

Report of: The Neighbourhood Renewal Business Manager

To: Executive Board

Date: 19 March 2007

Item No:

Title of Report : The former Horspath Road Resource Centre financial report

Summary and Recommendations

Purpose of report: To report on the financial trading of the former Horspath Road Resource Centre and the current situation now that it has ceased operation.

Key decision: No

Portfolio Holder: Councillor Stephen Tall – Portfolio Holder Finance

Scrutiny Responsibility: Community Scrutiny

Ward(s) affected: Lye Valley

Report Approved by

Portfolio Holder: Councillor Tall

Legal: Jeremy Thomas

Finance: Andy Crompton

Strategic Director: Michael Lawrence

Policy Framework: 'The Oxford Plan'; The Council's Vision Statement (3.1.2) "To have sound financial management"

Recommendation(s)

1. That members continue to support the development of the service through the Motover Day Care Centre and that any monies owed are recovered by way of 'claw back' from the Horspath Road Centre.

Background

- 1: At Executive Board of August 2006, members sought additional clarification regarding the financial profile of the Horspath Road Resource Centre in line with an appraisal of the service.
- 2: The Horspath Road Resource Centre received an award of £55,000 revenue grant in 2004 from the Big Lottery, in order to run and operate the service. This was submitted in conjunction with Oxfordshire County Council and was a three year time expiry award. In addition, Oxford City Council and Oxfordshire County Council made awards of £52,000 in April 2005 by way of a Community Fund Revenue Grant, via Oxfordshire County Council, to support improvements to a shop premises, owned by the City Council, which was part of a requirement to match funding the award of the Big Lottery. For the accountancy period ending April 2005 the Centre was reporting a surplus of £8,817 composed of £1,437 made on the financial year in question, and £7,381 carried over from 2004.
- 3: In February 2006 the County Council withdrew their support, and this left a financial shortfall. Without this revenue stream the Centre was left to draw on reserves, and would require to 'make good' this amount over the medium term in order to survive. In March 2006 Oxford City Council agreed to provide a grant of £20,000 through the budget setting process. This was awarded under the auspices of 'skills training' and with an expectation that it would help assist in the preparation and implementation of a business plan, and would allow them to continue to operate whilst a sustainable solution was sought.
- 4: The situation deteriorated during the Spring and early Summer of 2006 however, as the effect of the County Councils decision began to bite. Although the requirement to produce the Business Plan remained in place, a clear priority emerged regarding the necessity to secure future funding from alternative sources, as the Centre was facing the very real prospect of imminent closure otherwise.
- 5: Additional 'bids' were being prepared to potential funders to make good this deficit, and the award of £20,000 was therefore designed to provide 'bridge' funding to cover the period between submission and decision. Concern was expressed about the likelihood of these bids being successful, as at face value they appeared to lack an evidence based justification, and were not necessarily 'best fit' applications with the aspirations of the funding stream. With this in mind, the potential existed for Oxford City Council to become involved in committing on going financial support to an organisation, which was unlikely to attain the necessary support required to be financially autonomous

- 6: During this period however, the Centres finances reached a critical level where they would no longer be able to meet their operational liabilities, which they had deferred payment on, (these included Business Rates owed to Oxford City Council). A request was made, and was in the process of being considered for an additional award, when a decision was taken to cease trading, with the effect that the centre shut and the full time member of staff was duly made redundant, at the end of July 2006.
- 7: The only apparent anomaly in the accounts appears to be an Administrative Expenses line of £21,533, which represents a 99% increase on the previous year. After investigation, we have been satisfied that this accounts for the salary of the full time post of Centre Manager, and this was reported under a more generic budget heading. No Creditors were reported during this period, and only £370 was reported as a liability by of 'Debtors and Prepayments'.
- 8: As the effect of the County Council's decision started to impact upon the balance sheet, this position started to change in the second half of 2005 and continued into 2006. Conscious of their diminishing reserves and mounting creditors the centre appears to have taken the appropriate decision to cease trading when they were no longer able to meet their obligations, rather than wind down 'to their last penny' and then cease operating. This meant that they had £5,872 still left in their bank account on which they could draw to make good their obligations. The award of the rebate has only served to assist in this matter. We understand that it is their intention to do this once the situation regarding any rebate and final monies owing has been finalised in line with adjustments, before formally closing down.
- 9: Their expenditure appears to be broadly consistent with a project of this size and nature and there does not appear to be any evidence of any financial impropriety or gross financial mismanagement. Rather the position that developed is not an untypical one that many 'third sector' organisations face regarding the continual pressure to secure increasingly finite resources. Organisations such as the Horspath Road Resource Centre are to a large extent intrinsically vulnerable to such funding demands and issues regarding limited capacity given that they typically operate on the margins of viability. It is the simple manifestation of this that appears to have been responsible for its closure.

Financial Implications

- 10: In January 2007 the committee were awarded a Business Rate rebate in line with their charitable status for a total of £3,637.43. They have requested that this be deducted from their outstanding arrears and a new invoice has been raised for the remaining balance. The Horspath Board have agreed to contact us once the balance has been paid and to then arrange any refund of monies left in their account. We do not believe this amounts to a large figure based on an indicative calculation of the £6,591 outstanding rent arrears reported in August 2006 and the £3,637, but at the time of writing we have been unable to clarify the precise figure, which we anticipate being able to report verbally. By its very nature reporting financial information is tantamount to a 'snapshot' in time, and depends on the relevant organisation's concerned present trading conditions, which are by definition 'a flow'. As the organisation has now ceased to trade and the process of reconciling the business approaches final clarification, we anticipate being able to confirm a definitive position at Executive Board.
- 11: The key elements of the service have since been restored and enhanced under the auspices of the Shotover Day Care Centre and at a reduced cost to Oxford City Council.

Recommendations

That members continue to support the development of the service through the Shotover Day Care Centre and that any monies owed are recovered by way of 'claw back' from the Horspath Road Centre with the view to finally concluding this process.

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Background papers:



