of those that expressed concern or raised issues (the 37% stated above):

- 1 - Transition of pupils 87%
- 2 - Traffic, parking and highways 76%
- 3 - Impact on Clifford Infants and Ecclesall Junior 44%
- 4 - Consultation process 25%
- 5 - Impact on green/open space 21%
- 6 - The need for places in the area 10%

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

Tel: 0114 273 5872

Report of: *Eugene Walker*

Report to: *Cabinet*

Date of Decision: *20 July 2016*

Subject: *Revenue and Capital Budget Monitoring 2016/17 –
As at 31st May 2016*

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 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:-		
<i>“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”</i>		

Purpose of Report:




This report provides the month 2 monitoring statement on the City Council’s Revenue and Capital Budget for 2016/17.

Recommendations:

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

Please refer to paragraph 16 of the main report for the recommendations.

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>Ben Curran</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.		
	<table border="1"> <tr> <td>Lead Officer Name:  <i>Dave Phillips</i></td> <td>Job Title: <i>Interim Head of Finance</i></td> </tr> </table>	Lead Officer Name:  <i>Dave Phillips</i>	Job Title: <i>Interim Head of Finance</i>
Lead Officer Name:  <i>Dave Phillips</i>	Job Title: <i>Interim Head of Finance</i>		
	Date: <i>11th July 2016</i>		

1. PROPOSAL

(Explain the proposal, current position and need for change, including any evidence considered, and indicate whether this is something the Council is legally required to do, or whether it is something it is choosing to do)

- 1.1 *This report provides the month 2 monitoring statement on the City Council's Revenue and Capital Budget for 2016/17.*

2. HOW DOES THIS DECISION CONTRIBUTE?

(Explain how this proposal will contribute to the ambitions within the Corporate Plan and what it will mean for people who live, work, learn in or visit the City. For example, does it increase or reduce inequalities and is the decision inclusive?; does it have an impact on climate change?; does it improve the customer experience?; is there an economic impact?)

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

Please refer to paragraph 16 of the main report for the recommendations.

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 *No*

4.2 Financial and Commercial Implications

- 4.2.1 *Yes. Cleared by Dave Phillips*

4.3 Legal Implications

- 4.3.1 *No*

4.4 Other Implications

- 4.4.1 *No*

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 and gain Member approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.*

REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 31st May 2016

Purpose of the Report

1. This report provides the Month 2 monitoring statement on the City Council's Revenue Budget and Capital Programme for May 2016. The first section covers Revenue Budget Monitoring, and the Capital Programmes are reported from paragraph 14.

REVENUE BUDGET MONITORING

Summary

2. For the purpose of this report, we have presented the Council's financial position in two elements, namely the underlying position on the services commissioned/provided by the Council, and the position on services that are commissioned and funded jointly with the health service. This is on the basis that the approach to achieving a balanced outturn for 2016/17 will require parallel strategies.
3. The latest monitoring position at month 2 for the services commissioned/provided by the Council shows the potential for a forecast overspend of £5.4m to the year end. It should be stressed that this is the forecast position before any additional mitigating savings are found, and that mitigating savings are currently being identified. It is therefore the current worst case scenario and does not represent an overspend currently incurred. The position is summarised in the table below:

Portfolio	FY Variance: £000s
CYPF	1,453
COMMUNITIES	2,833
PLACE	995
POLICY, PERFORMANCE & COMMUNICATION	(19)
RESOURCES	214
CORPORATE	(27)
GRAND TOTAL	5,449

4. In terms of the month 2 overall forecast position of £5.4m overspend, the key reasons are:

- Children, Young People and Families (CYPF) based on trends to date would be forecast to overspend by £1.5m primarily due to a £581k in Fieldwork Services resulting from pressures on social workers as a result of increased number of caseloads and £600k on Short Break and Direct Payments, due to the delay in anticipated savings.
 - Communities based on trends to date, shows a forecast overspend of £2.8m, due to demand pressures in Care and Support relating to Learning Disability Services and Long Term Support.
 - Place are showing a forecast overspend of £995k. This forecast overspend is primarily due to in-year budget pressures and a potential shortfall on delivering budget savings.
 - Resources are showing a forecast overspend of £214k due to a £200k undeliverable savings target and increased contract costs as a result of the delay in the implementation of the new finance system of £159k. These overspends are partly offset by £111k reduction in spending in Commercial Services primarily due to vacant posts and a reduction in spending on supplies and services:
5. In parallel to the above position, the Council faces a series of significant challenges in delivering savings in conjunction with the health care system. Since the 2016/17 revenue budget was set, various cost pressures and risks to funding levels have emerged. These challenges are as follows.
- Children, Young People and Families (CYPF) are showing a forecast overspend of £750k as a result of not yet securing agreement to joint contributions with the CCG for children's services.
 - Communities are showing a forecast overspend of £4.0m, due mainly to an emerging overspend against Commissioned Mental Health Services of £3.5m and £500k of pressures arising from CCG activity in the Learning Disability Service, as the profile of demand has shifted to costs funded by SCC and not the NHS. A more integrated approach is being urgently explored.
 - Corporate are showing a forecast overspend of £5.8m, which is due to an anticipated shortfall in the Better Care Fund (BCF). We and the CCG agreed when the BCF was set up that £9.3m of funds would be made available in total by the two partners. The NHS would fund £5m, and the Council would fund £4.3m as a one-off in 2015/16, with the aim that the BCF would identify savings to eliminate the need for this contribution after 2015/16, or the CCG would identify a source of

funds for it. However we now have a significant concern that slippage on this approach is occurring without the underlying savings yet emerging on a joint budget of £280m. SCC is the junior financial partner in this arrangement. Consequently the £4.3m is now a corporate pressure, and in addition the CCG is currently only able to guarantee £3.5m of the £5m of its share of the funding, with a further £0.5m provisionally allocated to the BCF. We and the CCG continue to discuss the funding and management of the BCF.

6. The combined impact of the forecast potential overspends in Council-run services and in services run jointly with the NHS is that the latest monitoring position at month 2 is a forecast overspend of £16.0m. The combined position is summarised in the table below.

Portfolio	Outturn £000s	FY Budget £000s	FY Variance £000s
CYPF	69,198	66,995	2,203
COMMUNITIES	143,697	136,864	6,833
PLACE	145,235	144,240	995
POLICY, PERFORMANCE & COMMUNICATION	1,988	2,007	(19)
RESOURCES	52,649	52,435	214
CORPORATE	(396,768)	(402,541)	5,773
GRAND TOTAL	15,999	-	15,999

7. Although the latest position shows what is currently believed to be the worst case scenario, a significant amount of work will be required to bring forecast expenditure into line with budget. This is being approached at this stage in two parallel strands, namely revenue budget management to contain the position outlined in paragraph 3, and bringing to a conclusion the discussions on the joint funding arrangements with the NHS. The forecast position would be an unsustainable outturn when compared to a General Fund reserve of £12.6m.
8. Full details of all reductions in spend and overspends within Portfolios are detailed in **Appendix 1**.

Public Health

9. The Public Health ring-fenced grant is currently forecasting a £87k overspend against the original grant allocation. Further details of the forecast outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

10. The 2016-17 budget is based on an assumed in year surplus of £13m which is to be used to fund the ongoing HRA Capital Investment Programme. In accordance with the HRA's financial strategy any further in-year funds generated by the account will be used to provide further funding for the future HRA Capital Investment programme.
11. As at month 2, early indications suggest a £1.3m improvement in the full year outturn position. As such, the funding contribution to the capital investment programme will be revised from £13m to £14.3m. Further details of the HRA forecast outturn can be found in **Appendix 3** of this report.

New Homes Bonus Fund

		£m
Income	Reserves as at 1/04/16	-7.1
	Anticipated 16/17 NHB Grant	<u>-9.3</u>
	Total Income	<u>-16.4</u>
Expenditure	2016/17 Spend to Date	0.4
	Forecast to Year End	2.4
	Future Years' Approved Commitments	<u>1.3</u>
	Total Expenditure	<u>4.1</u>
	Funds Available for Investment	<u><u>-12.3</u></u>

12. Most of the expenditure to date has been on capital schemes improving London Road shop fronts and redeveloping the Arbourthorne area. Officers are working on a number of substantial projects which will utilise the unspent balance and accelerate housing development and regeneration. These will be brought forward for approval by Members when ready.

Collection Fund

13. The Collection fund will be reported in month 3 to give time for a full appraisal of the first quarter's position to be carried out. **Appendix 4** has been retained for the collection fund as blank for continuity for future reporting.

Capital Summary

14. At the end of May 2016, Project managers are forecasting to deliver a Capital Programme for 2016/17 of £234.4m compared to an approved programme of £217m, a difference of £17.4m. Two major adjustments to the budget are awaiting approval and will reduce the variance to be £8.1m below the budget.
15. Further details of the Capital Programme monitoring and projects for approval are reported in **Appendices 5 and 5.1**.

Implications of this Report

Financial implications

16. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2016/17, and as such it does not make any recommendations which have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

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

Property implications

19. 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.

Recommendations

20. Members are asked to:
 - (a) Note the updated information and management actions provided by this report on the 2016/17 Revenue Budget position.
 - (b) In relation to the Capital Programme:
 - (i) Approve the proposed additions to the Capital Programme listed in **Appendix 5.1**, including the procurement strategies and delegations of authority to the Director of Commercial Services or nominated

Officer, as appropriate, to award the necessary contracts following stage approval by Capital Programme Group;

- (ii) Approve the proposed variations, deletions and slippage in **Appendix 5.1**;

And note

- (iii) The variations on **Appendix 5.1** approved within the delegated authority of EMT;
- (iv) The variations authorised by directors under the delegated authority provisions; and
- (v) The latest position on the Capital Programme.

Reasons for Recommendations

- 21. To record formally changes to the Revenue Budget and 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.

Alternative options considered

- 22. 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
Interim Head of Finance

Portfolio Revenue Budget Monitoring Reports 2016/17 As at 31st May 2016

Children Young People and Families (CYPF)

Summary

- As at month 2 the Portfolio is forecasting a full year outturn position of a £2.2m overspend. The key reasons for the forecast outturn position are:

Children and Families - £2m forecast overspend, the key reasons are:

- Fieldwork Services - a forecast overspend of £581k, this is mainly due to a forecast overspend on fieldwork staffing budgets of £320k, due to pressures on social workers and an increase in the number of caseloads, the planned tapering down model of social workers has been delayed, at this present time, to meet this increase in demand.
- Health Strategy – a forecast overspend of £600k on Short Break and Direct Payments, due to the delay in anticipated savings due in year.
- Provider Services – a forecast overspend of £242k, due to delays in anticipated savings on integrated residential and disability services with health, due in year.
- Early Intervention and Prevention – a forecast overspend of £545k due to anticipated savings of £200k on uncommitted contracts, offset by £750k as a result of not yet securing agreement to joint contributions with the CCG for children's' services, leaving a net overspend of £545k.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
BUSINESS STRATEGY	2,480	2,385	95
CHILDREN & FAMILIES	59,905	57,875	2,030
INCLUSION & LEARNING SERVICES	(22)	(35)	13
LIFELONG LEARN, SKILL & COMMUN	6,835	6,770	65
GRAND TOTAL	69,198	66,995	2,203

DSG

- The following is a summary of the position on DSG budgets at month 2:

	Month 2 £000
Business Strategy	(145)
Children and Families	(25)
Inclusion and Learning Services	312
Lifelong Learning, Skills and Communities	16
	158

Commentary

3. The following commentary reports of the main forecast variances at month 2.

Business Strategy

4. A forecast £95k overspend (shown in the table above) relating to cash limit and £145k forecast reduction in spend on DSG.
5. The main reason for the forecast variance on DSG is due to a reduction in spend on pension costs of £158k.

Children and Families

6. A forecast £2m overspend (shown in the table above) relating to cash limit and a £25k reduction in spend on DSG.
7. The main reasons for the forecast variance on cash limit is due to:
- Fieldwork Services - a forecast overspend of £581k, this is mainly due to a forecast overspend on fieldwork staffing budgets of £320k, due to pressures on social workers and an increase in the number of caseloads, the planned tapering down model of social workers has been delayed, at this present time, to meet this increase in demand.
 - Health Strategy – a forecast overspend of £600k on Short Break and Direct Payments, due to the delay in anticipated savings due in year.
 - Provider Services – a forecast overspend of £242k, due to delays in anticipated savings on integrated residential and disability services with health, due in year.
 - Early Intervention and Prevention – a forecast overspend of £545k due to anticipated savings of £200k on uncommitted contracts, offset by a reduced expected contribution of £750k from the CCG, leaving a net overspend of £545k

Inclusion and Learning Service

8. A forecast £13k overspend (shown in the table above) relating to cash limit and £312k forecast overspend on DSG.

9. The main reason for the forecast variance on DSG is due to a forecast overspend of £298k on SEN placements, as a result of the full year impact of a number of placements made in 2015/16.

Lifelong Learning Skills and Communities

10. A forecast £65k overspend (shown in the table above) relating to cash limit and £16k forecast overspend on DSG. There are no significant variances to report.

Communities Portfolio

Summary

11. As at month 2, the Portfolio is forecasting a full year outturn of an overspend of £6.8m. The key reasons for the outturn position are:

Performance, Information and Planning underspend of £456k:

- The underspend position for Business Strategy is mainly due to the Portfolio-wide pay inflation budget of £400k being released (pay inflation costs are reflected in expenditure across the Portfolio). The non-achievement of the prior year savings target in Planning and Performance is resulting in a forecast over spend £446k which is offset by a £231k underspend on Business Support pay along with a £142k underspend against the mail and insurance SLA charges.

Care & Support overspend of £3.4m:

- Access, Prevention and Reablement forecasts a net overspend of £37k. There is a forecast over spend of £71k mainly as a result of use of agency social work staff, this is partly offset by an under spend of £34k due to pay savings in Occupational Therapy Team.
- Learning Disabilities returned an outturn of £2.8m overspent. This is made up of:-
 - Purchasing LD is forecasting an over spend of £2.6m. £1.3m of this overspend is a result of the roll forward cost of clients from 2015/16 and an estimated additional costs of Joint Package of Care (JPOC), an estimated £664k of undeliverable savings from the 2016/17 BIP process and estimated new clients for 2016/17 costing £645k.
 - LD Assessment and Care Management is forecasting an over spend of £506k due to full year cost of additional review teams.
 - LD Provider services is forecasting an under spend of £303k due to reductions in use of agency staff and bank staff.

- Long Term Support is showing an over spend of £1.7m. This comprises the net position of an over spend in adults purchasing of £1.7m, with an under spend across the remainder of the service of £80k; this under spend is predominantly the saving against Forge Centre (£64k) due to reduction in contracts along with a small net saving in social work costs.
- Provider Services is showing an under spend against budget of £60k. There is a £181k reduction in spend on Carers in the Adult Placement Shared Lives Service. City Wide Care Alarms reports an over spend of £384k as a result of lower income than budgeted. Care4You Business and Performance and Head of Service Budgets report a combined £305k reduction in spend on staffing. Community Support Services report an under spend of £77k on salary costs. Reablement Services report an over spend of £120k which has arisen as a result of the service incurring additional staff costs relating to planned efficiencies delivered later than expected.
- Contributions to Care has an over achievement of income £1.0m against budget. The main overachievements are in Integrated Charge income of £233k, Continuing Health Care Income of £803k and Residential of £143k. This over performance is offset by a small underachievement of Property Income of £82k and a variance to budget on Public Health Direct payments of £52k. Additional forecast income has been included for un-split JPOC clients through the year.

Commissioning overspend of £3.6m:

- A forecast reduction in spend of £90k is reported by Commissioned Housing which is mainly due to slight delay in implementation of new Housing Related Support Contracts.
- An over spend against Commissioned Mental Health Services of £3.5m. This is made up of a £3.5m overspend in Mental Health purchasing and £150k overspend in the S75 Mental Health contract offset by forecast underspends on the Older people Mental Health contract of £103k and the Partnership and Grant Aid budget of £54k. Further negotiations are on-going with the Care Trust to determine the cost of the S75 contract but current negotiations are reflected in the forecast overspend. There is an on-going conversation with the CCG to enable joint planning to be done in order to bring the £3.5m overspend down within 2016-17. Future forecasting will be reflective of outcomes in this work.

- An over spend on Public Health Drug and Alcohol (DACT) of £132k. The majority of this is due to a forecast overspend on non-contract treatment costs of £124k.
- Social Care Commissioning Service forecasts an over spend of £52k. There is a forecast overspend of £115k on the British Red Cross contract for Independent Living Solutions (Equipment and Adaptations) partly offset by an under spend in quality contracts.

Community Services overspend of £309k:

- There is an over spend of £207k in Locality Management, primarily relating to the non-achievement of 2015/16 savings targets £108k, pay overspend £56k and loss of income from Sheffield Teaching Hospitals £57k. There is a further overspend in Libraries Service of £49k mainly due to possible cost of redundancies and loss of World Metal Index Income (Service closes in July 2016). There is a £54k forecast overspend in PH on Community Wellbeing programme contracts.

Housing General Fund underspends of £22k:

- The Housing General Fund is forecasting an overall under spend £22k primarily due to lower than expected uptake of grants from the Local Assistance Scheme of £26k, a reduction in salary costs of £54k across several areas due to a high number of vacancies as a result of an MER (due to be completed in August), income from water rates commission being higher than budget by £25k and over achievement of income of £15k across the remaining area. These under spends are offset by a forecasted £98k over spend within Sustainable City which is still subject to review.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
PIP	4,769	5,224	(455)
CARE AND SUPPORT	100,398	96,996	3,402
COMMISSIONING	27,950	24,352	3,598
COMMUNITY SERVICES	6,782	6,472	310
HOUSING GENERAL FUND	3,798	3,820	(22)
GRAND TOTAL	143,697	136,864	6,833

Commentary

12. Commentary will be added from Month 3 to explain the movements from Month 2

Place Portfolio

Summary

13. As at month 2 the Portfolio is forecasting a full year outturn of an £996k overspend. The key reasons for the forecast outturn position are:
- **Planned Budget Savings £457k overspend** – reflects a relatively small shortfall against the £9.9m planned savings approved at March Council.
 - **Other Net Pressures £470k overspend** – includes shortfalls against planned income within the Moor market £366k and City Regeneration Division £200k.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
BUSINESS STRATEGY & REGULATION	32,482	32,144	338
CAPITAL & MAJOR PROJECTS	-	-	-
CREATIVE SHEFFIELD	2,761	2,378	383
CULTURE & ENVIRONMENT	29,809	29,742	67
DEVELOPMENT SERVICES	80,183	79,976	207
PLACE PUBLIC HEALTH	-	0	0
			-
GRAND TOTAL	145,235	144,240	995

Commentary

14. The following commentary concentrates on the key risks

Development Services

15. The current forecast for the service is a £207k overspend.
16. However, it should be noted that this position assumes the delivery of £1.5m of approved budget savings within the Streets Ahead of £1.2m and car parking activities of £0.3m, which are forecast to be implemented in the second half of the financial year. Any slippage in these timescales for delivery would have a significant impact on the current reported position.

Resources Portfolio

Summary

17. As at month 2 the Portfolio is forecasting a full year outturn of an overspend of £214k. The key reasons for the forecast outturn position are:

- due to a £200k undeliverable savings target
- £159k overspend in Finance due to increased contract costs as a result of the delay in the implementation of new finance system.

Offset by:

- £111k reduction in spending in Commercial Services primarily due to vacant posts and a reduction in spending on supplies and services.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
BUSINESS CHANGE & INFORMATION SOLUTIONS	950	1,034	(84)
COMMERCIAL SERVICES	604	715	(111)
COMMERCIAL SERVICES (SAVINGS)	(2,107)	(2,068)	-39
			0
CUSTOMER SERVICES	2,729	2,524	205
FINANCE	4,560	4,401	159
HUMAN RESOURCES	3,477	3,410	67
LEGAL SERVICES	3,515	3,530	(15)
RESOURCES MANAGEMENT & PLANNING	209	174	35
TRANSPORT AND FACILITIES MGT	16,340	16,290	50
TOTAL	30,277	30,010	267
CENTRAL COSTS	21,966	22,019	(53)
HOUSING BENEFIT	406	406	-
GRAND TOTAL	52,649	52,435	214

Commentary

18. The following commentary concentrates on the changes from the previous month. As this is the first monitoring report of this financial year there are no changes to report.

Policy, Performance and Communications Portfolio

Summary

19. As at month 2 the Portfolio is forecasting a full year outturn of a reduction in spending of £19k. The key reasons for the forecast outturn position are:

- Small under spends across the PPC service.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
ACCOUNTABLE BODY ORGANISATIONS	0	0	0
POLICY, PERFORMANCE & COMMUNICATION	2,123	2,142	-19
PUBLIC HEALTH	(135)	(135)	0
GRAND TOTAL	1,988	2,007	(19)

Commentary

20. The following commentary concentrates on the changes from the previous month. As this is the first monitoring report of this financial year there are no changes to report.

Corporate

Summary

21. As at month 2, the Corporate portfolio is forecasting a full year outturn of a £5.8m overspend.

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

Financial Results

22. The table below shows the items which are classified as Corporate and which include:

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s
CAPITAL FINANCING	34,176	34,205	(29)
CORPORATE ITEMS	(430,944)	(436,746)	5,802
GRAND TOTAL	(396,768)	(402,541)	5,773

Commentary

23. Corporate are showing a forecast overspend of £5.8m, which is due to the anticipated shortfall in the Better Care Fund (BCF). We have a significant concern that after 18 months the BCF has not realised any savings on a joint budget of £280m.

PUBLIC HEALTH BUDGET MONITORING

AS AT 31st MAY 2016

Purpose of the Report

1. To report on the 2016/17 Public Health grant spend across the Council for the month ending 31st May 2016
2. The report provides details of the forecast 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 where there is an underspend position.

Summary

4. At month 2 the overall position was a forecast overspend of £87k which is summarised in the table below.

Portfolio	Forecast Full Year Expenditure	Full Year Expenditure Budget	Full Year Variance at m2	FY Variance Forecast at m1	Movement from Prior Month
CYPF	17,405	17,408	(3)	0	(3)
Communities	12,417	12,427	(10)	0	(10)
Place	2,659	2,714	(55)	0	(55)
Director of PH	2,068	1,913	155	0	155
Total Expenditure	34,549	34,462	87	0	87

5. Key reasons for the forecast under spend are:

- (£3k) underspend in CYP virtually forecast to budget
- (£10k) underspend in Communities virtually forecast to budget
- (£55k) underspend in Place mainly due to a vacant post.

- £155k over spend in Director of Public Health budget which is a forecast under spend of £95k on salaries and supplies and services offset by an over spend of £250k on the contingency budget. This requires to be reprofiled as the net grant required will only be £135k as per the previous year.

HRA Revenue Budget Monitoring 2016/17– As at 31st May 2016

Purpose of this Report

1. To provide a summary report on the HRA 2016/17 revenue budget for the month ending 31 May 2016, and agree any actions necessary.
2. The content of this report will be used as the basis of the content of the budget monitoring report to the Executive Management Team and to Members.

Summary

3. 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.
4. The 2016/17 budget is based on an assumed in year position of £13m which is to be used to fund the ongoing HRA Capital Investment Programme. In accordance with the HRA's financial strategy any further in- year funds generated by the account will be used to provide further funding for the future HRA Capital Investment programme.
5. As at month 2 early indications suggest a £1.3m improvement in the full year outturn position of £1.3m. As such, the funding contribution to the capital investment programme will be revised from £13m to £14.3m (shown in the table). This is in line with the HRA Business Plan which sets out the Council's plans and priorities for council housing over the next five years. Capital investment is to be made on improving council housing with a focus on works such as replacement heating systems, insulation and energy efficiency, new roofs, improvements to communal areas as well as building or buying new/replacement council housing.

Main areas contributing to the outturn include a net increase in income of £132k primarily as a result of a reduced level of bad debt provision offset by a higher turnover of vacant properties; an increase in other income of £74k mainly due to an increase in service charge income; a reduction in overall running costs of £936k and a reduction of £161k due to revised borrowing assumptions.

6. Financial Results

Housing Revenue Account (excluding Community Heating)	FY Outturn £000's	FY Budget £000's	FY Variance £000's
1.NET INCOME DWELLINGS	(146,882)	(146,750)	(132)
2.OTHER INCOME	(6,598)	(6,524)	(74)
3.HOMES-REPAIRS & MAINTENANCE	32,867	32,870	(3)
4.DEPRECIATION-CAP FUND PROG	39,436	39,436	-
5.TENANT SERVICES	51,919	52,855	(936)
6.INTEREST ON BORROWING	14,969	15,130	(161)
Total	(14,291)	(12,983)	(1,306)
7.CONTRIBUTION TO CAP PROG	14,291	12,983	1,306

Community Heating

The budgeted position for Community Heating is a draw down from Community Heating reserves of £293k. As at month 2 the forecast position is a draw down from reserves of £200k, an improvement of £93k. This is mainly due to a delay in the metering project together with lower than expected usage due to the mild weather.

Community Heating	FY Outturn £000's	FY Budget £000's	FY Variance £000's
Income	(2,851)	(2,723)	(128)
Expenditure	3,051	3,016	35
	200	293	(93)

Housing Revenue Account Risks

There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. As well as the introduction of Universal Credit, the Government has announced a number of further changes in the Housing and Planning bill and Welfare Reform and Work bill. These include a revision to social housing rent policy, which will reduce rents for the next three years. This will have a considerable impact on the resources available to the HRA. In addition, the Government's "Pay to Stay" proposals and other changes in the Housing and Planning bill will impact on both tenants and the HRA business plan. Work is continually ongoing to assess the financial impact of these. Other identified risks to the HRA are:

- **Interest rates:** fluctuations in the future levels of interest rates have always been recognised as a risk to the HRA.
- **Repairs and Maintenance:** existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions) and future changes to contractual arrangements.

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CAPITAL PROGRAMME MONITORING

AS AT 31st MAY 2016

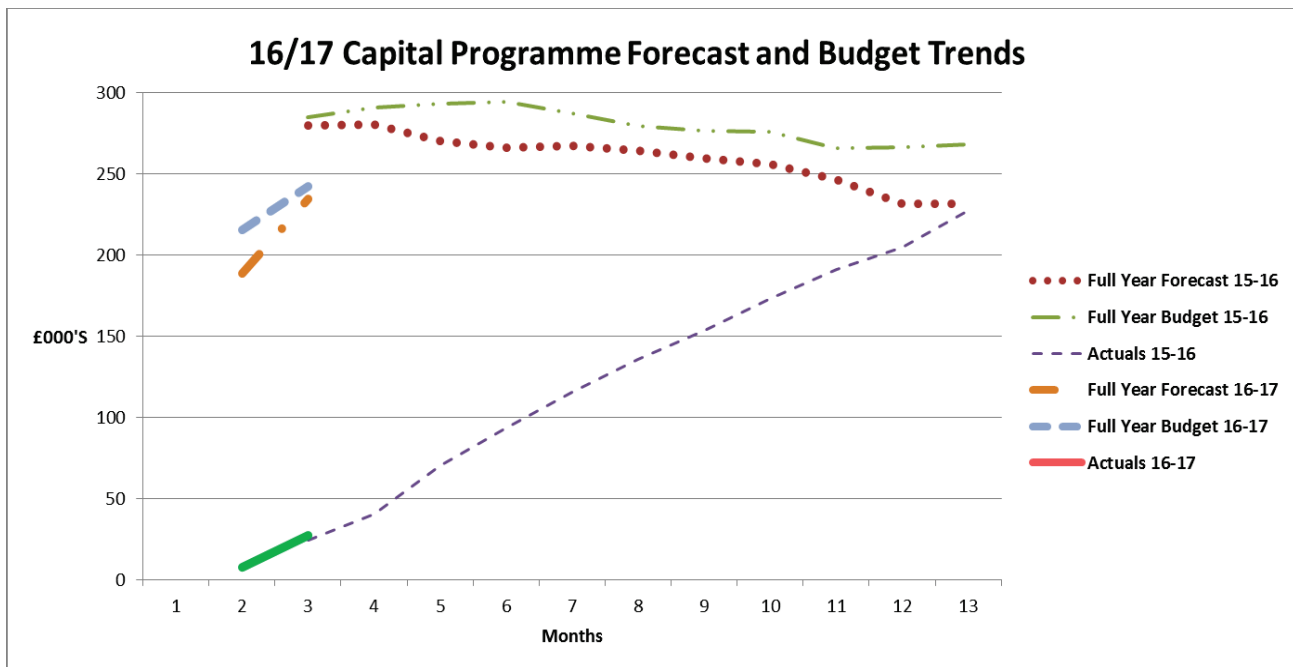
Summary

1. The forecast for 2016/17 is £234.4m compared to an Approved programme of £217m, a difference of £17.4m. Two major adjustments to the budget are awaiting approval and will reduce the variance to be £8.1m below the budget.
2. Firstly, project managers have requested that £35.1m of unspent capital approvals be slipped forward into 2016/17 which would raise the budget to £252.1m. This would create a shortfall of £27.7m by the year end.
3. Secondly, and part recognising the potential underspend in 2016/17, Housing Services are seeking to re-profile £9.6m of spend on the Roofing, Communal areas window and door replacement projects into future years. This recognises the lower levels of work arising at each property.
4. So, at Month 2, the table below shows that the underlying variance against the expected revised budget will be £8.1m.
5. The chart below shows that the capital programme spend rates are almost identical to 2015/16 where the Outturn was £232m, very close to the current forecast of £234m.

Financials 2016/17

Portfolio	Spend to date	Budget to Date	Variance to date	Full Year forecast	Full Year Budget as Q-TIER	Slippage adjustments awaiting approval	Major reprofile awaiting approval	Revised Budget	Full Year Variance on Revised Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000
CYPF	2,501	4,351	(1,850)	31,924	29,943	2,825		32,768	(844)
Place	10,389	6,917	3,472	57,677	36,126	23,917		60,044	(2,367)
Housing	8,300	8,122	178	95,847	104,732	5,276	(9,597)	100,411	(4,564)
Highways	901	1,638	(738)	8,627	6,863	1,828		8,691	(64)
Communities	(8)	35	(43)	307	315	10		325	(18)
Resources	465	470	(5)	13,203	12,191	896		13,087	117
Corporate	4,467	4,467	0	26,803	26,803	379		27,182	(379)
Grand Total	27,016	26,001	1,015	234,388	216,972	35,131	(9,597)	242,506	(8,118)

Forecast trends



Capital Programme

	2016-17 £m	2017-18 £m	Future £m	Total £m
Council Approved Budget	195.2	147.1	207.5	549.8
Additions	21.3	0.3	0.0	21.6
Variations	0.0	3.6	10.2	13.9
Slippage & Acceleration	0.5	0.0	0.0	0.5
Month 2 Approved Budget	217.0	151.0	217.7	585.8

6. The revised programme shows a net increase of £36m. The main additions to the programme include £5.9m for the further development of the Olympic Legacy Park, £5.8m to procure vehicles in preparation for the in-sourcing of the Housing Repairs activity and £2.9m for improving bus services in North Sheffield, £1.4m for School places expansion across the city.

PROJECT MANAGEMENT

7. From the start of this year the Council has introduced an improved system of reporting and monitoring project delivery. This will collect in one place, all project highlight reports which will be accessible to all users and, from August, provide the basis for workflow driven meeting agendas for each stage of the Gateway Approval process. The progress of a project will be readily evident.
8. This should give better visibility of performance and lead to improved project controls because:
 - Project Managers will create their monthly highlight reports - showing key issues, risks and items for the Sponsor to decide on - in SharePoint and these will be visible to all as well as providing a central repository which can be used in future external funding audit work;
 - Project sponsors can review and approve the reports within SharePoint; and
 - Programme Boards will receive a “dashboard” report showing the status of projects. This should lead to improved supervision, better control and thus improved delivery performance of projects.

Commentary

9. The Top 20 projects in the Capital Programme accounts for 70% of the current 2016/17 budget. The key forecast variances from Budget at Month 2, after adjustments for slippage and Housing re-profiles include:
 - Housing programme is £4.6m below budget of which £4.4m is slippage on the New Build Council Housing programme. The contractor who was initially appointed went into administration. The new contractor is yet to submit its programme of works at which point a more realistic budget profile will be put in place;
 - Place is forecasting to be £2.4m below budget of which The Sheffield Retail Quarter project is £1m below budget and will be re-profiled following submission of the new development plans to Cabinet in July;

- £0.6m of slippage on the Olympic Legacy Park infrastructure;
- £0.4m slippage on the Green Spaces programme.
- £0.2m of slippage on the M1 gateway Public Art project;
- The CYPF programme is forecast to be £0.8m below Budget due with two major variances on Pipworth Plant Room (£476k) and Rainbow Forge Heating replacement (£210k), both due to tenders being below budget.

Risks

10. Two projects, Housing Acquisitions and OLP Infrastructure currently have Amber Financial RAG ratings due to the likelihood they will not achieve their forecast budget this year.

Approvals

11. A number of schemes have been submitted for approval in line with the Council's agreed capital approval process.
12. Below is a summary of the number and total value of schemes in each approval category:
 - 7 additions to the capital programme with a value of over £90m.
 - 5 variations to the capital programme amounting to a net increase of £1m.
13. Further details of the schemes listed above can be found in Appendix 5.1.

Scheme Description	Approval Type	Value £000	Procurement Route
STRONG ECONOMY :-			
Sheffield Retail Quarter Phase 1 The Council is to deliver the first phase of the Sheffield Retail Quarter development directly and ahead of the rest of the scheme. This consists of a building known as block J of the SRQ plan which will be made up of Office accommodation above Retail and Food & Beverage units. The office will be pre-let to HSBC and will therefore retain a key quality employer in the city. Further tenants will be sought for the rest of the building. The Council identified HSBC as a key anchor tenant for the Sheffield Retail Quarter as it would not only help deliver an early phase of the development but also provide footfall and spending power to help underpin the wider development and act as a catalyst for the wider scheme. Cost Summary Construction Costs - £70.3m Development management fees - £1.4m Design Fees - £4.3m Other Fees - £1.3m Capitalised Interest - £4.3m	Addition	81,963	Fees via variations to existing contracts on main SRQ Development. Yorcivils Framework for Construction.
A report with full scheme details will be presented to cabinet in July.			
THRIVING NEIGHBOURHOODS AND COMMUNITIES			
GREAT PLACE TO LIVE :-			
Highways			
Streets Ahead Enhancements Increase the budget available for pedestrian enhancements to achieve maximum benefit and value for money by implementing changes at the same time as the core work Streets Ahead core investment programme in 2016/17.	Variation	709	To be delivered via Amey Streets Ahead Contract

<p>The project's aim is to provide pedestrian improvements and facilities. Over five years the core investment programme will upgrade footways and carriageways.</p> <p>The approval includes £9k for Stage Four Road Safety Audits allocated per scheme from Danger Reduction and £1,500 programme management costs 16/17 Funded by Local Transport Plan Funding (LTP)</p> <p>Schemes for 2016/17 will include:</p> <ul style="list-style-type: none"> • Gleadless Road zebra crossing (in conjunction with Key Bus Route) • Wilkinson Street and Glossop Road, 2 pedestrian crossing improvements • Harcourt Road/Crookes Valley build out • Owlter Lane crossing improvements • Furniss Avenue zebra • Manchester Road zebra tactiles • Jepson Road and Newman Drive school scheme <p>2017/18 schemes will be finalised and detailed design completed 6 months prior to Amey zone work</p>			
<p>Accident Saving Schemes - The Accident Savings programme is a citywide strategy to reduce actual (and the fear of) road traffic collisions, particularly focused on reducing killed and seriously injured (KSIs) casualties by implementing road safety engineering schemes at sites with the highest injury collision rates in the City. These schemes are funded by the Local Transport Plan Funding (LTP) Two specific interventions are proposed: Langsett & Forbes Road (Hillsborough) This scheme is to improve public transport journey time reliability (as well as pedestrian safety outside Sacred Heart school) by allowing buses to turn left out of Forbes Road to continue their route without the need to turn within Hillsborough Interchange</p>	Variation	200	Design work via Amey Streets Ahead contract. Competitive Tender for construction.
<p>Accident Saving Schemes - Firth Park - Bolsover Road A smaller accident savings scheme (that has been designed in 2015/16 will be implemented</p>	Variation	101	To be delivered via Amey Streets

<p>in 2017/18 at Firth Park. The implementation of the Firth Park scheme will then tie in with Streets Ahead core works.</p> <p>Danger Reduction Programme This project aims to improve road safety at sites across the City that may not have a high collision history but are considered potentially 'dangerous'. The Danger Reduction programme is a citywide strategy that concentrates less on potential casualty reduction, and more on reducing perceived danger on the roads in our City.</p> <p>It is proposed to implement a 'walk and build' type process for Phase 6, using the preliminary in-house designs but avoiding some of the costly detailed design which is perhaps excessive for these relatively simple schemes. This means that schemes should go straight to construction and be delivered faster. The combined saving of £8k in 2016/17 on phase 6 design fees will be used to accelerate any necessary design and construction of further phases of the School Keep Clear Review</p> <p>Funded by Local Transport Plan Funding (LTP)</p>	<p>Variation</p>	<p>132</p>	<p>Ahead Contract</p> <p>To be delivered via Amey Streets Ahead Contract</p>
<p>North Sheffield Better Buses Block A Block A of this £2.9m scheme was to deliver was to complete four interventions to improve bus reliability on the North Sheffield Bus Corridor namely:</p> <ol style="list-style-type: none"> 1. St Michael's Road, Ecclesfield 2. Spital Hill/Hallcar Street 3. Spital Hill/Savile St 4. Hucklow Road <p>Interventions 1 -3 have been delivered and it is proposed to close this phase and complete the remaining work as part of "Block B".</p>	<p>Variation</p>	<p>-114</p>	<p>N/A</p>
<p>North Sheffield Better Buses Group B - Block B Block B of this £2.9m scheme was to complete 4 x interventions to improve bus reliability on the North Sheffield Bus Corridor namely:</p> <ol style="list-style-type: none"> 1. 1 Rutland Road/Cookwood Road/Minna Road 2. 2 Firth Park Centre 	<p>Variation</p>	<p>123</p>	<p>To be delivered via Amey Streets Ahead Contract</p>

<p>3. 3 Barnsley Road/Orphanage Road bus lay-by 4. 4 Barnsley Road/Hartley Brook Road, Sheffield Lane Top</p> <p>Hucklow Road has now slipped into this phase.</p> <p>A final Business Case, noting the benefits realised from the programme so far, will be brought forward once costs are finalised for interventions 3 and 4.</p>			
<p>North Sheffield Better Buses Group Block Allocation A draw down of £9k from the block allocation for the North Sheffield Better Buses Scheme to allow the completion of Hucklow road in Block B</p>		-9	
<p>City Centre Cycling Schemes This specific proposal will provide new and improved cycling routes in the City Centre, forming part of, and connecting into a strategic network from residential areas to employment, education, leisure and other trip generating sites/ locations. Cost are now: £17K for University Central route - 6k topographical 7k parking survey 4k project management fees Funded by Local Transport Plan Funding (LTP) £5K for Hallam University Central (previously known as Sheaf Valley Central) - project management fees Funded by Sustainable Transport Exemplar Programme funding (STEP)</p> <p>Parking Survey costs of £7K included in the Feasibility for University Central Route, more information was requested that will help understand parking demand in the city centre and ensure that we can minimise, and mitigate for, any impact of loss on on-street parking arising from, the proposed cycling schemes, and also identify if demand is sufficient for provision of additional parking to be an effective traffic calming measure e.g. to reduce clear carriageway width and control vehicle speeds. This will also allow us to assess the wider implications of any changes to parking arrangements.</p>	Feasibility	22	N/A
<p>Parks Graves Park Improvement Programme</p>	Addition	135	The works will be

<p>Much of the park's popularity stems from the diverse leisure and recreational facilities contained within it such as the Graves Park Animal Farm is home to rare breed livestock. Graves Park contains two playgrounds; wildlife and fishing ponds; sporting facilities (3 sports pavilions, bowling greens, football, tennis, cricket and pitch and putt); woodland and nature areas and formal landscaping- all over looking views of the hills of the Peak District.</p> <p>The funding for this project originates from income raised from the sale of Cobnar Cottage, which along with a small revenue contribution, will be used to deliver a package of improvements which are intended to benefit all users of the park.</p> <p>Improvements to be made include: relocating the toilets, improve electricity supply, 2 new stables, improve rose garden, refurbish entrance gates, improve planting and footpaths</p>			<p>procured as described in the procurement strategy. Works will variously be procured via 3 quotes; as part of a CSSR contract; and using in house suppliers. Strategy with Commercial Services</p>
<p>Business Strategy And Regulation</p> <p>Waste Management Development</p> <p>The Waste Contract Review was commissioned to consider if there is a deliverable alternative strategy to the current Integrated Waste Management Contract.</p> <p>The Executive Leader Report signed on March 2nd 2016 approved a total budget of £1m to allow the Project to progress to Cabinet in June</p> <p>The programme has now slipped to September 2016 and as such an additional spend of £207,235 is requested for approval:</p> <ul style="list-style-type: none"> Internal Resources - £46k Litigation Costs - £186k Technical Advice - £33k Procurement cost Saving - (£60k) 	<p>Variation</p>	<p>207</p>	<p>Technical Advisor already procured and in place. Further procurements will be brought to Capital Programme Group for approval</p>
<p>Culture</p> <p>Active North</p> <p>This Project is to provide a new 25m pool, learner pool, 40 station gym, exercise studio and changing facilities.</p> <p>This CAF variation is to increase the Project by £285,978. This variation is a scope change and request for further income.</p>	<p>Variation</p>	<p>286</p>	

<p>The additional funding is to cover additional road safety measures identified in the scheme completion audit and will include road widening, junction improvements and purchase of additional land at Pack Horse lane at a cost of £237k. Other changes include £22k for additional Gym equipment, £27k for additional furniture and equipment in the GP referral areas.</p> <p>The additional cost of the works is funded by £94k of third party contributions from the centre operator, Lawn Tennis Association and the National Centre for Sports and Exercise Medicine. The balance of the £241k will be funded from Council Borrowings or capital receipts.</p> <p>The approved project value is £7.500m, the new submission will take the project to £7.786m</p>															
<p>Graves Leisure Centre and NCSEM Project</p> <p>This project redevelops the Graves Tennis and Leisure Centre extension project as part of the NCSEM Programme. This will include the hub for the National Centre for Sports and Exercise Medicine (NCSEM). The NCSEM is an Olympic Legacy project that aims to promote health and wellbeing through sport and physical activity.</p> <p>This submission is for a change in the funding make-up of the overall project and an increase of £14k.</p> <p>The increase is for additional Gym equipment requested by the operators, for which they are providing extra funding.</p> <p>The funding changes are as follows:</p> <table data-bbox="1071 1281 1282 1940"> <tr> <td>NCSEM</td> <td>98,648</td> </tr> <tr> <td>SCC Borrowing</td> <td>-252,813</td> </tr> <tr> <td>Places for People</td> <td>77,546</td> </tr> <tr> <td>(The centre Operator)</td> <td>90,000</td> </tr> <tr> <td>British Athletics</td> <td>13,381</td> </tr> <tr> <td>Total</td> <td></td> </tr> </table> <p>The Approved project value is £16.339m, the new submission changes this to £16.381m</p>	NCSEM	98,648	SCC Borrowing	-252,813	Places for People	77,546	(The centre Operator)	90,000	British Athletics	13,381	Total		Variation	13	
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Total															

<p>The additional funding for the project has reduced the borrowing requirement by £125k of which is being used to fund part of the increase in cost at the Active North project. The overall project cost on the combined value of the projects has gone up by £299k.</p>			
<p>FA Pitches This project is for improvements to grass and all weather pitches at Graves which will transform the provision for amateur football in the city. It is part of a National initiative driven by the Football Association. The first two sites are at Graves and Thorncliffe and are adjacent to the new sport and leisure facilities. Following the start of construction a number of changes are required to the original specification.</p> <p>Graves The variation is for an increase in funding of £145k to cover additional costs relating to groundworks, perimeter fencing and additional dug-outs. . The additional work will be funded by the FA. The level of borrowing in the project will also be reduced following an expected increase in the receipt to be realised from surplus land associated with the project.</p> <p>The Existing approved value for this project is £3.336m this submission will increase the project to £3.481m.</p>	<p>Variation</p>	<p>144</p>	
<p>FA Pitches Thorncliffe This project is for the construction of changing pavilions, grass pitch renovations, an artificial cricket wicket, additional car parking and 2 artificial football pitches at Thorncliffe Recreation Ground. £77k additional spend is required for fencing and pitch levelling. The work is funded by Sport England (£53k) and some increased borrowing by SCC. The Existing approved value for this project is £3.763 this submission will increase the project to £3.840m</p>	<p>Variation</p>	<p>77</p>	

Housing																									
Pipworth Rec SuDS																									
<p>Due to low land values and challenging topography, a number of SCC owned development sites in the Manor neighbourhood have stood vacant for many years. To improve the financial viability of housing development on these sites, a Sustainable Drainage Scheme (SuDS) and associated landscaping works are proposed to reduce the cost to developers and increase the sustainability of the drainage solution for five of these sites. This will be sited in the Pipworth Recreation Ground and have the capacity to serve 421 new homes.</p> <p>The project is to design and build the drainage scheme. The intention is to recover the costs in full via S106 agreements from the initial sites and through land disposals when the remaining housing developments are delivered.</p>		Variation	475	Mini competition via YORcivils framework																					
<p>Total project cost: £525,000 New Homes Bonus Funding</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Cost</th> <th>Comments</th> </tr> </thead> <tbody> <tr> <td>Project budget</td> <td>£475,000</td> <td>£475,000 New Homes Bonus funding has been secured to facilitate the feasibility, design and build of this SUDS, £475,000 of which will be repaid via S106 agreements attached as conditions to planning approval for Sheffield Housing Company and Gleeson Homes, or through the land sale</td> </tr> <tr> <td>Total construction costs</td> <td>£359,266</td> <td>Design and build or a priced contract</td> </tr> <tr> <td>Fees</td> <td>£45,180</td> <td>Project management and commercial fees</td> </tr> <tr> <td>Planning fees</td> <td>£4,000</td> <td></td> </tr> <tr> <td>Feasibility work</td> <td>£27,000</td> <td>Desktop Survey Stage 2 Site Investigations Topographic survey Engineering design work by Queensberry Consultants Masterplanning by SCC Landscape Architects Resource from Flood and Waste Water management team, Public consultation</td> </tr> <tr> <td>Client costs</td> <td>£10,000</td> <td>£10k for management and inspection fees for the purposes of adoption</td> </tr> </tbody> </table>					Item	Cost	Comments	Project budget	£475,000	£475,000 New Homes Bonus funding has been secured to facilitate the feasibility, design and build of this SUDS, £475,000 of which will be repaid via S106 agreements attached as conditions to planning approval for Sheffield Housing Company and Gleeson Homes, or through the land sale	Total construction costs	£359,266	Design and build or a priced contract	Fees	£45,180	Project management and commercial fees	Planning fees	£4,000		Feasibility work	£27,000	Desktop Survey Stage 2 Site Investigations Topographic survey Engineering design work by Queensberry Consultants Masterplanning by SCC Landscape Architects Resource from Flood and Waste Water management team, Public consultation	Client costs	£10,000	£10k for management and inspection fees for the purposes of adoption
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Contingency	£29,554	Standard project risk allowance for this type of project			
Total	£475,000				
Green space improvements	£50,000 (estimate d)	Request for allocation of non-repayable NHB for infrastructure protection works (to be agreed)			
<p>The on-going maintenance of the SuDS will be covered by commuted sums and service charge payments from the housing developers based on a value of £250,000 for a 25 year period. There will be no increased net maintenance to SCC for the open space and the commuted sum will benefit the wider open space through increased litter picking etc. Whilst the cost of Manor 8 site will be covered by a commuted sum, the service charge for Sheffield Housing Company properties will continue beyond the 25 year requirement.</p>					
<p>SUCCESSFUL YOUNG PEOPLE : -</p>					
<p>CYPF Capital Maintenance Grant Block Allocation</p> <p>The net movement of £10.9m on this Block Allocation can be split into two main subsections as follows:</p> <ul style="list-style-type: none"> • Additional grant awarded by the Department for Education (DFE) in respect of Sheffield City Council's allocation of capital maintenance Condition Grant funding for 2018-19 of £10.6m; and • A net addition of funding to the block allocation as a result of the 2015-16 year-end project variations and CYPF Director Variations as listed below, of £348k. 					
<p>Silverdale Permanent Expansion</p> <p>The city is undertaking a programme of growth to meet this increasing demand on school places, around 4,500 new places have been added to the primary sector in recent years. As well as additional primary places it is expected that by September 2019 an additional 15 to 19 forms of entry will need to be added to the system just to accommodate all children transferring from primary schools into Year 7.</p> <p>The objective of this project is to support a permanent expansion at Silverdale in Year 7 in 2018. The Outline Business Case and this approval request the funding to deliver the project. The work involves changes to the existing school to accommodate additional IT rooms.</p>					
			Variation	10,900	N/A
			Addition	6,718	Works procured via existing PFI Contract with Vinci Construction

<p>Total amount requested is £6.718m, with cost build up as follows:</p> <ul style="list-style-type: none"> Estimated cost to deliver the 2 Form Entry (FE) permanent extension to include external works e.g. MUGA and refurbishment works e.g. furniture within the existing school: £5.8m Total CDS fees to include for Project Management, Cost Management and Technical Advice services: £27.5k Estimated cost for legal fees associated with Private Finance Initiative schemes: £260k Estimated cost for SCC legal fees: £66.5k Estimated cost for ICT: £285k Estimated cost for Surveys: £14k Estimated cost for decant: £10k Project Contingency at 4.4% of estimated construction cost: £254k Commercial Services fixed fee: £1k <p>This project will be funded from the CYPF Basic Need Block Allocation. There is also a request to approve the procurement strategy.</p>			
<p>Primary Maintenance Emergency Works</p> <p>This is to cover unforeseen and unexpected buildings issues not arising from planned expenditure which requires an immediate reactive response. It provides schools with reassurance if sudden and unexpected failures of plant or building fabric occur through no direct fault of the school. It also covers uninsured elements of insurance claims arising due to exceptional weather conditions. This addition is to include the 16/17 budget allocation of £500k funded from DfE Capital Maintenance Grant.</p>	Addition	500	<p>Minor Works Route via CSSR (Corporate Statutory Servicing and Repairs contract) or competitive quotes as appropriate to the circumstances</p> <p>Minor Works Route via CSSR (Corporate</p>
<p>Adaptations</p> <p>The Council is required to carry out adaptations to buildings within CYPF portfolio including primary schools and children's centres in order to support children with specific needs to</p>	Addition	100	<p>Minor Works Route via CSSR (Corporate</p>

<p>ensure compliance with DDA requirements. This will involve installation of equipment i.e. chairlifts and hoists and minor alterations to buildings to accommodate these.</p> <p>This addition is to request funding to carry out necessary adaptations and install / purchase equipment as and when required, to provide this support. It is intended to act as an overarching strategy to request approval for Capital spend of £100k to cover 2016 / 2017 specifically to cover the procurement of adaptations works / equipment.</p> <p>As it is difficult to predict when such adaptations or equipment may be required the works will predominantly be reactive in nature. As a result there will be a number of smaller projects which will be undertaken under this strategy. These will vary both in type and value and it is intended to adopt a variety of procurement routes most appropriate to the requirement.</p> <p>T & FM will work with specialist areas within CYPF Portfolio to develop the specification for any equipment and adaptations that are required for specific individual needs. Funded from DfE Capital Maintenance Block Allocation 2016/17.</p>		<p>Statutory Servicing and Repairs contract), competitive quotes or framework as appropriate to the circumstances</p>
<p>Springfield Primary Bulge Year This request is for a variation for £87k in addition to the previously requested £60k budget, itself still awaiting approval, in order to meet the increased costs arising from the tender returns for the work. This will support any future permanent expansion at the school and is to be funded from the CYPF DfE Basic Need Block Allocation.</p>	<p>Variation</p>	<p>87</p> <p>Kier via the SCAPE Framework</p>
<p>Gleadless Primary (Jnr) Plant Room Underspend of £85k (98%), as remaining work now to be delivered in the main CYP Gleadless school project. Originally funded from a DfE Capital Maintenance Block</p>	<p>Variation</p>	<p>-85</p> <p>N/A: Y/E funding adjustment only</p>
<p>PMCP - Walkley Primary HM&E Underspend of £73.4k (10%), resulting from diligent on site programme management not exhausting the contingency allowance. Originally funded from a DfE Capital Maintenance Block Allocation 2016/17.</p>	<p>Variation</p>	<p>-73</p> <p>N/A: Y/E funding adjustment only</p>
<p>Dore & Totley Permanent Expansion Dore and Totley have seen a high number of young families moving to the area and this</p>	<p>Addition: feasibility</p>	<p>59.6</p> <p>The feasibility works will be</p>

<p>trend presents a 10% increase in demand for reception places in the area. There are 3 schools in the area Dore Primary, Totley Primary and Totley All Saints. Totley Primary has been identified as the preferred location for expansion. This option is subject to statutory consultation.</p> <p>A temporary expansion at Totley Primary School has been approved as part of a separate Business Case and will be put in place in September 2016 to provide an additional 30 places as a 'bulge' year whilst the permanent solution is being developed.</p> <p>The £59.5k feasibility funding requested here will provide surveys and initial design to determine the most appropriate solution for expansion and for a detailed cost estimate and programme to be developed. The objective of the project would be to increase the capacity of the school from a 1FE to 2FE, i.e. by an additional 210 places at Totley Primary School on a permanent basis from September 2017 – this is subject to internal decision making in the next month and would then be subject to consultation.</p> <p>Funding will be from the CYPF Basic Need Block Allocation.</p>			procured in house
<p>Ballifield Plant Room Underspend of £32k (38%), due to work completed by Kier costing less than initial in house estimates: to close Business Unit. Originally funded from a DfE Capital Maintenance Block.</p> <p>Primary Maintenance Heating - Phillimore This is a variation requesting additional budget of £25.3k (5%) to cover an overspend on the existing 2015/16 budget. The additional work relates to asbestos survey and additional pipework being required. This is to be funded by the capital maintenance block allocation.</p>	Variation	-32	N/A: Y/E funding adjustment only
<p>ESSENTIAL BUILDING WORKS:- Health & Safety Block Allocation To add back £419.0k as a result of cost savings on Staniforth Works; and To apply £25.9k to fund the overspend on Abbeydale Industrial Hamlet – Structural Defects</p>	Variation	25	N/A: Y/E funding adjustment only
		+393.1	N/A: Y/E funding adjustment only

as noted below.				
Staniforth Works FRA In-year underspend of £50k shown in 2015/16 as part of a wider CAF underspend of £419k (54%) as a result of cost savings following tender exercise, together with associated reductions in fees and contingency. Original budget based on m2 rate; the use of which to be reviewed by T+FM going forward.	Variation	-419.0	N/A: Y/E funding adjustment only	
Abbeyle Industrial Hamlet – Structural Defects This variation represents an overspend of £25.9k (100%) at 2015-16 year end on the project's construction costs: this arose due to the budget having previously been reduced to £Nil prematurely. The overspend is to be funded from the Health & Safety Block Allocation that was previously reimbursed by the original expected saving.	Variation	25.9	N/A: Y/E funding adjustment only	
IT Workstreams Potential slippage of £122.5k (51%) was reduced to £Nil as the IT element of the programme draws to a close and instead this has been treated as an underspend, with the remaining programme funding to be redistributed across the Workplace Programme in 2016/17 should this prove necessary.	Variation	-122.5	N/A: Y/E funding adjustment only	
Project Delivery Costs Potential slippage of £146.9k at 2015/16 year end was reduced by £113.3k (21%), with this amount being treated as an underspend due to not all the slippage being required to cover the future Workplace programme requirements arising from the delayed exit of staff from Meersbrook Offices and Cathedral Court. These moves are now anticipated to be completed during financial year 16/17. A future variation is possible in 16/17 for partial transfer of Workplace funds from this project to support other related projects in the programme should such support prove necessary.	Variation	-113.3	N/A: Y/E funding adjustment only	
Moorfoot Phase 3 A £96k potential overspend was limited to £68.6k by first applying an amount of £27.4k as acceleration from 2016-17 budget into 2015-16. A future CAF variation is required to re-phase future spend and introduce Salix grant funding in 16/17, once the acceleration has been approved.	Variation	68.6	N/A: Y/E funding adjustment only	
Moorfoot Overspend of £29.6k (48%) on 2015/16 planned expenditure, which was covered by a	Variation	29.6	N/A: Y/E funding adjustment only	

<p>revenue contribution to capital. Additionally, an amount of £11.96k was accelerated into 15/16 from 16/17 to cover additional expenditure and a future request to transfer funding from surpluses on related projects within the overall programme will be made in 2016/17 if further expenditure to complete the project proves necessary.</p> <p>Closed Properties Programme: to encompass Steel City Sports Club Demolition Works</p> <p>This request is for a variation of scope, in addition to earlier requested slippage of £100k from 2015/16, in order to widen the programme's remit of closed property management to include related demolition works and vary the procurement route accordingly. This is to be funded by Corporate Resource Pool capital funds.</p>	<p>Variation (of scope)</p>	<p>-</p>	<p>Via a framework contract, CSSR, competitive tender or other procedures as appropriate: mini competition via Minor Works Demolition Framework Agreement to be deployed for Steel City Demolition works.</p>
<p>SLIPPAGE / ACCELERATED SPEND:-</p>			
<p>GREAT PLACE TO LIVE Housing</p>			
<p>Electrics (CHS)</p> <p>This is the block provision for electrical works to the Council's housing stock. This request is to slip £1m from 16/17 to 17/18. The business case and procurement strategy are expected to be completed by July and the use of block provision will be reprofiled to reflect when specific schemes are ready for delivery.</p>	<p>slippage</p>	<p>1,000</p>	<p>N/A</p>

<p>DIRECTOR VARIATIONS:- (Note only)</p>			
<p>SUCCESSFUL YOUNG PEOPLE Firs Hill Bulge Year This request is for a variation for £13.8k in addition to the previously requested £39k budget, as an increase to recognise the movement from initial feasibility to build stage, and to encompass the award of a contract for £24.9k as part of the overall budget. This is to be funded from the CYPF DfE Basic Need Block Allocation.</p>	<p>Director Variation</p>	<p>13.8</p>	<p>3 Quotes</p>
<p>The following projects have closed with small over and underspends within the Director Variation Approval threshold the net effect being a £17.9k overspend:</p> <p>Schools Access Initiative - Overspend £10.7k Final Closure. Corresponding saving made on Schools Adaptations budget.</p> <p>Short Breaks - Underspend -£14.4k Final Closure:</p> <p>H,M & E Design - Overspend £2.5k Final Closure: unplanned costs, overspend re Pipworth</p> <p>PPG2 - Acres Hill Primary - Overspend £6.6k Final Closure: overspend due to additional highway works</p> <p>Norfolk Park Primary Replacement - Overspend £12.7k Final Closure: (0.3% net overspend): £46k overspend on construction budget. £33k saving on fees.</p> <p>FRA Works Programme - Underspend -£8.7k Final Closure: underspend due to under used contingency</p>	<p>Y/E Director Variations</p>	<p>See summary in Scheme Description: total value 17.9</p>	<p>N/A: Y/E project closures</p>

<p>Wybourn Expansion - Underspend -£13.0k Final Closure: overspend due to increased mechanical/heating costs</p> <p>Stocksbridge - Mobile Replace - Overspend £10.5k Final Closure: overspend due to additional construction works</p> <p>Nether Green - Mobile Replace - Underspend -£1.2k Final Closure: work complete</p> <p>Lydgate Infants - Mechanical - Overspend £8.2k Final Closure: overspend due to extensive asbestos removal above expected allowance</p> <p>Manor Lodge Structural - Overspend £1.1k Final Closure: overspend,</p> <p>Aldine House-Security Upgrade - Overspend £2.6k Final Closure: overspend funded by Revenue Contribution to Capital (RCC) in 15/16</p> <p>Brook House Jnr- Plant Room - Overspend £0.1k Final Closure</p> <p>Royd Nursery Infants- Plant Rm - Underspend -£0.8k Final Closure</p> <p>Woodseats Primary- Plant Room - Overspend £5.7k Final Closure: overspend due to unforeseen additional pipework repairs during boiler installation</p> <p>Rivelin Pmy- Plant Room - Overspend £2.0k Final Closure: overspend due to unforeseen additional work on site</p> <p>Firshill Primary - Boiler Replace - Underspend -£3.9k</p>		
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<p>Final Closure: underspend due to savings arising from unspent contingency</p> <p>Wisewood Sports Centre- Water Heater - Overspend £2.0k Final Closure: overspend due to unforeseen additional work on site</p> <p>Hucklow Primary 4-11 - Warm Air Underspend -£4.8k Final Closure: internal over-estimate of original cost</p> <p>The following schemes have overspent against annual budget allocation below the Director Variation threshold the net effect being a £44.6k overspend:</p> <p>Primary Maintenance Condition Management - Overspend £8.1k Y/E overspend:</p> <p>Prince Edward Primary - Overspend £5.6k Y/E overspend: plus £15k variation, additional cost 16/17 for installation of a barrier in front of the pedestrian exit from the school.</p> <p>Aldine House - Extension - Overspend £20.2k Y/E overspend: However, indications are that the account may be settled at a lower figure.</p> <p>Adaptations - Underspend -£10.7k Y/E underspend: Saving offset against overspend on Schools Access Initiative Project</p> <p>Aldine House - 2 Bed Extension - Overspend £1.2k Y/E overspend: fee estimate overspent due to development of the project scope.</p> <p>Aldine House-Internal Refurbishments - Overspend £22.2k Y/E overspend:</p> <p>Pipworth Primary- Plant Room - Underspend -£2.5k Y/E underspend: amount reduced by an overspend on the HM&E Design project.</p>	<p>Y/E Director Variations</p>	<p>See summary in Scheme Description total value 44.6</p>	<p>N/A: Y/E funding adjustment only</p>
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<p>Aldine House Bedroom Refurbishment - Overspend £0.5k Y/E overspend: due to shelving units re-designed for safeguarding.</p>			
<p>• IN TOUCH ORGANISATION</p> <p>The following projects have closed with small over and underspends below the Director Variation Approval threshold the net effect being a £4.9k underspend:</p> <p>Voluntary Registration - On Budget Final Closure</p> <p>Allotment Investment Programme - On Budget Final Closure</p> <p>Sorby House Reconfiguration - Overspend £1.1k Final Closure: no retention</p> <p>Love Street DDA - Overspend £0.5k Final Closure: final amount paid in April</p> <p>Vehicle & Plant Efficiency - Underspend -£3.3k Final Closure: 1.5% underspend from general cost savings on project completion.</p> <p>Investment in Rationalisation - Overspend £1.9k Final Closure: overspent on main contract works</p> <p>Highfield Library Refurbishment - Underspend -£5.1k Final Closure:</p> <p>Asbestos Removed - Overspend £0.25k Final Closure</p> <p>The following schemes have overspent against annual budget allocation below the Director Variation threshold the net effect being a £22.1k overspend:</p>	<p>Y/E Director Variations</p>	<p>See summary in Scheme Description total value -4.9</p> <p>See summary in</p>	<p>N/A: Y/E project closures</p> <p>N/A: Y/E funding adjustment only</p>

<p>FRA Works 15-16 - Overspend £4.4k Y/E overspend:</p> <p>CBT Wincobank Community Building - Overspend £17.7k Y/E overspend: overspend funded by extra Revenue Contribution to Capital</p>	<p>Variations</p>	<p>Scheme Description total value 22.1</p>	
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FORM 2

SHEFFIELD CITY COUNCIL



Cabinet Report

Report of: Eugene Walker

Report to: Cabinet

Date: 20th July 2016

Subject: Corporate Statutory Servicing & Repairs Service - Delivery Options Post-March 2017

Author of Report: Rob Markham

Key Decision: YES

Reason Key Decision: Expenditure/savings over £500,000

Summary:

Local authorities over the past twenty years have moved from a uniform direct delivery model for all services, to one where services are undertaken on behalf of the authority by a range of external partners. These can include voluntary sector groups, charitable trusts, private sector organisations, other local authorities, as well as joint ventures and wholly owned companies (such as arms-length management organisations).

Sheffield is no different in this regard. A range of services are delivered directly by the Council, including Parking, Customer Services, Housing, Adoptions etc. and a range of services are delivered by external organisations. A sample of these is given in the table below:

External Provider Type	Service	Provider
Charitable Trust	Museums and Galleries	Sheffield Museums and Galleries Trust
	Theatres	Sheffield Theatres
	Sports, Events and Leisure Facilities	Sheffield International Venues
Voluntary Sector	Adult Social Care	Various
	Adult Skills	Various
Other Local Authority	Emergency Planning	Rotherham MBC
Private Sector	Highways Maintenance etc.	Amey

Sheffield City Council always consider a range of options for delivery to determine which arrangement is most appropriate – each situation is considered on its own merits that provides quality services for customers and represents value for money for the Council. We therefore tend to adopt a pragmatic approach which may include in-house provision, or out-sourcing of services. We believe that there are a range of advantages and disadvantages to each of these types of arrangement, and it makes sense to consider the specific situation in hand.

The current contract with Kier Services Ltd ('Kier FM') for the delivery of the Statutory Servicing & Repairs Service to Sheffield City Council's Corporate Estate was contracted to Kier Ltd in April 2014. The contract was for 2 years with a possibility of extending for another 3 years by yearly increments, an extension for year 1 has been taken up to extend the contract to March 2017. The future delivery requirements for the services have been considered and a decision now needs to be made on how service will be delivered following the ending of the contracts.

The options for future delivery of the service are identified as:

- Bring the service in-house to be directly delivered by the Council ("insourcing")
- Extend the current contract with Kier for one year until March 2018 and then in-source
- Extend the current contract with Kier for two years until March 2019 and then in-source
- Extend the current contract with Kier for one year until March 2018 and then re-tender
- Extend the current contract with Kier for two years until March 2019 and then re-tender
- Retender the CSSR contract to seek a new external contractor to deliver the service

A further option to do nothing at the end of the contact has been dismissed as the Council would be in breach of a number of statutory property duties and health and safety management requirements if the above service was no longer provided.

There were a number of drivers that led us towards outsourcing at the point the current contract was let – these included providing long term certainty over costs and service levels, and that working with a partner such as Kier would allow us to access economies of scale that would be more difficult for the Council to realise on its own.

However, with the changes in the external environment, particularly in terms of funding, it is recommended to follow an insourced option for Corporate Statutory Servicing and Repairs. This will bring a number of advantages including making it easier to integrate and modernise the service, cost-effectiveness, and providing more control in a less stable financial environment. Insourcing would also give the Council much greater flexibility and accountability in managing the Service and therefore best enable the Council to deliver its vision.

Insourcing the Service at this time would make it coincide with the in-sourcing of the Housing Repairs and Maintenance Service from Kier. Although the two functions differ significantly in respect of work and repair types, this would present the Council with an opportunity for increased synergy and joint delivery efficiencies between the two repair teams. However, there are also risks of insourcing the two services to the same timescale, in particular the increase in demand for internal resources, as well as IT systems integration and data migration.

There would be initial one-off implementation costs involved in insourcing the Service and designing a future operating model. However, in the long-term insourcing is the most cost-effective option. Therefore, this report recommends insourcing as the best option for future delivery of the CSSR Service as this offers the greatest benefits to customers and to the Council.

Insourcing the service will likely involve transferring the current Kier workforce delivering the CSSR Service, and the work they currently undertake, into the Council. There are a number of elements of the Service which may be more effectively delivered by an external contractor, and more work will be done to assess these.

As with any change, there are risks associated with insourcing the Service. In particular, there are risks relating to; a decrease in productivity; greater health-and-safety responsibilities; fluctuating costs of materials; equality of pay; continued ICT provision and having the necessary resources and infrastructure to implement the transfer. Strong management of the transfer and robust implementation plans will ensure that these risks are effectively mitigated.

A Project Team led by the Director of Transport and Facilities Management has been established and involved in developing the proposals in this report. Feedback has been sought from Elected Members, and information has also been sought from other organisations delivering a similar in-house service to help inform the work.

Following Cabinet approval work will commence to prepare for the insourcing of the Service working closely with Kier and their employees and, customers. This work will include formal Trade Union consultation, procurement of the necessary goods and services, an effective communications strategy for all key stakeholders and the development of a detailed implementation plan.

Alongside this, work will also be done to design what that service should look like. This design work will lead to the development of a 'Target Operating Model' for the service, and customers and service users will be closely involved in this work.

If Cabinet approve the proposals in this report, work will then begin to insource the Service. This work will include formal Trade Union consultation, procurement of the necessary goods and services, an effective communications strategy for all key stakeholders and the development of a detailed implementation plan.

Reasons for Recommendations:

- Insourcing the Statutory Servicing and Repair Service will give the Council more control, flexibility and accountability in managing the Service, enabling the service to be fully integrated into the Council and to work in close partnership with other relevant key Council services. This will help to ensure that the Service is delivered in a way which fully supports the Council's corporate objectives and enables the Council to more easily make further changes in future.
- Bringing the CSSR Service in-house for direct delivery by the Council will also help to bring about an alignment of culture in the Service to that of the Council, as well as its approach to customers.
- Based on all information known to date, and after the initial upfront costs of transferring the service, the insourced option is expected to deliver sustainable year-on-year revenue savings.

In addition, once fully integrated into the Council there will be further opportunities to reduce duplication and increase efficiency within the Service and by exploring the degree of joint-working possible with the HR&M Service potentially enabling it to improve outcomes within available budgets.

- Insourcing also brings with it the potential to expand the service's external-trading function, which already generates £700,000 - £800,000 revenue from work for schools. This could include undertaking statutory servicing and repairs work on behalf of other organisations, as well as increasing the amount of work done for schools.
- Directly delivering the service in-house, with some elements of it being outsourced to locally-based contractors wherever possible, would help support the concept of the 'Sheffield Brand'. Materials would be purchased from local suppliers wherever possible (subject of course to the usual procurement rules and Council policies), and the workforce would be predominantly local. The supply chain would also, where possible, be tailored to the bespoke needs of SCC Corporate Buildings to reduce material lead in times and improve service delivery.
- Independent research by APSE (the Association for Public Service Excellence) has also identified a number of potential benefits of insourcing services, based on actual case-studies and local authority experiences:
 - Improved performance
 - Stronger links to corporate strategic objectives
 - Greater flexibility, and more responsive to local and national policy changes
 - Efficiency savings
 - Improved customer satisfaction
 - Enhanced local supply chains
 - Better integration and joining-up with other relevant key services
 - New development and employment opportunities for the workforce transferred in
- There are of course risks associated with the option to insource the service (as indeed there are with the other alternative delivery options discussed in this report), and some of these risks are significant. However, measures are and will continue to be in place to mitigate these risks, and if any of these risks significantly escalate, or any significant new risks (including financial ones) emerge, a further report would be brought back to Cabinet before progressing the transfer any further.

Recommendations:

That Cabinet:

- Approves the proposal in this paper to insource the Corporate Buildings Statutory Servicing & Repairs Service from 1st April 2017.
- Gives its approval for the in-sourcing to be done based on the principles and assumptions described in section 9 of this report, and taking into account the risks and mitigations as set out in section 10, including the potential sub-contracting-out of a proportion of the service.
- Gives its approval for the budget required to cover the one-off implementation and set-up costs, as described in section 8.9 of this report.

- Notes that the Executive Director of Resources shall ensure that all necessary steps to progress and implement the insourcing of the service are taken in accordance with his current delegations under the Leader's Scheme of Delegations. These steps may include:
 - At the appropriate time, commencing formal consultation with staff and Trade Unions regarding the transfer of staff from Kier into the Council (in consultation with the Director of Human Resources as necessary).
 - Developing the structure and agreeing the timescales needed to deliver an in-house corporate repairs service (in consultation with the Director of Human Resources as necessary).
 - Undertaking a more detailed assessment of which elements of the service are more appropriate to be contracted out, rather than directly delivered by the Council, and what the impact of this will be and how that will need to be managed (in consultation with the Director of Commercial Services and the Director of Human Resources as necessary).
 - Approving the procurement strategy and contract award, agreeing contract terms, entering into the contracts with appropriate contract management arrangements in line with the Council's Intelligent Client model, for all necessary goods and services. This will apply to both the development / implementation work required prior to the insourcing, and for in-house delivery of the service itself (including any elements of the service which it is agreed will be contracted out by the Council) once it is brought back into the Council (in consultation with the Director of Commercial Services and the Director of Legal and Governance as necessary).
 - Any other work required for the effective preparation for and implementation of the insourcing of the CSSR Service.
- To the extent that the Executive Director of Resources does not already have authority under the Leader's Scheme of Delegations, delegates authority to the Executive Director of Resources to approve the procurement strategy and contract award, and agree contract terms and enter into the contracts, for necessary goods and services (in consultation with the Director of Commercial Services and the Director of Legal and Governance as necessary).
- Notes that the Executive Director of Resources will work with the Executive Director of Communities, who is responsible for insourcing the Housing Repairs and Maintenance Service, to explore potential efficiencies.
- Requests that a further report is presented to Cabinet if the underlying strategy for the future of the Service cannot be achieved, or if any unforeseen significant risks emerge which may prompt Cabinet to re-consider its decision.

Background Papers:

- Cabinet Report 10th April 2013: "Corporate Statutory Servicing and Repairs Contract
 - Association for Public Sector Excellence (APSE) Report January 2009: "Insourcing: A guide to bringing local authority services back in-house"
 - Cabinet Report 18th March 2015: Future Options for the Housing Repairs and Maintenance Service
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Category of Report: OPEN (with closed Appendices Two and Four which contain commercially sensitive financial and HR information)

Appendices Two and Four are not for publication by virtue of Regulation 20(2) Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 because, in the opinion of the proper officer, it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Jayne Clarke
Legal Implications
YES Cleared by: Sarah Bennett
Equality of Opportunity Implications
YES Cleared by: Michelle Hawley
Tackling Health Inequalities Implications
NO
Human Rights Implications
NO
Environmental and Sustainability implications
NO
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
YES Cleared by: Scott Minshull
Property Implications
NO
Area(s) Affected
Citywide
Relevant Cabinet Portfolio Lead
Clr Ben Curran
Relevant Scrutiny Committee
Overview & Scrutiny Management Committee
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
YES

1. Summary

- 1.1** Local authorities over the past twenty years have moved from a uniform direct delivery model for all services, to one where services are undertaken on behalf of the authority by a range of external partners. These can include voluntary sector groups, charitable trusts, private sector organisations, other local authorities, as well as joint ventures and wholly owned companies (such as arms-length management organisations).
- 1.2** Sheffield is no different in this regard. A range of services are delivered directly by the Council, including Parking, Customer Services, Housing, Adoptions etc. and a range of services are delivered by external organisations. A sample of these is given in the table below:

External Provider Type	Service	Provider
Charitable Trust	Museums and Galleries	Sheffield Museums and Galleries Trust
	Theatres	Sheffield Theatres
	Sports, Events and Leisure Facilities	Sheffield International Venues
Voluntary Sector	Adult Social Care	Various
	Adult Skills	Various
Other Local Authority	Emergency Planning	Rotherham MBC
Private Sector	Highways Maintenance etc.	Amey

- 1.3** Sheffield City Council always consider a range of options for delivery to determine which arrangement is most appropriate – each situation is considered on its own merits that provides quality services for customers and represents value for money for the Council. We therefore tend to adopt a pragmatic approach which may include in-house provision, or out-sourcing of services. We believe that there are a range of advantages and disadvantages to each of these types of arrangement, and it makes sense to consider the specific situation in hand.
- 1.4** The current contract with Kier Services Ltd ('Kier FM') for the delivery of the Statutory Servicing & Repairs Service to Sheffield City Council's Corporate Estate was contracted to Kier Ltd in April 2014. The contract was for 2 years with a possibility of extending for another 3 years by yearly increments, an extension for year 1 has been taken up to extend the contract to March 2017. The future delivery requirements for the services have been considered and a decision now needs to be made on how service will be delivered following the ending of the contracts.
- 1.5** The options for future delivery of the service are identified as:
- Bring the service in-house to be directly delivered by the Council ("insourcing")
 - Extend the current contract with Kier for one year until March 2018 and then in-source
 - Extend the current contract with Kier for two years until March 2019 and then in-source
 - Extend the current contract with Kier for one year until March 2018 and then re-tender
 - Extend the current contract with Kier for two years until March 2019 and then re-tender

- Retender the CSSR contract to seek a new external contractor to deliver the service

- 1.6** A further option to do nothing at the end of the contract has been dismissed as the Council would be in breach of a number of statutory property duties and health and safety management requirements if the above service was no longer provided.
- 1.7** There were a number of drivers that led us towards outsourcing at the point the current contract was let – these included providing long term certainty over costs and service levels, and that working with a partner such as Kier would allow us to access funding and economies of scale that would be more difficult for the Council to realise on its own.
- 1.8** However, with the changes in the external environment, particularly in terms of funding, it is recommended to follow an insourced option for corporate statutory servicing and repairs. This will bring a number of advantages including making it easier to integrate and modernise the service, cost-effectiveness, and providing more control in a less stable financial environment. Insourcing would also give the Council much greater flexibility and accountability in managing the Service and therefore best enable the Council to deliver its vision.
- 1.9** Insourcing the Service at this time would make it coincide with the in-sourcing of the Housing Repairs and Maintenance Service from Kier. Although the two functions differ significantly in respect of work and repair types, this would present the Council with an opportunity for increased synergy and joint delivery efficiencies between the two repair. However, there are also risks of in-sourcing the two services to the same timescale, in particular the increase on demand for internal resources and IT systems integration and data migration.
- 1.10** There would be initial one-off implementation costs involved in insourcing the Service and designing a future operating model. However, in the long-term insourcing is the most cost-effective option. Therefore, this report recommends insourcing as the best option for future delivery of the CSSR Service as this offers the greatest benefits to customers and to the Council.
- 1.11** Insourcing the service will likely involve transferring the current Kier workforce delivering the CSSR Service, and the work they currently undertake, into the Council. There are a number of elements of the Service which may be more effectively delivered by an external contractor, and more work will be done to assess these.
- 1.12** As with any change, there are risks associated with insourcing the Service. In particular, there are risks relating to; a decrease in productivity; greater health-and-safety responsibilities; fluctuating costs of materials; equality of pay; and having the necessary resources and infrastructure to implement the transfer. Strong management of the transfer and robust implementation plans will ensure that these risks are effectively mitigated.
- 1.13** A Project Team led by the Director of Transport and Facilities Management has been established and involved in developing the proposals in this report. Feedback has been sought from Elected Members, and information has also been sought from other organisations delivering a similar in-house service to help inform the work.
- 1.14** Following Cabinet approval work will commence to prepare for the insourcing of the Service working closely with Kier and their employees and, customers. This work will include formal Trade Union consultation, procurement of the necessary goods and services, an effective communications strategy for all key stakeholders and the development of a detailed implementation plan. A dedicated implementation team will be established to lead on this work.

- 1.15** Alongside this, work will also be done to design what that service should look like. This design work will lead to the development of a 'Target Operating Model' for the service, and customers and service users will be closely involved in this work.
- 1.16** If Cabinet approve the proposals in this report, work will then begin to prepare for the insourcing of the Service. This work will include formal Trade Union consultation, procurement of the necessary goods and services, an effective communications strategy for all key stakeholders and the development of a detailed implementation plan.

2 What does this mean for Sheffield People?

- 2.1** The Corporate Statutory Servicing and Repairs Service does not directly deliver services to the public, but supports the maintenance of SCC's corporate estate. This estate consists of over 600 buildings /properties of varying sizes and use along with a wide range of other structures from dams and water courses to scheduled Ancient Monuments. Effective management and delivery of the repairs and maintenance service to these properties and structures is a key enabler of service delivery and supports the Council's main strategic aims and objectives as highlighted in section 3.
- 2.2** The Corporate Statutory Servicing and Repairs Service also delivers servicing and repairs services to one hundred and three schools as part of a traded service package. This enables schools to maximise the use of their buildings and hence supports educational outcomes for children and young people in Sheffield.
- 2.3** There is a commitment in the Corporate Plan to "... make the best possible use of our resources to meet the needs of Sheffield and its people..." The proposal in this report to insource the CSSR Service would give the Council greater control over this service area, thereby helping to ensure that the resources delivering this service are used in the most effective way and achieving the best possible outcomes for customers.

3 Outcome and sustainability

Supporting the Council's Strategic Outcomes

- 3.1** A well-managed and efficient **Corporate Buildings Statutory Servicing & Repairs Service** provides a cross cutting support and regeneration function that provides the physical infrastructure for the Council's required outcomes, particularly;
- 3.1.1 An In-Touch Organisation:** There is a commitment in the Council's Corporate Plan to "value our employees who are vital to delivering high quality services for Sheffield." The effective delivery of the CSSR Service will ensure that Council employees continue to work in safe environments and so support high quality service delivery.
- 3.1.2 Thriving neighbourhoods and communities:** Offering safe well-maintained community facilities and infrastructure significantly contributes to making our neighbourhoods more attractive, and to giving local communities an environment to be proud of.
- 3.1.3 A Strong Economy:** The option to bring the CSSR service in-house, with certain elements contracted out to local businesses where possible, should have a positive impact in terms of economic growth and encouraging jobs – delivering the service through the 'Sheffield Brand'.
- 3.2** Bringing the CSSR Service in-house for direct delivery by the Council will also help to bring about an alignment of culture in the Service to that of the Council, and in its approach to customers. As an integrated function within the Council, the Service will be much better

placed to adopt the Council's key principles of 'right first time' and holistic service delivery - and to be more adaptable to varying circumstances and to any changes in corporate priorities.

Sustaining the value of Council properties

- 3.3** Over the course of the CSSR contract the Council has invested approximately £18m in the corporate estate, although there is still a significant maintenance backlog. It is important that the Council protects this investment through ongoing effective maintenance and repair of its estate.

Achieving efficiencies for the wider Council

- 3.4** Although the performance of the CSSR contract has been good, as with any contractual arrangement for the delivery of services, it involves a degree of inflexibility in how that service is delivered. Bringing the Service in-house for direct delivery will enable the Council to use these resources collectively - exploring opportunities for joint benefits and better integration, thereby achieving savings for other Council services.

4 Background

Current Corporate Buildings Statutory Servicing & Repairs Service contract with Kier Services Ltd

- 4.1** In 2014 The Council decided to tender the repairs and maintenance work associated with the Corporate Estate on the open market in line with European Procurement rules and the Councils own standing orders. The contract was for a fixed term of 2 years with an option of a 3 year extension in increments of 1 year.
- 4.2** The contract was won by Kier who set up Kier FM to procure the work which they do via a combination of their own work force and small number sub-contractors (circa 20). The CSSR contract was first and foremost established as a statutory servicing contract and was set up in this way to address the Corporate Estates "non-compliance" issues with a target date for the estate to be fully compliant by March 2016.
- 4.3** The current contract covers a wide range of repairs and maintenance functions, including:
- Responsive repairs
 - Planned Repairs
 - Repairs after servicing (all servicing elements)
 - Gas servicing
 - Lift / Hoist servicing
 - Hard Wire Testing
 - Fire Alarm & Emergency Lighting servicing
 - Air Conditioning/AHU servicing
 - Earthing / Lightning Protection testing
 - Fire Fighting Equipment Servicing
 - Portable Appliance Testing
 - Latchwire / Safe man systems testing
 - School kitchen repair and maintenance

- Asbestos Management Plans and Surveys.
- Fire Risk Assessments (FRA)
- L8/Legionella Risk Assessment

4.4 A full list of the elements covered by the current contract is given in Appendix One.

4.5 Whilst Kier's general operation of the contract has been very good, there have been some issues with Asbestos management. These have been overcome by joint working of Kier and SCC.

4.6 The CSSR contract operates under a separate delivery model to other services delivered by Kier to SCC. This is due to the standards expected on the buildings and infrastructure the contract covers; many of which are listed / unique and so require specialist repairs and servicing. In practice this results in around 20% of the contract being subcontracted due to the amount of specialist delivery required.

4.7 Whilst the standards and output from Kier have been high, it is clear that Kier have made lower profits than expected, with some service areas running at a loss. Currently the apparent loss of income may be "subsidised" by profit on any Minor Works projects that SCC negotiate with Kier (which are not core contract work and therefore not covered by the exclusivity clause within the contract). See Section 10.4 below.

4.8 The contract also contains a traded element with schools worth £700,000-£800,000 p.a. that has different requirements, particularly on staffing flexibility to meet peak demand during holiday periods. Any future provision will have to provide this flexibility to schools, if this service is to continue.

Capital and Minor works through the CSSR service

4.9 The CSSR service has been used as a procurement route for minor works, much of which is small capital projects, which do not form part of the core service contract. In 2015/16 there were £3,159,846 worth of works outside of the core contract done through the CSSR service, almost the annual cost of the core contract works. £1,169,013 of the cost of these works was capitalised, with £2,075,130 revenue funded.

4.10 To ensure best value on such minor works a number of measured term framework agreements for mechanical, electrical and roofing works are already being set as an alternative procurement route. As a result of this the volume of these works done through the CSSR service on such projects is expected to significantly reduce whichever option is chosen for future delivery.

4.11 Around £850,000 of these minor works are expected to still be carried out by the CSSR service. This activity covers a range of different work types, with around half directly delivered by Kier and half by subcontractors.

4.12 Staff that work for Kier or their subcontractors on these non-'core contract' works may be eligible for TUPE to any future provider of the work. This would be determined through the analysis carried out as part of any TUPE process.

School Meals Subscription Service and the Sheffield School Catering Contract

4.13 Schools have a duty to provide school meals to their pupils on all days that schools are in session. CYPF maintains a client approach in order to support Head teachers to discharge their statutory duty for school meals while school leadership is focussed on teaching and

learning. CYPF supports schools by offering a fully managed service that includes the management and maintenance of kitchen premises and commercial catering equipment.

- 4.14** The School Food Team independently managed the service and maintenance, responsive repairs and planned works elements under contract from the early 1990's until April 2014 when the Corporate Statutory Servicing and Repair contract was introduced.
- 4.15** An analysis of the service as part of the CSSR contract since April 2014 has shown that 84% of all school kitchen works is carried out by commercial catering companies as subcontractors, with only 16% provided directly by Kier.
- 4.16** A measured term contract for school kitchen maintenance and repair has been proposed to move to a direct contractual relationship between suppliers and the School Food Service client team. This more direct relationship is expected to provide a more responsive service without the need to go through a third party, supporting a business critical environment.
- 4.17** An immediate saving of £29,821 is expected from directly going to the market for servicing, responsive repairs and works which stem from servicing for school kitchens. This does not include the 15% uplift on Minor Works in school kitchens which would potentially generate further savings. No cost increase is expected for administration, as the process and management of the contracts is shifted to the existing School Food Service client team who already have a high degree of operational involvement.

The wider context

- 4.18** In considering the best option for delivering the CSSR service going forward, it is important to take into account the wider context and environment in which the service will operate. This is significantly different to the environment when the CSSR Service was first outsourced through the Kier LLP arrangement, particularly the funding environment.
- 4.19** The Council has faced significant budget cuts in recent years, under Government austerity measures – and this is likely to continue for the foreseeable future. In light of this it is more important than ever that all Council services are efficient and represent value-for-money, achieving better outcomes for customers with limited resources.
- 4.20** The CSSR service is and will continue to be funded by the Council's Revenue Budget, which is directly impacted on by the cuts in central funding. Consequently, it is crucial that the CSSR service is seen to be efficient, well-managed and achieving excellent value for Council tax-payers. It will also need to be more flexible in its operations to adapt to other organisational and funding changes, while remaining aligned with the Council's objectives and customer focused.
- 4.21** The potential in-sourcing of the CSSR Service would occur at the same time as the in-sourcing of the Housing Repairs and Maintenance Service. Both of these initiatives are aimed at increasing efficiency, reducing duplication and improving joined-up working between council teams and services, as well as with external service partners. Links between the two changes will need to be carefully managed to coordinate the activities of both projects.

5 Vision for the Service

- 5.1** The vision for the corporate estate is to have an estate that both the Council and people of Sheffield can be proud of and puts the customer/end user first. This can be achieved through:
 - ✓ Providing an excellent quality Corporate Estate repairs service.
 - ✓ Maintaining a fully compliant estate that meets its purpose.

- ✓ Integrating the client and contractor functions of the service to benefit the customer by continuously striving to provide a “right first time” repairs service.
- ✓ Adopting a “one stop shop” approach giving easy access to all the Corporate Estates customers and end users.
- ✓ Ensuring efficient management ensuring value-for-money services that allow further investment to address the identified back log maintenance.

5.2 An insourced CSSR service, under the direct control of the Council and with all the opportunities for joint working and better integration which that would support the achievement of these ambitions.

The Council

5.3 The Council as a whole has a vision for how it wants all of its services to be shaped and developed, and these are set down in the Council’s Organisational Design Principles. These need to be factored into any decision on the future delivery and development of the CSSR Service. The principles particularly relevant to the CSSR Service are:

- ✓ **Demonstrate improvement of outcomes:** Delivering more and achieving better outcomes for customers within the existing budget will be a key focus for the Service going forward. Insourcing the Statutory Servicing and Repairs service for direct delivery by the Council will enable much stronger links to be forged between the service and other key Council services, support a more holistic approach to service delivery and so ultimately achieve better outcomes for our customers.
- ✓ **Affordable, cost effective services:** The Service will need to drive efficiency, minimising costs and ensuring a good return on its spending. By bringing the service into the Council, opportunities for streamlining and reducing duplication can be maximised.
- ✓ **The right people, skills and behaviours:** Bringing the repairs and maintenance workforce into the Council will help create a cultural alignment to the Council, moving it towards a more modern and flexible way of working.
- ✓ **Flexible and responsive services:** Bringing the service into the Council will enable the service to be more flexible and responsive to future changes, listening to customers and engaging them in development of the service.

Council and Kier Employees

5.4 Council Officers from relevant teams have been involved in the initial service design work. Key Council Officers will also be involved in the work to develop an operating model for the service.

5.5 A new Communications Plan will be agreed with Kier management and Trade Unions so that employees are as involved as possible to inform the new service design.

5.6 Staff in both the Council and Kier who are likely to be impacted on by the outcomes of this report, along with their Trade Unions, will be provided with regular updates through a number of arrangements including team briefings, staff newsletters and intranet updates. There is also a requirement to consult with affected staff to ensure that TUPE legislation is complied with.

- 5.7 The Council will liaise with Kier to take all necessary actions to effect the termination of the contract and the transfer of staff and assets.

6 How the proposals in this report have been developed

- 6.1 A wide range of key people have been involved in the work which underpins this report. A Project Team has been established - led by the Director of Transport and Facilities Management and consisting of lead officers from across the Council representing all key service areas involved in this project. These include:
- Transport and Facilities Management
 - Business Change and Information Solutions (BCIS)
 - Commercial Services
 - Finance
 - Legal Services
 - Human Resources (HR)
- 6.2 Representatives from the above Teams have taken responsibility for providing relevant cost information for their service area, and to inform financial modelling work described in section 6.5 below.
- 6.3 A comprehensive options appraisal was carried out to determine the most appropriate way of delivering the CSSR service after March 2017. This review considered the options described in section 1.5 above and involved detailed work to evaluate each option, including:
- Financial modelling for each option, based on agreed assumptions and future service requirements
 - Identifying the risks associated with each option, for example in relation to Human resources / staffing and commercial issues.
 - Assessing the potential benefits associated with each option.
- 6.4 Robust governance arrangements have been setup to manage this work. A Project Board has been setup to oversee the work of the Project Team, chaired by the Executive Director of Resources (the Project Sponsor).
- ### Financial Modelling
- 6.5 For each option, financial information was collated by the relevant professionals, taking into account how the service will need to operate from day one (i.e. 1st April 2017). The costs included in this financial modelling are:
- 6.6 For the **insourcing** option:
- Staffing and Learning and Development costs for the workforce which it is assumed would be transferred into the Council from Kier and the additional costs the Council would incur as a result of bringing staff in house e.g. Pensions costs.
 - A small management team to run the insourced service
 - Appropriate accommodation and vehicles
 - The cost of the small plant and materials

- The Information Technology costs of integrating the service, and of the ongoing running of the systems required
- The insurance costs and costs for uninsured claims.
- The impact on the Council's corporate services (e.g. HR, Finance, etc.)
- Customer Services / Contact-Centre costs
- The cost of transferring the service from Kier and of the work needed in preparation for the service being insourced (e.g. the cost of a project team and any necessary procurement work)
- 'Dual' operating costs, to cover any 'handover' period between Kier and the Council
- Estimated costs for the elements of the service which the Council would contract out, rather than deliver directly itself.

6.7 Some of the above costs may be incurred via a shared delivery model i.e. accommodation, IT, joint-working and other operational synergies with the Housing Repairs and Maintenance insourced Service. At this stage these efficiency opportunities have not been fully identified, so cost assumptions are based on CSSR having separate direct delivery costs, but if further efficiencies are found post transfer this may not be the case.

6.8 For the **full external procurement** option:

- Expected costs of an externally procured (outsourced) service, using information held within the Council;
- The cost of undertaking the procurement for such a contract;
- Customer Services / Call-Centre costs
- Any further costs associated with working with a new supplier e.g. mobilisation cost
- Contract management costs

6.9 For the options that include **extending the Kier contract**, current cost of the service was agreed in 2014 for a two year period until March 2016 with an option to extend the contract in annual increments for a further three years until March 2019. This option was exercised from April 2016 and Kier have provided an estimate of costs for a further annual extension from 1st April 2017. The costs of insourcing or retendering after the extension period have been based on updated versions of the insourcing and retender options. The costs for this option also include:

- Customer Services / Call-Centre costs
- SCC staff costs - for contract monitoring, performance management, etc.
- Subcontractor costs for the elements which Kier don't directly deliver

Target Operating Model

- 6.10** The Project Team, along with other Council officers from key service areas, are also currently working on developing an operating model for the new service. This model will describe the vision, what the Service needs to do and how it needs to do it. To achieve this, work first needs to be done to capture the way the service currently works and identify the drivers and opportunities for change.
- 6.11** The requirements of the service going forward will be the same regardless of who delivers the service, whether that is the Council, an external contractor or Kier initially. Customers, end users and staff have been and will continue to be involved in the development of the operating model, and some basic principles have already been agreed by those involved to date:
- ✓ The way the service works will need to focus on what matters most to our customers and end users
 - ✓ Processes need to be as simple as possible, with minimal duplication of work
 - ✓ Front-line staff need to be involved in decisions about what will work best for our customers
 - ✓ Decisions need to be based on reliable evidence
 - ✓ Staff need to be trusted and equipped to achieve the best outcomes for our customers
 - ✓ Clients and staff must be at the heart of any service development or key changes to the service
 - ✓ There must be positive and constructive relationships with suppliers
 - ✓ There needs to be effective performance management of the service
- 6.12** Delivering the CSSR Service requires a number of support functions to be in place. Some of these functions are currently performed by Kier as part of the current contract, and therefore will need to be performed by the Council if the Service is insourced. These services include ICT support, HR and Payroll, Customer Services, Finance and Procurement. As mentioned at 6.6 above it is currently envisaged that a number of these functions may be delivered to both the Corporate Repairs Service and the Housing Repairs and Maintenance insourced Service in order to optimise operational efficiencies.
- 6.13** The outcomes of the initial work on developing an operating model support the option to insource the service. This work is based on three key assumptions:
- The support functions required to deliver the CSSR Service are also insourced (or if they already exist within the Council, are adapted as required);
 - The support functions may be shared with the Housing Repairs and Maintenance insourced Service if this provides operational efficiencies for the Council as a whole;
 - Not all aspects of the Statutory Servicing and Repairs Service will be directly delivered by the Council – some elements will be contracted out to specialist contractors.
- 6.14** Work to develop an operating model is still ongoing, and involves design work to develop an outline model to test the operational feasibility of delivering the CSSR Service in-house. The model is expected to involve minimal change to operational processes to preserve service delivery. This delivery will be reviewed once the insourced service has successfully been embedded into the Council.

7 Evaluating the options for future service delivery

7.1 As explained in Section 1.5 above, there are six main options for future delivery of the Statutory Servicing and Repair Service, which are:

- **“Insourcing”**: the service delivered in-house by the Council (possibly with an element of the service contracted out to be delivered by specialist contractors)
- **“Extension of the current Kier Contract, followed by insourcing for 2018”**: Extend the current contract with Kier for a further year until March 2018 and then either insource the service.
- **“Extension of the current Kier Contract, followed by insourcing for 2019”**: Extend the current contract with Kier for a further two years until March 2019 and then either insource the service.
- **“Extension of the current Kier Contract, followed by full external procurement for 2018”**: Extend the current contract with Kier for a further year until March 2018 and then either retender the service for delivery by a third party.
- **“Extension of the current Kier Contract, followed by full external procurement for 2019”**: Extend the current contract with Kier for a further two years until March 2019 and then either retender the service for delivery by a third party.
- **“Full external procurement”**: Seek a new external contractor to deliver the whole of the Corporate Statutory Servicing and Repairs Service on the Council’s behalf.

Option 1: Insource the Statutory Servicing and Repairs Service

7.2 Under this option, the Corporate Statutory Servicing and Repairs Service would transfer into the Council, as would the Kier workforce currently undertaking this work, and the Council would **directly deliver** the vast majority of servicing and repairs work to Council properties.

7.3 The main potential **benefits** of this option are:

7.3.1 More control, flexibility and accountability for the Council in managing the Service, enabling the service to be fully integrated into the Council and to work in close partnership with other relevant key Council Services, specifically the Housing Repairs and Maintenance Service. This control would also allow the Council to more easily make further changes to how the service is delivered in future.

7.3.2 This option is expected to generate sustainable year-on-year revenue savings, and longer-term there will be further opportunities to reduce duplication, join-up procurement with other Council services and increase efficiency within the Service.

7.3.3 Insourcing also brings with it the potential to expand the service’s external-trading function. For example, the Council could carry out statutory servicing and repairs work on behalf of other Councils and public sector organisations, as well as increasing the number of schools that already purchase this support.

7.3.4 Directly delivering the service in-house, with minor elements of it being delivered by locally-based contractors wherever possible, would help support the concept of the ‘Sheffield Brand’. The Council could directly encourage the use of local supply chains, where this was compliant with Public Contract Regulations and value for money.

7.4 The main potential **disadvantages** of this option are:

7.4.1 Moving the current Kier workforce into the Council may impact on staff motivation and so lead to reduced productivity and reduced customer satisfaction.

- 7.4.2 If at the point of transfer staff resource levels do not match service demand there could be significant budget implications for the Council in terms of managing the associated staff costs. If demand is higher than available resource then recruitment could be needed and service delivery could be detrimentally affected. This is covered in more detail in Section 10.4 below.
- 7.4.3 The timescale of approximately 9 months following a formal Council decision to insource looks challenging in respect of undertaking the necessary implementation and mobilisation tasks;
- 7.4.4 If the time and resources allocated to managing the transfer are not sufficient there would be delays and/or increased costs. This risk is made more acute by the simultaneous running of the Housing Repairs & Maintenance project with an overlap of staffing resource.
- 7.4.5 Supply chain risks for subcontractors and supplies would reside with the Council.
- 7.4.6 A greater exposure for the Council to potential health and safety issues once insourced.
- 7.4.7 More vulnerability to the impact of market forces e.g. the Council's exposure to changes in the price of materials. This would increase uncertainty regarding the cost of materials, fuel, etc. and potentially change the costs of elements of the Service which are contracted out.
- 7.4.8 A range of potential additional pension cost liabilities including;
- (i) The opening of entry to Local Government Pension Scheme for Kier staff, resulting in higher employer contributions than Kier currently pay.
 - (ii) Potential exit deficit of the Kier pension scheme. The position on the Kier pension scheme will become evident later in the year and could be one of the factors that change the status of the preferred option if a large deficit has developed since the last valuation. However there is no definite indication that this will be the outcome at this stage and conversely there is of course the possibility of a surplus being achieved.
- 7.4.9 ICT related risks of implementing the necessary interfaces and integration with Council systems especially when a new Council Finance system is being implemented.
- 7.5** The risks associated with insourcing– and how they would be mitigated – are explained in more detail in Section 10 below.

Options 2 & 3: Extension of the current contract with Kier for one or two years, followed by insourcing

- 7.6** Under the terms of the current contract with Kier, there is an option to extend the contract by up to two years in annual increments to April 2019, if both the Council and Kier are agreeable to this. An extension for one or two years would enable the CSSR service to be delivered in much the same way as it is now, and would give the Council more time to plan the longer-term future of the service through insourcing from Kier to SCC
- 7.7** The main potential **benefits** of this option are:
- 7.7.1 The extension costs of this option are known already (subject to any re-negotiated price increase by Kier for the additional period of the contract).
- 7.7.2 The service being received is high performing against all KPI's and the relationship with the supplier is healthy.
- 7.7.3 Additional cost for procurement or implementation would be deferred.
- 7.7.4 There would be complete service continuity, and the experience which Kier have of working with the Council customers would be retained. This would mitigate the risks involved in major operational change.

- 7.7.5 The Council would carry less risk in terms of health and safety issues until the point of insourcing the service.
- 7.7.6 The increased time it would afford the Council to plan and prepare for any future insourcing of the Service.
- 7.7.7 Would allow any lessons learned from the insourcing of the Housing Repairs & Maintenance service to be applied to this transfer
- 7.7.8 Once insourced, the Council would have more control, while the service would be more flexible and accountable. This control would also allow the Council to more easily make further changes to how the service is delivered in future.
- 7.7.9 These options are expected to generate sustainable year-on-year revenue savings, and longer-term there will be further opportunities to reduce duplication, join-up procurement with other Council services and increase efficiency within the Service.
- 7.7.10 Insourcing also brings with it the potential to expand the service's external-trading function.
- 7.7.11 Once insourced, minor elements of the service would be delivered by locally-based contractors wherever possible, helping to support Sheffield employment and businesses.

7.8 The main potential **disadvantages** of this option are:

- 7.8.1 These options include insourcing the Service, so includes extension costs as well as all costs involved in the insourcing options. The insourcing would also be planned and carried out over a longer timescale and so would incur greater costs than insourcing for delivery from April 2017.
- 7.8.2 Under these options it would be more difficult to generate any revenue savings.
- 7.8.3 Kier have requested an increase in costs for the re-negotiated contract price for an extension beyond March 2017. Any extension would need to be agreed by both parties, so this cost increase could potentially reduce through negotiation on an extension.
- 7.8.4 Less control over the Service until insourcing, with reduced opportunities for integration with other Council services in this period.
- 7.8.5 Improvements in transparency would be delayed until 2018/19.
- 7.8.6 Moving the current Kier workforce into the Council may impact on staff motivation and so lead to reduced productivity and reduced customer satisfaction.
- 7.8.7 If at the point of transfer staff resource levels do not match service demand there could be significant budget implications for the Council in terms of managing the associated staff costs.
- 7.8.8 A greater exposure for the Council to potential health and safety issues.
- 7.8.9 More vulnerability to the impact of market forces after insourcing e.g. the Council's exposure to changes in the price of materials. This would increase uncertainty regarding the cost of materials, fuel, etc. and potentially change the costs of elements of the Service which are contracted out.
- 7.8.10 There is a chance that the Council and Kier may be unable to reach a negotiated agreement on the continued delivery of the service.
- 7.8.11 A range of potential additional pension cost liabilities including;
 - i) The opening of entry to Local Government Pension Scheme for Kier staff, resulting in higher employer contributions than they currently pay.

- (ii) Potential exit deficit of the Kier pension scheme. The position on the Kier pension scheme will become evident later in the year and could be in deficit or surplus.

Options 4 & 5: Extension of the current contract with Kier, followed by full external procurement

- 7.9** As described in 7.8, there is an option in the CSSR contract for two further annual extensions, which would give the Council more time to run a full re-tender exercise for external delivery of the service by a third party.
- 7.10** The main potential **benefits** of this option are:
- 7.10.1 The costs of extension are known already (subject to any re-negotiated price increase by Kier for the additional period of the contract).
- 7.10.2 The service being received is high performing against all KPI's and the relationship with the supplier is healthy
- 7.10.3 There would be little additional cost in terms of procurement until retendering.
- 7.10.4 There would be complete service continuity up to the point of transfer to a new supplier, and the experience which Kier have of working with the Council and with our customers would be retained. This would mitigate the risks involved in major operational change.
- 7.10.5 The Council would carry less risk in terms of health and safety issues (as compared to insourcing the service). The majority of the health-and-safety risks associated with the delivery of a large scale repairs and maintenance service would be the responsibility of the contractor, not the Council.
- 7.10.6 The increased time it would afford the Council to prepare for any future retendering of the Service.
- 7.10.7 It would enable the Council to test the market not just for price but also for innovation, potentially resulting in a more creative and / or technologically advanced service.
- 7.10.8 A competitive procurement exercise could potentially achieve savings - this would depend on the market conditions at the time.
- 7.10.9 There is a chance that the Council and Kier may be unable to reach a negotiated agreement on the continued delivery of the service.
- 7.10.10 Costs would be fixed for the period of the contract, making medium-term budget planning easier.
- 7.11** The main potential **disadvantages** of this option are:
- 7.11.1 These options include the costs of both extension and external procurement and so implementation costs are higher than retendering for April 2017. The retendering would also be planned and carried out over a longer timescale and so would incur greater costs than procurement for delivery from April 2017.
- 7.11.2 The deferral of retendering the contract for transfer in 2018/19 or 2019/20 could potentially lead to a further market price changes by that date.
- 7.11.3 Under these options it would be more difficult to generate any revenue savings.
- 7.11.4 Kier have requested an increase in costs for the re-negotiated contract price for an extension beyond March 2017. Any extension would need to be agreed by both parties, so this cost increase could potentially reduce through negotiation on an extension.

- 7.11.5 This option carries a risk regarding productivity linked to the change in employer arrangements
- 7.11.6 Being tied into the contract gives limited opportunity to improve the service, and less flexibility
- 7.11.7 Less control over the Service, and much more distant links to corporate objectives.
- 7.11.8 Opportunities for integration with other Council services and for a more joined-up approach would be reduced.
- 7.11.9 Reduced transparency for the service

Option 6: Full external procurement

- 7.12** Under this option, the whole of those elements of the Statutory Servicing and Repair Service would be put out to competitive tender to procure a new external contractor with the other elements of the Service delivered by contracts with sub-contractors. This would involve a full procurement exercise undertaken in compliance with public contract regulations and the Council's Standing Orders.
- 7.13** The main potential **benefits** of this option are:
 - 7.13.1 It would enable the Council to test the market not just for price but also for innovation, potentially resulting in a more creative and / or technologically advanced service.
 - 7.13.2 A competitive procurement exercise could potentially achieve savings - this would depend on the market conditions at the time.
 - 7.13.3 The majority of the health-and-safety risks associated with the delivery of a large scale repairs and maintenance service would be the responsibility of the contractor, not the Council.
 - 7.13.4 Costs would be fixed for the period of the contract, making medium-term budget planning easier.
 - 7.13.5 No Equal Pay risk to the Council
- 7.14** The main potential **disadvantages** of this option are:
 - 7.14.1 A service that is culturally disconnected from the client Council services and its outcomes.
 - 7.14.2 Reduced flexibility, as changes would be more difficult to implement than with the insourced option and costs more difficult to control.
 - 7.14.3 Procurement of a new contractor could potentially lead to a service which is less productive and more costly than the current one.
 - 7.14.4 Less control over the Service, and more distant links to corporate objectives.
 - 7.14.5 Fewer / reduced opportunities for integration with other Council services (specifically the potential to work closer with the Housing Repairs and Maintenance Service), and for a more joined-up approach.
 - 7.14.6 Reduced opportunity for transparency and a less direct route for customers to engage with the Service.
 - 7.14.7 There would be a significant cost associated with procuring and setting up a new contractor, and with putting robust contract monitoring / performance management frameworks in place. Based on previous experience this could take up to 6 months.

7.14.8 The time taken for the new contractor to become familiar with the Council and the Corporate Estate could mean a reduction in performance in the interim period while effective working relationships are built.

7.14.9 The price of this option could be higher than expected due to changes in the construction market.

8 Financial implications

8.1 There are six options open to the Council for delivery of the CSSR Service post-March 2017, and all contain financial risks and rewards:

- Insourcing
- Extension of the current Kier Contract for a further year until April 2018 and then insourcing the service
- Extension of the current Kier Contract for a further year until April 2019 and then insourcing the service
- Extension of the current Kier Contract for a further year until April 2018 and then full external procurement
- Extension of the current Kier Contract for a further year until April 2019 and then full external procurement
- Full external procurement

8.2 The following table shows the three year forecast cost from 17/18 to 19/20 of providing the CSSR Service under each option and the variance to the assumed SCC budget for that period (which has been based on the actual SCC spend on CSSR in 15/16). The cost impact of managing the change in the delivery model is also shown as an additional cost item. This is looked at in more detail at Section 8.7 below.

Table One: Three year CSSR Delivery Option Costs 2017/18-2019/20

Item	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	Insourcing	Extend to 1.4.18, then insource	Extend to 1.4.19, then insource	*Extend to 1.4.18, then retender	*Extend to 1.4.19, then retender	Full external procurement
	£'000	£'000	£'000	£'000	£'000	£'000
Total CSSR option cost	10,649	11,193	11,778	12,611	12,461	12,725
2017/18 SCC Revenue Budget¹	11,059	11,059	11,059	11,059	11,059	11,059
Variance to Budget (Surplus / Shortfall (-))	410	-134	-719	-1,454	-1,277	-1,757
Implementation/ Change cost	-787	-920	-9209	-265	-265	-250
Revised Surplus / Shortfall (-)	-377	-1,054	-1,639	-1,817	-1,667	-1,916

*Reflecting agreed extension pricing from Kier

¹Based on estimated 2016/17 actual SCC CSSR spend as proxy for budget.

8.3 The above table shows that based on purely financial considerations the immediate insourcing option appears to be the most attractive, delivering a per annum revenue saving of £410k, which is £544k higher than the next best Option of extending the contract by one year and then insourcing. However, the costs detailed above should also be viewed within the context of the inherent risk associated with a change to the current business model:

- Extending the Kier contract may lead to a contract cost increase, but it does offer continuity and mitigates against risk around operational change and still allows for a decision to be taken on eventual insourcing or retendering from April 2018 when the Housing Repairs and Maintenance Service (HR&MS) will be established in SCC and any similar operational issues resolved ;
- Full external procurement offers the potential to engage the market and drive out savings and efficiencies, but could also mean entering a new relationship that may be more costly than the current one;
- Insourcing the CSSR Service may offer the reward of delivering additional revenue savings into the future, but it does represent a transfer of risk from the private sector back into the Council and our capacity to manage and mitigate that risk should be considered. These risk factors are magnified if we insource CSSR at the same time as the Housing Repairs & Maintenance Service.
- A large part of the rationale for insourcing the Service is based around the expectation of operational efficiencies being achieved through delivery of a repairs, maintenance and

statutory testing function that shares its support infrastructure with the Housing Repairs and Maintenance service. If this proves to be unrealistic and unachievable there is a risk the anticipated savings are not realised.

8.4 **Table Two** below shows the additional quantifiable on-going service delivery risks and efficiencies identified by the Council that are not priced into the base forecasts above as it is assumed the necessary mitigating actions will be taken to minimise the risk of realisation. These risks are explained more fully at **Appendix Two**.

Table Two: Quantifiable Risks and Efficiency Savings of the CSSR Delivery Options

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	Insourcing	Extend to 1.4.18, then insource	Extend to 1.4.19, then insource	*Extend to 1.4.18, then retender	*Extend to 1.4.19, then retender	Full external procurement
	£'000	£'000	£'000	£'000	£'000	£'000
Quantifiable Risks	70	140	210	60	90	0
Efficiency Savings Estimate	-50	-50	-50	0	0	0
Total Risk impact	20	90	160	60	90	0

8.5 **Table Two** highlights that insourcing the CSSR Service presents both material risk and opportunity. Of the six options extension by 2 years and then insource has the highest level of additional cost risk at £210k, partially off-set by the possibility of efficiencies of £50k. The immediate insource option has the same level of efficiency savings forecast, but a lower level of risk at £70k. These revised forecasts contain costs and benefit not in the base forecasts because they are contingent on the Council either failing to avoid risks, or successfully exploiting opportunities to deliver additional efficiencies, neither of which are certain.

8.6 The final principal financial considerations are the costs associated with delivering any of the options that move the Council away from the Kier contract. These costs are one-off change management costs, and should be viewed within the context of both the on-going service delivery they facilitate, and the shorter term requirement to resource those costs.

8.7 **Table Three** below shows that the 'Extend then Insource' options incur the greatest costs as they involve the most change activity associated with both extending the contract and then delivering the necessary actions to achieve insourcing. The latter inevitably being significant for such a major change. The re-tender option change cost relates to undertaking the necessary level of procurement and commercial activity required.

Table Three: Change management / implementation costs of CSSR Delivery Options

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
	Insourcing	Extend to 1.4.18, then insource	Extend to 1.4.19, then insource	*Extend to 1.4.18, then retender	*Extend to 1.4.19, then retender	Full external procurement
	£'000	£'000	£'000	£'000	£'000	£'000
One-off/ change management cost	787	920	920	265	265	250

- 8.8** Some elements of the implementation costs could be eligible to be treated as capital, for example where the council is purchasing assets from Kier or other suppliers. It is proposed that Capital funding is used where possible and appropriate, with the rest of the funding provided through revenue funds on an 'invest to save' basis. The costs will be recovered against the future service budget but will be spread on a longer term basis as appropriate and thus lessen the impact on the first year service costs.
- 8.9** However, it is equally important to recognise the on-going benefit that this investment could deliver. As **Table One** shows the one-off investment of £787k under the insourcing option delivers savings of £410k from 2017/18 to 2019/20. This lower cost base can also reasonably be expected to reducing influence on future costs beyond this period.
- 8.10** **Appendix 2** details the relative cost base of each option. Comparing cost bases is somewhat difficult given the lack of transparency around the current contract, and potential re-tendered contracts. However, general themes are evident such as relative costs around staffing, and the requirement for contractor profit in the out-sourced options.

9 Proposal to Insource the Repairs and Maintenance Service

- 9.1** Taking into account all the information given in this report so far – the vision for the future Service, the benefits and potential risks of each option, the financial implications, etc. - the proposal in this report is to insource the service for direct delivery by the Council (with a small element of the service possibly contracted out by the Council to external providers). This is considered to be a pragmatic approach given the particular circumstances in which the CSSR Service operates. Inevitably there are benefits and disadvantages to all six options considered. However, on balance, the insourcing option provided a higher level of benefit to the Council than the other options.
- 9.2** This proposal is made on the basis that the insourcing option overall offers the most potential benefits for customers and for the Council. Whilst there are significant risks associated with this option, with effective management and a robust implementation plan these risks would be mitigated (see Section 10 below for more information on this).
- 9.3** This option will deliver the Service within the current budget limit. There are implementation costs associated with this option, but these would be paid back by the efficiency savings which this option would generate
- 9.4** It is also recommended that the School Food Service client team manage the procurement of a commercial catering premises contract working with Commercial Services. This is expected

to ensure that the service needs are met by seeking an industry specific solution for the schools that are part of the group School Catering Contract.

Key principles and assumptions for the insourcing of the Service

- 9.5** Under these proposals, the Statutory Servicing and Repair Service would transfer into the Council, and the Council would **directly deliver** the majority of statutory testing and repairs work to the Council's civic estate. This work would include:
- Gas servicing and remedial repairs
 - FAEL Servicing and remedial repairs
 - Electrical testing remedial repairs
 - Responsive and Planned repairs – in respect of:
 - Heating repairs
 - Gas repairs
 - Joinery Repairs
 - Plumbing repairs
 - Electrical repairs
 - Glazing repairs
 - Roofing repairs
 - Plastering repairs
- 9.6** Under this option, the service currently delivered by Kier, and the Kier workforce currently undertaking this work, would **be transferred into the Council** from 1st April 2017. Kier's workforce are experienced in delivering the CSSR service to the Council's Estate and so transferring the existing workforce into the Council will ensure retention of this experience, knowledge and expertise and provide continuity.
- 9.7** The client team within SCC would move to work alongside the CSSR service staff. The line management of the team will be through the Transport & Facilities Management Directorate to ensure an appropriate level of experience and expertise at a senior level to successfully lead the insourced Service and ensure that performance is maintained.
- 9.8** There are a number of elements of the service which the Council needs to consider further in terms of whether they would be best delivered directly by the Council, or if being **contracted out by the Council** to an external contractor would be more beneficial. For example, if:
- It is more economically viable to do so over the longer-term
 - The service requires little or no interaction with customers
 - Where the demand for the service is 'ad hoc', rather than continuous and consistent
 - The risk carried by the Council in directly delivering a specific element is considered too great
- 9.9** The elements of the service to which one or more of the above is likely to apply and therefore which may be contracted out include those listed below (the full list of such elements is given

in Appendix One). It is important to note that these equate to 22% of the current contract value:

- Legionella Risk Assessments
- Lift/Hoist servicing and repairs
- FAEL Servicing and repair (“where the system is closed protocol”)
- Lightning protection tests and repairs
- Auto door/roller shutter servicing and repair
- Fire Fighting Equipment servicing and repair
- Hard wire testing/PAT

9.10 Facilities Management also directly subcontract some specialist provision. If the CSSR service is insourced and integrated with the client team, then this service will manage these subcontracts alongside any new contracts that are established. These subcontracts include:

- Monumental clock servicing
- Water feature servicing and repairs
- Close controlled Air Con servicing

9.11 If Cabinet approve the recommendation in this report to insource the Statutory Servicing and Repair Service, more detailed work will be done to further assess these elements of the service to determine if contracting out is the most appropriate way of delivering them.

9.12 The Council could directly encourage the use of local supply chains, where this was compliant with Public Contract Regulations and value for money

9.13 For any contracting out of certain elements of the service, opportunities would be explored for joint-procurement with other Council services, specifically the Housing Repairs and Maintenance Service. This could potentially achieve efficiencies for general-funded services.

9.14 For any elements that are contracted out, further work will need to be done to assess the best way to do this, including any staffing implications.

Transformation of the Service after the transfer

9.15 The transfer of the Service from Kier into the Council would initially involve as little change and disruption to services and staff as possible. It would initially become a discreet service within the Transport and Facilities Management Directorate (Resources), and a period of stabilisation would follow, to enable the Service to become fully integrated into the Council. However over the medium term opportunities would be actively explored in terms of further joint-working and operational synergies with the Housing Repairs and Maintenance in-sourced Service.

9.16 Once transfer of the service is complete, a full service review would then be undertaken and transformation work begun to re-shape the future service.

10 Potential risks and disadvantages of insourcing the service

10.1 As with any large-scale change, there are risks associated with the insourcing of the CSSR Service. The key risks are described below, along with the appropriate mitigating actions to be taken to effectively address and manage those risks.

Risks associated with the work needed in preparation for insourcing the service

- 10.2** Moving the current Kier workforce into the Council may impact on staff motivation and so lead to reduced productivity - both prior to and after the transfer into the Council. The potential financial impact of a reduction in productivity is illustrated in Appendix Two. To help mitigate this risk, the current performance management arrangement linked to a series of KPI's would be continued and closely monitored. The impact of any reduction would mean that a 1% decrease in productivity could lead to an increase in costs of just over £20k.
- 10.3** Timescales are tight and challenging for this project. The current Kier contract extension ends on March 2017 and work would be needed between now and then to prepare both the Service and the Council for the transfer. There is a risk that the time and resources allocated to this work are not sufficient (on both the Council's side and Kier's). This is a particular risk for the Council as in some instances the same staff resource are engaged on this project and the Housing Repairs and Maintenance in-sourcing project which is running to a concurrent timescale. This could potentially lead to delays and increased costs, increasing the risk to project delivery. This will be monitored and managed as part of the implementation work.
- 10.4** If any staffing resource TUPE transferring into SCC does not align with service demand levels then the service could have problems with excess demand or supply. Excessive staffing levels would present a financial risk for the Council, while insufficient labour would present a productivity risk. This may result in the Service either carrying an unfunded labour cost that it cannot recover or a failure to generate sufficient income due to a lack of capacity to undertake the required level of work. These risks will be mitigated through the course of the TUPE process with scrutiny of TUPE employer liability information and ongoing monitoring of service performance and demand levels.
- 10.5** If the development and delivery of ICT for corporate repairs requires more resource than originally planned or creates significant issues, it could negatively impact on the overall delivery of ICT for Housing Repairs. This would disrupt and limit the ability of the Housing Repairs service to deliver effectively, as the ICT underpins and enables their business processes. To avoid this situation, work on the Housing Repairs elements of ICT will be given greater priority, due to the greater number of people affected. Additional work to enable the Corporate Repairs Service would only take place if the Council and suppliers are confident that it would not introduce significant risks to the overall delivery.

Risks associated with delivery of an insourced repairs and maintenance service

- 10.6** Due to the nature of the work involved in the CSSR service, there is a greater exposure to potential health and safety issues (e.g. exposure to asbestos leading to long-term health conditions) and serious accidents. There would therefore be a potentially higher reputational and financial risk should the Council not successfully manage the risks resulting from compensation claims, corporate manslaughter charges and higher Employer and Public Liability Insurance payments.
- 10.7** To mitigate this, thorough and robust health and safety practices will need to be in place, ensuring compliance with all relevant legislation and guidelines. Senior Health and Safety officials from within the Council would be closely involved in implementing the new service to ensure that this happens.
- 10.8** Insourcing the CSSR service also increases the level of uncertainty regarding the cost of delivering the service (in comparison with externally procuring the same service). Unlike with an external contract, for which the costs would largely be fixed for the period of the contract, insourcing the service means that changes in the cost of materials, pay awards, fuel price

increases etc. would have a direct impact on service costs. As is the case for all other Council services, this would need to be managed through effective budget management, robust procurement processes and high levels of flexibility.

- 10.9** The timescales for setting up subcontracting arrangements are also very tight. Delays in the setup of this provision would disrupt service delivery for certain types of work. To mitigate against this risk procurement for subcontractors will be carried out concurrently. The sourcing of supplies and subcontractors for the service would also utilise flexibility in existing contracts and those being established for Housing repairs and maintenance to reduce the amount of procurement activity necessary.
- 10.10** To be a responsive service, flexible to the demands of changing volumes of work and the mix of work between trades, the Service will need a Workforce Strategy which is flexible and can adapt to these fluctuations in demand whilst maintaining the standards set for the Service.
- 10.11** It is estimated that contracting out the elements of the Service identified in section 9.9 above could increase the supplier costs for these elements. This cost is in relation to potential increases in the price of materials if we do not have access to the same purchasing economies of scale as Kier. This would be offset by not having to pay Kier management fees on such materials and would be further mitigated by robust procurement and effective contract management.
- 10.12** There is a risk that the performance of the Service when assessed against contractual requirements is shown to be failing - which would in turn mean that the Council inherits a failing Service. Any such shift in performance would also affect customer satisfaction and expose SCC to risk in terms of the building stock not meeting the required standards. To mitigate this, the current contract framework allows for performance management, early warning of failure, escalation as necessary and requirements for performance improvement plans to be implemented. Additionally, the Council is experienced in delivering service improvement and working with Kier and others to mitigate the risk of service failure.
- 10.13** An insourced CSSR service would be expected to share infrastructure with the Housing Repairs and Maintenance Service, including using the same IT systems that the HR&M service use (as they currently do in Kier). If there is any delay in the delivery of this system this could negatively impact on service delivery for Corporate Repairs and involve further costs to remedy. To reduce the likelihood of any delay requirements for the Corporate Repairs service would be fed into the design and development of the system at the earliest stage possible. This also represents an opportunity to reduce the insourced CSSR service's IT overhead costs due to the synergy with Housing Repairs. However this risk is compounded as the new IT system is to be implemented at the same as the new Finance system with which it must integrate.
- 10.14** There is an opportunity to reduce the overhead costs of the CSSR service as corporate support services needed to support an insourced CSSR Service - such as Human Resources, Customer Services, Payroll, Finance, Procurement and ICT Support - already exist within the Council. It is not anticipated that the size of the CSSR service would require changes to cope with the additional demand or specialist requirements of an in-house Service. However more work will need to be undertaken to establish whether any changes are required as part of the next phase.

- 11.1** It is critical that the preparatory and implementation period begins immediately after any Cabinet agreement. The work to be carried out during this period will be crucial in ensuring a smooth transfer to the Council and consistency of service. It is expected that this work will take 9 months, from July 2016 to March 2017. The right level of resources must be in place and allocated to the project to ensure the tight timescales are met.
- 11.2** If Cabinet approve the recommendation in this report to insource the CSSR Service, an internal Project Team and Project Board with an appropriate governance structure will be established to implement this decision. The project will be led by the Executive Director of Resources and will include representatives from all relevant services across the Council.
- 11.3** The key objective of this Project Team and Project Board will be to ensure that all the necessary preparatory work is completed in readiness for the transfer of the Service into the Council. This work will include:
- Formal consultation with both Kier and Council staff and their Trade Union representatives regarding the TUPE transfer of the Kier workforce into the Council – as well as additional communications and briefings.
 - An assessment of how existing Council staff – will be impacted on by the move, and plans for how this will be managed (including a clear and robust communications strategy).
 - Allocation of sufficient and suitable resources for project delivery.
 - Procurement and contract management of all necessary goods, services, materials (e.g. transport, equipment, accommodation, IT systems and software, etc.) and sub-contractors
 - Effective communication, engagement and consultation with, Members, staff and other key stakeholders.
 - Completion of a detailed Target Operating Model for the Service.
 - Development and agreement of an organisational structure for the Service, including where and how it will link with Housing Repairs and Maintenance and other Council services.
 - Development of a detailed implementation plan for the transfer.
 - The management of the risks identified in this report and identification and management of emerging risks.
- 11.4** Robust governance arrangements will be put in place to ensure that the timeframe, cost and outputs of the transfer are tightly controlled. Risks, issues and dependencies will be effectively managed through good project management, and the links with wider organisational change will be incorporated into the implementation plan. Business Change best practice will be followed throughout.

12 Legal Implications

- 12.1** Having access to safe, secure and properly maintained buildings supports Council officers who provide statutory and other essential services to the citizens of Sheffield. Consequently, the need for a CSSR service is incidental to the Council's statutory functions. Under Section 111 of the Local Government Act 1972 local authorities have the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions.

- 12.2** Any procurement required in order to deliver both the development / implementation work required prior to the insourcing, and for in-house delivery of the service itself, including any elements of the service which it is agreed will be contracted out by the Council, must be procured following the Council's standing orders and all relevant EU procurement directives. The procurement process will therefore have to be open, transparent, fair and non-discriminatory. The contract awarded to the successful tenderer/s must ensure compliance with all applicable legislative requirements and provide for effective service delivery, value for money and ensure the delivery of the project outcomes.
- 12.3** The same considerations will apply should Cabinet decide upon the full external procurement route.

13 Human Resources (HR) Implications

- 13.1** At this stage, it is not possible to provide a complete assessment on all HR implications that could result from the proposals in this paper. However, the immediate apparent implications include TUPE and possibly Equal Pay.
- 13.2** TUPE could possibly apply if staff that currently work on the CSSR contract for the Council were transferred to the Council's employment. The majority of the staff to be transferred would be operatives, with a smaller number of support staff and operational managers. These staff may include ex-Council employees who transferred to Kier in 2014.
- 13.3** Although TUPE could apply, the proper assessment of whether TUPE will apply and if so to who requires employee information that the Council does not have access to at this stage. If TUPE does apply, the Council will need to have sufficient time in the implementation period to undertake proper consultations on the transfer with affected staff and their representatives.
- 13.4** Operatives within Kier working on Corporate Statutory Servicing and Repairs Contract are understood to no longer be remunerated on a scheme that pays bonus. This reduces the future risk of equal pay challenge.

14 Equal Opportunities Implications

- 14.1** A full Equalities Impact Assessment (EIA) has been undertaken to assess the potential impact of the recommendations in this report in terms of equal opportunities. The following is a summary of the findings.
- 14.2** There will be staffing implications as a result of the TUPE transfer of Kier Services Ltd. staff into the Council. However, there is not expected to be any disproportionate impact on staff with a particular protected characteristic.
- 14.3** The Council has a wide range of policies and procedures already in place to support employees reduce potential inequalities in the workplace. Access to these policies and procedures will be available to all transferred staff to support their integration into the Council.
- 14.4** There is a small risk that some transferring staff may not be fully included in the consultation process due to their characteristics - in particular those staff on pregnancy / maternity / paternity leave, or those absent from work due to illness or disability. Managers will be expected to ensure that these staff are involved wherever possible in consultation arrangements in a manner appropriate to their needs.

- 14.5** It will also be important to ensure that staff transferring into the Council are given an appropriate induction to the Council so that they are aware of the support offered to staff with protected characteristics.
- 14.6** There is not expected to be any negative impact on customers as a result of these proposals, and the intention is that the Service will deliver positive changes and improvements in the longer-term. The service will initially carry on delivering the same service to customers as it does at the moment, and any proposals to change this service will be developed in partnership with customers and will take account their diverse needs.
- 14.7** The EIA has assessed the overall impact of the project as 'low', and a copy of the full EIA document is attached in Appendix 3.

15 Reasons for recommendations

- 15.1** Insourcing the Statutory Servicing and Repair Service will give the Council more control, flexibility and accountability in managing the Service, enabling the service to be fully integrated into the Council and to work in close partnership with other relevant key Council services. This will help to ensure that the Service is delivered in a way which fully supports the Council's corporate objectives and enables the Council to more easily make further changes in future.
- 15.2** Bringing the CSSR Service in-house for direct delivery by the Council will also help to bring about an alignment of culture in the Service to that of the Council, as well as its approach to customers.
- 15.3** Based on all information known to date, and after the initial upfront costs of transferring the service, the insourced option is expected to generate sustainable year-on-year revenue savings. In addition, once fully integrated into the Council there will be further opportunities to reduce duplication and increase efficiency within the Service and by exploring the degree of joint-working possible with the HR&M Service potentially enabling it to improve outcomes within available budgets.
- 15.4** Insourcing also brings with it the potential to expand the service's external-trading function, which already generates £700,000 - £800,000 revenue from work for schools. This could include undertaking statutory servicing and repairs work on behalf of other organisations, as well as increasing the amount of work done for schools.
- 15.5** Directly delivering the service in-house, with some elements of it being outsourced to locally-based contractors wherever possible, would help support the concept of the 'Sheffield Brand'. Materials would be purchased from local suppliers wherever possible (subject of course to the usual procurement rules and Council policies), and the workforce would be predominantly local. The supply chain would also, where possible, be tailored to the bespoke needs of SCC Corporate Buildings to reduce material lead in times improve service delivery.
- 15.6** Independent research by APSE (the Association for Public Service Excellence) has also identified a number of potential benefits of insourcing services, based on actual case-studies and local authority experiences:
- Improved performance
 - Stronger links to corporate strategic objectives
 - Greater flexibility, and more responsive to local and national policy changes
 - Efficiency savings

- Improved customer satisfaction
- Enhanced local supply chains
- Better integration and joining-up with other relevant key services
- New development and employment opportunities for the workforce transferred in

15.7 There are of course risks associated with the option to insource the service (as indeed there are with the other two alternative delivery options discussed in this report), and some of these risks are significant. However, measures are and will continue to be in place to mitigate these risks, and if any of these risks significantly escalate, or any significant new risks (including financial ones) emerge, a further report would be brought back to Cabinet before progressing the transfer any further.

16 Reasons for Exemption

16.1 Appendices Two and Four are not for publication by virtue of Regulation 20(2) Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 because, in the opinion of the proper officer, it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

17 Recommendations

That Cabinet:

- 17.1** Approves the proposal in this paper to **insource the Corporate Statutory Servicing & Repairs Service (CSSR) from 1st April 2017.**
- 17.2** Gives its approval for the insourcing to be done based on the principles and assumptions described in section 8 of this report, and taking into account the risks and mitigations as set out in section 9, including the potential contracting-out of a proportion of the service.
- 17.3** Gives its approval for the budget required to cover the one-off implementation and set-up costs, as described in section 8.9 of this report.
- 17.4** Notes that the Executive Director of Resources shall ensure that all necessary steps to progress and implement the insourcing of the service are taken in accordance with his current delegations under the Leader's Scheme of Delegations. These steps may include:
- At the appropriate time, commencing formal consultation with staff and Trade Unions regarding the transfer of staff from Kier into the Council (in consultation with the Director of Human Resources as necessary).
 - Developing the structure and agreeing the timescales needed to deliver an in-house corporate repairs service (in consultation with the Director of Human Resources as necessary).
 - Undertaking a more detailed assessment of which elements of the service are more appropriate to be contracted out, rather than directly delivered by the Council, and what the impact of this will be and how that will need to be managed (in consultation with the Director of Commercial Services and the Director of Human Resources as necessary).
 - Approving the procurement strategy and contract award, and agreeing contract terms and entering into the contracts, for all necessary goods and services. This will apply to both the development / implementation work required prior to the insourcing, and for in-house

delivery of the service itself (including any elements of the service which it is agreed will be contracted out by the Council) once it is brought back into the Council (in consultation with the Director of Commercial Services and the Director of Legal and Governance as necessary).

- Any other work required for the effective preparation for and implementation of the insourcing of the Statutory Servicing and Repairs Service.

- 17.5** To the extent that the Executive Director of Resources does not already have authority under the Leader's Scheme of Delegations, delegates authority to the Executive Director of Resources to approve the procurement strategy and contract award, and agree contract terms and enter into the contracts, for necessary goods and services (in consultation with the Director of Commercial Services and the Director of Legal and Governance as necessary).
- 17.6** Notes that the Executive Director of Resources will work with the Executive Director of Communities, who is responsible for insourcing the Housing Repairs and Maintenance Service, to explore potential efficiencies.
- 17.7** Requests that a further report is presented to Cabinet if the underlying strategy for the future of the Service cannot be achieved, or if any unforeseen significant risks emerge which may prompt Cabinet to re-consider its decision.

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Appendix One: List of functions / elements covered by the current Corporate Servicing and Repairs contact with Kier Services Ltd

The current Corporate Statutory Servicing and Repairs contract covers the following:

Servicing

- Gas Servicing
- Fire Alarm & Emergency Lighting Servicing
- Earthing / Lightning Protection
- Air Conditioning / AHU (Air Handling Unit) Servicing
- Fire Fighting Equipment Servicing
- Latchwire / Safe Man Systems Testing
- Lifts/Hoist Servicing
- Auto Door / Roller Shutter Servicing
- Kitchen Filtration Servicing
- Hard Wire Electrical Testing
- Oil Fired Appliance Servicing
- Air/Ground Source Heat Pump Servicing
- CHP (Combined Heat & Power) Servicing
- PAT (Portable Appliance Testing)
- FRA (Fire Risk Assessments)
- Asbestos Management & Surveys
- L8 Legionella RA (Risk Assessment)

Remedial Repairs from Servicing

- Repair from Gas Servicing
- Repairs from Fire Alarm & Emergency Lighting Servicing
- Repairs from Earthing / Lightning Protection
- Repairs from Air Con / AHU Servicing
- Repairs from Fire Fighting Equipment Servicing
- Repairs from Latchwire / Safe Man system Testing
- Repairs from Lift/Hoist Servicing
- Repairs from Auto Door / Roller Shutter Servicing
- Repairs from Kitchen Filtration Servicing
- Repairs from Hard Wire Testing

- Repairs from Oil Fired Servicing
- Repairs from Heat Pump Servicing
- Asbestos Removal / Surveys

Responsive & Planned Repairs

- Gas Repairs
- Fire Alarm & Emergency Lighting Repairs
- Earthing / Lightning Protection Repairs
- Air Conditioning / AHU Repairs
- Kitchen filtration repairs
- Lift / Hoist Repairs
- Plumbing Repairs
- Electrical Repairs
- Glazing Repairs
- Joinery Repairs
- Heating Repairs
- Roofing Repairs
- Plastering Repairs
- Auto Door / Roller Shutter Repairs

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Appendix Three: Equalities Impact Assessment

Name of policy/project/decision: Corporate Statutory Servicing & Repairs Service - Delivery Options Post-March 2017 - Cabinet Report

Status of policy/project/decision: New

Name of person(s) writing EIA: Rob Markham

Date: May 2016

Portfolio: Resources

Budget/project proposal status: Project

Years: 16/17, 17/18, 18/19, 19/20

EIA date: 19/05/16

EIA lead: Michelle.hawley@sheffield.gov.uk

Lead corporate plan priority: An In-touch Organisation

What are the brief aims of the policy/project/decision?

In March 2014 SCC setup a contract for Corporate Statutory Servicing and Repairs with Kier for 2-years. This contract includes an option for a contract-extension for up to three more years (i.e. to 31st March 2019), should both the Council and Kier Services Ltd agree to this, and one of these extensions has been implemented. The project will assess options for how this service is delivered after the contract end date while ensuring the ongoing legal compliance of SCC buildings.

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
Age	Neutral	None/ Low	<p>No change in the average age of the workforce if staff TUPE. For Kier staff transferring, they would join a workforce with a different age distribution and may experience difficulties integrating because of this.</p> <p>Supporting evidence</p> <p>Average age of Transport & Facilities Management service is 47 years old, average age of the Kier workforce that may be subject to TUPE (dependent on option chosen) is 47 years old.</p>
Disability	Neutral	None/ Low	<p>Kier workforce have a slightly higher proportion of staff with disabilities than Transport & Facilities Management. Disabled staff transferring from Kier will join a service that has a slightly lower proportion of disabled staff and so could be concerned over how well they will be supported by the Council.</p> <p>Supporting evidence</p> <p>7% Transport & Facilities Management service staff report having a disability, for the Kier workforce on the CSSR contract this is 8%.</p>
Pregnancy / maternity	Negative	Medium / High	<p>There may be employees on paternity/maternity leave who would not receive face to face consultation if TUPE was an element of any option selected. This may have a negative</p>

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
			<p>impact on their ability to engage in the transfer process.</p> <p>Supporting evidence</p> <p>Information not known at this time, will be discovered during any TUPE process.</p>
Race	Neutral	Medium / High	<p>Kier workforce that may transfer to SCC (dependent on the option chosen) have a greater ethnic diversity in their staff. For any ethnic minority members of Kier staff this means they will transfer to be part of a less ethnically diverse workforce and this may cause concern around how this may impact how they are treated.</p> <p>Supporting evidence</p> <p>23% of Kier staff working on CSSR contract report being part of an ethnic minority, for Transport & Facilities Management this is 13%.</p>
Religion/ belief	Neutral	None / Low	No information available on difference in religion or belief.
Sex	Negative	Medium / High	<p>There are a greater proportion of male staff in the Kier workforce for CSSR than in the T&FM service. Female staff working in Transport & Facilities management will experience a shift in the makeup of their service once Kier staff transfer in. This may cause them concern on what possible impact this may have on workplace culture and how they are treated.</p> <p>Supporting evidence</p> <p>Gender ration (male to female) is 2.1:1 for Asset Management. For Kier this is 5.86:1, almost three times higher.</p>
Sexual orientation	Neutral	None / Low	No information available
Transgender	Neutral	None / Low	We have no data on the number of transgender staff within the Kier CSSR workforce.
Carers	Neutral	None / Low	No information available at this time.
Voluntary, community & faith sector	None		
Financial inclusion, poverty, social justice:	None		
Cohesion:	None		

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
Other / additional	None		

Overall summary of possible impact

There will be significant staffing implications as a result of the TUPE transfer of Kier Services Ltd. staff into the Council. There is not expected to be any disproportionate impact on staff with a particular protected characteristic however the Council has a wide range of policies and procedures already in place to support employees reduce potential inequalities in the workplace. Access to these policies and procedures will be available to all transferred staff to support their integration into the Council. There is a small risk that some transferring staff may not be fully included in the consultation process due to their characteristics - in particular those staff on pregnancy/maternity/paternity leave or those absent from work due to illness or disability. This risk is covered in the action plan and managers will be expected to ensure that these staff are involved wherever possible in consultation arrangements in a manner appropriate to their needs. It is important to ensure that staff transferring into the Council are given an appropriate induction to the Council so that they are aware of the support offered to staff with protected characteristics. This is also captured in the action plan attached to this EIA. There is not expected to be any negative impact on customers as a result of these proposals and the intention is that the service will deliver positive service changes over the longer-term. The service will initially carry on delivering the same service to customers as it does at the moment. Proposals to change this service will be developed in partnership with customers and will take account of their diverse needs. The aim of bringing the repairs service back into the Council is to improve the overall service to customers.

Consultation

Consultation required: Yes

Consultation start date: 30/09/16

Consultation end date: 31/03/16

Details of consultation: As part of the TUPE transfer of staff the Council will consult on any changes. This will include a series of consultation meetings with Trade unions, affected Kier staff and potentially affected SCC staff. There will also be one to one consultations with individual staff.

Action plan

Area of impact	Action and mitigation
Age	Any changes identified as a part of any TUPE process will be subject to full consultation. Some of the changes may result in a positive impact where the SCC 'offer' as part of the transfer provides additional benefits. Any staff transferring into the service will be covered by the Council's 'Dignity and Respect at Work' policy or a transferred Kier equivalent policy, providing support for the resolution of any equality issues.

Area of impact	Action and mitigation
	<p>Many of the Kier staff are already experienced in TUPE process from previous transfers. These changes may cause concerns for Kier staff, regarding places of work and line management. Full consultation and communication with staff is paramount requiring managers and supervisors to remain open and honest with the staff. The idea of the change to SCC may be seen as negative by some staff. This impact will need to be managed.</p> <p>The impact on employees who are away from work on sickness absence may be negative and again needs to be managed.</p>
Disability	<p>The Council will also consider any reasonable adjustments for disabled staff during and after the transfer. As well as Kier, the Council is a member of the 'Two Ticks' scheme providing support and development opportunities for disabled people.</p> <p>All staff to be made aware of the key Council commitments to equality and dignity within the workforce including:</p> <ul style="list-style-type: none"> •Wide range of flexible working options. •Dignity and Respect at Work policy •Access to Staff Equality and Inclusion Networks •Employment policies and support mechanisms to promote health and wellbeing.
Pregnancy / Maternity	<p>Any CSSR Kier staff that are eligible for TUPE transfer and on maternity/paternity leave will be fully consulted with on a regular basis using other communication methods and kept up to date with changes that will be made to their working environment. HR lead on TUPE consultation, timelines being developed and progress will be monitored through project plan reporting at project team meetings.</p>
Race	<p>There is currently lower representation of BME staff in the T&FM workforce and this would need to be considered further once staff transfer. The TUPE process should not result in any negative impact on individual members of staff as a result of their equality profile. Any changes identified as a part of the TUPE process will be subject to full consultation.</p> <p>All staff will be made aware of the key Council commitments to equality and dignity within the workforce including:</p> <ul style="list-style-type: none"> • Dignity and Respect at Work policy • Access to Staff Equality and Inclusion Networks • Employment policies and support mechanisms to promote health and wellbeing.
Religion / belief	<p>The TUPE process should not result in any negative impact on individual members of staff as a result of their equality profile. Any changes identified as a part of the TUPE process will be subject to full consultation.</p> <p>All staff will be made aware of the key Council commitments to equality and dignity within the workforce including:</p>

Area of impact	Action and mitigation
	<ul style="list-style-type: none"> • Dignity and Respect at Work policy • Access to Staff Equality and Inclusion Networks • Employment policies and support mechanisms to promote health and wellbeing.
Sex	<p>There is currently an under representation of female staff in the Kier workforce and options to reduce this disparity would need to be considered further if staff transfer to ensure there is not a disproportionate impact on women.</p> <p>All staff will be made aware of the key Council commitments to equality and dignity within the workforce including:</p> <ul style="list-style-type: none"> •Dignity and Respect at Work policy
Sexual Orientation	<p>The TUPE process should not result in any negative impact on individual members of staff as a result of their equality profile. Any changes identified as a part of the TUPE process will be subject to full consultation.</p> <p>All staff will be made aware of the key Council commitments to equality and dignity within the workforce including:</p> <ul style="list-style-type: none"> •Dignity and Respect at Work policy •Access to Staff Equality and Inclusion Networks •Employment policies and support mechanisms to promote health and wellbeing
Transgender	<p>The TUPE process should not result in any negative impact on individual members of staff as a result of their equality profile. Any changes identified as a part of the TUPE process will be subject to full consultation.</p> <p>All staff will be made aware of the key Council commitments to equality and dignity within the workforce including:</p> <ul style="list-style-type: none"> •Dignity and Respect at Work policy •Access to Staff Equality and Inclusion Networks •Employment policies and support mechanisms to promote health and wellbeing
Carers	<p>The TUPE process should not result in any negative impact on individual members of staff as a result of their equality profile. Any changes identified as a part of the TUPE process will be subject to full consultation.</p> <p>All staff will be made aware of the key Council commitments to equality and dignity within the workforce including:</p> <ul style="list-style-type: none"> •Dignity and Respect at Work policy •Access to Staff Equality and Inclusion Networks •Employment policies and support mechanisms to promote health and wellbeing

Proposal has geographical impact across Sheffield: No

Proposal has a cumulative impact: No

Review date: 01/12/16 **Reference number:** 899

Risk rating: Low

Type of Decision: Executive Decision (Cabinet)

Lead Cabinet Member: Curran Ben (LAB-CLLR)

Manager and Approval

Lead Officer: Eugene Walker

Approved (EIA Lead Officer for Portfolio): Michelle Hawley

Date: 27/05/2015

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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Author/Lead Officer of Report: The Director of Capital and Major Projects

Tel: 2735539

Report of: Executive Director, Place
Report to: Cabinet
Date of Decision: 20th July 2016
Subject: Sheffield Retail Quarter – Delivery of First Phase

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? Business and Economy		
Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? 926		
Does the report contain confidential or exempt information?	Yes <input checked="" type="checkbox"/>	No <input 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:-		
Part 2 of this report and Appendices B and C are not for publication by virtue of Regulation 20(2) Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 because, in the opinion of the proper officer, it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.		

Purpose of Report:

This report seeks approval for the Council to commence delivery of the first phase of the Sheffield Retail Quarter development on the site of the former Grosvenor Hotel block as shown on the plan attached (hereinafter referred to as the HSBC/Retail Block), and to work with its Strategic Development Partner to work up a deliverable and commercially viable wider Sheffield Retail Quarter scheme.

Recommendations:

That Cabinet

(1) Approves the strategy outlined in this report for the delivery of the next stage of the Sheffield Retail Quarter to December 2017

2) Delegates authority to the Executive Director of Place in consultation with The Cabinet Member for Business and Economy, The Cabinet Member for Finance & Resources , Executive Director of Resources, the Director of Legal & Governance and the Director of Capital and Major Projects, to

- Negotiate and agree the terms of an Agreement for Lease and Lease with HSBC for their new office development within the Sheffield Retail Quarter site and all other necessary legal documentation consistent with the contents of this report as he believes are reasonable in all circumstances
- Negotiate, and agree the terms of an Agreement for Lease(s) for the retail units within the HSBC/Retail Block and all other necessary legal documentation
- Submit detailed a planning application for the development of the HSBC/Retail Block and adjoining public realm improvement works and to secure all necessary consents to enable delivery to proceed.
- Continue the appointment of the full professional team to undertake detailed design work on the HSBC/Retail Block and the Sheffield Retail Quarter public realm improvement works and to progress the wider Sheffield Retail Quarter planning permission.
- Procure construction services and enter into contracts for pre-construction services for the Sheffield Retail Quarter development in accordance with the Councils usual procurement process and any applicable laws relating to procurement with contract values not exceeding the project financial authority
- Commission and agree terms with any other specialist consultants to advise the Council as necessary throughout the course of the Sheffield Retail Quarter project
- Upon completion of the Agreement for Lease and Lease with HSBC to let the construction contract(s) for the development of the HSBC/Retail Block and the public realm improvement works together with any retail/food and beverage kiosks/units, subject to the Councils usual procurement process and any applicable laws relating to procurement with the total cost not exceeding the project authority

- Negotiate, agree and enter into conditional Agreement for Lease(s) and Lease(s) for the remainder of the retail units within the Sheffield Retail Quarter together with all other associated office residential food and beverage and leisure units
- Determine the most appropriate disposal strategy for the Council and if necessary sell the whole or any part of the HSBC/Retail Block as an investment and if necessary use the Councils covenant to underwrite the financial viability
- Amend the Councils VAT Partial Exemption reporting policy to maximise the recovery of VAT on expenditure relating to the HSBC/Retail Block and liaise with HMRC accordingly.
- To instruct the Director of Legal & Governance to complete all necessary legal documentation required to document the terms of any transactions agreed in accordance with the approvals delegated pursuant to this report.

Subject to compliance with the Councils budget processes, financial regulations and Capital Approval processes.

(3) That in the absence of the Executive Director of Place due to annual leave or illness, the Director of Capital and Major Projects is authorised to exercise the powers given to the Executive Director of Place by Cabinet in this report

(4) Approves

- The budget as set out in this report to deliver the HSBC/Retail Block and all necessary public realm improvement works of up to a maximum of £90m.
- For this budget to be funded through Prudential Borrowing and be subject to the phasing of the spend going through the Council Capital Approval process,
- To earmark any business rates uplift to repay any balance of the Prudential Borrowing, and
- The application for Sheffield City Region Investment Fund (SCRIF) funding to be applied in accordance with any obligations or restrictions that the funding is subject to.

(5) Approves the additional £35.8m budget as set out in this report to progress the wider Sheffield Retail Quarter development up to December 2017, to be funded through Prudential Borrowing

(6) Delegates authority to the Executive Director of Resources in consultation with the Executive Director of Place to approve the release of the budget on the satisfactory completion of each of the relevant milestones.

Background Papers:

Sheffield New Retail Quarter Report to Executive Leader dated 8th October 2013, New Retail Quarter Steps Towards Delivery Report to Cabinet on 23rd July 2014

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: Jayne Clarke
		Legal: David Sellars
		Equalities: Beth Storm
<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:	Simon Green, Executive Director Place
3	Cabinet Member consulted:	Councillor Leigh Bramall
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: Nalin Seneviratne	Job Title: The Director of Capital and Major Project
	Date: 11 th July 2016	

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REPORT TO THE EXECUTIVE DIRECTOR PLACE

SHEFFIELD RETAIL QUARTER – DELIVERY OF FIRST PHASE

1.0 PROPOSAL

1.1 This report seeks approval for the Council to commence delivery of the first phase of the Sheffield Retail Quarter development on the site of the former Grosvenor Hotel block as shown on the plan attached marked as **Appendix A** (hereinafter referred to as the HSBC/Retail Block), and to work with its Strategic Development Partner to work up a deliverable and commercially viable wider Sheffield Retail Quarter scheme.

2.0 HOW DOES THIS DECISION CONTRIBUTE?

2.1 The Sheffield Retail Quarter will provide a high class regional shopping and leisure addition to the current city centre retail offer which will deliver a step change and lift Sheffield up the national retail ranking to compete with other city centres such as Manchester, Leeds and Nottingham.

2.2 It will deliver substantial economic and social benefits, not only providing new retail, but also leisure uses, offices, housing and high quality public realm, creating an attractive environment in which to live, work, shop and relax

2.3 The scheme will stimulate wider investment in the city centre, generate business rates and create a high quality retail and leisure led mixed use scheme and consolidate the prime retail offer.

2.4 The development of the Sheffield Retail Quarter also enhances the status of Sheffield and the city centre in itself and it will help generate much improved city centre visitor numbers thus adding to the overall success of the city centre. It will help stimulate office, commercial and leisure investment/development in the city centre which is part of the City's growth strategy.

2.5 It will retain both HSBC a large financial services employer in the city centre in new modern flexible office space, and, subject to final agreements, provide a new department store, together with providing modern high quality retail/leisure accommodation that the city centre is currently lacking. This new space will allow both current retailers/leisure brands to expand and for new retailers/leisure brands to establish a presence in the city centre.

Outcomes:

2.6 Illustrative economic estimates have been provided to the Council on the benefits of delivery of the Sheffield Retail Quarter scheme. These estimates were calculated whilst the scheme is in the design phase and will be reviewed as the design and final occupiers of the Sheffield Retail Quarter scheme are settled.

2.7 Based on an estimated construction cost for the Sheffield Retail Quarter of £350

million (as per the current planning application) the average annual GVA (Gross Value Added) contribution generated will be in the region of £28.2 million over the next seven years. This contribution will peak at around £65.0 million in 2019. The bulk of this benefit is expected to accrue to Sheffield.

- 2.8 Each year as a result of investment in the project, Sheffield-based firms can expect to be paid more than £40 million for construction activities and professional services, generating a direct GVA contribution of £19.2 million for the City.
- 2.9 From 2022 onwards, when it is currently anticipated that the Sheffield Retail Quarter development (as currently planned) will be completed and fully open to the public, the expected uplift in annual consumer spending on retail and catering activity in Sheffield city centre, will have an even more substantial impact on the regional economy.
- 2.10 The GVA contribution for the City Region driven by this additional spending is put at £90.0 million per annum, sufficient to support around 4,470 jobs and generate £66.8 million in tax revenues (including the additional VAT). Most of this benefit will accrue to Sheffield itself, which will see £80.9 million in additional annual GVA, supporting around 4,210 jobs
- 2.11 When HSBC move into the new offices to be provided as part of the HSBC/Retail block this is expected (as reported by the bank) to support 2,700 jobs in Sheffield, and it is anticipated that this will protect an annual GVA contribution of £95.8m to the city region with £94.1m per annum accruing to Sheffield itself.
- 2.12 The additional business rates income the Sheffield Retail Quarter will generate can be retained the Council under the New Development Deal. This increased income allows the Council to raise finance which could be invested in the delivery of the development.

Sustainability:

- 2.13 Completion of the Sheffield Retail Quarter development will make the city centre a more cohesive and sustainable location to attract further investment.
- 2.14 Delivery of the Sheffield Retail Quarter will help the city centre become more sustainable in terms of economic activity, by bringing about improvements in social well-being and deliver buildings designed to minimise environmental impact.

3.0 PUBLIC CONSULTATION

- 3.1 The Council has undertaken a comprehensive consultation process for the Sheffield Retail Quarter proposals with both key stakeholders with the general public, and throughout this consultation there has been widespread and strong public support to see a scheme delivered.
- 3.2 The last public consultation exercise undertaken by the Council in May/June 2015 attracted over 3,000 visitors to the marquee erected at the top of Fargate and approximately 800 written representations were received, with the vast majority

supporting the Sheffield Retail Quarter proposals.

3.3 As the Sheffield Retail Quarter scheme moves forward there will be further public consultation undertaken as part of the normal process, providing another opportunity for the general public to be engaged and to make comments

3.4 The Council has carefully listened to the feedback it has received to date and this is helping to shape the Sheffield Retail Quarter proposals going forward

4.0 BACKGROUND

4.1 Following the report to the Executive Leader dated 8th October 2013, the Cabinet report on 24th July 2014 and through the capital approvals process the Council has continued to drive the Sheffield Retail Quarter project forward.

4.2 Progress to Date

4.3 Acquisitions

4.3.1 The ownership of the proposed Sheffield Retail Quarter site has been secured via the serving of CPO notices, acquisitions of properties by agreement and the acquisition of both the historic Hammerson and Homes and Community Agency (HCA) property interests within the site.

4.4 Planning application

4.4.1 Following a comprehensive consultation exercise with both the public and key stakeholders the Council (acting as developer) has submitted an outline planning application for the Sheffield Retail Quarter development.

4.4.2 Given the importance size and complexity of this planning application it is still progressing through the planning process, and it is currently anticipated that it will be considered later this summer.

4.5 Demolition of Grosvenor Hotel block

4.5.1 The demolition of the Grosvenor Hotel block is proceeding. The Council's selected demolition contractor, DSM is due to take control of the block and commence the demolition works in earnest in August 2016.

4.5.2 The demolition works are currently programmed to be completed by the end of the year

4.6 Selection of Strategic Development Partner

4.6.1 As previously reported to Cabinet the Council recognised that it required a Strategic Development Partner with the appropriate development expertise skills and resources to assist in the delivery of the Sheffield Retail Quarter.

4.6.2 The Council has carried out a comprehensive EU compliant procurement process to seek this partner, and Queensbury Real Estate Ltd have been identified as

having the necessary experience, skills and resources to work for the Council in a development management capacity to assist the Council in delivering the Sheffield Retail Quarter to the market.

- 4.6.3 Queensbury Real Estate Ltd will now take the overall lead in creating and then managing the delivery of the Sheffield Retail Quarter investment
- 4.6.4 They will undertake a comprehensive commercial review of the Sheffield Retail Quarter development proposals prepared to date.
- 4.6.5 This will involve
- Challenging testing and reviewing the current scheme, its layout and design to ensure it produces the most efficient retail/leisure space
 - Carrying out a review of all the cost plans and programmes for the delivery of the Sheffield Retail Quarter
 - Taking the lead on all negotiations with the retailers, including the proposed anchor John Lewis
 - Preparing the business plan to achieve and deliver a viable and successful development
 - Advising the Council on how to minimise development risk and produce a vibrant and successful scheme
 - Assisting the Council in the tendering of the construction packages
 - Helping the Council to secure private sector investment at the appropriate time to in order to help fund the delivery
 - Overseeing the delivery stages of the development and put in place the future management arrangements
- 4.6.6 The Council will pay Queensbury Real Estate Ltd a development management fee and will seek to recover this from the ultimate developer/investor in the Sheffield Retail Quarter development

5.0 COUNCIL TO ACT AS DEVELOPER/INVESTOR

- 5.1 To further reinforce the need for input from a strategic development partner it became apparent to the Council during both the strategic development partner procurement process, and following informal market testing of the Sheffield Retail Quarter development opportunity that in order to maintain project momentum and the fact that there is now a major office tenant to accommodate, the Council will need to continue to act as developer/investor.
- 5.2 In order to make the Sheffield Retail Quarter development/investment opportunity attractive to the market the Council needs to both deliver the first phase of the

- scheme (the HSBC/Retail block) and also at the same time undertake further work to advance the project with Queensbury Real Estate Ltd.
- 5.3 The Council will therefore need to continue to act as the developer and investor in this stage of the development, and has control of the land and the ability to raise finance through Prudential Borrowing and any business rates uplift the Sheffield Retail Quarter will generate, to do this.
- 5.4 This additional work on the Sheffield Retail Quarter (excluding the HSBC/Retail block) is to work up and deliver an “oven ready” scheme which can be demonstrated to the market is commercially viable and thus investable, with planning permission in place and with the key anchor pre-lets of retail space agreed, the required level of pre-lets of the retail space to secure an income stream in place, the costs of delivery fixed and a long term finance source identified.
- 5.5 When this point is reached the project will be subject to a further report to Cabinet to approve the final delivery stage of the Sheffield Retail Quarter.
- 5.6 The current delivery stage is made of up a number of key milestones whilst the planning process is ongoing, and the project will only continue in its current form if these milestones are satisfactorily completed. If the milestones are not complete then alternative proposal will be developed and may be subject to further reports to Cabinet.
- 5.7 Key Milestones :

Milestone Date	Indicative Deliverables
December 2016	<ul style="list-style-type: none"> Anchor Tenant Agreement
March 2017	<ul style="list-style-type: none"> Anchor Tenant Agreement for Lease agreed
December 2017	<ul style="list-style-type: none"> Planning Permission in place and conditions discharged Acceptable level of rental value pre-lets in place Development Funding Agreement agreed Tendered construction costs

- 5.8 The full financial implications of the Council continuing to act as developer/investor are set out in detail in paragraph 9.0 of this report

Governance

- 5.9 The Sheffield Retail Quarter project is managed through the Sheffield Retail Quarter Programme Board which includes the Executive Director of Place, the Executive Director of Resources, the Director of Legal & Governance and the Director of Capital and Major Projects, with further authorisation on financial matters going through the Capital Gateway Process, and Cabinet as required
- 5.10 The Board monitors the delivery of the Sheffield Retail Quarter, managing the vision, outcomes, benefits and any strategic risks to the Council. The board also takes overall responsibility for decision making in line with the delegations authorised by Cabinet.

6.0 DELIVERY OF FIRST PHASE – THE HSBC/RETAIL BLOCK AND RELATED PUBLIC REALM IMPROVEMENT WORKS

- 6.1 In order to make a real statement of intention to the market the Council will deliver the first phase of the Sheffield Retail Quarter development directly (the HSBC/Retail Block) ahead of the rest of the scheme. This move was prompted in part by the HSBC Banks requirement for new office space within the city centre
- 6.2 HSBC currently occupy office space in Griffin House and other office buildings within the city centre but it is dated accommodation and no longer meets their needs.
- 6.3 HSBC have been looking to consolidate their offices into one modern flexible office space in the city centre for some time and have been in discussions with a number of developers on various sites.
- 6.4 The Council identified HSBC as a key anchor tenant for the Sheffield Retail Quarter as it would not only help deliver an early phase of the development but also provide footfall and spending power to help underpin the wider development and act as a catalyst for the scheme.
- 6.5 The Council therefore submitted a proposal to the bank. Heads of terms have now been agreed and subject to these being ratified by both parties the Council will then submit a detailed planning application for the HSBC/Retail Block.
- 6.6 The HSBC/Retail Block will consist of a Net Internal Area of 228,000 square feet. HSBC will take a majority of the office space created above the ground floor retail space.
- 6.7 The details of the commercial terms with the bank are contained in Part 2 of this report.
- 6.8 The commencement of any development will be subject to the Council obtaining satisfactory planning consent which is anticipated to be secured by Quarter 1 2017. The bank are seeking a completion date in Quarter 1 2019.
- 6.9 The development of the block also creates circa 52,000 square feet of retail/leisure floor space at ground floor level which does not yet have any tenants secured. The Council will market and seek to let these units on the best terms available in the market.
- 6.10 However because of the strict timeline that is required to meet the banks occupation target, then the rest of the building will have to be completed on a speculative basis leaving the Council with the occupation risk.
- 6.11 Once the block has been built and the lease to HSBC granted the Council will be HSBC's landlord and will have an asset with a value which we can hold, put into

the wider Sheffield Retail Quarter scheme or sell.

- 6.12 The retail space once let will be an asset with value for the Council which we can again hold, put into the wider Sheffield Retail Quarter scheme or sell.
- 6.13 The full financial implications of delivering the HSBC/Retail block are set out in detail in paragraph 9.0 of this report
- 6.14 As part of the development of the HSBC/Retail Block the Council will deliver high quality public realm around the new block
- 6.15 As part of the public realm improvement works circa 13,000 of retail space will be created, and these will be targeted at food and beverage operators to compliment the use of the public spaces
- 6.16 The new spaces around the HSBC/Retail Block development provide the opportunity for the Council to create a new series of well-designed open public spaces constructed with high quality materials that will connect with both The Moor and the Sheffield Retail Quarter development.
- 6.17 Creating a strong link between The Moor and Sheffield Retail Quarter is seen as vital to both the success of the development and also to strengthen the city centre retail offer. The new retail space created in the HSBC/Retail block and the food and beverage units will benefit from the opening of the new cinema on The Moor.

7.0 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

- 7.1 A number of key risks have been identified and mitigation strategies have been put in place to manage the risk where possible. These are as follows:
- 7.2 Obtaining all necessary planning and highways consents to build the HSBC/Retail block.
 - 7.2.1 A detailed planning application for the HSBC/Retail block will be submitted. The professional team acting for the Council have already in in pre-application discussions with Planning Officers. The deal with the bank is conditional on planning consent being obtained.
- 7.3 Construction cost and programme risk
 - 7.3.1 The Council acting as developer of the HSBC/Retail block has the risk of construction costs going above budget and programme slippage.
 - 7.3.2 The Council has already secured pre construction services so that construction costs and programme can be discussed /worked up in detail before the Council becomes contractually committed.
- 7.4 Letting of the HSBC/Retail block
 - 7.4.1 As set out in the financial implications above the Council is taking the risk on securing lettings of the completed HSBC/Retail block.

- 7.4.2 A large proportion of the office space is pre-let to HSBC and Queensbury Real Estate Ltd the Councils Strategic Development Partner will now be taking the lead on all negotiations with the retailers.
- 7.5 Changes to the political/economic climate
- 7.5.1 It is impossible to judge the impact (if any) of the current economic and political uncertainty on this project
- 7.2.4 The Council will monitor the situation and report back to Cabinet if necessary

8.0 EQUALITY OF OPPORTUNITY IMPLICATIONS

- 8.1 The redevelopment of the Sheffield Retail Quarter site will be of universal positive benefit for all local people regardless of age, sex, race, faith, disability, sexuality, etc. Local people will benefit from the creation of a significant number of new full and part time jobs. The socio economic and community cohesion impacts locally will be particularly positive.
- 8.2 No negative equality impacts have been identified.
- 8.3 As the Sheffield Retail Quarter development progresses there will be further public consultation providing another opportunity for stakeholders and the general public to be engaged and to make comments
- 8.4 Ease of pedestrian access throughout the scheme is of paramount importance and will require careful design and integration of lifts, ramps, and stairs for all users. The provision of a Shop Mobility facility within the Sheffield Retail Quarter is also an aspiration of the Council.

9.0 FINANCIAL AND COMMERCIAL IMPLICATIONS

- 9.1 The delivery of the next stage of the Sheffield Retail Quarter will have significant financial implications for the Council across the key areas of activity as set out below.
- 9.2 **Continuation of Wider Sheffield Retail Quarter Development**
 - 9.2.1 In order to carry out the next stage of the Sheffield Retail Quarter delivery, the Council will incur further costs, as set out below, which will consist largely of the external advisors required to produce a scheme that is attractive to both potential tenants and funders.
 - 9.2.2 The scheme has been treated as Assets Under Construction (AUC) and therefore all costs to date (including financing costs) have been capitalised. This will continue whilst the development remains active.

9.2.3 Total Expenditure

	£m	Basis/ Status Of Figures
Land Assembly and Enabling Works	61.2	Already approved by Cabinet
Continuation of SRQ To unconditional Stage (Dec 2017)		
External Advisor Fees - includes design and preconstruction services	26.9	
SCC Direct Costs	1.1	
Capitalised Interest	7.8	Based on 5% cost of capital
Sub Total	35.8	
Total Capital Expenditure	97.0	

- 9.2.4 As indicated above a further £35.8m of funding is required to complete the next stage. The whole £97m budget will be split out and profiled through the normal capital approval processes.
- 9.2.5 The project will be monitored through the Councils usual capital monitoring and reporting process.
- 9.2.6 This expenditure is to complete all of the necessary stages for the project to secure funding. This expenditure is all at risk until the scheme is commercially viable and has secured the necessary funding for the scheme to be taken forward into the delivery stage. Once delivered it is assumed the costs will be recovered from either an increase in business rates or a contribution from the development returns.
- 9.2.7 As set out above there are a number of key milestones throughout this stage and the project should only progress if the pre-requisites for those milestones have been complete as approved by the Project Board.
- 9.2.8 Should those milestone conditions not be met at the required time, then alternative proposals will be developed and if necessary would be subject to further Cabinet approval.
- 9.2.9 The Milestone profile of the above expenditure is set out in Part 2 of this report as **Appendix B**.
- 9.2.10 Peak Revenue Budget Exposure
- 9.2.11 If the project is halted or stalled for a considerable time such that it ceases to pass the criteria for being treated as an AUC then the financing costs (Interest and Minimum Revenue Provision) will have to be covered from Council budgets.
- 9.2.12 The following tables show the impact on the revenue budget based on expenditure to date and if the scheme continues to December 2017.

9.2.13 Do Nothing (Assumes Sheffield Retail Quarter Aborted)

	£m	Basis/ Status Of Figures
Funding Requirement	50.5	Current costs incurred to date
Annual Financing Costs from 2016/17 (Based on Annuity w/o over 30 years)	3.3	Timing of charge to Revenue depends on point that whole development ceases to be active
Net Worst Case Annual Exposure	3.3	
Existing Properties Value	41.1	Based on historic purchase cost (actual value could be higher or lower depending on current market conditions)
Net Best Case Annual Exposure	0.6	Financing of residual costs if asset value realised

9.2.14 Sheffield Retail Quarter Continues to Unconditional Stage

	£m	Basis/ Status Of Figures
Funding Requirement	97.0	
Annual Financing Costs from 2016/17 (Based on Annuity w/o over 30 years)	6.3	Financing of capital costs if development ceases to be active
Net Worst Case Annual Exposure	6.3	
Existing Properties Value	48.6	Forecast Acquisition costs
Net Best Case Annual Exposure	3.1	Financing of residual costs if asset value realised

9.2.15 As can be seen from the above tables a significant proportion of the costs incurred are for the appointment of expert advisors which do not create a proportionate asset value. Therefore if the scheme does not proceed and there has been no appreciation in the value of the asset acquired those residual sunk costs would have to be charged to the revenue account.

9.2.16 There has been no provision made for these costs in the Councils Medium Term Financial Strategy and so if the project cannot realise sufficient returns then this would cause a budget pressure for the Council.

9.2.17 It is imperative therefore that proper governance is exercised over the progression of the scheme and that additional costs commitment will only be made if there is tangible evidence that scheme is positively addressing the viability issues it currently faces.

9.3 **HSBC/Retail Block**

9.3.1 As the Council is carrying out the development role for the HSBC/Retail block as a

stand-alone investment, then it will incur significant expenditure. The table below sets out a summary of the expected costs for the completion of the block.

A breakdown of the heads of expenditure, estimate of income and basis of the assumptions is contained in Part 2 of this report

9.3.2 Base Case Appraisal

	£m	Basis/ Status Of Figures
Land Assembly and Enabling Works	n/a	Assumed to be funded from wider Sheffield Retail Quarter scheme
Grosvenor Block Build Costs, Fees & Interest	73.3	
Sub Total	73.3	
Less		
Exempt VAT		Potential £8.2m if Partial Exemption strategy is successful
Total Block Capital Expenditure	73.3	
Public Realm, Transport and Highways	8.3	
Total Development Capital Expenditure	81.6	

- 9.3.3 The costs above include an element of irrecoverable VAT on the construction costs of the HSBC Office. This is because the structure of the commercial deal could influence the treatment of the expenditure for VAT purposes.
- 9.3.4 This reflects a worst case scenario but the Council is exploring an option to use its Section 33 Public Body Status to recover that VAT. This will require a change to the way we report our compliance with the Partial Exemption (PE) provisions to HMRC moving to a 7 year average from the current three year.
- 9.3.5 Approval is therefore sought to pursue this option with HMRC when appropriate. It is proposed that an application for Sheffield City Region Investment Fund (SCRIF) funding be made towards the public and infrastructure costs of the scheme.
- 9.3.6 The proposed exit strategy for the building is to sell the long leasehold interest of some or all of the elements to one or more investors. This could be a stand-alone disposal or could be as part of the wider Sheffield Retail Quarter.

9.3.7 Post Completion Income

Business Rates		
Cavendish Office	0.9	
Additional Office	0.2	
Retail and Leisure space	0.4	
Total Annual Income	1.5	

Period In which Residual Financing Costs Paid Back	Year 9	After Practical Completion
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9.3.8 It assumed that all of the business rates uplift from the building will be retained by the Council and used as a first call to cover the residual financing costs of the public realm improvement works.

9.3.9 If VAT on exempt expenditures can be recovered and full SCRIF grant is secured then the project would virtually break even at Practical Completion leaving all business rate uplift as income to the Council.

9.4 Council Scenario Modelling

9.4.1 Whilst securing the anchor tenant in the building for an initial term goes a long way to mitigate the financial risk associated with it, the fact that the rest of the building will have to be completed on a speculative basis leaves the Council with considerable risk if the assumed levels of occupation and rental cannot be achieved.

9.4.2 This is illustrated by the scenario analysis below. The detailed cash flows for each of the base case scenarios are attached in Part 2 of this report as **Appendix C**.

9.4.3 Scenario Set 1- Full Occupation, Leasehold Sold and All Rental Income Streams Capitalised

The risk in this scenario is that the Council cannot secure the level of expected rent for the non-office elements of the building which results in a lower capital receipt

Scenario	Average Rent psf	Pay Back year
Base Case	£26.61	9
Sensitivity 1 - Non-Office element rental value reduced by 10%	£20.89	12
Sensitivity 2 - Non-Office element rental value reduced by 25%	£17.41	18

9.3.4 Scenario Set 2- Full Occupation, Leasehold Retained, Rental and business rates Received Annually

If the Council cannot secure the required level of Capital value for building then it could hold on to it and receive an annual rental income in addition to the business rates

Scenario	Average Rent psf	Pay Back year
Base Case	£26.61	20
Sensitivity 1 - Non-Office element rental value reduced by 10%	£20.89	21
Sensitivity 2 - Non-Office element rental value reduced by 25%	£17.41	23

9.3.5	Sensitivity 3 –Mitigation Case – Rental value that non-office element would have to be fully let at to break even (NPV Over 30 years)	£8.91 psf (66% reduction)	£1.1m per annum
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9.3.6 The above scenarios assume that the building is fully leased for the 30 year duration at a constant rental value. It is possible that rental values for individual units could go up or down depending on the length of lease entered into and the prevailing market conditions on renewal.

9.3.7 The above scenarios indicate that taken over a 30 year period, if the office remains occupied throughout, then the level of rent required from the remainder of the building to break even is relatively low.

9.3.8 Scenario Set 3- Initial Void Period on Non-Office then 5 yearly void periods throughout

The biggest risk to the project is the securing of tenants for the non-office building from the outset of completion and for the offices, if the anchor tenant exercises the first break option.

Scenario	Average Rent psf	Pay Back year
Base Case	£26.61	27
Sensitivity 1 - Non-Office element rental value reduced by 10%	£20.89	30
Sensitivity 2 - Non-Office element rental value reduced by 25%	£17.41	31

9.3.9 The above scenarios therefore illustrate the impact of:

- the occupation of the retail and food and beverage units being delayed for 3 years and then being subject to a 5 yearly lease cycle with a void year in between;
- the occupation of the Offices after the initial period being subject to the same 5 yearly lease cycle with a void year in between;

- 9.3.10 This indicates that at the assumed rental values, the project does still pay back with the 30 year financing period and will do so providing the rental value achieved on average is reduced by less than 25%.

10.0 LEGAL IMPLICATIONS.

- 10.1 The recommendations in this report are intended to allocate and identify sources of funding for the Sheffield Retail Quarter development. In order to comply with the Council's constitution and rules of governance a further approval will be required via its Capital Approval process. As mentioned in this report, this will be undertaken in respect of individual items of capital expenditure.

- 10.2 The recommendations in this report also envisage the Council procuring various constructions works in order to implement the Sheffield Retail Quarter development. Although the UK has recently voted in favour of leaving the EU, the EU procurement regulations are enacted into UK law by the Public Contract Regulations 2015. As a result any procurement process will need to be conducted in accordance with these regulations until such time as further legislation is enacted.

11.0 PROPERTY IMPLICATIONS

- 11.1 The Council has now acquired a majority of the Sheffield Retail Quarter site and is managing these properties for redevelopment.

- 11.2 Any temporary new lettings are made on the basis that the Council can obtain vacant possession at any time on 3 months' notice, so as not to disrupt/delay the Sheffield Retail Quarter development.

- 11.3 The rental income that these properties produce is used to help fund the holding and management costs of the Sheffield Retail Quarter estate.

- 11.4 If the Council decide at a future date not to proceed with the Sheffield Retail Quarter development these substantial land and property holdings will be capable of being sold to generate capital receipts, either individually as investments, or as piecemeal mixed use development sites.

12.0 ENVIRONMENTAL SUSTAINABILITY

- 12.1 The long term strategic implications of a Sheffield Retail Quarter to Sheffield have already been covered in this report and the detailed elements of environmental and sustainability matters have and will be incorporated into the planning process by virtue of negotiated designs, planning conditions and S106 obligations.

- 12.2 The Sheffield Retail Quarter development will promote the use of sustainable materials wherever viable and the structures will be designed as efficiently as possible to reduce the quantity of raw construction materials. Every effort will be made to minimise its carbon footprint.

- 12.3 The offices will be designed to achieve the banks criteria of a LEED (Leadership in Energy and Environmental Design) silver standard, and the remainder of the block

to achieve a BREEAM (Building Research Establishment Environmental Assessment Method) very good

12.4 LEED is a green building certification processes that rates the design construction operation and maintenance of green buildings, and BREEAM assesses and rates the sustainability of a building.

12.5 The block will be designed to be energy efficient and to reduce energy consumption and carbon omissions. A minimum of 10% of its energy needs will come from decentralised and renewable or low carbon energy.

COMMUNITY SAFETY IMPLICATIONS.

13.0

13.1 The Sheffield Retail Quarter development will incorporate a series of well-designed pedestrianised streets and public squares within the scheme, and these will provide a safe environment for all.

13.2 Use of CCTV and informal policing by The City Centre Ambassadors will help ensure that a safe and secure environment will be maintained.

HUMAN RIGHTS ISSUES

14.0

14.1 There are not thought to be any human rights implications arising from the proposals set out in this report.

ECONOMIC IMPACT

15.0

15.1 The long-term economic benefits to Sheffield of securing delivery of the Sheffield Retail Quarter are both enormous and long lasting. It will generate new business rates and Council Tax for the Council and retain and/or create new jobs in the city centre.

15.2 The anticipated long term economic benefits of the Sheffield Retail Quarter have already been set out in paragraphs 2.6 to 2.11 of this report

15.3 The development of the Sheffield Retail Quarter also enhances the status of the city centre in itself creating an attractive environment in which to live, work, shop and relax and will in turn help stimulate other office, commercial and leisure investment/development in the city centre generating additional business rates and creating more jobs.

16.0 ALTERNATIVE OPTIONS CONSIDERED

16.1 The do nothing option i.e. cease both the delivery of the first phase (the HSBC/Retail block) and work on the wider Sheffield Retail Quarter scheme has been considered, but has many negative outcomes for the Council.

16.2 The status of city centre will continue to diminish, the Councils long term economic aspirations for the City and the city centre will become less feasible, there will be a lack of confidence for other projects and the reputation of both the City and

Council will also suffer.

- 16.3 The Council will also make a loss if the Sheffield Retail Quarter is not delivered as its investment to date in working up the scheme will be lost.

17.0 REASONS FOR RECOMMENDATIONS

- 17.1 As outlined in this Report, there is still a very clear strategic and economic case to justify the Sheffield Retail Quarter development, and in order to maintain project momentum given that there is now a major office tenant to accommodate the Council will need to continue to act as developer/investor until such time as the scheme will be ready for the investment market. This will be when the Council has completed the designs, obtained construction tenders and achieved a required level of pre-lets to secure an income stream.
- 17.2 The reasons for the recommendations are to provide a way forward for the Council to deliver the Sheffield Retail Quarter

18.0 RECOMMENDATIONS

That Cabinet:

- 18.1 Approves the strategy outlined in this report for the delivery of the next stage of the Sheffield Retail Quarter to December 2017
- 18.2 Delegates authority to the Executive Director of Place in consultation with The Cabinet Member for Business and Economy, The Cabinet Member for Finance & Resources , Executive Director of Resources, the Director of Legal & Governance and the Director of Capital and Major Projects, to
- 18.2.1 Negotiate and agree the terms of an Agreement for Lease and Lease with HSBC for their new office development within the Sheffield Retail Quarter site and all other necessary legal documentation consistent with the contents of this report as he believes are reasonable in all circumstances
- 18.2.2 Negotiate and agree the terms of an Agreement for Lease(s) for the retail units within the HSBC/Retail Block and all other necessary legal documentation
- 18.2.3 Submit detailed a planning application for the development of the HSBC/Retail Block and adjoining public realm improvement works and to secure all necessary consents to enable delivery to proceed.
- 18.2.4 Continue the appointment of the full professional team to undertake detailed design work on the HSBC/Retail Block and the Sheffield Retail Quarter public realm improvement works and to progress the wider Sheffield Retail Quarter planning permission.
- 18.2.5 Procure construction services and enter into contracts for pre-construction services for the Sheffield Retail Quarter development in accordance with the Councils usual procurement process and any applicable laws relating to procurement with contract values not exceeding the project financial authority

- 18.2.6 Commission and agree terms with any other specialist consultants to advise the Council as necessary throughout the course of the Sheffield Retail Quarter project
- 18.2.7 Upon completion of the Agreement for Lease and Lease with HSBC to let the construction contract(s) for the development of the HSBC/Retail Block and the public realm improvement works together with any retail/food and beverage kiosks/units, subject to the Councils usual procurement process and any applicable laws relating to procurement with the total cost not exceeding the project authority
- 18.2.8 Negotiate and agree the terms of conditional Agreement for Lease(s) and Lease(s) for the remainder of the retail units within the Sheffield Retail Quarter together with all other associated office residential food and beverage and leisure units
- 18.2.9 Determine the most appropriate disposal strategy for the Council and if necessary sell the whole or any part of the HSBC/Retail Block as an investment and if necessary use the Councils covenant to underwrite the financial viability
- 18.2.10 Amend the Councils VAT Partial Exemption reporting policy to maximise the recovery of VAT on expenditure relating to the HSBC/Retail Block and liaise with HMRC accordingly
- 18.2.11 To instruct the Director of Legal and Governance to complete all necessary legal documentation required to document the terms of any transactions agreed in accordance with the approvals delegated pursuant to this report
- Subject to compliance with the Councils budget processes, financial regulations and Capital Approval processes.
- 18.3 That in the absence of the Executive Director of Place due to annual leave or illness, the Director of Capital and Major Projects is authorised to exercise the powers given to the Executive Director of Place by Cabinet in this report
- 18.4 Approves
- 18.4.1 The budget as set out in this report to deliver the HSBC/Retail Block and all necessary public realm improvement works of up to a maximum of £90m.
- 18.4.2 For this budget to be funded through Prudential Borrowing and be subject to the phasing of the spend going through the Council Capital Approval process,
- 18.4.3 To earmark any business rates uplift to repay any balance of the Prudential Borrowing, and
- 18.4.4 The application for Sheffield City Region Investment Fund (SCRIF) funding to be applied in accordance with any obligations or restrictions that the funding is subject to
- 18.5 Approves the additional £35.8m budget as set out in this report to progress the wider Sheffield Retail Quarter development up to December 2017, to be funded

through Prudential Borrowing

- 18.6 Delegates' authority to the Executive Director of Resources in consultation with the Executive Director of Place to approve the release of the budget on the satisfactory completion of each of the relevant milestones.

Simon Green
Executive Director Place
20th July 2016

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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SHEFFIELD RETAIL QUARTER – DELIVERY OF FIRST PHASE

APPENDIX A

SITE PLAN



SCHEME PLAN

NOT TO SCALE FOR IDENTIFICATION PURPOSES ONLY

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