

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 30 July 2010	<b>Decision Taker:</b> Cabinet Member for Regeneration & Corporate Strategy
<b>Report title:</b>		Working Neighbourhoods Fund (WNF) - Rationale and Methodology for Achieving Required In-Year Savings (2010-2011) from the Employment & Enterprise Allocation	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Regeneration & Neighbourhoods	

## RECOMMENDATION(S)

That the Cabinet Member for Regeneration & Corporate Strategy:

1. Approves the proposed £632,000 Working Neighbourhoods Fund in-year (2010/11) savings required from the employment and enterprise allocation, as set out in paragraphs 3-5, for the reasons explained below.
2. Agrees to officers entering into negotiation with the relevant contract providers, as set out in Sections 9 and 10 and Appendix B of the closed report.

## BACKGROUND INFORMATION

3. On 10 June 2010 the government announced a £732k saving requirement from the council's 2010/11 Working Neighbourhoods Fund allocation. £632,000 of the saving has to be found from the economic development allocation as set out below. This represents 20% of the EDSP division's WNF allocation.
4. The Economic Development & Strategic Partnerships Division (ED&SP), within Regeneration & Neighbourhoods Department, received £3,144,379 to deliver employment and enterprise support across the borough. The majority of this funding has been committed as part of the annual employment and enterprise commissioned support programme, and is under contract: 32 contracts totalling £3,291,852; or the final stages of negotiation: 3 contracts totalling £228k – a total programme value of £3,519,852<sup>1</sup>.
5. £308k of the savings can be found from as yet uncommitted funds; the remaining £324k will have to be found from committed contracted provision and contracts under negotiation, as set out below.

### Contracted Provision 2010/11

6. Following a competitive tender process the council received 51 completed tenders requesting a collective total of £5,459,926. 35 projects were identified (from 27 organisations) which met the criteria and offered the council a package of economic development delivery at a total cost of £3,519,852. The process and the detailed projects were approved by the Strategic Director of Regeneration and Neighbourhoods when the Gateway 1 and Gateway 2 reports were signed off on 25 March 2010 and 29 March 2010 respectively.

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<sup>1</sup> including £738k of core funding

## **FACTORS FOR CONSIDERATION**

### **Proposed Methodology for Achieving Required Savings**

7. £308k can be found from as yet uncommitted funds.
8. *Existing Contracts*: Project tenders were assessed for effectiveness against set criteria and each received an overall score out of 100. It is proposed that the negative impact of securing the required savings could be mitigated through an approach which uses this assessment score and weights reductions towards the lower-scoring tenders/projects; i.e. higher scoring projects would receive their full contractual amount (subject to continuing performance). Savings would be achieved by initially targeting the lowest scoring tenders and reducing their contract periods from 12 to 6 months until the required savings are achieved.
9. *Unsigned Contracts*: Re-negotiate two of the three unsigned contracts to reduce the financial value by 50%. (in each case the commitment of funding had been conditional upon the execution of the contract by the service provider).
10. The options analysis behind these recommendations is set out below. Projects which could not achieve savings, for example because of direct redundancy liabilities or obligations from other committed government match funding, were excluded. Appendix B in the closed part of the report proposes a list of the lowest scoring projects and unsigned contract cases; that part of the report is closed because of the disclosure of confidential and commercially sensitive information relating to the budgets of individual organisations.

## **OPTION ANALYSIS AND MITIGATIONS**

### **Existing Contract Reductions Seeking £324k**

11. This Government requirement for the local authority to find in-year savings is unprecedented. The announcement was made in June and after the Council had entered into these arrangements. The savings requirement is a finite sum, any delays in making this decision would mean that more organisations would be affected. The Council considered top-slicing all of its economic programme but this would have resulted in all services terminating before the end of the year. All of the services target specific groups within the community for additional support. Taking a mixed approach which limits the reductions to a smaller number of organisations and services means that services will still remain accessible to all client groups either through the remaining provision or through mainstream options; JCP for example is able to offer specific services for people with disabilities. A mixed approach, which identifies some projects for termination at 6 months, is recommended for these and the following additional reasons:
  - Employment and enterprise projects tend to deliver outputs and outcomes disproportionately in the final quarter, as investment in training pays off in delivery of skills, qualifications and jobs;
  - Simultaneous termination of all contracts would result in the withdrawal of all support for Southwark residents on programmes whereas a phased approach would allow this to occur in a more managed way, with some prospects for referrals across providers;
  - It allows organisations some time to apply a phased closure and to cater for redundancy.

## Unsigned Contracts

12. There are as yet three unsigned contracts, totalling £228k. Further negotiation on these could cease offering up the total £228k as a saving. As a starting point it was assumed that these three contracts *would not* be completed unless there were mitigating circumstances. Mitigations are considered below.
13. The impact of not moving forward with these three contracts are set out in more detail in the Equalities Impact Assessment at sections 23-24 (further detail is in the closed report) but it is considered that not moving forward with two of these contracts would have a disproportionate effect upon:
  - The enterprise support programme
  - One particular delivery agency
  - A high needs client group - SME businesses from black and minority ethnic communities.
14. It is not considered that ceasing work on the remaining unsigned contract would have a disproportionate impact upon either the organisation or the client group.
15. It is therefore recommended that two of the unsigned contracts be renegotiated to reduce the financial value by 50%. A saving of @ £147k can be achieved with this approach, whilst still maintaining a meaningful support service to this client group.

## Further Factors for Consideration

16. An early decision on this would allow an opportunity for each of the affected projects to consider if they would prefer to reduce their services over a longer time frame within the target saving. That is, we would not insist that projects end on the six month date if they themselves thought they could manage the reduction over a longer period.
  - See Appendix A for a full list of contracted providers and projects
  - See Appendix B for detailed savings implications – closed report

## Summary of Recommendations

17. Reducing six (lowest scoring) projects to six months with an end date of September 2010 and offering six months (or 50%) funding to two of the three projects still under negotiation.
18. Further savings can only be achieved through cancellation of more contracts either at the six or nine month point.
19. Individual projects will be contacted at the earliest possible opportunity for a discussion of the implications for their particular contract(s).

## KEY ISSUES FOR CONSIDERATION

### Policy implications

20. The annual tender process is designed to identify and fund projects which meet and address the objectives of the Southwark Employment and Enterprise Strategies, and reflect the overarching aims of the council's Corporate Strategy and the

targets/performance indicators agreed in both the LAA and the departmental business plan. The overall objective of these projects is to collectively support the LSP and its partners in achieving their floor targets, increasing the overall employment rate and in particular that of disadvantaged groups and communities within the borough. They aim to support existing and start-up businesses and create an entrepreneurial culture. The reduction in funding will have an impact upon the achievable outputs for 2010/11 and subsequently an effect upon the success of these strategies and objectives.

### **Community impact statement**

21. These contracts aim to identify, target and support people from the most disadvantaged groups and areas within the borough. Projects are seeking to bridge the gaps in mainstream service provision provided largely by Jobcentre Plus and Business Link for London. The awarded contracts contribute towards removing barriers to employment; supporting particular high-needs groups including lone parents, those with mental health issues, ex-offenders, people with disabilities, over 50s, asylum seekers, young people and refugees. They will support existing and start-up SMEs and particularly BME businesses, and businesses in the most deprived neighbourhoods, providing opportunities for all residents to start up businesses and take up new jobs. Equality of opportunity is taken into consideration in tender assessment process and project delivery.
22. The reduction in funding for this programme will reduce the amount of support available to support these hardest to reach groups and the most vulnerable in Southwark out of worklessness and into sustainable employment. Every effort will be made to identify alternative sources of funding to support these providers or continue services elsewhere.

### **EQUALITIES IMPACT ASSESSMENT**

23. £308k of the required savings can be found from as yet uncommitted funds, which will not have a direct impact upon any specific providers or groups at this stage. However, the remaining £324k will have to be achieved by terminating or varying existing contracts and/or contracts still under negotiation; and will represent a crude reduction in contracted outputs of @ 9.2%. Details of the impact on specific outputs can be seen at Appendix B. For reference, the three key programme indicator targets for 2010/11 are as below:
  - sustainable jobs (2010/11 = 1241)
  - accredited training (2010/11 = 824)
  - business start-ups (2010/11 = 118)
24. The possibility of not completing any of the unsigned contracts, thereby achieving £228k of the required savings has been considered. However, this would have a disproportionate impact upon the enterprise support programme; upon one particular provider, and upon a particular target group - BME SMEs in particular. This is set out in more detail in the closed report.

### **Impacts on client groups**

25. Whilst this decision will reduce specific targeted services to jobseekers and businesses; it does ensure that other services continue until the end of the financial year as originally intended. In addition universal services will remain accessible to all businesses and residents in the borough. These services are open to all. All of the

economic development contracted services have targets to support people from BME backgrounds, women and people with disabilities.

## **RESOURCE IMPLICATIONS**

### **Financial implications**

26. The Regeneration & Neighbourhoods Department received an employment and enterprise WNF allocation of £3,144,379 (including £25k inflation received after the initial allocation). The 2 main areas of ED&SP expenditure of WNF this year are direct employment of staff, and commissioning and contracting of projects to deliver the employment and enterprise strategies. The majority of this funding has been committed and is under contract – a total of £3,519,852 (including £738k of core funding) – as part of the annual employment and enterprise commissioned support programme.
27. The council has been instructed to achieve in-year savings from its WNF allocations 2010/11, amounting to £732k. This report requests that £632k of this is sought from the Economic Development allocation as set out above. This represents 20.3% of the EDSP division's WNF allocation:
  - £308k of the required savings can be found from as yet uncommitted funds.
  - The remaining £324k will have to be found from contracts: existing and under negotiation.
28. In terminating or varying these contracts the council will not be liable for any redundancy costs.

### **Legal implications**

29. Legal advice has been sought in relation to the robustness of the methodology for achieving the required in-year WNF savings. The proposed methodology provides a clear and consistent rationale for identifying the savings which will stand up to scrutiny.
30. The standard contract issued to all providers has robust termination clauses set out at Section 19, which allow for termination or variation; most specifically:

*“(Clause 19.4) The Council may terminate this Agreement by not less than one months notice in writing to the Contractor in the event that the provision of funding by any Government department ceases to provide funds for the objectives of the Council for whatever reasons or indications that its funding will cease, but such notice shall only take effect in the Financial Year in which funding ceases to be provided. The Council shall not be bound to make payments to the Contractor in the event when there is no prospect of that payment being funded by the Government department.”*

### **Consultation**

31. The rationale and process for achieving the required in-year savings has been consulted upon with both chief officers and members. Legal advice has been sought regarding contractual implications and process. See Legal concurrent.

32. Providers will be contacted at the earliest opportunity to discuss specific implications and to agree the most positive way forward.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

33. The Strategic Director of Communities, Law & Governance (“SDCLG”, acting through the Contracts Section) has advised the report author in connection with this matter and that advice is reflected in paragraphs 29 and 30 above. The proposed reductions in funding are intended to be achieved in a manner which is both reasonable and proportionate, whilst allowing the council to maintain its corporate objectives as far as possible in such circumstances. The decisions to approve the recommendations set out in paragraphs 1 and 2 are ones which fall to be taken by the Cabinet Member, being matters expressly reserved to her under Part 3D of the council constitution.

### **Finance Director**

34. This report seeks the approval of the Cabinet Member for Regeneration & Corporate Strategy for the rationale and methodology for achieving the £632,000 Working Neighbourhoods Fund in-year (2010/11) savings required from the employment and enterprise allocation within Regeneration & Neighbourhood, as set out in paragraphs 3-5.
35. The details of the proposals are contained in the main body of the report but the Finance Director notes that the required savings can be achieved without any redundancy or other financial implications on council budgets and finances.

## **BACKGROUND DOCUMENTS**

<b>Background documents</b>	<b>Held At</b>	<b>Contact</b>
All contract documentation, including tenders and contracts. Gateways 1 and 2. All budgeting information.	Economic Development & Strategic Partnerships Division, Regeneration & Neighbourhoods Department.	Aelswith Frayne Strategic Partnerships Manager 020 7525 5339
Contract Register Update	Economic Development & Strategic Partnerships Division, Regeneration & Neighbourhoods Department	Aelswith Frayne Strategic Partnerships Manager 020 7525 5339

## **APPENDICES**

<b>Appendix</b>	<b>Title</b>
Appendix A	Full List of Providers 2010/11
Appendix B	WNF Detailed Savings Implications (Closed)

## AUDIT TRAIL

<b>Lead Officer</b>	Strategic Director of Regeneration & Neighbourhoods		
<b>Report Author</b>	Aelswith Frayne, Strategic Partnerships Manager, EDSP Division.		
<b>Version</b>	Final		
<b>Dated</b>	30 July 2010		
<b>Key Decision?</b>	Yes	<b>If yes, date appeared on forward plan</b>	N/A
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>	
Strategic Director of Communities, Law & Governance	Yes	Yes	
Finance Director	Yes	Yes	
<b>Cabinet Member</b>	Yes	No	
<b>Date final report sent to Constitutional Officer</b>		30 July 2010	

## Appendix A

Table 1: Full Funding Allocations 2010-11

<b>Enterprise Projects</b>				
<b>Ref. No</b>	<b>Organisation</b>	<b>Project name</b>	<b>Funding</b>	<b>Summary</b>
18A	Black Business Initiative	Southwark Enterprise Forum	85,000	Enterprise support initiatives to promote entrepreneurship to support BAME communities and SMEs in Southwark.
18B	Black Business Initiative	Southwark Youth Enterprise Programme	76,920	Enterprise support project for young adults 16 to 30
5	Business Extra Ltd	Business Growth in Southwark	200,000	Borough wide "seamless local service" with strong local, sub-regional, regional and national links for pre-start, start-up and existing businesses
22A	One London Ltd	First steps to business	92,500	Seeks to cultivate interest in enterprise and self-employment as a viable option for those residents of Southwark who are currently not fully economically active and who would not otherwise consider setting up in business as an option.
22	One London Ltd	Sustaining and growing small businesses 2010	90,000	Business Champion to engage with individual businesses in Southwark providing intensive advice to survive and grow, to take advantage of new opportunities arising as the economy improves.
25	Ampod Ltd	Enterprise 4 Women	105,000	Business development support specifically for women.
29C	Elephant Jobs	Procurement Programme	74,830	Awareness raising, capacity building: supporting small businesses to increase capacity and competitiveness. Particular focus on improving business to business activity and procuring public and commercial contracts.
Sub Total: Enterprise			724,250	



<b>Employment Projects</b>				
<b>Ref. No</b>	<b>Organisation</b>	<b>Project name</b>	<b>Funding</b>	<b>Summary</b>
14	Southwark Children Looked After	Swk Works Leaving Care adviser	27,000	Part of the Southwark Works programme to promote the education, training and employment of young people who are looked after by the Council and those who have left care.
29A	Elephant Jobs	Aylesbury Learning Centre	72,000	Provides Swk residents with open learning opportunities and access to resources through both EJ projects and projects provided with space and support, to increase social and economic inclusion.
4	Rees UK Ltd	Night2Day Security	140,942	Training programme: JSA and IB claimants - offers routeway access course giving clients normally lacking confidence, skills or experience the opportunity to return to work and earn c25k in the Security Industry."Basic skills by stealth".
31	Peckham Churches Network (Pecan)	Bridge Project	101,216	Collaboration with: Swk Works, Working Links, Southwark College. Customised and intensive support to secure sustainable employment in Construction, FM, Retail, Customer Service/Bus Admin, Hospitality, Social Care and Childcare sectors.
1A	Southwark Muslim Women's Ass	Cache level 2 Cert supporting teaching and learning	42,584	CACHE (Counsel for Awards in Children's Care and Education) Level 2 Certificate in Supporting Teaching and Learning in Schools. Including work placements in schools. ESOL (English for Speakers of Other Languages) tutor to support.
24	Volunteer Centre Southwark	BOOST	99,668	In partnership with Southwark Works: structured, high quality volunteering work experience placements, with tailored employment training and job searches.
7E	JCCS Ltd	Young Southwark Works Foot in the Door	63,882	Works with young Southwark residents aged 15-18 still in education, esp BAME young men wanting to work P/T (Sat/Sun) to match them to work placement or job ops in local retail sector.
21	South London and Maudsley NHS Trust	Southwark Vocational Service	232,600	The aim of the Southwark Vocational Service is to provide individually tailored support to people with mental health problems in Southwark, to help them return to and/or stay in employment.
32	Robust training	License to Work	92,550	Assist people into vacancies in community Transport: Drivers and Passenger assistants, Private Hire Vehicle drivers (PHV), and Chauffeurs. Individualised training and development plans and pre-employment course.

<b>Employment Projects</b>				
<b>Ref. No</b>	<b>Organisation</b>	<b>Project name</b>	<b>Funding</b>	<b>Summary</b>
32A	Robust Training /Ruskin Hire	Creative Development	50,903	Provision of skills refresh in up to date technology/tools. Industry links within the creative sector. Work experience in current market.
7B	JCCS Ltd	Southwark Works Bermondsey	134,000	The St James's Road (SJR) office was original base for Swk Works. Opened 05/06. Re-opened in May 09. Strategic response to lack of emp support in the area and wider support for Southwark Works programme.
7A	JCCS Ltd	Southwark Works Elephant & Castle	133,805	Currently the main location and focus of the Southwark Works programme and a base for the majority of the 22 advisers working with their clients. The office is also open to the public and provides a public facility for job-searching.
3	Family Mosaic Housing Ass	Pathways to work	87,945	Careers guidance and employment support to Southwark residents, particularly those from hard to reach groups and deprived areas of the borough. The project aims to enable people to develop active and continuous job search strategies and make it easier for the inactive people of Southwark to take up employment.
7C	JCCS Ltd	Southwark Works management, monitoring and coordination	110,798	Manage, coordinate and provide the monitoring services for the entire Southwark Works programme. Dev prog in context of local and national worklessness policy. Min burden placed on advisers and those working one to one with clients and businesses.
8	Red Kite learning	Drug Intervention project employment programme	85,680	Two employment advisers. Work with key treatment and support services for offenders and substance misusing offenders providing emp advice/support alongside treatment and support interventions. IAG support, Targeted financial support.
7F	JCCS Ltd	Outreach - Bermondsey	117,460	This project is intended to provide a Southwark Works employment and training outreach service for the Rotherhithe and Bermondsey area.
30	Talent recruitment	Southwark (Works) Deal	188,300	Support for Southwark residents looking for work and employers looking to recruit.
11	Blackfriars Settlement	preparing for the workplace	29,300	Employment Skills built around delivery of 4 modules lifted from the OCR examining board Ready, Steady, Go qualification for career planning, job searching and preparing for employment.
9	Camb. Magistrates Help	Support and development officer court	55,755	Aims to recruit local unemployed Swk residents, attain skills and experience to secure high quality emp. Along with training, support and supervision, individual's skills are

<b>Employment Projects</b>				
<b>Ref. No</b>	<b>Organisation</b>	<b>Project name</b>	<b>Funding</b>	<b>Summary</b>
	Desk Service	helpdesk		developed and relevant 'real work' experience is gained delivering a service to court users actual and real time situations, volunteers are given unique experiences and learning.
19	Women Like Us	School Gates to Salaries	127,139	Focus on tackling the barriers faced by parents who are furthest from the job market and who experience multiple disadvantage. These will include lone parents, parents in BAME communities, those with low skills levels, those who are long term unemployed and in low income households, coupled mothers, older parents and those with disabilities and health conditions.
27	Camden Society	Work - Train - Southwark	183,320	The <b>Work-Train-Southwark</b> prog has been designed to offer support to people with a learning disability to develop careers in wide range of sectors. Recruitment, Assessment, Accredited, training, work placements, Job search, in-work support, Information and guidance.
26	OBAC	Pathways - employability project	73,685	The Project aims to provide vocational training in the following; literacy, numeracy, ICT, IAG, work experience to remove barriers to the labour market entry for disabled people and people with long term health conditions.
16	Dhamalie	Moving on	95,031	Our aim in this project is to work with employers and other local providers to progress 60 IB claimants into sustainable work and to provide them with continuing support for up to 6 months.
2	Walworth Garden Farm	Green spaces training and employment	61,732	Targeted Training/Emp Prog tailored to suit individual needs. Key partnerships: Swk Works and JCP, inc. FND prog. Key obj's: op to gain recognised Horticultural Qualification (QCF) Level 2. Provide bens with additional skills necessary to re-enter job market; provide assistance finding w; provide subsidised work placements.
29B	Elephant Jobs	OFFERS / Ex-IT Training and Work Experience	9,944	Build on ops presented by the capital and revenue investment into the OFFERS/EX-IT project over the last five yrs. Offer local people referred from employment agencies access to the right skills and work experience to get them back into work with a salary: 3 month work exp and training contracts = support, training, access to quals.
36	The Princes Trust	Getting Southwark Working	66,019	Two-pronged approach to increasing emp and self-emp in Swk: Get Into and the Business Programme. Both prog will engage key target grps: unemp, In and leaving care, young offenders/ex-offs, educ underachievers.

<b>Employment Projects</b>				
<b>Ref. No</b>	<b>Organisation</b>	<b>Project name</b>	<b>Funding</b>	<b>Summary</b>
23A	Multiskills	Refugee Access to Employment (RATE) project	184,448	Training and job brokerage with embedded ESOL. Targets Refugee Communities and non- English speakers. Help to gain emp initially in Health and Social Care Sector followed by other industry sectors.
7D	JCCS Ltd	Southwark Works Employer liaison	127,896	Three key elements, all of which involve liaison with, and the engagement of, businesses/ employers: provide the core employer liaison/ job brokerage service to the team of Southwark Works' advisers, focus support on those "job ready" clients referred by their advisers and in addition, provide a job brokerage service for other service users of Southwark Works with a special focus on young people aged 18-24.
Sub Total: Employment			2,820,175	
<b>Total Funding Awarded 2010/11</b>			<b>3,519,852</b>	