
Cabinet Member for Strategic Finance and Resources

12 October 2017

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Deputy Chief Executive, Place

Ward(s) affected:

Binley & Willenhall

Title:

Willenhall Community Forum – Financial Support

Is this a key decision?

No

Executive Summary:

Willenhall Community forum (WCF) was created over 20 years ago to provide services of benefit to the local community. WCF run the WEETC – Willenhall Education, Employment and Trading centre, which is a former infant school building, and offers support to the Council's Adult Education service and runs courses for adults with learning disabilities. It also provides nursery & child care provision through its trading arm, Eureka.

Willenhall Community Forum made contact with Council Officers in March 2017 to indicate that they were in financial difficulty, with cash flow forecasts suggesting that they would not be able to operate beyond June 2017.

Council Officers from across various services have worked with Willenhall Community Forum to help them review their operations and their financial position, providing advice and challenge to help them demonstrate a more sustainable operation.

Recommendations:

Cabinet Member is asked to:

- (1) Approve the provision of an initial £10,000 cash flow grant support to Willenhall Community Forum, payable from Cabinet Members Policy Contingency fund, to be made payable as soon as possible
- (2) Approve further cash flow grant support of up to a maximum of £20,000 from Cabinet members policy contingency fund, subject to Willenhall Community Forum's submission of

a robust and sustainable financial business plan and cash flow forecast, and confirmation of its operation within that plan to the satisfaction of the Director of Finance & Corporate Services. This further cash flow grant support to be made available for drawdown by WEET no later than 31 March 2018

- (3) Delegate authority to the Director of Finance & Corporate Services to make the additional £20,000 payment on or before 31 March 2018, once satisfied that Willenhall Community Forum have demonstrated their ability to operate as set out in their financial business plan and cash flow forecast

List of Appendices included:

None.

Other useful background papers:

None.

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Willenhall Community Forum – Financial Support

1. Context (or background)

- 1.1. Willenhall Community forum (WCF) was created over 20 years ago to provide services of benefit to the local community. It has 3 directors, 7 trustees and employs 37 full time/part time staff. WEETC – Willenhall Education, Employment and Trading centre is a former infant school building, and offers support to the Council's Adult Education service and runs courses for adults with learning disabilities.
- 1.2. Originally operating as a crèche facility for staff & students using WEETC, 'Eureka' day care provision commenced in 2000, eventually becoming the trading company for WCF providing nursery places. Eureka expanded into Willenhall Wood to meet demand, the 'Eureka Discovery Hut' opening in 2012. Eureka also offer an after schools club.
- 1.3. WCF took over the responsibility of running the Hagard in 2009 and has a long term lease until 2034. Hagard is at the centre of Willenhall offering community space, welcoming people who wish to come in for a coffee and a chat or to those who are seeking support such as that offered by the Food Bank. In 2016 as part of the city councils Connecting Communities initiative the local library moved venues and now operates from the Hagard.
- 1.4. WCF colleagues made contact with Council Officers in March 2017 to indicate that they were in financial difficulty, with their cash flow forecasts suggesting that they would not be able to operate beyond June 2017.
- 1.5. Historic financial records indicated that the organisation had operated well beyond its financial means, making significant losses for its previous 3 financial years, and using all of its unrestricted funds (reserves).
- 1.6. Officers, working with WCF trustees and management, carried out a series of sessions to understand their operations and aspirations, and the associated costs and incomes of delivering them. It became clear that a number of issues had collectively caused WCF's financial difficulties, summarised as follows:
 - i) Grant funding for staff and other costs had long since fallen out, whilst the costs in many cases had continued
 - ii) Failure to identify or bid for grant funding
 - iii) Income collection for the Eureka nursery provision to many paying clients had not been collected effectively, with minimal attempt made to recover
 - iv) No annual budget or 3 year financial plan existed so WCF had no view of the affordability of its operations
 - v) Ineffective financial management and ownership of costs/incomes existed at a Trust Board level
 - vi) Other than the bookkeeper, no financial ownership was being taken by WCF staff running the service
- 1.7. WCF colleagues recognised their failings and working with the Council have now made a number of changes including the following:
 - i) Reduced staff and other costs
 - ii) Acted to cease giving more than one week's 'credit' at the nursery
 - iii) Identifying where nursery debts may be recoverable
 - iv) Working closer with Council colleagues to identify potential grant funding

- v) Production of an annual balanced budget (on paper)
- vi) Production of monthly financial management information for Trustees/Finance Cttee
- vii) Instil greater ownership and awareness of the financial position at both a Trust Board, and officer level
- viii) Applied for discretionary rate relief on the WEETC

- 1.8. WCF now have a balanced annual budget but is finely balanced and has nil reserves and no room for unexpected costs/income shortfalls
- 1.9. WCF have however continued to trade solvently through careful financial management and although finely balanced, their cash flow forecasts demonstrate that without unexpected costs, they can maintain that position
- 1.10. All successful and sustainable organisations require a level of unearmarked reserves/working balances to help manage one-off unexpected pressures. WCF have zero reserves and need to build up a level as soon as possible to prevent future financial emergencies, however based on their current position, their short term opportunities to do this are limited

2. Options considered

- 2.1. There are considered to be 3 options as follows:

- a) Provide no financial support to WCF – WCF may continue to operate solvently but would not be able to manage any unexpected pressures, which would result in the failure of the organisation or a requirement for emergency financial support
- b) Provide financial support of £30,000 immediately without conditions – WCF would have immediate working balances/reserves and for the time being would be able to manage against any unexpected financial difficulty. It would however, not be incentivised financially to continue to manage its short and medium term finances
- c) Provide financial support of £10,000 immediately, with the offer of a further £20,000 dependent on financial performance during the remainder of 17/18 – this option would provide some immediate comfort, and ensure that WCF remain incentivised to continue to manage their finances robustly, and provide evidence to demonstrate their long term viability prior to any further financial support

- 2.2. If Cabinet member is minded to approve financial support, option C is the preferred approach.

3. Results of consultation undertaken

- 3.1 None

4. Timetable for implementing this decision

- 4.1 WCF need to build up some financial resilience as soon as possible to ensure they can manage any unexpected financial pressures

5. Comments from Director of Finance & Corporate Services

- 5.1 Financial implications

The cost of the proposals are a one off cost to the Council of up to £30,000 in 2017/18 financial year. This can be afforded from Cabinet members policy contingency fund

5.2 Legal implications

Legislative Power

The legal power for the Council to establish, administer and make grant awards as described in this report is provided by the General Power of Competence contained in Section 1 of the Localism Act 2011. Subject to certain statutory restrictions, none of which apply in this case, Section 1 gives the Council “power to do anything that individuals generally may do”.

Under a grant agreement, the Council makes a payment to the recipient for a specific purpose. The recipient is not obliged to deliver any goods or services to the Council, although the Council may claw back any grant which has not been spent or is misapplied.

State aid

Whenever the Council grants a benefit in any form to an undertaking, it is possible the grant may constitute State aid. State aid is illegal unless it falls under certain exemptions. It is unlikely that the grants given under this report will constitute illegal State aid because:

A grant will constitute State aid where it affects trade between member states. As such, it will need to be considered whether these grants could affect State aid in each instance. If they do not affect trade between member states then, they will not constitute State aid.

Having considered the proposal contained in this report and due to the amount of the grant being offered as well as the fact that the services provided by Willenhall Community Forum is only to a limited area within the UK, I am of the view that it is unlikely to attract customers from other Member States and therefore does not constitute State Aid.

Another option available would be to apply the De minimis exemption under which benefits up to the value of 200,000 Euros may be given to an organisation over any 3 year rolling period. As the limit on grants proposed under this report is £30,000, it appears the grants is capable of falling under this exemption. Further legal advice will however be required on the use of this exemption when further information is made available about the total amount of funding from public sector organisations received by Willenhall Community Forum over the last 3 financial years and whether that amount (including the £30,000) exceeds the threshold.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The recommended proposal will contribute to the continuing provision of the services provided by WCF to the community and will have a direct contribution to the following objectives and corporate priorities:

- ***Making the most of our assets*** – The services provided by WCF directly support residents
- ***Improving educational outcomes*** - WCF supports adult education and worklessness within the community it serves
- ***Healthier, independent lives*** – Supporting people into work
- ***Ensuring that children and young people achieve and make a positive contribution*** – Supporting people into work
- ***Developing a more equal city with cohesive communities and neighbourhoods and supporting active communities and empowered citizens*** – WCF supports a more deprived area of the city, improving the life chances of its community

6.2 How is risk being managed?

Council Officers will liaise over the coming months with WCF to seek evidence that it is continuing to manage its financial affairs robustly

6.3 What is the impact on the organisation?

WCF manages the Hagard from which Willenhall library operates. It also supports the provision of Childcare and Adult education within Willenhall. The failure of the WCF would therefore have indirect impact on the provision of these services

6.4 Equalities / EIA

TBD

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

Report author(s):
Phil Helm - Finance Manager (Place)

Directorate:
Place

Tel and email contact:
024 76 831301 – phil.helm@coventry.gov.uk

Enquiries should be directed to the above person(s).

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
-	-	-	-	-
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Director of Finance & Corporate Services	Place	-	13/09/2017
Legal: Oluremi Aremu	Major Projects Lead Lawyer	Place	-	13/09/2017
Members: Councillor John Mutton	Cabinet Member	-	-	14/09/2017

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