Chief Executive: John Mothersole MA

Town Hall · Sheffield · S1 2HH

[redacted]

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21st February 2013

Rt. Hon. Nick Clegg M.P.,
Deputy Prime Minister &
M.P. for Sheffield Hallam,
[redacted]

Dear Nick,

Council Budget

At the full meeting of the City Council of the 6th February 2013 it was resolved that I should be instructed to write to you to deal with "recent inaccuracies and misrepresentations" with regard to various aspects of Council expenditure. In particular, this motion refers to recent references to the Council's spending on its accommodation, its use of consultants and its financial reserves.

It was also agreed that I should write similarly to Councillor Shaffaq Mohammed as the Leader of the main opposition group on the City Council and I am therefore copying this letter to him.

I will deal with the three issues listed above in sequence.

With regard to the Council's spending on accommodation, there have been many recent references made to expenditure of in the region of £2m on "Town Hall meeting rooms". This is emphatically not the case. It is true that a Cabinet report, based upon an already existing capital strategy, referred to such expenditure but this was an overarching title and was an error on behalf of the officers, in that report. We have publicly corrected that error on numerous occasions.

The reality is that the Council is spending some money on the maintenance of the Town Hall but this is because it requires such maintenance to ensure that it is kept in reasonable condition and continues to be safe. It is also a listed building. This enables us to boost income as it is used increasingly for weddings, civil

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ceremonies, registration of births etc. I am sure that all will support additional income being earned. However, the amount of expenditure this year and next will be in the region of £600,000. This is equally not being spent on "Town Hall meeting rooms" but is primarily on exterior stone work, leaking roofs, electrical safety and lift maintenance. There are no expensive fittings – it is about basic maintenance. I hope therefore that this clarification in this letter, which as I stated earlier repeats public clarification on other occasions, provides a useful factual base.

The second issue relates to the use of consultants. Sheffield City Council does use consultants, although primarily when we have to buy in specialist knowledge and skills as it would be highly ineffective for us to employ specialists on a permanent basis when they are only needed on occasions. For consultancy assignments a business case has to be prepared and approved at a senior level within the Council. Quite often, consultants work on specific projects and are therefore specifically funded, sometimes by third parties, although the expenditure would appear in the Council's accounts.

I note that a figure has recently been quoted as such expenditure being £4.7m. This is not the case. The actual spend approved on consultancy over the period referred to is £543,000. The reason that the higher figure has been misquoted is, I believe, that people have used the standard industry classification for suppliers without looking deeper to see exactly what that supplier was providing to the Council. It also includes technical services such as architects and engineers working on construction contracts such as the new markets. Many suppliers will classify themselves generically as consultants, but they provide a range of services. A good example is that within the £4.7m recently quoted £1.8m of that was actually for running the Council's main financial systems. This is not consultancy, although the supplier does classify themselves generally as being a consultancy. However, our view is that expenditure figures, when used in other communications, should be determined by exactly what was bought rather than how the supplier describes themselves. Therefore, for the avoidance of doubt, our expenditure on consultancy over the quoted period was not £4.7m.

Lastly, the issue of reserves has also recently achieved a lot of coverage and the Council remains concerned that the reserve figure quoted in various places is significantly higher than what in practice would be the Council's truly useable cash reserve.

I think the confusion arises through the accountancy requirement in our "Statement of Accounts" which show that our "useable reserves" are £167m. However, most of this figure – over £100m – cannot legally be used to support the Council's budget. The remaining amount – circa £60m which will reduce to £53m by March 2013 - is earmarked or set aside for spending on future costs. The biggest proportion is simply funds that the government pay us in advance of costs on PFI contracts such as highways. If we spent this money now, we will simply have to find it in the future either by cutting services or raising Council Tax by a phenomenal amount (subject to referenda limits). Therefore, the only unallocated reserve that we have is £11m. This description is on the principle that most would regard a useable reserve as cash available, and not required for a specific purpose, to cover unforeseen events. In percentage terms, and compared to core

cities, we have one of the lowest reserves of such a nature in England. Again, the view of the Council is that to quote a higher figure than the £11m for truly useable reserves would give a misleading impression that there is substantial cash available for expenditure without consequence. This is not the case.

I hope this letter helps to clarify these three key issues, which, as I have stated earlier, have been portrayed inaccurately on a number of occasions.

I would reiterate that this letter is based upon the Council resolution of 6th February 2013 and in sending it to you I am fulfilling the decision of the Council. If you do require any further clarification, then please do not hesitate to contact me.

Yours sincerely,

John Mothersole
Chief Executive

Copied to: Councillor Shaffaq Mohammed