

<b>Item No.</b> 7.	<b>Classification:</b> Open	<b>Date:</b> 19 October 2010	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Creation Trust – Approval of Finance to Support its Business Case for 2011/12	
<b>Ward(s) or groups affected:</b>		Faraday	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance and Resources	

## **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, FINANCE AND RESOURCES**

1. This report recommends the provision of grant funding to Creation Trust, the successor body to the Aylesbury NDC (New Deal for Communities) and the council's Aylesbury Steering Group. It seeks permission to grant fund Creation Trust with £250,000 for this financial year.
2. Given that we are now in the third quarter of the financial year, the report recommends that the grant payable immediately will cover the first three quarters of the current financial year. The report recommends that the grant for the final quarter is subject to the Trust's satisfactory performance when measured against its agree performance plan, in line with normal procedure. Creation Trust would then need to make separate grant applications for successive years which the council intends to decide before the start of the relevant financial year

## **RECOMMENDATIONS**

That the Cabinet:

3. Approve Creation Trust's business plan for the current financial year (2010/11)
4. Agree that the council should enter a one-year Funding Agreement with Creation Trust incorporating the terms set out in this report and delegate authority to the Strategic Director for Regeneration and Neighbourhoods to finalise the terms of and complete the Funding Agreement (Appendix 1); and approve:
  - The release of up to £187,000 in funding in support of the 2010/11 business case covering the first three quarters of the current financial year; and
  - Subject to the completion of the Funding Agreement, funding for the fourth quarter (up to £63,000), providing Creation Trust complies with the terms of the Funding Agreement and demonstrates satisfactory progress executing its business proposals for 2010/11.
5. Request the Strategic Director for Neighbourhoods and Regeneration to meet with the Director of Creation Trust annually, prior to the submission of any subsequent funding request to the council, in order to review Creation Trust's work programme going

forward to ensure that its business plan:

- Does not contain any projects that seek to duplicate existing council services and/or council sponsored services
  - Contains projects that demonstrably add value to the council's objectives for the Aylesbury Estate.
6. Requests council officers to report back to Cabinet in February 2011 following their review of Creation Trust's work programme (business plan) for 2011/12.

## **BACKGROUND INFORMATION**

7. Creation Trust (a company limited by guarantee and whose formal name is New Aylesbury Trust Ltd.) is the successor body to Aylesbury Steering Group and the Aylesbury NDC. The Aylesbury NDC was established in 1999 with a total budget of £56m to help transform the lives of residents of the Aylesbury Estate over the following ten years and beyond. The Aylesbury NDC was managed by a community led board.
8. The council's Major Projects Board at its meeting on January 27, 2009, agreed that in return for financial assistance of between £14m and £18m from the Aylesbury NDC (via its capital programme), and subject to the completion of a Funding Agreement to fund:
- Council leaseholder buy-outs on the Aylesbury Estate,
  - Improvements to Burgess Park.
9. The council agreed to:
- Bring forward the development of the Amersham site 10 (300- 313 Missenden) in the Aylesbury Regeneration Programme (including community facilities to be held in trust by Creation Trust),
  - Provide revenue support to Creation Trust, subject to the approval of an agreed business plan.
10. These proposals were developed in consultation with the:
- Council (staff and elected members)
  - Regeneration Sub-Group of the Aylesbury Steering Group
  - Government Office for London
  - Communities and Local Government
  - NDC New Deal for Communities) Partnership Board
11. The revenue support to Creation Trust was due to take the form of funding to Creation Trust (from (April 2010 onwards) of approximately £250,000 per annum for five years (totalling £1.25m) to enable it to fund its activities while establishing long-term sustainability and waiting for the revenue stream from the community facilities on the

Amersham (site 10) site to begin once this site is redeveloped.

12. In the event, the Funding Agreement was not completed, and so it is necessary to bring this decision back to Cabinet.
13. The Cabinet Member for Regeneration and Corporate Strategy is the chairperson of Creation Trust. Members of the board of Creation Trust comprise:
  - Up to eight people residing in the Aylesbury area; of which not more than two may be nominated by each of the four Aylesbury Tenant and Resident Associations, or their successor organisations
  - Up to two people nominated by the Aylesbury Leaseholders Group, or its successor organisation
  - Up to seven people nominated by statutory organisations who are operative in the Aylesbury area; of which one person may be nominated by the Southwark Pensioners Centre and one person may be nominated by the Youth Practitioners Group or their successor organisations
  - Up to three Southwark councillors (including Cllr Colley) nominated by the council
14. The Board of Creation Trust approved its business plan in July 2010, comprising the projects set out in Appendix 2, and while council officers have reviewed the business plan and found it appropriate and deliverable, they also concluded that the:
  - It is dependant on the delivery of several existing projects, such as:
    - Aylesbury Young Peoples Project
    - Aylesbury Support for Older People
  - While there are no significant overlaps with other council supplied and/or sponsored services there is scope for overlaps to occur.
  - Funding targets in the plan to allow Creation Trust to operate without council funding from 2014/15 going forward are ambitious and require careful management to remove its reliance on public funding quickly and by the end of year five at the latest.
15. Creation Trust appointed a new director in September 2010 and as a result Tribal who provided an interim Director will withdraw from supporting Creation Trust in October 2010.

#### **KEY ISSUES FOR CONSIDERATION**

16. While Creation Trust retains some working capital it does not have sufficient funds to continue to operate through 2010/11 without funding from the council. As a voluntary organisation it would like to receive its funding in advance because it does not have sufficient working capital to operate for long periods if funding was paid in arrears.

17. While the council fully supports the aims and objectives of Creation Trust, as a steward of public funds and within the context of the outcome from the government's Comprehensive Spending Review (CSR 2010), it must be assured that Creation Trust's business projects:
  - Deliver real and positive social benefits on the Aylesbury Estate
  - Do not duplicate other public services provided in the Aylesbury Area
18. This means that it would be:
  - imprudent for the council to provide any guarantees or promises of continued funding to Creation Trust given the current level of uncertainty concerning public spending in general
  - sensible and proper for council officers to work with Creation Trust to ensure that the projects comprising the trust's business plan going forward resonates with the council's corporate objectives for the Aylesbury Estate and avoids any unnecessary duplication of effort.
19. Consequently, any council funding commitment should only be for a period of one year despite Creation Trust's business plan currently covering a ten-year period. This means that Creation Trust should be required to submit a revised business plan and funding request for Cabinet approval annually.
20. And, in order to assure the council and any funding provided to Creation Trust is administered properly the funding should be provided within a Funding Agreement. This agreement will cover the:
  - Amount of the funding to be paid and the nature of its payment, i.e. in advance instalments
  - Performance monitoring and reporting arrangements, including any audit requirements, the council expects to see put in place by Creation Trust
  - Council's right to claw-back any unspent funds.

### **Policy implications**

21. Historically, the council's Economic Development Contracted Funds Programme allowed for payment in advance to delivery agents where this is requested, appropriate and required. Other departmental programmes such as Community Support, Children's services, and others award monies in advance. This custom and acknowledged good practice will be applied to the issue of funds to Creation Trust. Should Creation Trust choose not to progress any of its funding aided projects or if any of these projects return a surplus then it will be obliged return any unspent funds.

### **Community Project Bank Prioritisation**

22. There are no immediate and specific implications for Community Project Bank Prioritisation as a result of the approach to funding having been agreed for the specific purposes set out in this report and the source of funding being related to the aims and objectives of Creation Trust.

### **Community impact statement**

23. Funding in support of 2011/12 business plan of Creation Trust will assist the council to facilitate the development of local communities on the Aylesbury Estate and contribute to the delivery of the Aylesbury Area Action Plan. And as a result, deliver a more sustainable and demographically mixed community.

### **Resource implications**

24. Creation Trust benefits from occasional support from the council's finance department who provide occasional advice to the trust (approximately three hours each month).
25. The business plan prepared by the Creation Trust is reliant on funding income from the council at £250,000 per annum for five years (totalling £1,250,000) starting in financial year 2010/11.
26. The payment of these sums was an in principle recommendation of the January 27, 2009 report put before the Major Projects Board. This report noted at the time that no budget provision had at that point been identified to meet the cost of financial support to the Creation Trust, and that decisions on funding in future years would be made by the relevant decision maker at the appropriate time, potentially as part of budget setting and subject to the availability of funding, impacted by budgetary constraints or pressures applying at the time.
27. For the purposes of the decision outlined in this report a budget provision has been identified to fund this cost at the level proposed within current allocations for financial year 2010/11 subject to the business plan being approved. A budget allocation for the four subsequent financial years outlined in the Creation Trust's business plan is yet to be identified. However since any further payments will be subject to future reports to Cabinet each financial year whereby Creation Trust's business plan is reviewed for approval, any such provision would need to be identified as part of this exercise, subject to availability of budgets pending approval of the business plan for each subsequent year.
28. The report to the Major Projects Board also noted rental arrangements for community facilities to be transferred to the Trust; however, this proposal had not been finalised and no budgetary provision had at that time been identified. The potential need for annual costs of around £60,000 per annum, including rent in relation to community space on Aylesbury Site 10 has been notified to the Finance Department for inclusion on the forward plan from 2013/14 onward, were Creation Trust or an alternative organisation to make use of the site. However where the allocation of council funding is being used by Creation Trust to meet such annual costs, the council will only pay for such costs within the agreed £250,000 annual allocation, not make any other or duplicate additional payments to cover these costs. This will be reflected in the Funding Agreement.

29. The council intends to provide a 0.5 day a month finance support resource from the council's Finance Department to Creation Trust, contained within existing council budget provisions, to assist in reviewing and monitoring Creation Trust's operations. As a result of this resource contribution the Finance Department will be involved in the ongoing review and support of the Trust's activities, the annual Creation Trust business plan review and preparation of the report submitted to Cabinet each year for approval of the business plan.
30. The council will seek to review the amount payable under the Funding Agreement were the Trust either to exceed its income targets in other areas or to underperform relative to income levels received from other sources.

### **Consultation**

31. Consultation has taken place with the Board of Creation Trust with regard to its business plan and the approach to releasing funding.
32. The Funding Agreement will require Creation Trust to consult with the community with regard to ways to engage with the local voluntary and community sector (VCS) and to engage with the VCS where feasible.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

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

33. Section 2 of the Local Government Act 2000 (as amended) confers well-being powers enabling local authorities to do anything likely to achieve the following objectives:
  - The promotion or improvement of the economic well-being of their area,
  - The promotion or improvement of the social well-being of their area, and
  - The promotion or improvement of the environmental well-being of their area
34. This well-being power may be exercised for the benefit of the whole or any part of a local authority's area, and includes a power to incur expenditure and give financial assistance to any person. In exercise of the power, regard must be had to the authority's approved strategy for promoting well-being.
35. The objectives chime with the stated aims and objectives of Creation Trust. As noted at paragraph 23 of this report, funding in support of Creation Trust's 2011/12 business plan will assist the council to facilitate the development of local communities on the Aylesbury Estate and contribute to the delivery of the Aylesbury Area Action Plan, thereby delivering a more sustainable and demographically mixed community. As such the council providing funding to Creation Trust can be said to be within the powers conferred on the council by Section 2 of the Local Government Act 2000.

## Finance Director

36. The Finance Director notes the financial implications contained in the body of this report relating to financial year 2010/11.
37. Budget has been identified to meet up to the £250k funding amount requested for 2010/11 and any funding provided will be subject to a Funding Agreement outlining the council's conditions of funding, to which the Trust must adhere.
38. In light of risks identified in the Creation Trust's business plan prepared in July 2010, the Finance Director looks forward to reviewing a revised business plan in the coming months and to any risks contained therein being mitigated to the council's satisfaction prior to the release of any further funding to the Trust.

## BACKGROUND PAPERS

Background Papers	Held At	Contact
NDC Neighbourhood Regeneration and Implementation Collaboration Agreement	Regeneration & Neighbourhoods	Geri McLeary 020752554904
Creation – Business Plan Position Paper	Finance & Resources	Alex Vaughan 02075257691

## APPENDICES

No.	Title
Appendix 1	Draft Funding Agreement (Heads of Terms)
Appendix 2	List of Creation Trust's Current Projects

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance and Resources	
<b>Lead Officer</b>	Richard Rawes, Strategic Director of Regeneration and Neighbourhoods	
<b>Report Author</b>	Geri McLeary, Aylesbury Programme Director	
<b>Version</b>	Final	
<b>Dated</b>	8 October 2010	
<b>Key Decision?</b>	No	
<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	Yes
<b>Date final report sent to Constitutional/Community Council/Scrutiny Team</b>	8 October 2010	