

APPENDIX 2

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Community Engagement Division

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18th September 2009

Dear Clarence

Re: Southwark Human Rights Race & Equalities Bureau (SHRREB)

I am writing to provide a formal update of the Council's position and concerns in relation to its funding relationship with SHRREB.

My colleague Bonnie Royal attended SHRREB's most recent trustee board meeting on 17th July 2009. At that meeting she restated the Council's key concerns about the way in which SHRREB has been operating, and advised that we would write to you in September to reconfirm these concerns and advise you of the latest position. You have also been notified of concerns at other times through our attendance at meetings and been given numerous opportunities to address the issues. I am disappointed that despite this we have not yet had a satisfactory resolution to the ongoing problems.

At the time of this most recent board meeting, a date had been set for the long overdue AGM, which was to have taken place on the 9th September. However, you have since advised the Council that the Charity Commission has not given permission for an AGM to take place on 9th September. Correspondence you have provided indicates that an AGM will not now take place until a later date, subject to the Charity Commission's permission. Furthermore apart from yourself and one other trustee, none of the others are recognised by the Charity Commission as valid trustees.

As I say above we have previously stated our concerns with the functioning of SHRREB on a number of occasions. For the sake of clarity and completeness these are as follows:

Governance

- The trustee board failed to hold an AGM within the time limits stipulated by charity law. The last AGM was held on 14th November 2007, the time limit is for an AGM to be held within 15 months. One longstanding member resigned due to the delay in calling an AGM.
- The board has had too few members for it to be able to govern the organisation effectively.
- A potential conflict of interest in relation to one of the board members has not been effectively managed, and has further contributed to poor governance.

- The board has been split and unable to manage or resolve conflict impacting on management, recruitment, service delivery and the reputation of the organisation.

Management

- There has been a failure to deliver services effectively, resulting in a formal complaint being made by a partner organisation on behalf of a client (January 2009)
- There was a failure to consult with or notify the monitoring officer of the period of closure for the organisation over the Christmas and New Year period
- There was a failure to provide satisfactory service information and access arrangements for clients during closure
- Failure to notify advice network partners of this closure resulting in partner organisation being unable to obtain copy of file on behalf of client without undue delay
- Failure to update and clarify the organisation's governing document
- Delays in updating bank signatories to ensure proper separation of functions between trustees and staff

Conditions of Grant Aid

These governance and management shortcomings give rise to a number of serious breaches in Council Conditions of Grant Aid which are stated below.

- Failure to hold an AGM as stated above. Condition 2.3 "You must have a management committee and hold open elections to elect committee members."
- 1.3 "If you accept a grant from us, this will involve you in certain responsibilities. We will expect you to: have good management and financial practices, promote equal opportunities and show that you can effectively deliver your service or carry out your activity."
- 2.7 "You must carry out your business in a way that avoids 'conflict of interest'. This means that management committee members and staff must not use their position or influence within the organisation to gain advantage for themselves or others."
- 8.2 "You must be able to show that you are meeting your aims effectively. You must also show us that you provide high quality and value for money for services."

I would emphasise that the Council has provided ongoing support for and is committed to the delivery of race equality and human rights functions. Because of the importance of this issue to us we are committed to ensuring that the significant resources that the Council devotes to supporting this activity are used as efficiently and effectively as possible in a way that delivers the maximum benefit. The Council is keen to see the outcome of the investigation that was carried out into alleged financial impropriety. We are disappointed that this has not yet resulted in satisfactory actions being taken by SHRREB to resolve the situation. Despite our continued support we remain concerned that the organisation continues to be unable to resolve the ongoing problems set out in this letter.

The Council's additional support for SHRREB and its predecessor organisations has included the following:

- In 1999 consultants (Black Training & Enterprise) were commissioned to carry out a strategic review of what was then the Southwark Council for Community Relations.
- In early 2001 KHMC Consultants were approached to advance the recommendations of the above review. This resulted in the formation of the Southwark Race & Equalities Council in 2002 and a refocusing of its work.
- In 2003 we commissioned an Internal Audit report from Price Waterhouse Cooper that looked at the adequacy and effectiveness of systems and controls over the grant related expenditure provided within our conditions of grant aid.
- In 2005 Rhema management & Training Consultants Ltd were commissioned to produce a report on behalf of SREC on the Racial Incidents Forum.
- In July 2005 we supported SREC to commission Akronym Consultancy Ltd to re-structure the organisation and develop a new Business Plan and the Council provided additional resources to cover these costs.
- In addition to our core funding we provided extra financial support of £35,000 per annum between 2006 and 2008.
- In April 2007 John Barkus undertook a full review of all functions and systems and the organisation relaunched later in the same year as SHRREB.
- In 2008 the Council provided funding to commission Sean Baine to support SHRREB with resolving the problems.

Taking into account both the recent governance and service delivery problems at SHRREB, and a longer term context of additional support having been provided over a number of years, the Council's current position is that SHRREB is not fit for purpose. It has not demonstrated an ability to deliver the services it is funded to provide, and is unable to attract trustees who have the right skills to contribute to the management and governance of the organisation.

SHRREB is currently unable to govern itself without the direct permission of the Charity Commission.

Because of the issues set out above we are therefore taking the step of not releasing any further funding from the Council to SHRREB with immediate effect and will not reinstate this unless we have a satisfactory response to all of the concerns we raise by Friday 2nd October 2009.

In the meantime we will be working on a number of options one of which will include an option to withdraw funding, and more broadly options for the delivery of services that SHRREB is currently funded to deliver. To this end a report is being drafted to the Executive Member which will present an overview of the current situation at the organisation. With the current concerns I can see no other option than this report recommending that we withdraw our funding for SHRREB and do not consider further funding in future years. In accordance with paragraph 11.2 of our conditions of grant aid this letter is our formal request to you to provide any information that can feed into this decision. We will present your response to this letter to the Executive Member as part of the report so that she can consider it when making a decision. We will also send you a copy of the draft report prior to the decision being made so you are aware of its contents and if necessary can make representations on it.

I must repeat that the Council is committed to continuing Equalities and Human Rights functions of the kind that we funded SHRREB to deliver. The issue for us is that SHRREB has been unable to demonstrate that it is able to deliver this to our satisfaction.

I look forward to hearing from you.

Yours sincerely,

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