

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Audit & Performance Review Committee: 13 May 2009

Subject: Centre 81 - Whitecrook

1. Purpose

- 1.1** This report informs members of the current position with Centre 81 in Whitecrook. The report is being submitted to the Audit & Performance Review Committee to highlight the outcomes of a review undertaken by the Council's Internal Auditors, and suggests an ongoing approach which the Committee may wish to recommend to Council.

2. Background

- 2.1** Centre 81 was established to provide a base for employability related activity. It is a purpose built facility which has been open since August 2008. It has been funded from a variety of sources – including the initial award of the land from West Dunbartonshire Council. A significant proportion of its funding came from European grant monies, and this carries specific restrictions in terms of the use of the Centre. The initial capital funding package included;
- Around £200k in kind – donation of land by Council
 - £250k from West Dunbartonshire Community Planning Partnership (CPP)
 - £125k from Clydebank Rebuilt
 - £250k from Communities Scotland
 - £113k from Clydebank Housing Association

The CPP also provided revenue costs of £20k in 2008/09 towards the cost of a development worker.

- 2.2** The Centre was developed through a local community organisation, however before the Centre opened, the Scottish Government and European funders confirmed that it was not appropriate for the community group which had been the vehicle for getting the Centre established, to take on the financial liability of the centre. A recognised organisation was required to take responsibility as funding recipient. Clydebank Housing Association (CHA) had been responsible for overseeing the build of the Centre, and it then also took on the ongoing responsibility. The financial implications of taking on the Centre could be considerable. If the Centre was assessed as not meeting the European funding requirements, (either through inappropriate use or closure), then the 'clawback' could be as much as £1.1m. However, the conditions attached to European funding will end in March 2013, at which point the Centre could have wider uses.

- 2.3** Shortly after the Centre opened, it became apparent that it would be difficult to generate the annual revenue costs required, while adhering to the requirements attached to the European funding. A shortfall of around £70k was predicted for 2008/09, and ongoing annual revenue costs were estimated at £240k per year from 2009/10 onwards. As the funding difficulties continued, meetings of all interested parties were held both at the end of November 2008, and again at the end of January 2009.
- 2.4** The November meeting, (attended on behalf of the Council by local elected members, the Provost and the Manager of Lifelong Learning), noted that further clarification had been sought on the restrictions on the use of the Centre. Although the Council – along with other partners – made a general commitment to support the work of the Centre, it was also noted that it would require a clearer picture of the position (financial and otherwise) before the Council could make any decisions on involvement in the way forward.
- 2.5** The second meeting on 30th January 2009, (again attended by local elected members, the Provost, the Manager of Lifelong Learning and the Manager of Development Services), followed a meeting of CHA (27/1), where a decision had been taken to close the Centre on a temporary basis – for up to 6 months from the end of February. It had been suggested that this six month period would allow the financial position to be clarified and reassessed. The Director of CHA was however given delegated authority to reverse this decision if the situation changed. At the meeting 30/1, the Council offered the resources of Internal Audit to help clarify the position. The meeting agreed that CHA should accept this offer and recommended that the Centre should be kept open until at least the end of March. This extension was later confirmed by the Director of CHA.
- 2.6** Internal Audit work took place in February, and as part of their report, the auditors considered:
- Reasons for deficit
 - Conditions of grant
 - Funding for 2008/09 (grants, income, liabilities)
 - Funding for 2009/10 (confirmed funding, conditions of funding, other possible sources of income, running costs – and potential to reduce, liabilities, decision making process re whether the Centre will continue in 2009/10)
 - Additional income generation options (in the context of the European grant conditions)
 - Any conditions which the Council placed on the original land transfer – should the Centre cease to exist.

3. Main Issues

- 3.1** As noted above, the Internal Audit work took place during February, however prior to any report being available, the CHA Board took a decision on 24/2/09 to keep the Centre open for the next 4 years to March 2013, by underwriting any losses in revenue – up to a value of £688k. CHA will also seek to reduce

the Association's contributions to revenue shortfalls to a minimum through a combination of budget reductions and a fundraising campaign. In this context, CHA envisages that it will lead on securing funding and that partners will deliver services. However the CHA decision was apparently taken with a number of caveats, which included some commitments which it expected from the Council (and other partners – including the Scottish Government). The requirements from the Council included:

- No pursuit of recovery of the value of the land should the Centre not succeed (*which has been ruled out by the Internal Audit report*)
- Tangible evidence that the council through, increasing its overall financial contributions and maximising use of the centre by council services, is committed to working with the Association in supporting the sustainability of the centre and reducing the amount of funding the Association needs to contribute towards core costs shortfalls.
- Working with the Association to ensure that it meets the conditions of the Urban II grant in provision of employability and related services, (i.e. increasing the level of council run or funded skills development, training and into work services from the centre).

3.2 A final draft of the Internal Audit report was available at the end of February. This gave a clear picture of the current financial position, and confirmed that the estimated running costs of the centre were high. The full text of the Internal Audit report is attached as appendix 1, however the conclusions state:

- If the centre closes, CHA may have to repay over £1m in grants.
- The centre has been unable to attract sufficient funding partners. If the centre remains open without receiving substantial grants, it will operate at a deficit, which will have to be funded by CHA. This deficit could be in the region of £175,000 per annum.
- Applications to CPP and Wider Role will not be decided until 27th February and mid March 2009, respectively. There can be no certainty regarding the future of the centre until these decisions have been made. The period to be covered by CPP grant is not known but Wider Role funding is currently available until 31st March 2011. If funding partners cannot be attracted, the centre will have to rely on receiving additional grant funding. (*Update - CPP award outcome is noted in paragraph 3.3., and the Wider Role decision has not yet been made*)
- The centre does not have any outstanding liabilities after 31st March 2009 other than the ERDF grant.
- There is no scope for WDC or CPP to receive refunds for the land or grants already made to Centre 81.
- Council must decide if continuing support is appropriate and if so, how this support is to be delivered.

3.3 Relevant Council officers are aware of these developments and have been considering options for service delivery from Centre 81. The CPP manager has also been involved in these discussions, but recent decisions make it clear that any use of CPP resources should be dependent on a good fit with the strategic priorities of the CPP. The current Fairer Scotland Fund (FSF), allocation of £20k per year is under review as part of the wider review of all FSF funding, and has currently been awarded pro rata until November 09.

- 3.4** The most viable approach is likely to be the commissioning of employability services which can be delivered from the Centre – however, although CHA have produced a revised Business Plan for Centre 81 - these could take some months to develop.

4. Personnel Issues

- 4.1** There are no Personnel issues at this stage.

5. Financial Implications

- 5.1** The immediate financial implications lie with CHA.

6. Risk Analysis

- 6.1** There is a risk that, if a way is not found to deliver appropriate services from Centre 81, then there will be a move to clawback the European Funding of up to £1.1m. While the main financial impact would be for CHA, the Council as one of the partners in this initiative could be affected.

7. Conclusions

- 7.1** There was some lack of clarity on the position with Centre 81 (costs, grants received, grant funding opportunities, liabilities etc), therefore the Council offered its Internal Audit service to conduct a review. It was envisaged that this information would allow the Council to take a fully informed decision on any future involvement.
- 7.2** While the immediate threat of closure of Centre 81 has receded, it is clear that it must meet the terms of the European award until March 2013 if the threat of 'clawback' is to be avoided.
- 7.3** Commissioning employability services to be delivered from Centre 81 is likely to be the most fruitful approach – but this will require further discussion with other partners.
- 7.4** Contact has been made with the Director of CHA requesting direct discussion on these issues, and in particular the points noted in paragraph 3.1. While the Council, (along with other partners), is committed to working with CHA to develop the use of the Centre, there has been no commitment to any financial contribution, and the Council does not have any direct responsibility for the Centre.

8. Recommendations

- 8.1** On the basis of this update and the findings of the Internal Audit report, it is proposed that Committee makes the following recommendations to Council:

- (a) That West Dunbartonshire Council welcomes the position which has been taken by CHA to keep the Centre running for the next 4 years under the terms of the European award, and notes that it looks forward to working with it in developing a reprogrammed approach.
- (b) That there may be a need for some form of independent advice and support for CHA in this new role. It may be that the Council could support CHA in accessing the most appropriate type of advice.
- (c) That, while the Council does not accept any direct financial responsibility, CHA should be invited to enter direct discussions with the Council regarding the Council's involvement.
- (d) That relevant officers continue to examine opportunities for service delivery from Centre 81.

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Date: 23 April 2009

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Appendix: Internal Audit Report – Centre 81 - Whitecrook

Background Papers: None

Wards Affected: Primarily Clydebank Waterfront – although there are potentially implications for employability service delivery for people from all wards