

Cabinet

Wednesday 15 July 2020 at 2.00 pm

To be held as an online video conference.

The Press and Public are Welcome to Attend

Membership

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

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 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. Please see the Council's website for details of how to access the remote meeting.

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 Craig Rogerson on 0114 273 4014 or email craig.rogerson@sheffield.gov.uk.

**CABINET AGENDA
15 JULY 2020**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of Public and Press**
To identify items where resolutions may be moved to exclude the press and public
- 4. Declarations of Interest** (Pages 1 - 4)
Members to declare any interests they have in the business to be considered at the meeting
- 5. Public Questions and Petitions**
To receive any questions or petitions from members of the public.

(NOTE: In accordance with the arrangements published on the Council's website in relation to meetings of the Cabinet held remotely, questions/petitions are required to be submitted in writing, to committee@sheffield.gov.uk, by 9.00 a.m. on Monday 13th July.)
- 6. Coronavirus (Covid-19) Update**
Director of Public Health to report
- 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 5 - 8)
Report of the Executive Director, Resources.
- 9. Month 2 Capital Approvals 2020/21** (Pages 9 - 28)
Report of the Executive Director, Resources.
- 10. Revenue Budget and Capital Programme Monitoring 2020/21 - as at 31/05/2020** (Pages 29 - 44)
Report of the Executive Director, Resources.
- 11. Update on Delivery of Heart of the City 2 Development*** (Pages 45 - 108)
Report of the Executive Director, Place and Executive Director, Resources

*(NOTE: The Appendices to the report at item 11 in the agenda are not available to the public and press because they contains exempt information described in paragraph 3 of Schedule 12A to the Local Government Act 1972, as amended.)

**NOTE: The next meeting of Cabinet will be held on
Wednesday 23 September 2020 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 Audit and Standards Committee in relation to a request for dispensation.

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

This page is intentionally left blank



Author/Lead Officer of Report:
Paul Robinson/Principal Committee Secretary

Tel: 27 34029

Report of: *Executive Director, Resources*

Report to: *Cabinet*

Date of Decision: *15 July 2020*

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 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 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>Portfolio</u>		<u>Years' Service</u>
<u>People</u>		
Helen Stokes	Headteacher, Waterthorpe Nursery Infant School	24

This page is intentionally left blank



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

Tel: 0114 273 6831

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

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

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

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

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

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

Does the report contain confidential or exempt information? Yes No

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

Purpose of Report:

This report provides details of proposed changes to the Capital Programme as brought forward in Month 2 2020/21.

Recommendations:

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

Background Papers:

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: <i>Tim Hardie</i>
	Legal: <i>Sarah Bennett</i>
	Equalities: No
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission: <i>Eugene Walker</i>
3	Cabinet Member consulted: <i>Terry Fox</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	Lead Officer Name: <i>Damian Watkinson</i>
	Job Title: <i>Finance Manager Business Partner Capital</i>
Date: 01/07/2020	

MONTH 02 2020/21 CAPITAL APPROVALS**1. SUMMARY**

1.1 A number of schemes have been submitted for approval in line with the Council's capital approval process during the Month 02 reporting cycle. This report requests the relevant approvals and delegations to allow these schemes to progress.

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

- 6 additions of specific projects to the capital programme creating a net increase of £1.346m
- 8 variations of specific projects in the capital programme creating a net reduction of £5.905m
- 1 variation to procurement strategy

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

2. WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

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

3. BACKGROUND

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

4. OUTCOME AND SUSTAINABILITY

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

5. OTHER IMPLICATIONS

5.1 Finance Implications

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

5.2 Procurement and Contract Award Implications

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

5.3 Legal Implications

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

5.4 Human Resource Implications

There are no direct Human Resource implications for the Council.

5.5 Property Implications

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

6. ALTERNATIVE OPTIONS CONSIDERED

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

7. REASONS FOR RECOMMENDATIONS

- 7.1 The proposed changes to the Capital programme will improve the services to the people of Sheffield
- 7.2 To formally record changes to the Capital Programme and gain the relevant approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.
- 7.3 Obtain the relevant delegations to allow projects to proceed.

Finance & Commercial Service – June 2020

Scheme name / summary description		Value £'000
A	Economic growth	
	New additions	
	None	
	Variations and reasons for change	
	None	
B	Transport	
Page 13	New additions	
	<p>Electric Vans Trial</p> <p>Why do we need the project?</p> <p>Air pollution contributes to 500 deaths a year in Sheffield, causing strokes, lung cancer and cardiovascular disease. The biggest cause of this pollution is transport, especially diesel vehicles.</p> <p>The Council has just consulted on the introduction of a 'category C' Clean Air Zone and has also declared a climate emergency which necessitates a move away from the use of traditional fossil fuels, to cleaner technologies such as electric.</p> <p>As part of a combination of measures, a partnership project with Highways England is proposed. An 'Electric Van Centre of Excellence' scheme (operated by Transport Services) will provide local fleet operators with an opportunity to gain operational experience with electric vans - via a vehicle loans scheme which will operate for 2 years - with the intention that this will act as a precursor to purchasing similar vehicles on a permanent basis. There will be a priority focus on those businesses in the Lower Don Valley likely to make use of both the local and Strategic Road Network.</p> <p>Following the loan scheme period the purchased vans will remain the property of Sheffield City Council.</p> <p>How are we going to achieve it?</p> <p>Sheffield City Council has received grant funding of £896k from Highways England to purchase the electric vans and chargers:</p> <ul style="list-style-type: none"> • 30 electric vans • 5 rapid chargers • 10 slow chargers for Staniforth Road & Manor Lane depots <p>The vans will be stored at both depots and the day to day operation of the vehicle loan scheme will be funded by revenue on an invest to save basis</p>	+896

Page 14	<p>through savings generated by the incorporation of the vans into the SCC fleet at the end of the trial period.</p> <p>What are the benefits?</p> <p>The aim is to achieve 288 electric vehicle loans to businesses.</p> <p>Benefits :</p> <ul style="list-style-type: none"> • Direct NOx savings: estimated 277kg/yr • Direct CO2 savings: estimated 97 tonnes/yr <p>When will the project be completed?</p> <p>November 2022</p>							
	Funding Source	Highways England	Amount	£896k	Status	Accepted	Approved	
	Procurement	<ul style="list-style-type: none"> i. Electric vans by mini-competition or direct award via the CCS Vehicle or TPPL Hertfordshire Vehicle frameworks. ii. Telematics by call-off from the Council’s existing corporate Telematics contract. iii. Slow and fast chargers by competitive quotations. iv. Rapid chargers by instruction via the Council’s existing EV Rapid Charger contract. 						
<p>E Cargo Bikes</p> <p>Why do we need the project?</p> <p>Sheffield City Council has been awarded a grant of £156k by Energy Saving Trust to enable 26 local businesses to access ecargo bikes. The total number of bikes to be purchased is 32.</p> <p>This scheme will benefit those that operate in and around the Clean Air Zone [CAZ] and those that need to travel in and out of it, as many of these bikes will be replacing vans. In other instances it will allow inter-site deliveries to be undertaken by more sustainable mode. It meets two of Sheffield City Region’s transport strategy policies – enhancing productivity by making our transport system faster, and moving toward a low carbon transport network. It is estimated to take 34 vehicles off the road that currently travel 53,000 local miles per annum.</p> <p>How are we going to achieve it?</p> <p>The grant will cover 90% of the purchase price with the remaining 10% being matched funded by the businesses. The grant will be passported to Heeley Development Trust which is co-ordinating procurement of the equipment.</p> <p>The grant end date is 30 November 2020.</p> <p>What are the benefits</p>								+156

	<ul style="list-style-type: none"> • Improve local air quality across the city and reduce the contribution towards and negative impacts of, climate change • Enable access to social and economic opportunities to improve people’s lives, reduce barriers to participation and to support economic growth through improved productivity, across the city and beyond • Reduce delivery costs <p>When will the project be completed? [November 2020]</p>								
	<table border="1"> <tr> <td data-bbox="170 464 320 560">Funding Source</td> <td data-bbox="320 464 555 560">Energy Saving Trust</td> <td data-bbox="555 464 692 560">Amount</td> <td data-bbox="692 464 943 560">156k</td> <td data-bbox="943 464 1547 560">Status</td> <td data-bbox="1547 464 1751 560">Approved</td> <td data-bbox="1751 464 2000 560"></td> </tr> </table>	Funding Source	Energy Saving Trust	Amount	156k	Status	Approved		
Funding Source	Energy Saving Trust	Amount	156k	Status	Approved				
	<p>Procurement i. E cargo bikes will be procured by Heeley Development Trust on behalf of the local businesses.</p>								
<p>Variations and reasons for change</p>									
<p>Page 15</p>	<p>Transforming Cities Fund [TCF] Budget Changes [TCF City Centre & TCF Housing Zone North]</p> <p>Scheme description</p> <p>TCF City Centre and TCF Housing Zone North projects form part of a number of projects linked to the TCF2 Bid and are currently approved to undertake feasibility works:</p> <p>TCF City Centre – The project will deliver a package of highways infrastructure and public realm works, with the following aims:</p> <ul style="list-style-type: none"> • A coherent bus network. Less confusing boarding and alighting arrangements with simplified bus stopping patterns for passengers. • Increase in uptake of active travel options, vibrant city living. Specifically to increase the number of people walking and cycling between the city centre and development areas. • Reduced bus mileage in the city centre. • Faster bus transition times around and across the city centre, including in periods of severe congestion. <p>TCF Housing Zone North - This scheme has 2 primary aims:</p> <ul style="list-style-type: none"> • To enable shorter trips to the city centre by creating clearer, safer active travel (walking and cycling) opportunities, connecting Sheffield City Centre to Neepsend and Burngreave / The Wicker via Kelham Island. • To deliver public transport priority and infrastructure works; bus stop enhancements to reduce bus journey times through Kelham Island / Neepsend aiming to make bus use more attractive <p>What has changed?</p> <p>£30k has been moved from the TCF Housing Zone project to the TCF City Centre budget to align with the expected project costs.</p> <p>Variation type: -</p> <ul style="list-style-type: none"> • [budget re-allocation] 					<p>+30k -30k</p>			

	Funding	Transforming Cities Fund [TCF]	
	Procurement	N/A as previously approved	
Page 16	Transforming Cities E Bikes		+100
	Scheme description		
	<p>The Council have previously accepted and received Transforming Cities Funds to purchase a selection of e bikes to enable inclusive cycling, and support operational need. The main aim of the scheme is to enable mobility, fill in gaps around Public Transport, address health issues (both short and long term) and create operational flexibility. They will allow people to cycle further than they currently do by overcoming the topographical challenges of the city.</p> <p>Under the scheme, Sheffield City Council will aim to have in operation a significant number of hybrid type e bikes (circa 185) plus in the region of 15 specialist bikes, including those suitable for dedicated operations (Police Community Support Officers, Civil Enforcement Officers etc.) and adaptive bikes suitable for the disabled and the elderly. The total number within the fleet will be a minimum 200.</p>		
	<p>What has changed?</p> <p>The funding provider has recently increased the overall funding for the E Bikes project from £335k to £435k [increase of £100k] to enable the purchase of 8 small cargo bikes. Four of these will be utilised in the cycle boost scheme and offered out as a try before you buy scheme and four will be for the Sheffield City Council fleet.</p> <p>The estimated cost of the 8 additional bikes is £50k and the additional funding is to be used to cover increased costs on the original bikes to improve their specification.</p> <p>Variation type: -</p> <ul style="list-style-type: none"> • [budget increase] • [scope] 		
	Funding	Transforming Cities Fund	
	Procurement	N/A No change from original approval	
C	Quality of life		
	New additions		

	None	
	Variations and reasons for change	
	None	
D	Green and open spaces	
	New additions	
	None	
	Variations and reasons for change	
	None	
Page 17	Housing growth	
	New additions	
	None	
	Variations and reasons for change	
	None	
F	Housing investment	
	New additions	
	<p>External Wall Insulation Phase 3 – PRC Various Homes FEASIBILITY</p> <p>Why do we need the project? These particular non-traditional houses are known to be relatively cold and damp. In some cases, they suffer from structural defects, and are therefore in need of refurbishment. This is part of a programme of work led by Housing that has been introduced to address these issues.</p> <p>The house types included are:</p>	+77

- Malthouses (Parson Cross)
- Prefabs (Ecclesfield/High Green and Stannington)
- Iron Houses (Mortomley)
- Wates (Parson Cross, Stannington and Stradbroke)
- 5Ms (Weakland)

Total number of houses in this project: 270

How are we going to achieve it?

Feasibility:

- Intrusive surveys
- Assessment of proposed systems, and detailed analysis of requirements for the various types of property
- Detailed exploration of alternative remedial solutions (as described above), including dialogue with BRE Global;
- Development of detailed budget estimate and procurement strategy for the various types of property
- Assessment of specific elements including:
 - o Potential energy savings / SAP calculations for each repair system;
 - o Dialogue with SCC Planning Team regarding finishes and design considerations.

What are the benefits?

Objectives

Carry out a feasibility study into the various dwelling types and submit a Feasibility Report containing an options appraisal, structural strategy, architectural strategy, environmental assessment and details, approximate quantities with estimated costs. A draft delivery programme will also be included.

Outputs

Measured survey of types, drawing/models, detailed survey of vacant property, prepare section details and develop construction / technical strategy.

Benefits

To categorise the structural issues affecting the dwelling and upgrade the dwellings in line with Part L of the Building Regulations (2010) by adding external wall insulation to improve both the energy efficiency of the dwellings envelope and increase the overall air-tightness of the home by eliminating air leakage through the external walls. Not only will the thermal efficiency be improved, but this will also help to reduce heating bills and carbon emissions in the future, creating a strong and waterproof external skin.

Costs

CDS Fees	£18.6K
Consultant Fees	£79.4K
Surveys	£5.0K
TOTAL	£103.0K

Budget

Page 19	Previous £1.1K (CDS Fees) 19/20 £24.5K (Consultant Fees) 20/21 £77.4K TOTAL £103.0K Funding Already funded by HRA block allocation £25.6K To Draw down from HRA block allocation £77.4K TOTAL £103.0K							
	Funding Source	HRA block allocation	Amount	£77K	Status		Approved	Homes Board June 20
	Procurement		i. Architect, Principal Designer and Structural Engineers procured via the Capital Service Delivery Partner framework. ii. Asbestos survey by call-off from Asbestos Surveying, Testing and Reporting contract. iii. Project and cost management in-house by the Capital Delivery Service.					
Variations and reasons for change								
	250 Barnsley Road Temporary Accommodation Scheme description Following a review of temporary emergency accommodation in 2017, a proposal to develop a new purpose built facility that will integrate provision for all customer groups - with assessment as well as accommodation services - has been approved, but this facility will not become available until 2021. An interim solution is therefore required to meet current need in the city. The plan is to convert 250 Barnsley Road to provide up to 13, short term, (2-3 nights) emergency homeless places, including 2 accessible rooms, on an interim basis until the permanent solution is in place. The facility is intended to be for single women and single women with children. What has changed? Due to the current Covid19 crisis, the Contractor took the decision to close the site on 27 March after being on-site for 5 weeks. The site reopened again on the 11 May with a forecast completion date of the 24 July. Since re-starting on site issues have been discovered that will incur additional costs to enable the project to be completed. The main reasons for the change since the Contract Award are: <ul style="list-style-type: none"> • A leak in the roof valley gutter occurred when it backed up and overflowed before the Contractor started on site, leading to significant damage to structural timbers, ceilings and wall finishes within the dwelling. As a result, a number of Contract Administrator's Instructions were issued to dry out the structure and repair the damage caused internally; £8K • Issues also identified once demolition works began leading to further instructions being issued for additional lintels, replacement structural timbers and removing an unsupported brickwork hearth at first floor level; £6.4K 							+32

Page 20	<ul style="list-style-type: none"> Further works anticipated once works re-start, such as further repairs to the roof structure, gutters and fascia boards, as well as the requirement for additional internal walls to be stripped and plastered; £13.8K Additional CDS fees agreed between the Client and CDS; £14.3K A planning application was required which was not foreseen at Contract Award; £0.2K <p>Total additional costs £42.7K</p> <p>The recommendation is to use £10.6K of the contingency bringing the additional budget required down to £32.1K This would leave a contingency of £10K for any other unforeseen issues.</p> <p>Variation type: - Budget Increase</p> <p>Budget</p> <table> <tr> <td>Previous Yrs</td> <td>£83.8K</td> </tr> <tr> <td>20/21 Current Budget</td> <td>$£361.5K + £32.1K = £393.6K$</td> </tr> <tr> <td>Total Project Budget</td> <td>$£445.3K + £32.1K = £477.4K$</td> </tr> </table> <p>Funding</p> <table> <tr> <td>HRA via Q0084</td> <td>$£343.0K + 32.1k$</td> </tr> <tr> <td>TOTAL</td> <td>$£445.3K + £32.1K = £477.4K$</td> </tr> </table>		Previous Yrs	£83.8K	20/21 Current Budget	$£361.5K + £32.1K = £393.6K$	Total Project Budget	$£445.3K + £32.1K = £477.4K$	HRA via Q0084	$£343.0K + 32.1k$	TOTAL	$£445.3K + £32.1K = £477.4K$	
	Previous Yrs	£83.8K											
	20/21 Current Budget	$£361.5K + £32.1K = £393.6K$											
Total Project Budget	$£445.3K + £32.1K = £477.4K$												
HRA via Q0084	$£343.0K + 32.1k$												
TOTAL	$£445.3K + £32.1K = £477.4K$												
Funding	HRA												
Procurement	N/A No change												
	<p>HRA Heating, Energy Efficiency & Carbon Reduction Block Allocation</p> <p>Scheme description Block allocation to fund schemes that improve heating, energy efficiency, and carbon reduction within the Housing Stock.</p> <p>What has changed? £77.4K more funding is required for the feasibility works on the External Wall Insulation Phase 3 scheme, see Additions section above.</p> <p>Variation type: - Budget Decrease</p> <p>Budget</p> <table> <tr> <td>20/21 Current Budget</td> <td>$£4,783.8K - £77.4K = £4,706.4K$</td> </tr> <tr> <td>20-25 Current Budget</td> <td>$£29,129.1K - £77.4K = £29,051.7K$</td> </tr> </table>	20/21 Current Budget	$£4,783.8K - £77.4K = £4,706.4K$	20-25 Current Budget	$£29,129.1K - £77.4K = £29,051.7K$	-77							
20/21 Current Budget	$£4,783.8K - £77.4K = £4,706.4K$												
20-25 Current Budget	$£29,129.1K - £77.4K = £29,051.7K$												

	Funding	HRA	
	Procurement	N/A	
	HRA Health & Safety Essential Work Block Allocation Scheme description Block allocation to fund schemes that are necessary to improve Health and Safety of the Housing Stock. What has changed? £32.1K more funding is required for the Barnsley Road Temporary Accommodation scheme, see the Variations entry above. Variation type: - Budget Decrease Budget 20/21 Current Budget £6,717.1K - £32.1K = £6,685.0K 20-25 Current Budget £55,456.1K - £32.1K = £55,424.0K		-32
Funding	HRA		
Procurement	N/A		
Page 21			
	G People – capital and growth		
New additions			
	King Edward VII School Access Gates Why do we need the project? <ul style="list-style-type: none"> • What is the problem we are trying to address? <ul style="list-style-type: none"> ○ King Edwards Swimming Pool is a much-utilised facility on the wider King Edwards site, which is operated by a Trust on lease from Sheffield City Council. ○ Historically, users of the King Edwards Swimming Pool have had access to the school car park, which has been vital to the pool’s sustainability (due to parking restrictions on surrounding roads). ○ The school’s intention is now to install gates and access controls to improve safeguarding by providing a safe and secure environment for pupils and staff whilst on site - the ‘open-access’ nature of the site has been raised during inspection of the school. The original 		+102.5

scope of these works would have prevented car park access to swimming pool users

- Why do we need to address it now?
 - Discussions on this have been ongoing for the last 18 months to agree a solution that would retain car park access to pool users without compromising the safety of the school site. An agreement has now been reached.
- Implications of not doing it now?
 - Potential cost increases and planning permission has recently been granted for the installation of the gates (Feb 19) would have to be re-sought.

How are we going to achieve it?

- Proposed solution / recommended option:
 - The school are proposing an access control system on the gates and would provide the pool with access that could be issued to families booked onto swimming lessons enabling them to give access to the site.
 - The school has now been out to tender for the works and is looking to appoint a contractor at a price of £160,980.
 - Approval is sought to make a contribution of £102.5k (£100k grant plus a £2.5k contribution for SCC legal fees) towards the cost of the work (from historic education funding) in recognition of the fact that:
 - - limiting access to the site was an issue that the Authority had previously tried to address; and
 - - a condition of any funding would secure continued public access to the swimming pool.

It is recommended that a grant of £100k be offered to the school subject to the completion of a signed funding agreement together with a shared use agreement over the operation and management of the gates and access and parking arrangement for the site.

What are the benefits?

- Outputs: The access control system and gates now proposed would provide the pool with access that could be issued to families booked onto swimming lessons enabling them to give access to the site without restriction.

When will the project be completed?

August 2020

Funding Source	Historic Devolved Formula Capital (DFC)	Amount	£102.5k	Status		Approved	
Procurement		i)	Legal Fees – SCC Legal Service				
		ii)	£100k Construction cost: N/A grant to school				

	<p>Rivelin Primary Gas Supply</p> <p>Why do we need the project?</p> <ul style="list-style-type: none"> • What is the problem we are trying to address? <ul style="list-style-type: none"> ○ In April 2020 our in-house repairs service, Corporate Repairs and Maintenance (CR&M) carried out their annual gas service at Rivelin Primary School. ○ CR&M have identified an issue of reduced gas pressure / flow rate. The likely cause of this is corrosion of the existing steel pipework, which reduces the internal pipe size. ○ To resolve this (and to meet the boiler manufacturer’s minimum requirements), CR&M have advised that the size of the supply pipework from the boundary to the rear of building B will need to be increased from 2” to 3”, and that a larger gas meter (U656) will also need to be installed. • Why do we need to address it now? <ul style="list-style-type: none"> ○ The service identified that the gas pressure / flow rate feeding the 2 heating boilers did not meet the boiler manufacturer’s minimum requirements. To protect against this the service engineer isolated one of the boilers reducing the overall heat output and the efficiency of the system. ○ The above works will also future-proof the supply to the building, should additional gas appliances need to be connected at a later date. • Implications of not doing it now? <ul style="list-style-type: none"> ○ If the problem is left unchecked, it could lead to a potentially dangerous situation. <p>How are we going to achieve it?</p> <ul style="list-style-type: none"> • What is the proposed solution / recommended option? <ul style="list-style-type: none"> ○ As above. A feasibility study has not been requested as the scope of the work is only to replace the existing corroded supply pipe and meter with a new larger capacity supply pipe and meter. <p>What are the benefits?</p> <ul style="list-style-type: none"> • Objectives: The system will be able to operate at maximum efficiency, reducing running costs and carbon emissions • Outputs: The system will be able to supply the required heat outputs even in a cold winter • Benefits: The council will meet its legal obligation under “The Workplace (Health, Safety and Welfare) Regulations 1992”. <p>When will the project be completed?</p> <p>October 2020</p>	<p>+29</p>
--	---	------------

	Funding Source	DfE Building Condition Allocation	Amount	£28.7k	Status		Approved			
	Procurement	i. Direct award to the Council's in-house Corporate Repairs and Maintenance Service								
Page 24	<p>Minor Works Grants (20_21)</p> <p>Why do we need the project?</p> <ul style="list-style-type: none"> • What is the problem we are trying to address? <ul style="list-style-type: none"> ○ Changes to the Private Sector Housing Assistance Policy have given the opportunity for more flexible use of the Disabled Facilities Capital grant, which will allow maximum value to be extracted from the funding. ○ To provide minor adaptations for clients within their home environment, enabling them to remain safe and well in their own homes for longer. Carrying out this type of work can help relieve pressure on public services by enabling people to stay in their own homes for longer. • Why do we need to address it now? <ul style="list-style-type: none"> ○ Following increases to the annual Disabled Facilities Grant funding, capacity to deliver - and demand - for traditional Disabled Facilities Grants from households has not kept pace, resulting in under-utilisation of the grant funding. • What are the implications of not doing it now? <ul style="list-style-type: none"> ○ Continuing under-utilisation of the funding will result in missed opportunities for investment in much needed social care support for Sheffield people. <p>How are we going to achieve it?</p> <ul style="list-style-type: none"> • Proposed solution / recommended option: <ul style="list-style-type: none"> ○ Installation of equipment which will enable clients to live independently at home for longer. ○ Project to be delivered by Adaptations Housing and Health. <p>What are the benefits?</p> <ul style="list-style-type: none"> • Objectives: People remaining safely in own homes. • Outputs: Estimated 565 People assisted. • Benefits: <ul style="list-style-type: none"> ○ Reduced hospital admissions / budget savings from more efficient care. 								+85	

	<ul style="list-style-type: none"> ○ Cashable benefit of an £85k 2020/21 Revenue saving. ○ Additional benefits are difficult to quantify but home-based adaptive works likely to result in cost savings to health and social care. <p>When will the project be completed? Ongoing programme of works</p>									
	<table border="1"> <thead> <tr> <th data-bbox="168 411 320 507">Funding Source</th> <td data-bbox="320 411 555 507">Disabled Facilities Grant</td> <th data-bbox="555 411 692 507">Amount</th> <td data-bbox="692 411 943 507">£85k</td> <th data-bbox="943 411 1547 507">Status</th> <td data-bbox="1547 411 1749 507"></td> <th data-bbox="1749 411 1998 507">Approved</th> <td data-bbox="1998 411 2161 507"></td> </tr> </thead> </table>	Funding Source	Disabled Facilities Grant	Amount	£85k	Status		Approved		
Funding Source	Disabled Facilities Grant	Amount	£85k	Status		Approved				
	<p>Procurement</p> <ul style="list-style-type: none"> i. Equipment and stairlift installations through existing corporate contracts ii. Adaptation works delivered by grant recipient’s choice of contractor; SCC provides potential list of local contractors registered on Constructionline for recipient’s consideration ii. Competitive quotations for any goods or works not covered by the above. 									
<p>Page 25</p> <p>Variations and reasons for change</p>	<p>Pipworth Primary School Structural Works (Pipworth Dining Pod)</p> <p>Scheme description</p> <ul style="list-style-type: none"> • This project was originally proposed in order to develop and cost a permanent solution for a new dining hall at Pipworth Primary School. • Structural cracks were originally identified on the rear wall of the dining hall on the 30th August 2018. Emergency propping and bracing stabilised the wall but there are signs that the underlying cause persists. These measures were intended as temporary until a permanent solution could be developed and installed. • Unfortunately, the nature of the ground surrounding the dining hall has made it difficult to identify the exact cause of the movement and consequently to determine cost effective permanent remedial measures. The structural cracks also create health risks. <p>What has changed?</p> <ul style="list-style-type: none"> • An Outline Business Case Budget of £810,000 was approved at Cabinet in April 2020. • Due to the original requirement to have the dining pod constructed over the school summer holidays (now put back to September due to Covid 19), the budget was set before the design work and structural / ground surveys had been undertaken. • As the design has developed and ground conditions identified, the original design has been adapted to the site requirements. It is now estimated that construction costs have increased. Items identified where costs have increase are listed below: <ul style="list-style-type: none"> ○ The requirement for the building to have access ramps due to ground levels ○ Additional demolition and ground works to accommodate change in location of new dining pod ○ Discovery of housing previously on site of new dining pod so possibility of additional ground works to accommodate dining pod foundations ○ Increased cost for the supply of canopy ○ Gas connection costs have increased 	<p>+70</p>								

	<p>Variation type: -</p> <ul style="list-style-type: none"> • Budget increase: <ul style="list-style-type: none"> ○ To ensure we stay within the project budget and so can award the contract in July (preventing further programme delays) it would be prudent to increase the budget. This will ensure the above items are covered and a sensible operating contingency is maintained. ○ It is estimated that an increase of £50k to the construction budget and £20k to the contingency - totalling £70k - is required. 			
	<table border="1"> <tr> <td data-bbox="168 443 324 507">Funding</td> <td data-bbox="324 443 1998 507">DfE Condition Fund Allocation</td> </tr> </table>	Funding	DfE Condition Fund Allocation	
Funding	DfE Condition Fund Allocation			
	<table border="1"> <tr> <td data-bbox="168 507 548 571">Procurement</td> <td data-bbox="548 507 1998 571">As previously approved</td> </tr> </table>	Procurement	As previously approved	
Procurement	As previously approved			
<p>Page 26</p>	<p>Shooters Grove Primary School – Electrical Works</p> <p>Scheme description</p> <ul style="list-style-type: none"> • Most of the School’s wiring systems have not been renewed since installation over 40 years ago. • The condition of the installation is best described as poor-fair overall (as at July 2019). • Specifically: <ul style="list-style-type: none"> ○ RCD (residual current device) protection is lacking; ○ CPD (circuit protective device) protection is obsolete; ○ Provision for electrical appliances is poor by present standards creating a risk of over-reliance on extension sockets; ○ Although the emergency lighting was replaced in 2015 the luminaires have not proved reliable in use; ○ Existing supply is close to capacity and there are additional demands already known: ○ Phase 2 accessibility improvements – these include 1no. platform lift and 1 no. new hygiene room to serve the KS2 accommodation and are required at the latest by 1st September 2022; ○ Replacement of a gas cooker by an electric cooker in the kitchen – this cannot proceed until the electrical supply to the kitchen is upgraded; • The above issues correlate with concerns raised by the School. <p>What has changed?</p> <ul style="list-style-type: none"> • An original budgeted amount of £687k was previously approved as an estimated total cost. • Following tender returns, a Contract Award was able to be issued for a revised total cost of £520.8k • In order to mitigate the remaining risks associated with upgrading the mains supply - and the potential for COVID-19 related delays - we recommend that the original £50.2k contingency value is retained, despite the tender returns for the contract being lower than anticipated. This will result in a disproportionately high contingency in relation to the contract value, but given the remaining risks and uncertainty around the impacts of COVID-19, we think it is prudent to retain the higher level of contingency. <p>Variation type: -</p> <ul style="list-style-type: none"> • Budget decrease of £166.2k, following a successful tender exercise. 	<p>-166</p>		

	Funding	Saving to be returned to the DfE Condition Fund Allocation pot		
	Procurement	N/A		
Page 27	Bents Green School Expansion Special Educational Needs and Disability (SEND) Implementation			0
	Scheme description			
	<ul style="list-style-type: none"> This scheme was initially approved to provide an additional 42 places at Bents Green School to meet the demand for places in September 2020. Original plans were for this provision to be delivered on the Bents Green site. During the detailed planning stage of the scheme, significant risks emerged relating to increased costs (from £0.85m to £1.1m) and potential planning condition issues. Therefore, in May 2020 a decision was taken via the capital approvals process to provide the required places through the utilisation of the Gleadless Nursery and Infant School Site. 			
	What has changed?			
<ul style="list-style-type: none"> Initial scoping of the works has been undertaken and a contractor needs to be appointed urgently to ensure works are delivered to meet the need for places from September 2020. This appointment will be via a variation to an existing contract for similar works. It is anticipated that the cost of these works will be significantly less than the £850k identified for the original scheme on the Bents Green Site. When the costs are confirmed a budget variation to reflect this will be brought forward 				
Variation type: -				
<ul style="list-style-type: none"> Change of Procurement Strategy 				
	Funding	Special Provision Capital		
	Procurement	Via variation to existing contract		
H	Essential compliance and maintenance			
	New additions			
	None			
	Variations and reasons for change			
	None			

I	Heart of the City II		
	New additions		
	None		
	Variations and reasons for change		
Page 28	H Henrys Block [Heart of the City 2 – HOCII]		-5,832
	Scheme description		
	<p>Heart of the City 2 seeks to transform Sheffield city centre with an improved retail, working, leisure and living environment. Cabinet Approval in March 2018 was for a phased delivery approach. Block H (between Cambridge Street and Carver Street) is part of phase 2 of the HOC II delivery programme and consists of two elements: a 72,000 sq. foot office which will be sited behind the HSBC offices and a collection of retail, food and entertainment venues located on Wellington / Cambridge Street (to be known as Cambridge Street Collective).</p> <p>In 2019, a potential anchor tenant was identified for the office block. In order to meet their access requirements, the construction phase of the development block was brought forward, leading to a budget approval of £62m in September 19. However the potential tenant moved into Block D and subsequently the construction procurement was put on hold. Further design works were conducted which included measures to retain more of the existing buildings and improve the environmental performance of the office. As the budget was already approved the construction tender has now commenced with the SSQ stage.</p>		
	<p>What has changed?</p> <p>The revised design has resulted in a significant reduction in the budget requirement and the budget profile now reflects the revised construction programme. It will be aligned with the tender for a food hall/venue operator. The savings are approximately £5.8m. The construction tender will include phases of build so that not all works will be committed until tenants have been secured for the office and Cambridge Street Collective. Further budget approval will be sought at contract award stage providing the market responses are in line with expectations in terms of pricing and risk share.</p> <p>Variation type: -</p> <ul style="list-style-type: none"> [budget reduction] 		
Funding	Prudential Borrowing		
Procurement	No change		



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

Tel: 0114 273 5872

Report of: *Eugene Walker*

Report to: *Cabinet*

Date of Decision: *6th July 2020*

Subject: *Revenue and Capital Budget Monitoring 2020/21 –
As at 31st May 2020*

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


Purpose of Report:

This report provides the outturn monitoring statement on the City Council's Revenue and Capital Budget as at the end of Month 2, 2020/21

Recommendations:

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

Background Papers:

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>Dave Phillips</i>
		Legal: <i>Sarah Bennett</i>
		Equalities: No
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	EMT member who approved submission:	<i>Eugene Walker</i>
3	Cabinet Member consulted:	<i>Councillor Terry Fox Cabinet member for Finance and Resources</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Dave Phillips</i> 	Job Title: <i>Head of Strategic Finance</i>
	Date: 6 th July 2020	

1. PROPOSAL

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

2. HOW DOES THIS DECISION CONTRIBUTE?

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

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 *No*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

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

4.2 Financial and Commercial Implications

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

4.3 Legal Implications

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

4.4 Other Implications

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

5. ALTERNATIVE OPTIONS CONSIDERED

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

6. REASONS FOR RECOMMENDATIONS

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



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

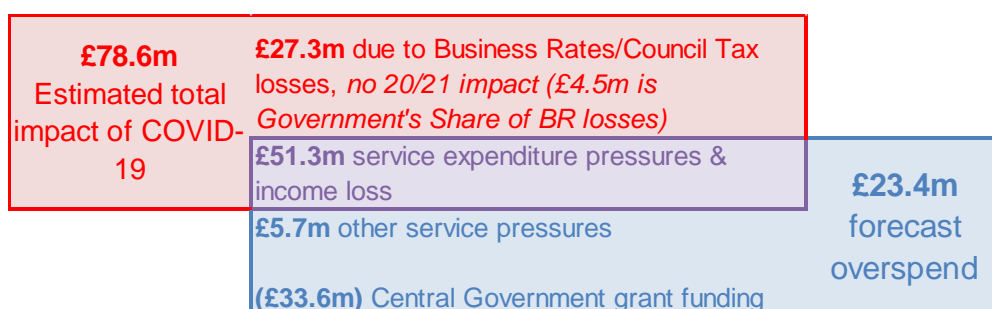
Report author: Dave Phillips, Head of Strategic Finance

Purpose of the Report

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

Summary

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



Response to the position

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

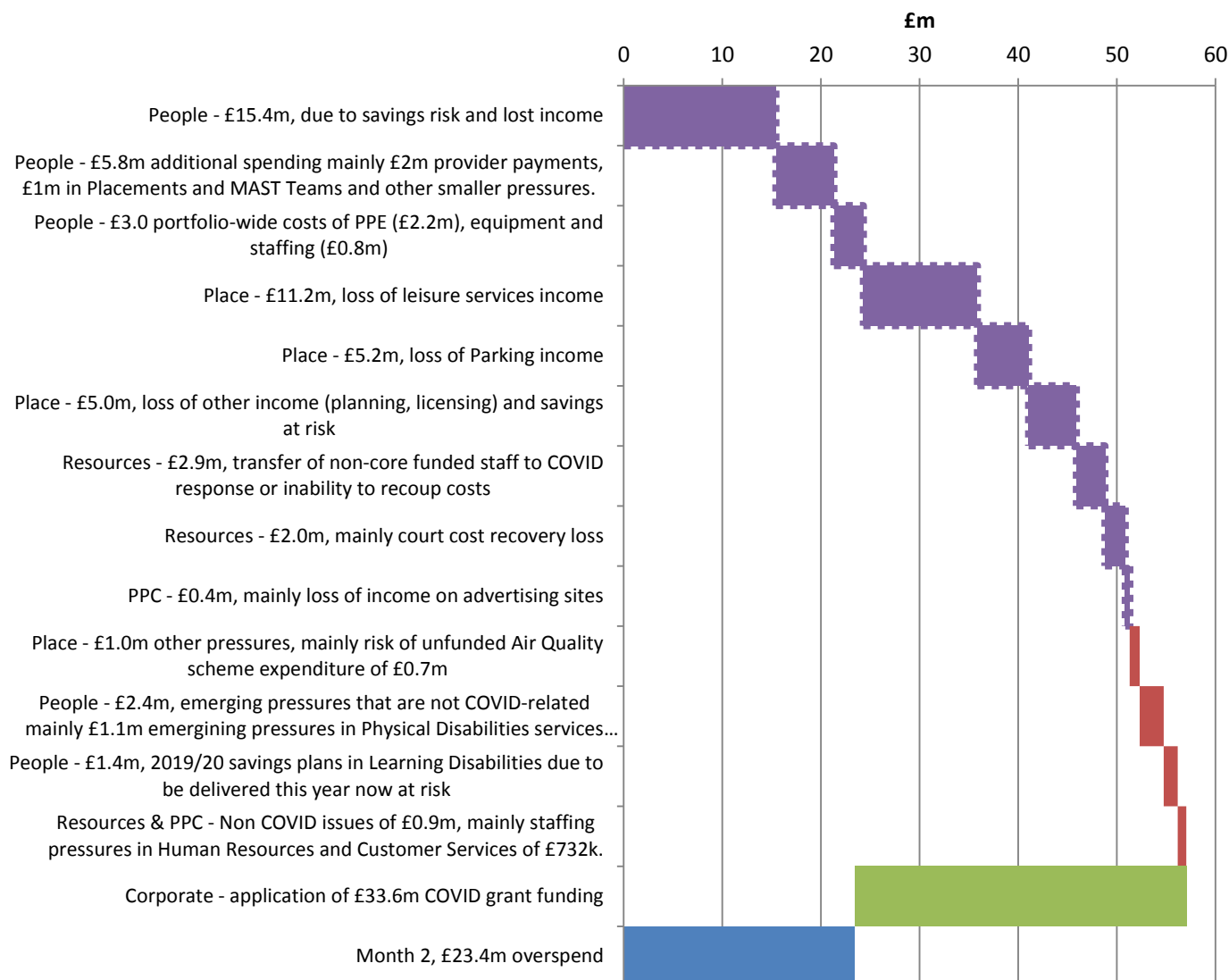
- Re-working its Medium Term Financial Analysis, including identifying any reserves that can be temporarily released to support the financial position. A reserve usage of the current level of £23m could possibly be sustained, however if the financial pressures continue to climb, then the Council's reserve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

Detailed position

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

2020/21 Forecast Outturn - £23.4m

COVID related issues in purple dashed outline - £51.3m



Position by Portfolio

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

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

Dedicated Schools Grant (DSG)

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

Public Health

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

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

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

Housing Revenue Account

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

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

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

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

Collection Fund

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

Capital Summary

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

Corporate Risk Register

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

Implications of this Report

Financial implications

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

Equal opportunities implications

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

Legal implications

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

Property implications

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

Recommendations

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

Reasons for Recommendations

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

Alternative options considered

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

This page is intentionally left blank

Collection Fund Monitoring

As at 31st May 2020

Summary

1. In 2020/21 approximately £331.2m of SCC net expenditure was forecast to be financed directly through locally collected taxation. This taxation is initially collected by the Council and credited to the Collection Fund.
2. As at the end of May, the local share of the Collection Fund Income Stream is forecasting an overall in-year deficit of £22.7m made up of a £18.2m deficit on Council Tax and a £4.5m deficit on Business Rates. Due to Collection Fund accounting regulations, this deficit will not impact on 2020/21 and will be fed into the budget process for 2021/22.
3. Covid-19 is forecast to have a significant impact on both revenue streams both for 2020/21 and for future years. This is both from an increase in people on Council tax Support leading to less Council Tax receivable plus a reduction in the Business Rates payable across the city.

Income Stream (all figures £m)	Budget 19/20	Forecast Year End Position	Variance
Council Tax	(227.4)	(209.2)	18.2
Business Rates Locally Retained	(103.8)	(99.2)	4.5
Total	(331.2)	(308.4)	22.7

Council Tax

4. The forecast year end position for Council Tax is a deficit of £18.2m. This is primarily because of forecast increase in the number of CTS claimants of £4.5m and an increase in the bad debt provision of £13.7m. This is in anticipation of households struggling to pay their bills as a result of the Covid-19 pandemic. Not all of these increases have materialised yet however they are forecast to be recognised as the year progresses. Further analysis will be done on the evolving position over the next four months and a clearer position is anticipated to be evident by month 6 monitoring.

Business Rates

5. The forecast year end position for Business Rates is a £9.0m deficit of which Sheffield's share is £4.5m. The £9.0m deficit is primarily made up of an increase in the losses on collection and the increase in the bad debt provision, again this is a direct result of the Covid pandemic, resulting lockdown and anticipated closure of businesses. Further analysis of the business rates position can be found on the following pages.

Collection Fund - Business Rates (all figures £m)	Budget 20/21	Forecast Year End Position	Variance
Gross Business Rates income yield	(274.9)	(274.1)	0.8
Estimated Reliefs	49.4	158.9	109.5
Losses on collection, appeals and increase/(decrease) to bad debt provision	11.4	20.4	9.0
Net Collectable Business Rates	(214.1)	(94.8)	119.3
Transitional Protection Payments due from Authority	3.3	3.0	(0.3)
Cost of Collection allowance	0.8	0.8	0.0
Additional S31 Grants for retail relief	-	(110.0)	(110.0)
Non Domestic Rating Income	(210.0)	(201.0)	9.0
Appropriation of net business rates:			
Sheffield City Council (49.2%)	(103.8)	(99.3)	4.5
SY Fire Authority (1%)	(2.1)	(2.0)	0.1
Central Government (49.4%)	(103.5)	(99.1)	4.4
Designated Areas (0.4%)	(0.6)	(0.6)	-
Total Appropriations	(210.0)	(201.0)	9.0

Gross Rates Income Yield

6. The Gross Business Rates Income Yield is forecast to remain relatively static for the year and is currently £0.8m under budget. As part of the 2020/21 budget setting process, we built in expected Retail Relief of 50% for eligible properties. Following the Covid-19 reliefs announcement by the government which expanded both the scope and size of the retail relief for a significant number of properties, we have experienced a significant decline in expected income to be collected from these businesses. The Government recognised this and we have subsequently received additional Section 31 Grants to compensate us for the loss in income.

Reliefs and Discounts

Reliefs (all figures £m)	Budget 2019/20	Forecast Year End Position	Variance
Small Business Rates Relief	13.1	13.6	0.5
Transitional Relief	(3.3)	(3.0)	0.3
Mandatory Charity Relief	24.5	24.1	(0.4)
Discretionary Relief	1.3	1.3	0.0
Empty Property / Statutory Exemption	8.5	7.5	(1.0)
Partly Occupied Premises Relief	0.7	0.7	(0.0)
New discretionary reliefs	4.6	114.7	110.1
Total Reliefs	49.4	158.9	109.5

7. Following the outbreak of Covid-19, the Government issued enhanced retail relief for all retail properties. This retail relief amounted to approximately £110m for Sheffield properties and is highlighted in the reliefs table
8. Most reliefs and discounts are generally awarded in full at the point of billing in March. The total level of reliefs awarded to the end of May amounts to £158.9m which is £109.5m above the £49.4m in the original budget. These reliefs are expected to rise to remain relatively consistent by year end.

Appeals

9. The 2020/21 Council budget anticipated £7.7m of in year refunds resulting from appeals. To date, the number of Check, Challenges and Appeals being processed by the VOA are significantly reduced on previous years however there is expected to be an upturn in appeals following the Covid-19 pandemic.
10. There have been discussions with MHCLG and the VOA about the data that we receive with the hope of extracting more user friendly management information. This is ongoing and is anticipated to see improved results in 2020/21.
11. The VOA had committed to resolving all outstanding 2010 list appeals bar for any in litigation by September 2019; this deadline was met on the whole. There are currently less than 330 cases outstanding relating to the 2010 list however the majority of these relate to one major case currently under litigation.
12. The major case relates to Supermarkets and ATM's and whether the ATM's should have their own rateable value. The case was decided at the Supreme Court in favour of the parties bringing this suit and will see a significant refund due to these parties in due course. These refunds are 100% provided for and will not see any impact on the surplus/deficit for the Collection Fund.

Conclusion

13. The forecast in year position of a £22.7m deficit for Sheffield on the Collection Fund is the anticipated worst case scenario and it is not forecast to deteriorate further. Due to the size of the Collection Fund, a small percentage variation in income or expenditure over the coming months will have a significant impact on the forecast outturn. Monthly monitoring of the Collection Fund position is conducted to ensure that we are fully aware of any changes and the potential budget impacts.

This page is intentionally left blank

CAPITAL PROGRAMME MONITORING AS AT MAY 2020

1 - Statement of Budget Movement

The table below summarises the movement in budget from month 1 to month 2 20/21 and Capital programme budget position as at May 20.

	2020/21	2021/22	Future	Total	Comments
Month 1 Approved Budget	224.2	189.9	363.9	777.9	The key changes to the programme from last month relate to: ADDITIONS + £0.3m - Funding for increased SEND School Places + £0.3m - For ASPIRE Hubs + £0.1m - For reactive mechanical works to schools + £0.2m For Heart of The City II Block 1
Additions	0.9	0.0	0.0	0.9	
Variations	0.0	0.0	0.0	0.0	
Reprofile	0.0	0.0	0.0	0.0	
Slippage & Acceleration	0.0	0.0	0.0	0.0	
Month 2 Approved Budget	225.1	189.9	363.9	778.8	

2 - Top 20 Projects by value as at May 2020

The table below summarises the Top 20 projects in the Capital Programme by budget value in 2020/21. This group accounts for 59% of the 2020/21 capital programme. The major in-year and all-year variations are explained below and in sections 4 and 5.

PROJECT	Current Year							Remaining Life of Project					Comments
	YTD Actual	YTD Budget	YTD Variance	FY Outturn	FY Budget	FY Variance	Variance %	Delivery Forecast RAG	All Years Outturn	All Years Budget	All Years Variance	Variance %	
Msf Finance	2,440	2,440	0	14,641	14,641	0	0.0%	NR	64,378	64,378	(0)	0.0%	NR
New Build Coun Hsg Ph 4a	498	1,533	(1,036)	11,392	12,895	(1,503)	-11.7%	G	20,827	20,827	(0)	0.0%	G
C Pepper Pot Building	751	635	116	12,776	12,519	257	2.1%	A	14,049	14,049	0	0.0%	A
B Laycock House New Build	956	642	314	12,359	11,922	437	3.7%	A	13,685	13,685	(0)	0.0%	A
Srq 2	-	-	-	-	11,106	(11,106)	-100.0%	NR	-	62,039	(62,039)	-100.0%	NR
New Build Coun Hsg Ph10	373	575	(202)	8,176	8,176	0	0.0%	G	13,886	13,886	0	0.0%	G
H & S Essential Work	-	-	-	6,717	6,717	-	0.0%	NR	55,456	55,456	-	0.0%	NR
Stock Increase (chs)	-	-	-	2,379	6,449	(4,070)	-63.1%	G	161,225	161,369	(143)	-0.1%	G
Brownfield Site	1	18	(17)	5,978	5,978	0	0.0%	NR	5,978	5,978	0	0.0%	NR
Roofing Replacements Prog	7	7	1	1,526	5,026	(3,500)	-69.6%	G	38,570	38,570	(0)	0.0%	G
Heating, Energy Effic & Carbon Red	-	-	-	4,784	4,784	-	0.0%	NR	29,129	29,129	-	0.0%	NR
Hoc II Infrastructure & Pr	25	37	(12)	4,192	4,192	0	0.0%	G	7,218	7,218	0	0.0%	G
Udv Flood Scheme Phase 1	221	227	(6)	4,167	4,097	69	1.7%	A	8,342	8,342	(0)	0.0%	A
H1 Leaks Yard	36	59	(23)	3,880	3,880	0	0.0%	NR	3,880	3,880	0	0.0%	NR
Council Hsg Acquisitions Prog	370	429	(59)	3,789	3,748	41	1.1%	G	31,860	31,860	(0)	0.0%	G
Electrical Strategy	6	6	0	3,279	3,727	(448)	-12.0%	G	3,727	3,727	0	0.0%	G
Interim Ta Accommodation	-	-	-	3,250	3,250	-	0.0%	G	3,250	3,250	-	0.0%	G
Transport Efficiency 20-21	-	-	-	3,195	3,195	-	0.0%	NR	3,195	3,195	-	0.0%	NR
Clean Bus Technology	540	300	240	3,194	3,194	(0)	0.0%	NR	3,194	3,194	(0)	0.0%	NR
Accelerated Adaptations Grant	7	7	-	2,071	3,067	(997)	-32.5%	NR	2,071	3,067	(997)	-32.5%	NR
Top 20 Value	6,230	6,915	(684)	111,744	132,563	(20,819)	-15.7%		483,920	547,099	(63,179)		
Rest of Programme	5,850	8,391	(2,541)	102,388	92,517	9,871	10.7%		287,692	231,738	55,954		
Total Capital Programme Value	12,080	15,305	(3,225)	214,132	225,080	(10,949)	-4.9%		771,612	778,837	(7,225)		
% of Programme within the Top 20	52%	45%	21%	52%	59%	190%			63%	70%	87%		

3 - Current Year to date and Forecast Outturn Position

The forecast outturn position is £10.9m below budget, an increase of £4m from the £6.9m reported last month. The key variances by board are explained below. This movement was expected as the impact of COVID 19 is assessed and feeds through into capital programme forecasts.

BOARD	YEAR TO DATE			FULL YEAR			Comments
	Actual	Budget	Variance	Forecast	Budget	Variance	
QUALITY OF LIFE	3,528	2,825	(296)	19,471	19,466	5	
HOUSING GROWTH	1,468	3,319	(1,851)	42,466	47,341	(4,875)	Key Variances See items 4.2, 4.5, 5.2 and 5.6
HEART OF THE CITY II	3,315	2,941	375	62,720	60,251	2,470	Key Variances - Anticipated Acceleration on Block H Site (£3.3m) - See items 4.1 and 5.1 - Acceleration Blocks B & C (£40.7m) - See items 5.3 & 5.5 - Delay to Block G Wellington St Car Park as decisions still being made as to overall plan for site (£3.6m). See item 4.4
HOUSING INVESTMENT	1,172	1,058	114	40,352	46,105	(5,753)	Key Variances - Delay to new Roofing Replacement Scheme still at tendering stage (£3.5m) See item 4.3 - Potential saving on anticipated adaptations works (£4.3m) See item 4.7 - Covid 19 delays on Obsolete Heating (item 4.10) and Electrical Replacement works (£40.9m)
ECONOMIC GROWTH	1,213	1,127	86	8,400	8,182	218	Key Variances - LDV Fish Pass (£120k) See item 5.10 - UDV Flood scheme acceleration (£70k) - CH payments to Parish Councils (£30k)
ESSENTIAL COMPLIANCE & MAINT	470	443	28	9,569	9,576	(7)	
TRANSPORT	1,395	2,197	(802)	14,413	15,065	(653)	Key Variances - Broadfield Road slippage (£0.9m) See item 4.9 - TCF Bridge Cycling overpend (£40.4m) See item 5.9 - TCF E-Block scheme waiting approval (£0.1m) See item 5.6
PEOPLE CAPITAL & GROWTH	481	1,356	(875)	13,851	16,314	(2,463)	Key Variances - Disabled Facilities Grant Funded work forecast to be below budget due to Covid 19 restrictions in accessing clients' properties. (£3.2m) - Aldine House 2 Bedroom Extension slippage (£4.2m) See item 4.6
ICT	-	-	-	1,442	1,442	-	
GREEN & OPEN SPACES	37	40	(3)	1,444	1,333	111	Key Variances - Hillborough All Wheels Park - awaiting approval (£0.3m) See item 5.4 - Section 106 Block Allocation - reprofile following review of likely schemes in 20/21 (£0.2m)
CORPORATE	-	-	-	-	-	-	
Grand Total	12,080	15,305	(3,225)	214,132	225,080	(10,949)	

4 - Top 10 Forecast Slippage against Full Year Budget

The £11.1m at 4.1 can be discounted as this relates to budget adjustments (offset by 5.1 below). Of the remaining £15.4m, £8.2 can be attributed to Covid related issues.

Business Unit	Board	FY Budget	FY variance on budget	Explanation
4.1 Srq 2	HEART OF THE CITY II	11,106	(11,106)	Awaiting Approval - Transfer of budget from block allocation to delivery business unit. Brought for approval to June CPG
4.2 Stock Increase (chs)	HOUSING GROWTH	6,449	(4,070)	REPROFILE - Review of Stock Increase programme in light of COVID issue revealed that some schemes anticipated to come forward in 20/21 will now be later. Formal reprofile request to be brought forward when full impact finalised.
4.3 Roofing Replacements Prog	HOUSING INVESTMENT	5,026	(3,500)	REPROFILE - Still at tendering stage and start on site very likely to be delayed, possibly till Nov20 or even later
4.4 G Wellington St Car Park	HEART OF THE CITY II	2,981	(1,630)	REPROFILE - Delay to Block G Wellington St Car Park as decisions still being made as to overall plan for site.
4.5 New Build Coun Hsg Ph 4a	HOUSING GROWTH	12,895	(1,503)	SLIPPAGE - Delays have been incurred as a result of Covid 19 and the suspension of works on site
4.6 Aldine Hse- 2 Bed Extn & Muga	PEOPLE CAPITAL & GROWTH	2,387	(1,185)	SLIPPAGE - Delays to works getting underway in 20/21 due to Covid19. Budget reprofile brought to June CPG for approval.
4.7 Adaptations	HOUSING INVESTMENT	3,063	(1,143)	SAVING - Review of Adaptations programme underway including new procurement strategy has indicated reduced resources over next 5 years.
4.8 Accelerated Adaptations Grant	PEOPLE CAPITAL & GROWTH	3,067	(997)	REPROFILE - Coronavirus has meant that service is only processing extreme emergency cases so the April spend has been severely reduced and forecast spend may reduce further
4.9 Broadfield Road Junction	TRANSPORT	2,706	(918)	SLIPPAGE - due to a number of on-going issues, cost plan not accurate and forecast is showing slippage into 20-21. Current issues: know issue with the advertising board permit linked with compensation payment. EA permit been lost: to allow investigation on the river banks for the bridge. To re-profile once position is better understood
4.10 Obsolete Heating	HOUSING INVESTMENT	2,017	(475)	SLIPPAGE - it is very likely that a budget variation will be needed with this discipline of works given the current Covid 19 issues. A revised programme has been requested from RMS. Once this has been received, an accurate budget variation can be made.
Total		51,698	(26,127)	

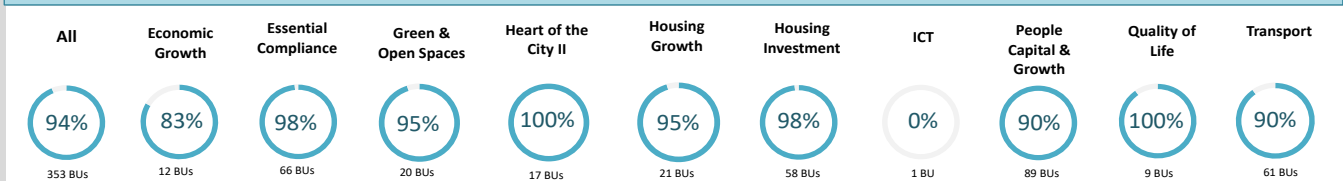
5 - Top 10 Forecast Overspends over Full Year Budget

The £14.4m at 5.1 can be discounted as this relates to budget adjustments (offset by 4.1 above). Of the remaining forecast overspends, Approx. £0.8m will form an additional call on HRA resources, £0.1m relating to HOCII will require additional borrowing. The main risks to general fund resources is the £240k relating to Magna Cycling and LDV Fish Pass. Potential mitigations are the transfer of anticipated underspends from other schemes (LDV) and the expected external funding re: TCF.

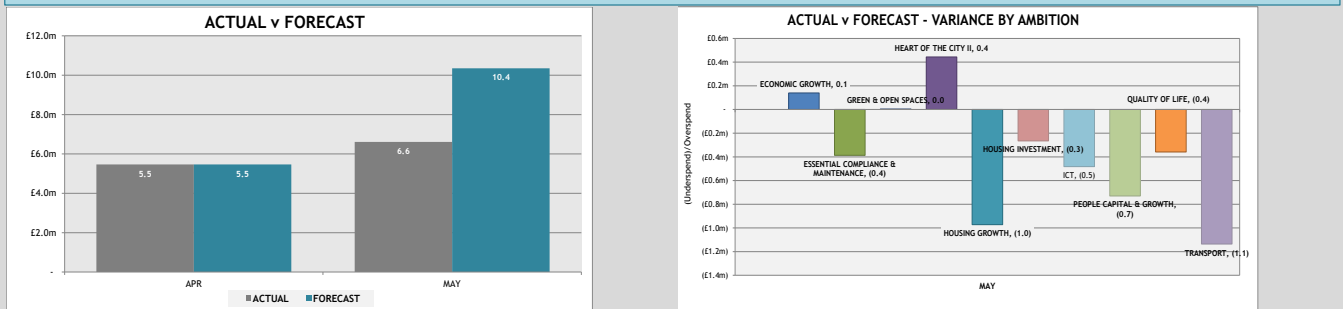
Business Unit	Board	FY Budget	FY variance on budget	Explanation
5.1 H Henrys Block	HEART OF THE CITY II	787	14,372	AWAITING APPROVAL - Transfer of budget from block allocation to delivery business unit. Brought for approval to June CPG
5.2 General/rtb Acquisitions Chs	HOUSING GROWTH	546	640	OVERSPEND - Budget is totally inadequate based on average costs. Report being prepared for Homes Board to highlight the issue. Repairs outputs are higher than the Acquisitions as there is a backlog of Repairs for RMS to complete. Properties still being purchased but repairs to those has been minimal due to Covid19.heme due for approval at May CPG -June Cabinet
5.3 B Laycock House New Build	HEART OF THE CITY II	11,922	437	ACCELERATION - Contractor making faster progress than anticipated
5.4 Hillsborough Park Wheels Park	GREEN & OPEN SPACES	-	266	AWAITING APPROVAL - Scheme due for approval at May CPG - June Cabinet
5.5 C Pepper Pot Building	HEART OF THE CITY II	12,519	257	ACCELERATION - Contractor making faster progress than anticipated
5.6 New Build Coun Hsg Ph13	HOUSING GROWTH	-	146	AWAITING APPROVAL - Scheme due for approval at May CPG - June Cabinet
5.7 Ewi Non-traditional1	HOUSING INVESTMENT	265	137	OVERSPEND - The cost report now reflects the addition of the outbuildings to a value of approximately £390k.
5.8 Charter Square Enabling Works	HEART OF THE CITY II	300	129	OVERSPEND - Details of higher specification public realm works still to be agreed but likely to exceed current approved budget. When finalised budget increase to be brought forward
5.9 Tcf Magna Mhall Cycling	TRANSPORT	58	120	OVERSPEND - Possibility that some costs charged incorrectly to this budget. This is under investigation.
5.10 Ldv Sandersons Fish Pass	ECONOMIC GROWTH	92	119	OVERSPEND - Extreme weather events on three occasions, resulting in exceptionally high river levels, have caused delays, disruption and damage to the works, resulting in increased costs. It is anticipated that budget saving on LDV full scheme will be available to meet this.
Total		26,489	16,622	

6 - Forecast 2020/21

6.1 - Capital Projects with Forecasts Committed

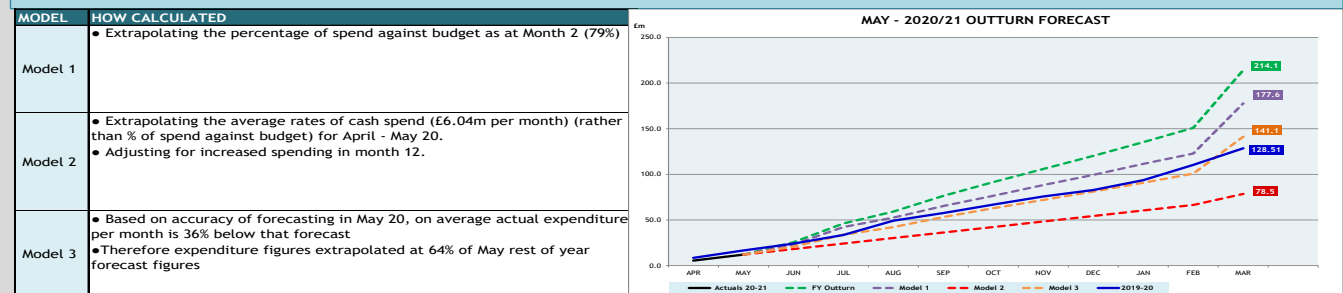


6.2 - Forecast Accuracy



Section 6.1 indicates 94% of Capital Business Units forecast by deadline which is a substantial increase from the 87% last month representing the improvement in IT connectivity across the authority and support offered by the Business Partner Capital Team to project managers. Graphs at 6.2 compare the actual expenditure incurred each month against that which was forecast in the prior month. As can be seen overall actual expenditure in May 20 was £3.8m less than had been forecast. Given the current situation increased variability around forecasts is expected. Further analysis shows 3 schemes account for £1.5m of variance. **Broadfield Rd Junction Scheme** - £0.8m - this scheme requires careful monitoring as the programme continues to extend. **Superfast Broadband** - £0.5m an expected profile of 3 payments of £0.5m per month now expected as one lump sum in June. **Green Estates Grant** - £0.3m grant payment delayed from May to June.

6.3 - Forecasting Models



The graph at 6.3 shows a potential spread of outturn positions compared to the current forecast based on the extrapolation models described. Also included is the profile of expenditure for 2019/20 as a comparator. All models suggest that the current outturn forecast remains significantly over optimistic. Of the 24 key forecasts identified last month as most in need of review (representing £42m of expenditure forecast in March 21), only 2 have been revised: Council Housing Stock Acquisition Allocation (£4m reduction) and Parks Section 106 allocation (£0.2m reduction). - 4 x Schemes relate to purchases of land and property yet to be identified (Housing Temp Accommodation and Brownfield Sites/Devonshire Acquisitions). For schemes of this nature to suggest that until definite purchases identified spend forecast is shifted into future years (£9m) Key forecasts still requiring review and either confirmation of reprofiling are - 10 x Housing Investment Q numbers (£20m), 2 x HOCII Schemes which are already under review and

7 - Key Issues and Risks

Key Issues

- The impact of Covid 19 on the capital programme is not yet able to be quantified. However, it is clear that the most likely issues will relate to significant delays to schemes and potentially increased costs as a result of this and other changes to working practices required in response to safe working.

Key Risks

Key risk areas will be:
 - Schemes funded via time limited grants - for example the Upper Don Valley Flood Scheme - risks loss of funding if spend profile targets are not met.
 - Related to the above requirement to meet spend profiles on new council housing to avoid return of 1-4-1 capital receipt - It should be noted however that MHCLG have offered a temporary relaxation of the rules around this and revised modelling work is ongoing to ensure SCC is not required to repay.



Author/Lead Officer of Report: David Ambrose

Tel: 0114 27 35539

Report of: Executive Director, Place and Executive Director of Resources

Report to: Cabinet

Date of Decision: 15th July 2020

Subject: Heart of the City II: Approval and endorsement for the Council's updated delivery strategy.

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? Cabinet Member for Business & Investment and Cabinet Member for Finance				
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"/>
Part 1 – OPEN, with CLOSED Part 2				
Part 2 of this report is 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 to

- 1) Provide an update to the Heart of the City II development two years following the major decision that this Council took to invest in and progress the major re-shaping of Sheffield City Centre following past difficulties and seeks approval/endorsement for the Council's updated delivery strategy.
- 2) Delegate authority for the delivery of the remaining phases of the Heart of the City II as set out in this report, including proposals for introducing the Real Living Wage, measures to deal with Climate Change and specifically providing authority to enter into new lease arrangements with John Lewis & Partners for their existing shop in Barker's Pool. All subject to compliance with the Council's budget processes, financial regulations and capital approval processes.
- 3) Approve the reallocation of the previously approved financial envelope to reprioritise the delivery of the remaining Heart of the City II blocks in line with the proposals set out in this report taking into account current economic challenges, risks and the Covid-19 pandemic.

Recommendations:

That Cabinet

- 1) Notes the progress made to date on delivery of the Heart of the City II development
- 2) Endorses the updated strategy outlined in this report for the phased delivery of the Heart of the City II development together with the updated delivery programme, the proposed new lease arrangements with John Lewis & Partners and the updated estimated financial envelope.
- 3) Endorses the plan to encourage occupiers within the scheme to be good employers through, for example, paying employees the Foundation Living Wage as a minimum, or alternative mechanisms such as employee owned businesses.
- 4) Endorses the aim for all further development to exceed minimum environmental standards as set out by the international standards through the UK's Building Research Establishment Environmental Assessment Method (BREEAM) or the US Green Building Council's Leadership in Energy and Environmental Design (LEED).
- 5) Delegates authority to the Executive Director of Place and the Executive Director of Resources in consultation with The Cabinet Member for Business and Economy, The Cabinet Member for Finance, The Director of

Legal & Governance and the Chief Property Officer, to:

- a. Approve the detailed delivery plan for the development of the remaining development blocks as set out in this report
- b. Instruct the Director of Legal & Governance in consultation with the Chief Property Officer 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.

6) Approves:-

- a. The re-allocation of the previously approved financial envelope to reprioritise the delivery of the remaining Heart of the City II blocks in line with the proposals set out in this report
- b. That all relevant budgets if necessary be able to be fully funded through Prudential Borrowing and be subject to the phasing of the spend going through the Council Capital Approval process
- c. The use of any increase in business rates income directly attributed to the scheme to repay any balance of the related Prudential Borrowing,
- d. The use of any receipts from the disposal of any properties within the Heart of the City II site to repay any balance of the related Prudential Borrowing.

Background Papers:

Previous Reports: New Retail Quarter – Compulsory Purchase Order Report to Cabinet 13th December 2006, 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, Sheffield Retail Quarter Delivery of First Phase Report to Cabinet on 20th July 2016, Sheffield Retail Quarter – Proposed Appropriation of Land For Planning Purposes 15th December 2016. Sheffield Retail Quarter – Heart of the City Phase II Delivery of the next phases report to Cabinet dated 21st March 2018.

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: Gillian Duckworth / 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 members who approved submission:	Laraine Manley & Eugene Walker
3	Cabinet Members consulted:	Mazher Iqbal Cabinet Member for Business & Investment & Terry Fox The Cabinet Member for Finance
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: Director – City Centre Development
	Date: 15 July 2020	

1.0 **PURPOSE**

- 1.1 This report seeks to provide an update to the Heart of the City II development two years following the major decision that this Council took to invest in and progress the major re-shaping of Sheffield City Centre following past difficulties and given the impact of Covid-19
- 1.2 Delegate authority for the delivery of the remaining phases of the Heart of the City II as set out in this report, including proposals for introducing the Real Living Wage, measures to deal with Climate Change and specifically providing authority to enter into new lease arrangements with John Lewis & Partners for their existing shop in Barker's Pool. All subject to compliance with the Council's budget processes, financial regulations and capital approval processes.
- 1.3 Approve the reallocation of the previously approved financial envelope to reprioritise the delivery of the remaining Heart of the City II blocks in line with the proposals set out in this report taking into account current economic challenges, risks and the Covid-19 pandemic.

Background & Context

- 1.4 Following the decision to invest in phase one, with the delivery of Grosvenor House, now home to HSBC (an international bank), Marmadukes Restaurant (an independent restaurant), Weekday, Monki (two highly sought after fashion retailers – brands of Swedish Retailer H&M) and soon to join them Cameron McKenna Nabarro Olswang LLP (CMS), a major international law firm, the Council committed to deliver the remaining phases of the development on a block by block basis using the existing street patterns within an approved capital budget of £469m.

The achievements to date are testament to the strengths of Sheffield to draw in major international firms / brands that drives confidence throughout the city for wider investment creating jobs and homes.

- 1.5 This decision was in many ways ahead of the times with a local authority stepping into an arena more recently only being the domain of development companies. Now, given the changes to the retail environment up and down the United Kingdom others are looking at what Sheffield is achieving and want to learn from our experience and success.
- 1.6 We have achieved a lot in the last two years since the last report. Grosvenor House and Charter Square have been completed. Our first new retailers and food and drink operators have moved in. Our office occupiers, HSBC have now made this their new home and the remaining office space is now let to CMS.
- 1.7 Going forward and continuing the positive direction of travel a preferred operator has been selected for the purpose built food and drink unit within Charter Square. New World Trading Company will take the 2 floors of the building and open a high quality bar/restaurant. In addition, Radisson were recently selected to operate the Radisson Blu brand for the new hotel on Pinstone Street (Block A)
- 1.8 Despite the Covid-19 pandemic, we were able to complete the leases with CMS and

New World Trading. Radisson continue to work with us and the continued interest from retailers, the hospitality industry and major office occupiers is testament to the strength of our City and shows that by taking the brave step to invest we are able to deliver what both the market is demanding but more importantly what the people of Sheffield deserve from their city centre.

Updated Delivery Strategy

- 1.9 Some key changes are set out in this report for which approval/endorsement is sought.

In Summary:

1. We will be working with tenants to encourage the delivery of good jobs through either them paying the Real Living Wage or to be an Employee Owning Business. Both CMS and HSBC, two major tenants are accredited Living Wage employers.
2. We will be delivering more in terms of climate change mitigation as set out in the report.
3. To restructure the leasing arrangements of John Lewis & Partners, reduce development costs risk by offering block G (Wellington Street Car Park) to the private sector for delivery (as we did with block F) and the review all market conditions before making the final commitments on blocks A and H given the global Covid-19 pandemic and economic circumstances.

- 1.10 **Firstly**, this Council sees the successful regeneration of the Heart of the City II as an opportunity to work toward accrediting the area as a “Real Living Wage Zone”. In doing so this will open a gateway to having meaningful negotiations/conversations with incoming and existing tenants of the Council about paying the Real Living Wage to all directly employed and contracted staff and, by doing so create a climate of change and widen the conversation to major stakeholders city wide.

- 1.11 We will also take steps to identify one of the buildings within the scheme to be accredited as a Real Living Wage Building, in which 100% of tenants pay the real Living Wage to all of their directly employed and contracted staff.

- 1.12 **Secondly**, this Council has made its declaration regarding Climate Change to the effect that it has declared a climate emergency and is working towards Sheffield becoming a zero-carbon city by the end of the next decade and making our full contribution to the Paris Climate Change agreements. As a key part in delivering to that target we have reviewed building plans and identified some key opportunities.

- 1.13 The development of Grosvenor House has been carried out to standards in excess of the UK Building Regulations aiming to achieve the United States Green Building Council’s LEED Gold standard. Leadership in Energy and Environmental Design (LEED) is a green building certification used across the world. The rating system covers the design, construction, operation, and maintenance of green buildings that aims to use resources efficiently

- 1.14 The Heart of City II development team will continue to address the need to produce

environmentally efficient buildings including the reuse of existing buildings within the site.

- 1.15 Also the public realm within the project continues the exemplary design approach of the Grey to Green scheme, addressing climate change through sustainable drainage, increasing biodiversity and contributing to improving air quality. This also has positive benefits for physical and mental wellbeing which will be even more important in a post Covid19 environment.
- 1.16 Support for shops in our city centre also plays a major part in tackling climate change in reducing delivery fuel costs and excess packaging that is generated from online sales
- 1.17 Within Block H on the Carver Street / Wellington Street junction we have the opportunity to build an office which will be net zero carbon in its operation. This will have allow the ability to offset any remaining residual CO₂ emissions while the energy grids decarbonise as part of the nation's work on reducing carbon emissions from energy generation. This office will be built to the audited standards as set out in the UK Green Building Council Guidelines. This will be a first for Sheffield.
- 1.18 The matters set out in paragraphs 1.8 to 1.17 above will see the Heart of the City II scheme create a great example of both ethical employment principles and environmentally sustainable development.
- 1.19 A **third** aspect of change will be to work with John Lewis & Partners to restructure their leasing arrangements as required and to release up block G the former South Yorkshire Fire Authority Headquarters site (now the Wellington Street surface level car park) for the development industry to come forward with ideas for schemes of their own that fit our updated masterplan. This will enable the delivery to be shared with other developers and investors so that the entire financial burden does not fall to the Council. This will reduce our borrowing requirements and therefore see an improvement to our financial arrangements and risk exposure. This reduction will also enable us to invest in other key opportunities while keeping well within the existing financial budget.

In addition given the Covid-19 pandemic, a review of the project has been undertaken with regard to the overall finances and also the way forward with the two remaining significant blocks.

- 1.20 This project as property development always carries risk. In order to deal with previous market failure that risk has been accepted in order to move the City forward with a thriving and vibrant centre. However, with the Covid-19 pandemic, that risk has increased. Against this new delivery plan, we are already 70% into the scheme in terms of commitment. Block D is complete and Blocks B & C are under construction. The remaining blocks to be delivered are A, E, G, and H. Our proposal is not to self-deliver block G but to put that block to the private sector to deliver. This reduces our borrowing requirement and development risk. See 9.3 below. Block E consists of replacing cladding to the NCP car-park on Welling Street / Charter Square and shell works to the shop units below. Details of the financial position for each of the blocks are set out in section 9 and Part 2 to the report.

Given the impact of the **Covid-19 pandemic**, three options have been considered

following input from the professional team. Those options in summary are:

1. To continue exactly as planned
2. To continue cautiously, step by step with additional gateway checks, building to shell only where appropriate and to maintain momentum and play a part in the economic recovery of the City, or;
3. To suspend works.

The financial details of these three options and the background to them are in Part 2 of this report.

However, although the finances have been approved for the majority of the scheme, the two major blocks which are in the pre-construction phase are Blocks A and H.

These are the most significant blocks that are left to be delivered. The delivery strategy for these blocks will be to obtain construction prices, planning permission, review the position on pre-letting to occupiers and review the state of the market / economy prior to making a commitment to deliver. This is what we have done previously as a matter of course. However this is worthy of highlighting given the economic situation.

For Block A this review will take place in November 2020 and for Block H, the review will take place by September 2020. The decision to proceed, hold or suspend will be taken in accordance with the delegated authorities provided for.

The planned completion of Block A is early 2023 and Block H late 2022.

2.0 **PROGRESS TO DATE**

2.1 Since the last report to Cabinet in March 2018 the Council has continued to deliver on its vision for the Heart of the City II development.

2.2 The diagram below shows each of the blocks within the Heart of the City II and their block references.

Block A: Retail, hotel and office/event space

Block B: Retail, food & drink, office and residential

Block C: Retail and office

Block D: Office, retail, leisure and food & drink

Block E: Retail and leisure

Block F: Residential, retail/food & drink

Block G: Opportunity for offices, hotel, residential and retail

Block H: Retail, leisure, food & drink and office

Block I : John Lewis



2.3 Each block is an independent phase and some of the blocks are further sub-divided where stand-alone elements can be developed separately.

2.4 The progress made to date by the Council on each block is as follows:

Block A

2.5 Design work has progressed and the pre-planning application consultation has commenced. Radisson has been selected to operate the hotel which makes up the majority of the use in Block A and terms are in the process of being agreed with them. Construction work, subject to tender prices, planning and a further check on market conditions is due to start in the winter of 2020 with enabling works and main construction works to begin in January 2021. The part of the block that fronts Barker's Pool is planned to undergo remodelling of the retail spaces and general refurbishment and building improvements.

Block B – Laycock House, 68- 82 Pinstone Street

2.6 The Council has appointed Contractor Galiford Try as the main contractor and works on site are well underway to construct this block. Laycock House which consists of 52 residential apartments with commercial retail units below will be completely stripped out and then brought back to life with a full renovation/refurbishment. The remaining

buildings on the plot have been demolished and the site is in the process of being redeveloped with a contemporary flexible mixed use building. This block will be known as Athol House, Burgess House and Laycock House, which will consist of new retail space, with modern, high quality residential units above and a small amount of office/workspace. It is currently anticipated that this will be completed by spring 2021

Block C – The Issac’s Building, 88-104 Pinstone Street

- 2.7 The Council has appointed Contractor Galiford Try appointed as the main contractor and works on site are well underway to deliver the development of this block. The buildings on the block have been demolished with the historic façade onto Pinstone Street retained. A new flagship mixed use retail and commercial building known as Isaacs Building is in the process of being built behind this façade and it is currently anticipated that this will be completed by spring 2021.

Block D – Grosvenor House

- 2.8 The Grosvenor House block, which comprises a landmark office building office with retail space below has been completed. The office space is 100% let to high quality tenants HSBC and CMS Cameron McKenna Nabarro Olswang LLP (CMS), and a large proportion of the retail space below is let to exciting new to Sheffield retail brands Monki and Weekday and to Marmadukes a local operator who has opened a second city centre coffee shop/café. Discussions with other interested parties for the remaining ground floor units are ongoing.

- 2.9 The transformational public realm improvement works to Charter Square have also been completed and a new people friendly public square created which is distinctive to Sheffield. The new food and beverage kiosk unit built adjacent to this new square has been let to The New World Trading Company under their “Trading Post” brand and is set to open later this year. They also operate the Botanist in Leopold Square.

Block E – Telephone House, Charter Square

- 2.10 The podium under the Telephone House Tower which comprises of retail units and the Multi-Storey Car Park is being refurbished to improve its visual appeal and user experience. The Council are seeking to re-clad the carpark exterior and the ground floor units are being remodelled to improve flexibility and accessibility with the aim to optimise visibility and presence onto the new Charter Square. The ground floor will units will be remodelled and will then be marketed later this year.

Block F - Kangaroo Works

- 2.11 The site has been marketed and sold for residential development and planning permission for developing the site with 364 build to rent apartments has been obtained. Preparatory ground works have commenced on site and the main building works will follow. It is currently anticipated that this will be completed by the summer of 2022.

Block G (Remaining Site – Wellington Street Car Park)

- 2.12 A review of the master plan for this site has been undertaken in order to put the site to the development market later this year. The Council will therefore not need to fund the

development of this block or take on the development risk. Following the success of attracting the private sector to deliver block F, initial work indicates that block G will be viable for the development market to deliver. The Council will set out its requirements for the site and quality of buildings which it will control through leases with the developers.

Block G1 - 38 Carver Street

- 2.13 The vacant office building situate on this site has been marketed by the Council and let to Cubo on a 20 year lease, and is being refurbished as managed workspace with a roof top bar. Works have commenced on site and it is anticipated that these will be completed by the Autumn of 2020.

Block H – Cambridge Street Collective and Bethel Chapel

- 2.14 Further design work was also undertaken on this block resulting in the retention of the existing buildings on the Cambridge Street / Wellington Street. The construction procurement process has commenced and planning consent has been submitted. Construction work is expected to start in the Autumn and finish in summer 2022.

Block H1 - Leah's Yard, Cambridge Street

- 2.15 Works have been undertaken to this Grade 2 Star Listed Building to make it safe and secure enough for our consultants to prepare the necessary reports and surveys required to allow the Council to apply for the necessary listed building consents and to procure a specialist contractor to undertake the following works. Repair and stabilise the structure (allowing for the removal of the extensive support scaffolding on Cambridge Street) reroof the property, replace the windows and strengthen the floors.
- 2.16 The overall objective of these works is to put the building back into a good state of repair so that Leahs Yard is capable of being converted at a later date to a use that safeguards its long term future and complements the uses around it.
- 2.17 The listed building application has been submitted and the procurement process for a specialist contractor has commenced. It is anticipated that works will commence on site in the Autumn of 2020.

3.0 UPDATED DELIVERY PLAN FOR REMAINING BLOCKS

Masterplan/delivery plan

- 3.1 The Council's vision for the Heart of the City II still remains to bind together the old and the new by celebrating where possible our existing buildings whilst also allowing space for new modern architecture. The aim is to keep and respect the existing street patterns as much as is possible and to retain/reuse as many of the existing historic buildings within the site, whilst also delivering high quality sustainable new buildings to meet modern occupier requirements.
- 3.2 The office, retail, food and drink and leisure markets continue to evolve. This is due not only to the challenging economic climate but also the fundamental changes in people's shopping and socialising habits. People are now expecting an authentic exciting and vibrant experience whilst shopping, living, working or visiting the city

centre. This is unlikely to change following recovery from the Covid-19 pandemic however, some behaviour changes are likely, so designing buildings that can accommodate a range of uses is important and what we have designed.

Designing to the existing street grid with walkable city blocks also allows for easier future adaptation when compared with large monolithic shopping mall type designs which preceded the current plan.

3.3 Both the masterplan and delivery strategy are forward thinking and can be adapted to allow for changes to be made to reflect the current economic conditions and market, and changes in offices and retailing leisure and eating out requirements/habits and trends.

3.4 Given the significant demands and investment priorities the Council faces, it is important that within the Heart of the City II development, the Council focuses its strategic intervention where it is most appropriate to address market failure and deliver the maximum regeneration benefits but also facilitates the introduction of third party developers into the scheme where appropriate to mitigate risk.

3.5 The remaining blocks will be developed as follows:-

Block A - Barkers Pool (Gaumont block)

3.6 The Barkers Pool /Gaumont block is to be retained. It is proposed that the building be re-clad and refurbished. Ground floor retail units will be re-configured, refurbished and then re-let and we will look at alternative uses for the upper floors. This minimises our original risk where we were planning to demolish and re-develop.

Block G

3.7 To manage the Council's overall risk/exposure in the Heart of the City II development it is proposed that we will test the market to see if the private sector have an appetite to develop this block out either as a whole or as individual plots.

3.8 The Council will produce planning guidance for the block and will then look to sell the whole or split the site into individual building plots and sell these individually with the Council possibly providing the public realm elements.

3.9 As set out in climate emergency section of this report the Council will seek to ensure that the development of the block will be environmentally sustainable aiming for a net zero carbon (or net zero carbon ready) development and it could provide a mix of residential, hotel and office space with ancillary retail and food and beverage units.

3.10 We will also not be seeking to develop or allowing a new multi-storey car park to be developed on this site.

Block H – Henry's Block (Cambridge Street Collective)

3.11 The proposal is to reuse the existing heritage buildings on Cambridge Street, Henrys and Brewhouse buildings (on the corner of Cambridge Street and Wellington Street) the former Bethel Sunday School building (32-34 Cambridge Street), and the Bethel Chapel building (30 Cambridge Street).

- 3.12 The works will repair the structure and then convert/refurbish the buildings to a shell and core standard. The final fit out will depend on the end user. Within these buildings we will create exciting spaces for an innovative food offer complemented with the best elements of a beer garden, craft brewery, craft makers, art, music, movies, sport, event and live entertainment venue. An opportunity to actively curate all of these uses within the spaces exists.
- 3.13 For Leah's Yard the second phase of works, after the structure has been repaired/refurbished, is to bring it back into everyday use and incorporate this use within the wider uses of block H. The building offers an opportunity for independent/local businesses with potential uses being a mix of maker/craft use, event space, gallery/exhibition space, together with a café use on the ground floor and potential for co working space on the upper floors.
- 3.14 The Council will undertake a comprehensive competitive process to select future occupiers for the block and will commencing marketing this opportunity as soon as it is considered to be sensible to do so.
- 3.15 On the Carver Street/ Rockingham Street frontage of the block the Council will look to build a modern grade A office block. This will be a net zero carbon ready office. Off-setting will be possible to deliver the building to a net zero carbon building in its operation while the energy grid continues to de-carbonise.

Block I – John Lewis & Partners Shop

- 3.16 John Lewis & Partners occupies a prominent site in Barkers Pool located at the centre of the HOC II Master Plan. The existing shop is held on a long lease from the Council and is in need of refurbishment/investment to bring it up to modern retail standards.
- 3.17 The Council are fully engaged in discussions with John Lewis & Partners and the basis of a deal will enable the retention of this high quality retailer in the city centre within their current building
- 3.18 The basis of this deal is that the Council will pay a fair price/premium for the proposed surrender of their existing lease, which has a term of 42 years remaining at a nominal ground rent. It is proposed that The Council will then grant a new 20 year modern lease for the building based on current market terms with a rent based on turnover.
- 3.19 This surrender of the old lease and grant of the new lease will include a capital contribution from the Council towards the refurbishment costs of the building (final terms to be agreed). Monies will only be released to John Lewis & Partners as works to the building are undertaken and completed.
- 3.20 The financial/budget envelope, for the terms of the deal, we are working within are set out in Part 2 of this report.
- 3.21 The Council is acting as a commercial landlord would do, and the final terms of the proposed surrender and renewal deal will, once agreed, be signed off by expert advisors/consultants, acting for the Council.
- 3.22 They will sign off the final terms to represent a fair price paid for the surrender using

the general powers under s120 of the Local Government Act 1972, best value and best consideration (thus comply with the Council's duties under Section 123 of the Local Government Act 1972); and will also be confirming for state aid purposes that the Council has entered into a commercial deal on market terms, that a commercial landlord would do, in order to protect both the long term investment value of the asset and its rental income from its adjacent property assets " the Market Economy Investor Principle"

- 3.23 Securing a more viable John Lewis & Partners shop in the city centre will safeguard a significant numbers of jobs within the Shop and wider supply chain and also ensure the continued receipt of Business Rates.
- 3.24 It will also help to maintain both the publics and commercial retailer/investor confidence in retail in the city centre which will assist in letting the surrounding properties in the Heart of the City II development and wider city centre.
- 3.25 As with all commercial development and especially retail deveopment, such an investment also carries with it a degree of risk with regard to the longer term viability and continued levels of turnover of the Shop in a still evolving retail market.
- 3.26 Delegated authority is therefore requested in this report to agree a surrender and renewal deal with John Lewis & Partners within the parameters of the proposed commercial terms and the financial/budget envelope as set out in the closed section of this report.

Governance

- 3.27 The Heart of the City II development project is managed through the City Centre Development Programme Board and Strategic Partnering Board
- 3.28 The Executive Director of Place, the Executive Director of Resources, the Director of Legal & Governance, the Director of Finance and Commercial Services, The Director of City Growth, The Chief Property Officer and the Director of City Centre Development all sit on the board.
- 3.29 This Board in consultation with the relevant Cabinet Members will continue to monitor the delivery of the Heart of the City II project, managing the vision, outcomes, benefits and any strategic risks to the Council. The Board provides a forum for decision making in line with the delegations authorised by this and previous reports and with further authorisation on financial matters going through the Capital Gateway Process, and Cabinet as required.

4.0 FOUNDATION LIVING WAGE

- 4.1 The Council is an accredited Real Living Wage employer.
- 4.2 As opposed to the Minimum and National Living Wage the Real Living Wage is the only UK wage rate that is voluntarily paid by nearly 6000 UK business who all believe that their staff deserve a fair days pay for a hard day's work
- 4.3 Outside of London the current rate is £9.30 for 18 year olds and above. It is paid by 1/3 of the FTSE 100 Companies and notable names signed up include ITV, Google,

IKEA and KPMG.

- 4.4 Both members and officers see the successful regeneration of the Heart of the City II as an opportunity to work toward designating the area as a “Real Living Wage Zone” and in doing so this will open a gateway to having meaningful negotiations and conversations with incoming and existing tenants of the Council about paying the Real Living Wage to all directly employed and contracted staff and, by creating a climate of change widen the conversation to major stakeholders city wide.
- 4.5 We will also take steps to identify one of the buildings within the scheme to be accredited as a Real Living Wage Building, in which 100% of tenants pay the real Living Wage to all of their directly employed and contracted staff.
- 4.6 The Living Wage Zones scheme, run by the Living Wage Foundation, is an ambitious scheme and is still at pilot phase. By signing up as one of the Living Wage Foundation’s first partners, Sheffield will pioneer a new, more inclusive approach to city centre regeneration.
- 4.7 The Living Wage Foundation will support us to make the business case for potential tenants to pay Real Living Wage. The Foundation has also published research showing the beneficial impact on local economies when higher levels of employers within city regions pay the real Living Wage.

5.0 CLIMATE EMERGENCY & ENVIRONMENTAL SUSTAINABILITY

- 5.1 The Council recognise that we face a climate emergency
- 5.2 The development of Grosvenor House has been carried out to standards in excess of the UK Building Regulations set to achieve the United States Green Building Council’s LEED Gold standard.
- 5.3 Leadership in Energy and Environmental Design (LEED) is a green building certification program used across the world. The rating system covers the design, construction, operation, and maintenance of green buildings that aims to use resources efficiently
- 5.4 The Heart of City development team will continue to address the need to produce environmentally efficient buildings and public spaces including the reuse of existing buildings to address the recommendations of this report.
- 5.5 Within Block H (Carver Street / Wellington Street junction), we have the opportunity to build an office which will be net zero carbon ready in its operation with the ability to offset any remaining residual carbon dioxide (CO₂) emissions while the energy grids decarbonise as part of the nation’s work on reducing carbon emissions from energy generation. This office will be built to the audited standards as set out in the UK Green Building Council Guidelines. This will be a first for Sheffield.
- 5.6 As part of the Council meeting its carbon emergency targets we will not be building a multi storey car park (MSCP) within the scheme and will impose conditions that one can’t be developed by the private sector should we dispose of the site for 3rd party development.

- 5.7 The Council will look to offset any carbon from development of any of the blocks mainly blocks A and H.
- 5.8 Connection to the District Energy Network (DEN) will continue where the building design requires a heat load that the DEN can supply. The current design for the new Radisson Hotel plans for a connection to the DEN.

6.0 HOW DOES THIS DECISION CONTRIBUTE?

- 6.1 Heart of the City II development meets an identified need for improved retail provision, housing, food and drink/leisure facilities and providing additional high quality office space for jobs. It will give residents, workers and visitors an exciting quality experience that is distinctively Sheffield and which is the hub linking the existing city centre retail, cultural, leisure and employment offers.
- 6.2 The development integrates and complements the existing city centre and its shopping areas rather than sit in isolation from them. Built to retain existing street patterns and heritage buildings wherever possible, it integrates with the resurgence of The Moor as a shopping and leisure destination, the Devonshire Quarter of independent shops and bars, and Fargate.
- 6.3 The development will contain a broad mix of uses, including retail and hospitality and whilst at the time of writing this report these sectors of the economy are under particular stress as a result of Covid-19, the delivery of individual units is some time away which will allow time for the market to recover. Ultimately the scheme is being designed with significant flexibility to allow for future trends

Economic Benefits

- 6.4 As set out in previous Cabinet reports by undertaking the Heart of the City II development the Council's aim was to create jobs and improve the economy of the city for all.
- 6.5 We anticipated in 2018 that the jobs that we would create within the Heart of the City II development site in the period 2019 to 2030 would be 7,000 and to date we have achieved 2,400 jobs (this includes construction jobs). The current impact of the Covid-19 pandemic is expected to delay the overall outcome, originally planned for achieving the jobs total by 2030.
- 6.6 In 2018 the increase in economic activity as a result of the Heart of the City II development was estimated at £3.7bn. To date we estimate we have delivered £0.4bn of growth after delivering phase 1. So again we consider that we are on track to deliver the predicted growth in the economy of the City.
- 6.7 This economic activity, to date, has induced a confidence in the private sector that has resulted in other major development schemes now being planned in the city centre.
- 6.8 Although this report sets out a range of alternative delivery options for the remaining blocks of the Heart of the City II which are aimed at reducing the level of direct intervention by the Council, the pre-development work that the Council has already undertaken should facilitate the continued achievement of the economic benefits

through a range of delivery partners.

7.0 HAS THERE BEEN ANY CONSULTATION?

7.1 The Council has over the years undertaken comprehensive consultation with key stakeholders and the public as to the development of this major city centre site, and will continue to engage/consult as to the future of the Heart of the City II development.

7.2 As part of the normal development/planning process the public will have the opportunity to be engaged and to make comments on the development of each block. Recently, block H and now block A have been out to consultation.

There is active engagement with a variety of stakeholders and the people of Sheffield at large through a variety of means including e-letters, web-site, consultations, social media and face to face meetings.

8.0 EQUALITY OF OPPORTUNITY IMPLICATIONS

8.1 The Heart of the City II 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 Heart of the City II development continues to progress there will be further opportunities for stakeholders and the public to be engaged and to make comments through the statutory planning process.

8.4 An Equality Impact Assessment was carried out for the Sheffield Retail Quarter project – reference number 926. This has been reviewed with no change on 1st July 2020.

9.0 RISKS AND FINANCIAL & COMMERCIAL IMPLICATIONS

Headline Financial Envelope

9.1 In March 2018 Cabinet approved a set of financial parameters for the delivery of the masterplan based on a total capital expenditure envelope and long term residual financing costs for each block.

9.2 Headline Financial Parameters:

- Total Capital Expenditure : £469m
- Net Development loss (after Business Rate growth) : £71m.
- All funded through Prudential Borrowing with the residual balance of borrowing on each block, repaid over 40 years post completion
- Maximum Annual Reveue Cost of 3m (2024/25).

9.3 It is proposed that any updated delivery plans will be contained within those headline financial parameters.

Reprioritisation of Financial Envelope

- 9.4 As set out in this report the two key changed areas of proposed priority investment are:
- a. the new lease with John Lewis & Partners and;
 - b. the aspiration to develop to a zero carbon impact : likely to increase costs e.g. the cost of a zero carbon ready office on Block H will add circa 10% to construction costs and further offsetting costs may be required.

- 9.5 In order to create the capacity for any investment in the John Lewis & Partners' Shop and to meet the demands of the climate emergency then a range of alternative delivery options are to be considered, that will involve bringing in third party development at the earliest opportunity appropriate to each block (or part of a block).

The momentum created by the completion of and letting of Blocks D and G1 and the visible development of Blocks B, C & F has increased interest and confidence in the City, making developer involvement more likely now that it would have been at the outset of the programme.

Any proposals will seek to ensure the continued growth of Business Rates and/or Council Tax revenue for the Council. This will reduce the level of capital expenditure the Council incurs but will also reduce the capital receipt as we will not be realising the fully developed value.

Further details of the range of options and financial implications are set out in part 2 of this report.

- 9.6 Delegated approval is therefore sought to determine and action the most appropriate disposal strategy for the Council for the Heart of the City II development and if necessary for the Council to sell the whole, any block or any part of a block as an investment.

Financial Risks

- 9.7 The Council is still carrying a significant level of risk in relation to the blocks it is currently developing in particular with regard to the risks associated with the construction and also the demand risk for the commercial and retail spaces that are being created.
- 9.8 However, by transferring parts of the development to other delivery partners then this will significantly reduce the capital expenditure risks and in particular the letting risk post completion. The downside to this course of action is that the Council will lose some degree of control of the development which could impact the pace of delivery.
- 9.9 The impact of C-19 has been reviewed and will be closely monitored. It is likely to cause some impact on lettings particularly on the space currently vacant and as the remainder of blocks is completed. Based on the OBR, Bank Of England and International Monetary Fund predictions of economic impact and recovery more extensive void periods have been built into the financial assumptions contained in this report and detailed in Part 2. In addition the construction phasing of Block H has been revised to allow a pause in the process to secure lettings before all costs are committed.

- 9.10 It is imperative therefore that sound governance continues over the progression of the scheme and that decisions are made taking proper consideration of the relative risks and the ability of the scheme to meet or better the assumed benefits in a timely manner.

Capital Budget Requirement

- 9.11 For the remaining blocks to be developed, on satisfactory completion of the requisite milestones for that block, approval for budget to carry out the construction of the properties and all necessary public realm improvement works will be sought through the Councils capital approval process.

Revenue Budget Requirement

- 9.12 On completion of each block the residual borrowing costs will be charged to General Fund Budgets with Minimum Revenue Provision (MRP) and interest charged over a 40 year asset life. They will be off-set by the increased Business Rates and Council Tax and any rents received while held by the Council and ground rent receipts post sale. Any alternative proposals will be considered against the base case long term revenue implications.

Revised Financial Envelope

- 9.13 A re-refresh of each of the remaining block appraisals has been carried out. This takes account of the most current market information for those blocks assumed to be fully developed by the Council. For Block G an assumption has been made as to the costs to prepare the site for market and of the likely public spaces that will be retained by the Council. This also includes the costs associated with acquiring a new lease with John Lewis & Partners

In all cases an assessment of the potential impact of C-19 has been included.

On that basis the revised financial headlines are:

	March 2018	March 2020
<u>Total Capital Expenditure</u>	<u>£469m</u>	£372m
<u>Net Development loss</u>	<u>£71m</u>	£79m
<u>Maximum Annual Revenue Cost</u>	<u>£3m (24/25)</u>	£3m (38/39)

So the increased scope in terms of the new John Lewis & Partners lease and zero carbon aspirations can be delivered with a significant reduction in capital costs. Whilst the net development loss is increased, this has a minimal impact on the long term revenue cost.

The reduction in the capital programme also reduces the associated construction risks.

Seeking private sector development for Block G also significantly reduces the letting risk for the Council on the properties developed.

10.0 LEGAL IMPLICATIONS

- 10.1 A number of the recommendations in this report are intended to allocate and identify sources of funding for the Heart of the City II 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 Section 123 of the Local Government Act 1972 contains a duty on local authorities to obtain the best consideration that can be reasonably obtained for the disposal of land. Disposal includes not only the sale of land but also the granting of leases.
- 10.3 Section 120 of the Local Government Act 1972 enables local authorities to acquire property for any of their functions or for the benefit improvement of their area. The surrender of a leasehold interest by a tenant to a landlord where the landlord is a local authority is an acquisition for the purposes of section 20.
- 10.4 Sections 1 to 6 of the Localism Act 2011 deal with what is known as the General Power of Competence ("GPC"). In simple terms it gives councils the power to do anything an individual can do provided it is not prohibited by other legislation. The use of GPC may be for a commercial purpose or otherwise and without the need to demonstrate the use will benefit the authority, its area or persons resident or present in its area although in practice any use of GPC for the purposes of this report will be in order to realise such benefits.

With regard to state aid the Market Economy Investor Principle ("MEIP") should be followed which means that an investment by the Council will not constitute state aid where a private investor of a comparable size operating in normal conditions could have been prompted to make the investment in question.

For the reasons set out in Part II of this report it is considered that where applicable the transactions set out in this report accord with the MEIP.

11.0 PROPERTY IMPLICATIONS

- 11.1 The rental income produced by the existing properties within the Heart of the City II site continue to be used to help fund the holding and management costs until such time as they are required for redevelopment.
- 11.2 As set out in previous reports should the Council not to proceed with any of the blocks within the Heart of the City II then the remaining land and property holdings will be capable of being sold to generate capital receipts.

12.0 COMMUNITY SAFETY IMPLICATIONS.

- 12.1 The Heart of the City II development will incorporate a series of high quality well-designed public spaces and squares between the buildings. These spaces will be constructed with high quality materials and will provide a safe environment for all.
- 12.2 Use of CCTV and informal policing by The City Centre Ambassadors will help ensure that a safe and secure environment will be maintained.

13.0 **ECONOMIC IMPACT**

- 13.1 The Heart of the City II scheme will create an attractive environment in the city centre to visit, live, work, shop and relax and will help stimulate other office, commercial and leisure investment and/or development in the city centre, generating additional business rates and retaining or creating more jobs.

The project will form a vital part of the recovery of the City Centre following the end Covid-19.

14.0 **ALTERNATIVE OPTIONS CONSIDERED**

- 14.1 The do-nothing option i.e. complete the current phases the Council has committed to deliver (blocks B, C and stabilisation works only on E and H1) and then cease work on the wider Heart of the City II scheme has been considered. Not only does this course of action have a potentially worse financial impact but also has many negative outcomes for the Council.
- 14.2 The status of city centre will 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.
- 14.3 Whilst it would reduce the level of capital expenditure it would mean that the Council will have to crystalize the loss if the Heart of the City II development is not delivered, as much of its investment to date in working up the scheme will be lost and this will cause a more immediate pressure on Revenue budgets...

15.0 **REASONS FOR RECOMMENDATIONS**

- 15.1 As outlined in this Report, there is a still a very clear strategic and economic case to justify the Heart of the City II development, and to maintain project momentum.
- 15.2 The Executive Director Place and the Executive Director of Resources still believe that the Heart of the City II development is vitally important for the regeneration of the city centre.
- 15.3 The reasons for the recommendations are to provide a way forward for the Council to deliver the remainder of the Heart of the City II development.

Eugene Walker
Executive Director of Resources

Laraine Manley
Executive Director, Place

15th July 2020

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank