

SHEFFIELD CITY COUNCIL

Economic and Environmental Wellbeing Scrutiny and Policy Development Committee

Meeting held 22 October 2019

PRESENT: Councillors Denise Fox (Chair), Ian Auckland (Deputy Chair),
Dianne Hurst, Alan Hooper, Abdul Khayum, Bryan Lodge,
Mohammed Mahroof, Barbara Masters, Ben Miskell, Moya O'Rourke,
Chris Rosling-Josephs, Martin Smith and Paul Turpin

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Neale Gibson.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 The Chair (Councillor Denise Fox) reported that the additional paper circulated to Members prior to the meeting, and relating to agenda item 8 – Sheffield City Trust Update – was not available to the public and press because it contained exempt information described in Paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended, and that if the content of the paper was to be discussed, the public and press would be excluded from the meeting.

3. DECLARATIONS OF INTEREST

3.1 In relation to Agenda Item 7 (Sheffield City Council Brexit Update), the Chair (Councillor Denise Fox) and Councillor Bryan Lodge declared personal interests as (a) wife of Councillor Terry Fox (Cabinet Member for Finance, Resources and Governance), although he did not hold that position at the time of the referendum, in June, 2016 and (b) as Cabinet Adviser to the Cabinet Member for Finance, Resources and Governance, although, again, he did not hold that position at the time of the referendum, in June 2016, respectively.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of the Committee held on 3rd September, 2019 were approved as a correct record.

5. PUBLIC QUESTIONS AND PETITIONS

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

6. SHEFFIELD CITY COUNCIL BREXIT UPDATE

6.1 The Committee received a report of the Executive Director of Resources providing an update on the Council's Brexit preparations to date, together with an overview of those issues/risks deemed as having the most potential significant impact on the City, and the mitigations developed to address these. The report provided an

overview and details with regard to the activity on the City Council Internal Working Group, the ongoing work with the Sheffield Chamber of Commerce, Voluntary Action Sheffield (VAS) and the Community and Faith Sector. The report identified the four main risk areas – impact on business, supply of medicines, supply of food and the EU Settlement Scheme.

- 6.2 In attendance for this item were Eugene Walker (Executive Director of Resources), Chris Lowry (Policy and Improvement Officer), Tom Sutton (Chamber of Commerce), Maddy Desforges (Voluntary Action Sheffield) and Yvonne Asquith (Business Growth Manager, City Growth).
- 6.3 Chris Lowry reported that the Authority, through working closely with the Chamber of Commerce and Voluntary Action Sheffield (VAS), was in a good position to mitigate any potential risks/impact of Brexit.
- 6.4 Maddy Desforges referred to the work of VAS in terms of looking after the interests of a wide range of community and voluntary organisations, and specifically how the Service could support such organisations in the light of Brexit.
- 6.5 Tom Sutton stated that the Chamber of Commerce was working closely with businesses in the City in order to mitigate any specific elements of risk. This involved individual sessions due to the varying business operations, and focussed on helping them to ensure movement of their goods was maintained.
- 6.6 Members of the Committee raised questions, and the following responses were provided:-
- Whilst the exact figure regarding the number of EU nationals who may be affected as part of their right to remain was not known, it was thought to be in the thousands. The official figures were held by the Government and, through regional arrangements, and by working through the Local Resilience Forum, the Authority was hoping to obtain more accurate figures. There was information and advice on the Council's Intranet for Council employees wishing to apply for UK Settled Status under the EU Settlement Scheme. Feedback received by VAS had indicated that a number of people applying for EU settled status had found the process very difficult and time-consuming.
 - The Chamber of Commerce was well-placed to be able to advise and support businesses on a wide range of practical points, regardless of the outcome of Brexit. As part of the support process, the Chamber had produced an information leaflet and had reviewed documentation on exports, which it would be happy to circulate to Members of the Committee. As part of the Brexit checklist, the Chamber was asking businesses to look at their supply chains, with the aim of ensuring that, as far as possible, their goods would continue to move. Whilst there were some things businesses could do in terms of mitigating any potential adverse effects of Brexit, it was too early to be able to provide any firm confirmation in terms of the actual effects. The Council had used part of the Brexit preparations fund, made available by Government to all councils, to fund two International Trade

Advisor posts (to be based in Sheffield Chamber of Commerce). These advisors would provide advice to businesses regarding any new trading requirements with the EU, and any opportunities that may exist in new markets post Brexit.

- Whilst it was difficult to predict how Sheffield would be affected by the cessation of EU-funded programmes after Brexit, it was apparent that any loss of funding would have an adverse effect on the community and voluntary sector. There had already been a considerable level of lobbying by the Council, through the Core Cities UK Group regarding the UK Shared Prosperity Fund (UKSPF). The Government had previously made it clear that the Fund was to be the successor to, rather than a continuation of, EU structural funding. The Government's published objective was to use the Fund to tackle inequalities between communities by raising productivity and reducing economic disparity between regions of the UK.
- Whilst the information was fairly basic due to the ongoing uncertainty, the Government had invested a considerable sum publicising the potential impact/risks of Brexit. In terms of Council publicity, there was information on the website, both regarding the application process to remain in the UK and advice for businesses, with the latter including contact details for, and links to, the Chamber of Commerce. Officers were also talking to VAS, as well as liaising with people and organisations who were able to disseminate information.
- Regarding the position of schools, the Council had received a letter from Lord Agnew, Parliamentary Undersecretary of State for the School System, sent to academy trusts and local authorities regarding EU exit preparations for schools. The letter contained information and advice in the light of Brexit, which officers had followed up on. Whilst there was still a school meals contract for the few remaining maintained schools in the City, checks of which had recently been undertaken, the Council was seeking advice from the Department for Education with regard to the food chain for academies, which the Council effectively had no control over.
- Whilst appreciating the fact that a number of businesses in the City were struggling, particularly in the retail sector, with the possibility that the position could get worse after Brexit, the Council, whilst being sympathetic, was not in a position to provide any assistance in terms of wholesale business rate reliefs. Of the approximate 19,000 businesses in the City, around 12,000 of them benefitted from some form of rate relief. As part of the current Heart of the City development, a number of new retailers had been attracted to the City, resulting in additional business rates income.
- No specific work had been undertaken with regard to potential adverse effects on the viability of schools in the light of people having to leave the UK, as this issue had not been flagged as a potential risk. The Council had been focusing its attention on looking at the immediate risks.
- At present, there was no appetite in South Yorkshire to undertake an

assessment of the likely economic impacts of Brexit. Sheffield City Region (SCR) had produced such an economic impact assessment during January 2019, and following conversations with colleagues with SCR and the other three South Yorkshire Local Authorities, it was considered that this still reflected the most accurate position currently available due to the ongoing uncertainties associated with Brexit.

- It was agreed that there was a need to carry on identifying the long and medium-term trends regarding the potential impact of Brexit on Sheffield and the wider region. The City Council Internal Working Group would also remain in place, and would continue to assess the potential impact of Brexit on Council Services and the City's residents.
- The Director of Public Health was working closely with the Sheffield Clinical Commissioning Group, who in turn, worked with local pharmacies, and there were plans to put monitoring arrangements in place in connection with the supply of medicines.

6.7 RESOLVED: That the Committee:-

- (a) notes the contents of the report now submitted, together with the comments now made and the responses to the questions raised; and
- (b) thanks Eugene Walker, Chris Lowry, Tom Sutton, Maddy Desforges and Yvonne Asquith for attending the meeting and responding to the questions raised.

7. SHEFFIELD CITY TRUST UPDATE

7.1 The Committee received a report of the Director of Finance and Commercial Services providing an update on the position of Sheffield City Trust following recent issues of cash flow problems. The report contained information on the background to the position, the Trust's current cash flow issues, the work in progress to try and mitigate the problems, a longer-term strategy and next steps.

7.2 In attendance for this item were Eugene Walker (Executive Director of Resources) and Ryan Keyworth (Director of Finance and Commercial Services).

7.3 Ryan Keyworth referred to the report, focusing on the background to the current position. He reported that there had been a long relationship between the Trust and the Council, and the last 10 years of austerity faced by the Council had resulted in significant funding cuts and a consequent increase in the maintenance backlog across its asset base, which included the Council-owned facilities leased to the Trust. Mr. Keyworth stated that the Council and the Trust had been working to reduce the subsidy paid to support the Trust's operations, in stages, from over £5m historically, to zero by 2019/20 and, although a proposal had been agreed, it had proved to be unachievable. The

precise level of the problems facing the Trust became known to the Council in June, 2019 and, following a request for additional funding, the Council commissioned Grant Thornton to undertake a financial review of the Trust. The review had been completed in October, 2019, but due to its confidential nature, although it had been circulated to Members of the Committee, could not be made publicly available. Mr. Keyworth added that it had been agreed in principle that a subsidy of £2.8m a year, together with a one-off payment of around £3m for urgent remedial works be made, and that officers would work with relevant Cabinet Members to look at a longer term strategy.

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

- It was accepted that, given the current financial problems, reaching a zero subsidy during the 2019/20 financial year was not going to be possible. There had been a cash deficit of around £2.8m over the last few years, which was likely to continue in future years.
- The plan for the Council to invest around £3m over the next 18 months to keep the existing facilities open and available to the public would cover only the most essential works, and would hopefully provide the time it needed to develop a longer-term strategy. This amount, which would be in addition to any revenue support that was required to cover the Trust's trading deficit, was included in the Council's 2020/21 budget planning process.
- The Council's existing relationship with the Trust was due to come to an end in 2024, with the end of the Major Sporting Facilities debt. It was acknowledged, however, that this process would not be simple, with a number of transactions needing to be completed, one such transaction included the Luxemburg Bond, that had been used to part-finance the assets managed by the Trust.
- Due to the vast differences in the facilities, mainly regarding their size and age, and, in turn, their running costs, there were separate agreements for each. It had been acknowledged that it was very difficult in this day and age to operate public amenities without subsidies.
- Due to the complicated nature of the lease, the Council was working very closely with the Trust in order to prevent any of the facilities closing. Whilst it was not expected that the Trust would hand back the management responsibilities of any of the facilities prior to the agreement ending on 2024, there were plans in place in order to mitigate this.

- There was no opportunity to alter the terms of the leases between the Authority and the Trust in a way that would improve the financial performance of the Trust.
- It was hoped that, by maintaining its strong relationship with the Trust, there would be no need to amend any terms of the lease. It was hoped that, by continuing this relationship, an appropriate way forward could be agreed on, and a longer-term strategy developed.
- Whilst the Authority was aware that there were financial issues, it was only made aware of the full extent of the situation in June, 2019. Some of the issues go back as far as 1992, when the Trust was set up as an independent charity, of which the Authority had no formal control. The relatively undeveloped cash flow reporting provided to the Trust Board until recently meant that it was not possible for the Trust to forecast the point at which it would require cash flow support further in advance than it did.
- The one-off payment of £3m will be used to enable the day-to-day operation of the facility to continue, in terms of funding urgent remedial works, as well as any works required to meet health and safety standards. This figure had been arrived at following discussions between Council officers and Sheffield International Venues (SIV) to identify a minimum amount to enable the facilities to continue operating. There would be a need for further discussion in terms of how this amount was dealt with as part of the Council's 2020/21 budget planning process.
- The Trust had sought advice in terms of managing its cash flow problems and was trying to do everything it could in order to manage its affairs, which included calling on the Council for further cash flow support following its cash flow flexibility from capital and ticket sales having been exhausted.
- It had been acknowledged that there was a need for detailed discussions in terms of how the facilities were operated in the future.
- The Authority needed to work with the Trust in terms of improvements to its operations management, predominantly regarding maximising the use of the premises in terms of attracting more and bigger events. As part of its efforts to reduce subsidy levels, the Trust had contracts to operate leisure facilities outside the City.
- Whilst there had been issues in terms of management, the Trust had suffered from several years of national austerity, as

well as facing stiff competition from venues in surrounding areas.

- As part of the development of a longer-term strategy, consideration would be given to the important role that the Trust played in terms of improving the wellbeing of residents of the City. SIV have worked with a number of community and voluntary organisations in connection with offering special concessions for targeted individuals or groups of people, and residents could purchase the Sheffield Saver Bus Card or SIV Life Card, to obtain discounts when using the facilities.
- Officers were currently working with the Trust in connection with the level of remedial works required in order to keep the facilities fit for purpose, following the undertaking of building condition surveys. Such work would involve looking at prioritising where the funding was most required. Following the success of Graves Leisure Centre, which was being operated without a subsidy, it had been identified that there was a need to give serious consideration to some of the older facilities.

7.5 RESOLVED: That the public and press be excluded from the meeting before discussion takes place on the confidential paper circulated to Members of the Committee, on the grounds that, if the public and press were present during the transaction of such business, there would be a disclosure to them of exempt information as described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.

7.6 Officers in attendance responded to a number of questions raised by Members of the Committee on the contents of the paper now submitted.

7.7 At this stage in the proceedings, the meeting was re-opened to the public and press.

7.8 RESOLVED: That the Committee:-

- (a) notes the contents of the report now submitted, together with the comments now made and the responses to the questions raised;
- (b) thanks Eugene Walker and Ryan Keyworth for attending the meeting, and responding to the questions raised; and
- (c) requests:-
 - (i) the Director of Finance and Commercial Services to:-
 - (A) submit a report to a future meeting of the

Committee, providing an update on the financial position, following the review due to be completed by the end of October, 2019, and a representative of Sheffield City Trust be invited to attend the meeting; and

- (B) submit a report to a meeting of the Committee, to be held in six months' time, providing an update on the draft strategy, and a representative of Sheffield City Trust be invited to the meeting; and
- (ii) that if any major deviations to the proposed recovery plan become apparent, this information be reported back to the Committee as a matter of urgency.

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

For the Resolution (8) - Councillors Denise Fox, Dianne Hurst, Abdul Khayum, Bryan Lodge, Ben Miskell, Moya O'Rourke, Chris Rosling-Josephs and Paul Turpin

Against the Resolution (5) - Councillors Ian Auckland, Alan Hooper, Mohammed Mahroof, Barbara Masters and Martin Smith.

(NOTE: Prior to the passing of the above resolution, an amended Motion moved by Councillor Martin Smith and seconded by Councillor Ian Auckland, to replace paragraph (c) as follows, was put to the vote and negated:-

“given the nature of the contents of the confidential paper, requests that (i) Sheffield City Trust submit a final copy of the report to a meeting of the Committee at the earliest possible opportunity, and give the Trust an opportunity to address the Committee and (ii) no further cash be handed to the Trust beyond any current commitment until the concerns regarding alleged mismanagement have been addressed, and appropriate controls and measures have been put in place.”

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

For the Motion (6) - Councillors Ian Auckland, Alan Hooper, Mohammed Mahroof, Barbara Masters, Martin Smith and Paul Turpin.

Against the Motion (7) - Councillors Denise Fox, Dianne Hurst, Abdul Khayum, Brian Lodge,

Ben Miskell, Moya O'Rourke and
Chris Rosling-Josephs)

8. WORK PROGRAMME 2019/20

- 8.1 The Committee received a report of the Policy and Improvement Officer (Alice Nicholson) containing the Work Programme for 2019/20.
- 8.2 RESOLVED: That the Committee notes and approves the contents of the Work Programme for 2019/20.

9. DATE OF NEXT MEETING

- 9.1 It was noted that the next meeting of the Committee would be held on Tuesday, 12th November, 2019, at 4.30 p.m., in the Town Hall.