



OVERVIEW & SCRUTINY COMMITTEE

MINUTES of the Overview & Scrutiny Committee held on Wednesday 8 September 2010 at 6.00 pm at Town Hall, Peckham Road, London SE5 8UB

PRESENT: Councillor Lisa Rajan (Chair)
Councillor Andy Simmons (Vice-Chair)
Councillor Neil Coyle
Councillor Toby Eckersley
Councillor Gavin Edwards
Councillor Mark Glover
Councillor David Hubber
Councillor Tim McNally
Councillor Helen Morrissey
Councillor the Right Revd Emmanuel Oyewole
Councillor Geoffry Thornton

OTHER MEMBERS PRESENT: Councillor Fiona Colley, Cabinet Member for Regeneration and Corporate Strategy

OFFICER SUPPORT: Steve Bishop, Legal Services
Doreen Forrester-Borwn, Head of Legal Services
Aelswith Frayne, Strategic Partnerships Manager
Karen O'Keeffe, Head of Economic Development and Strategic Partnerships
Rachael Knight, Scrutiny Project Manager

1. APOLOGIES

- 1.1 Apologies for absence were received from Councillor Paul Noblet. Councillor Geoffrey Thornton attended in his place as a reserve.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

- 2.1 There were none.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

3.1 There were none.

4. CALL-IN: WORKING NEIGHBOURHOODS FUND (WNF) - RATIONALE AND METHODOLOGY FOR ACHIEVING REQUIRED IN-YEAR SAVINGS (2010-2011) FROM THE EMPLOYMENT & ENTERPRISE ALLOCATION (CABINET MEMBER FOR REGENERATION & CORPORATE STRATEGY 18 AUGUST 2010)

4.1 Councillor Tim McNally introduced the reasons for the call-in. He stated that in the time of a recession, helping people to secure jobs was a key function of an authority, and that the cabinet member's decision was flawed for three reasons:

- i) the organisations affected were given insufficient notice - the decision was made on 18 August about ceasing funding from 30 September;
- ii) the cuts would have a dramatic impact on some of the organisations and in one case would challenge an organisation's viability;
- iii) there was a failure to consider other options.

4.2 Councillor McNally elaborated that the Working Neighbourhood Fund (WNF) was a considerable pot of money and that some organisations had been awarded grants from this budget when they formally did not fulfil the criteria required by the former Neighbourhood Renewal Fund. He added that of the £6.7 million WNF fund, approximately £2.2 million, was not being used for job creation that could have been used to prevent these cuts.

4.3 Councillor McNally added that £4 to £5 million from Local Authority Business Growth Initiative (LABGI) funds had been saved annually over the last few years as regeneration reserves, and that this money could have been used to transition the organisations affected by these cuts. He commented that this option was not addressed in the decision report.

4.4 The Cabinet Member for Regeneration and Corporate Strategy responded that the council was faced with an unprecedented situation; that the £6 billion cuts announced by central government were affecting Southwark to the value of over £5 million. Specifically, the government was cutting £732,000 from Southwark's WNF. The council had found £100,000 from other WNF allocations but was mindful that other departments received portions of this fund and were also affected by the cuts.

4.5 The cabinet member outlined how she had taken representations from all of the organisations affected and had tried to mitigate the impact of the cuts by assisting some of the organisations to access alternative funding by taking part in the pilot LDA Employability Programme.

4.6 The chair informed the committee that a deputation request had been received from Sunny Lambe, Executive Director of the Black Business Initiative (BBI). Members agreed to the deputation.

- 4.7 Mr Lambe thanked the committee for the opportunity to present his views. He explained that he had thought BBI had contracts with the council from the beginning of the financial year and that the organisation was waiting for the council to pay invoices it had submitted according to these agreements. It had therefore been a shock for BBI to learn that the contracts had not yet been agreed. He said that he understood that the cuts were currently a national phenomenon and that everyone was affected. He was therefore not insisting that BBI receive 100% of the original contract value, but was hoping that a compromise could be reached.
- 4.8 A member contended that the country was not currently in a recession, but was rather subject to a round of public sector cuts. He asked Mr Lambe why the BBI had believed it had a contract. Mr Lambe replied that the BBI was familiar with the tendering process that took place every year; that he had received a letter from a council officer around 29 March 2010; and that the contract covered April 2010 to the end of March 2011. He added that BBI had never had their signed contract copies returned that they had sent to the council.
- 4.9 Members queried whether the BBI had hired any staff based on the expectation that it had contracts covering the whole financial year. Mr Lambe confirmed that staff had been hired. His view was that the 50% reduction to the BBI grants should only affect the remaining third and fourth quarters of 2010/11.
- 4.10 In response to a query regarding the length of the contracts' termination period, Mr Lambe replied that he thought the period was three months, depending on the situation, and commented that there had never previously been a problem. Members responded that the council had similarly never been in a situation where central government had made such mid-year cuts.
- 4.11 Responding to further queries, Mr Lambe stated that the BBI had been delivering services for close to five years.
- 4.12 An error in the agenda papers was clarified regarding whether the decision affected just one or both BBI contracts. It was confirmed that according to the original decision both contracts were to be reduced by 50% and that Mr Lambe had signed and forwarded both contracts to the council in March.
- 4.13 A member suggested to Mr Lambe that he had signed and returned the contracts with no certainty that the terms he signed up to would be acceptable to the council, and that he therefore took a risk that the council might not accept the terms. Mr Lambe responded that this was not necessarily the case; that confirmation of terms is reached before receiving contract copies to sign; and that signing the contracts was the final stage of a long process.
- 4.14 The cabinet member commented that she understood that Mr Lambe had requested significant changes to the projected outputs set out in the contract and that these were being considered by officers as they formed part of the original assessment process.
- 4.15 In response to member queries regarding current outputs and the notice period for staff, Mr Lambe stated that the BBI's services were over-subscribed, demonstrating a need for their services; and that the notice period for staff ranged

from one to three months, depending on the individual contracts.

- 4.16 Members queried what planning had taken place within the BBI about potential loss of funding. Mr Lambe explained that this was partly the purpose of the varied notice periods for staff, and that staff receive a letter between December and January each year stating that there is no guarantee that their contracts will be extended beyond the end of March. He also emphasised that on 31 March 2010 BBI believed that it had contracts for further funding until the end of the 2010/11 financial year. Some members commented that it was nevertheless becoming clear that central government would make in-year cuts.
- 4.17 Members asked what support and/or advice the BBI had received from the council, since learning that it would not receive the expected funding. Mr Lambe commented that the BBI had established a tremendous working relationship with officers over the years, so that in recent weeks it had been exploring with officers what can be done to find solutions.
- 4.18 Members enquired about the impact of the reduced funding, not merely on the BBI's staff levels, but in particular on local communities. Mr Lambe replied that the community impact would be enormous as people were increasingly facing very challenging socio-economic issues.
- 4.19 Some members noted that the cabinet member decision on 18 August would have been the latest date on which the BBI could have known that the funding would cease, and asked whether Mr Lambe knew before 18 August that there was a strong likelihood that cuts would be made by up to 50%. Mr Lambe was not certain whether he had received notice from the council before or after 18 August.
- 4.20 Members also asked whether the significance of the impact on local communities was something that the BBI would like the council to communicate with central government. Mr Lambe agreed.
- 4.21 The chair thanked Mr Lambe for attending.
- 4.22 Members raised further questions with the cabinet member and officers. Key points raised included as follows:
- 4.23 Some members referred to the narrow purpose of the WNF to support new enterprise and job creation and emphasised that portions of this funding had been awarded to other council departments, such as community safety, for more diverse purposes. The cabinet member was asked whether she had requested a list of the services/activities in the other departments financed by this budget, but not directly related to job creation. The cabinet member responded that she had met with the council's Finance Director to discuss this point and that £100,000 had been retrieved from community safety services. She did not think it appropriate, however, to withdraw related funding from other council departments, such as Children's Services.
- 4.24 Karen O'Keefe, Head of Economic Development and Strategic Partnerships, commented that the council would dispute Mr Lambe's version of events regarding the timeline for preparing contracts. She stated that the council makes funding

offers at the end of March, but is very clear that these are subject to contract negotiation and successful completion of contracts, as stated in the notification letter. In this case there were delays due to the request for significant changes to the outputs specified within the contracts. She added that negotiation had continued in good faith and that officers expected that it would be possible to complete.

- 4.25 The cabinet member clarified that BBI was initially informed about the funding cuts on 5 July; that the organisation had subsequently raised a formal complaint which was handled through the council's complaints' process; but that an agreement had since been reached: BBI would be paid 100% of the original funding offered for quarters one and two of 2010/11 - and the parties would negotiate for quarters three and four.
- 4.26 In response to member queries, the head of economic development explained that out of 35 contracts, 32 had been signed promptly, and that where this was not the case it was largely due to delays or requests for amendments on the part of the contractor. She added that the notice period for termination by the council varied according to the reason for termination, but in relation to the withdrawal of government funding the notice period was one month. She stated that a formal letter had been sent to all affected organisations on 22 July, inviting each of them to meet with a senior member of staff from economic development to discuss the proposed recommendations and the implications for their organisation.
- 4.27 Members noted that the cabinet member did not want to impose cuts on Children's Services and asked whether she had considered making cuts to other external organisations that receive WNF. The head of economic development explained that all organisations that the council contracts with via WNF had been considered; that officers referred back to the original assessment criteria and looked particularly at those organisations that had scored least well. Rather than cut some funding from all organisations, meaning all delivery and support would cease as of 31 December 2010, the preference was to cut as few contracts as possible in order to retain maximum provision and opportunities for referral. It looked feasible, for example, to fund quarters three and four of the BBI contract to 60% of the original proposal.
- 4.28 The cabinet member commented that she was not prepared to draw down money from the LABGI reserves at this point, since any remaining reserves would be needed as the government cuts grow worse. She stated that there would be no WNF next year. When asked to quantify the general cuts expected next year, the cabinet member clarified that the council estimated Southwark's budget to drop by £76 million (from £390 million). She added that it would be necessary next year to assess carefully how disadvantaged groups could be helped; that having to impose such cuts was a great distress - not just regarding the employees of the affected organisations, but more particularly the people they helped.
- 4.29 Some members questioned how much the call-in had cost the council. The cabinet member replied, that having gone beyond the contracts' second quarter and not being able to give notice sooner, the call-in would have cost between £18,000 and £37,000.

- 4.30 Members also queried whether next year's revenue support cuts would disproportionately affect the disadvantaged. The cabinet member explained that Southwark would carry out Equality Impact Assessments where cuts were necessary and look to minimise the impact on disadvantaged groups.
- 4.31 Members requested further information regarding the council resolution processes alluded to in the agenda papers. The cabinet member clarified that this referred to the complaints procedure carried out following the formal complaint submitted by the BBI. The council's response was completed the day after the call-in was triggered, but the cabinet member received legal advice that these papers should not be circulated.
- 4.32 In response to queries from members as to why the committee could not view these documents as closed papers, the deputy director of legal services stated that she had not been party to the related discussions, but expected that this advice was given in order to keep distinct the call-in and complaint processes.
- 4.33 The chair queried whether the affected organisations could apply for alternative funding sources. The head of economic development explained the criteria for a funding source available from the LDA: payments are output related and are made only as a sequence of stages are reached by participants, such as when someone signs on to a course; when they later secure employment; and once the employment has been sustained for a particular length of time. She added that this seemed to be the only alternative funding available at the moment and that some of the affected organisations were keen to participate in this pilot to seek to bridge budget gaps.
- 4.34 The chair invited members to raise further points or to suggest recommendations. Some members considered the fact that BBI would now receive 80% of their contracts' original value as a reasonable outcome and in view of the estimated cost of the call-in recommended that the decision not be referred back. It was added that the cabinet member had not received any representations from councillors about this decision before it had been called-in. Other members countered that the decision should be referred back, on the grounds that the cabinet member should consider using LAGBI reserves for full funding.
- 4.35 Members also enquired whether the cabinet had made representations back to central government regarding the withdrawn funding. The cabinet member replied that the leader of the council had written to the Secretary of State for Communities to emphasise the impact on boroughs such as Southwark where there are high levels of deprivation.
- 4.36 A proposal was made not to refer the decision back, considering the absence of representations from councillors prior to the decision; the scale of government cuts; and the assistance given by the cabinet member to seek alternative funding.
- 4.37 A counter proposal was made as follows: That the committee refer the decision back to the Cabinet Member for Regeneration and Corporate Strategy and recommend that she re-examines the decision with a view to providing transitional funding until the end of the current civic year to the economic development activities commissioned through the Southwark-based projects proposed to lose

total or partial funding – resourcing this by accessing the significant regeneration reserve built up from several years of LABGI.

RESOLVED:

That the decision not be referred back to the Cabinet Member for Regeneration and Corporate Strategy and the committee notes as follows:

- That no representations from councillors were made to the Cabinet Member before the decision was taken;
- That the scale of proposed central government cuts to the council's budget far exceeds the reserves available to the council;
- That considerable help has been provided by the Cabinet Member and officers to find additional funding.

The meeting ended at 7.25 pm