

North Lanarkshire Council Report

Enterprise and Growth Committee

approval noting

Ref LMcM/EW

Date 05/11/20

Routes to Work Finances 2019/20 and Q1 2020/21 Activities

From Lizanne McMurrich, Head of Communities

Email mcmurrichl@northlan.gov.uk **Telephone** 07939 280203

Executive Summary

Routes to Work Ltd.'s performance was previously considered by the former ALEOs and External Bodies Monitoring Sub Committee on a 6 monthly basis. Following changes to the council's Scheme of Administration, responsibility for oversight of service delivery by arm's length bodies now rests with the relevant service committee. The functions delivered by Routes to Work on behalf of the council fall within the Terms of Reference of this committee and a six monthly performance report will now be submitted in line with the Strategic Performance Framework considered by members in November 2019. At the Enterprise and Growth Committee of 27th August 2020 the performance of Routes to Work Ltd. against its' charitable objectives and Council priorities for 2018/19 and 2019/20 was outlined. That report committed to presenting information on the financial performance and overall financial standing of the organisation for 2019/20 to this committee and this is included below. This information will help give early warning of any financial risks which may give rise to operational or reputational risks for the council. In addition information on the activities of the organisation in first quarter of 2020/21 are included.

Recommendations

Members are asked to:

- (1) Note Routes to Work financial performance for 2019/20, along with achievements in the first quarter of 2020/21.

The Plan for North Lanarkshire

Priority	Improve economic opportunities and outcomes
Ambition statement	(11) Increase economic opportunities for adults by understanding, identifying, and addressing the causes of poverty and deprivation and barriers to financial inclusion

1. Background

Routes to Work, established in 2002, is a company limited by guarantee with charitable status which is owned by North Lanarkshire Council. The organisation provides a range of free employability services to North Lanarkshire residents and specialises in providing case worker support to unemployed residents as well as support with accessing vocational training and the short term costs associated with moving from benefits to employment, such as childcare and travel. They also provide in-work support for up to 6 months for those participants that require it.

In January 2017 the company amended its Memorandum and Articles of Association to extend its area of operation into other local authority areas thereby enabling Routes to Work to bid to deliver national employability programmes in these areas. This is intended to support the long term sustainability of the company.

While joint delivery of the Council's EU funded programme has been and is currently the major source of income for Routes to Work, in the past the organisation has delivered a wide range of other programmes on behalf of the Council or in conjunction with the Council's Employability team. In terms of current delivery on behalf of the Council, the organisation has three Service Level Agreements (ESF Pipeline, No One Left Behind & Parental Employment Service) in-place for 2020/21. In addition the organisation also generates additional income from its own Employability Fund contract with Skills Development Scotland.

Routes to Work's Board of Directors consists of up to ten members – two are Category A members appointed by North Lanarkshire Council (one is an elected member and one is a senior Council officer) and up to eight Category B directors, who bring specialist expertise to the company and are selected through a formal nominations procedure. The Board currently has 7 independent directors with interests and/or experience in local community development and engagement, lifelong learning and skills, business development and support, HR and Law. The Board of Directors has responsibility for ensuring that Routes to Work's services are delivered in accordance with approved Service Level Agreements and charitable objectives, and meets quarterly to fulfil these duties. Engagement has also taken place with Routes to Work to identify where the company's business objectives are aligned to support The Plan for North Lanarkshire and individual Programme of Work areas.

2. Report

2.1 ALEO Review

Routes to Work were included in phase 3 of the ALEO Review programme. The review commenced in September 2018 and was completed in August 2019. In addition to contractual performance monitoring by this committee, the Audit and Scrutiny Panel is responsible for ensuring the effectiveness of each entity's governance arrangements, including financial governance. The Policy and Strategy Committee retains responsibility for considering the outputs from reviews by the council into its arm's length delivery arrangements, including recommendations in relation to Best Value and potential future delivery options. The outcomes from the review of Routes to Work were considered by the Policy and Strategy Committee at its meeting in September 2019 where it was noted that the charity is performing well and delivering on its key objectives.

The options appraisal confirmed that retaining Routes to Work as an arm's length provider remained the best option for the council and identified further opportunities to align activities more closely with The Plan for North Lanarkshire and the separate, wider review of employability services. The outcomes from this employability review were subsequently reported in March 2020 with the Policy and Strategy Committee noting Routes to Work's high performance and effective partnership working arrangements to deliver EU funded employability programmes on behalf of the council.

2.2 Service Delivery Highlights 2020-21

2.2.1 Support to North Lanarkshire Council - Lockdown

While the organisation closed to new referrals during the lockdown phase staff continued to support existing clients and even secured employment opportunities for a number in sectors which continued to function during that phase. They also supported the Council in dealing with redundancies from North Lanarkshire employers in that period. In addition, 12 staff volunteered to work in the Community Assistance Helpline during the lockdown period and one member of staff worked as a volunteer homecare worker. Given the experience of Routes to Work staff in dealing with vulnerable people they provided highly effective daily support to those shielded and vulnerable residents who contacted the helpline.

2.2.2 Honeywell Recruitment

In May 2020 Honeywell agreed a contract with the UK Government to manufacture 70 million face masks for the health and social care sector, creating around 450 jobs at its base in Newhouse. Routes to Work and the Council worked with their recruitment team to ensure a partnership approach. The outcome of this was that a total of 83 Routes to Work clients made applications, 35 secured interviews and there have been 26 job starts to date. Given the extensive interest in these positions from across the City Region and the high calibre of competition, this was a very effective exercise.

2.2.3 1140 Childcare

54 Routes to Work clients were successful in securing offers for these posts and would have been due to commence around the start of lockdown. These posts were put on hold, with some temporary provision only put in place purely for key workers in North Lanarkshire. However, with the movement into the Phases out of lockdown and the re-opening of childcare provision 31 clients out of the original 54 that were offered jobs have now started and a further 15 applications have been submitted for new clients as provision in North Lanarkshire begins to increase.

2.2.4 Prospects for Parents

Routes to Work are playing a key role in this new programme which was launched in April 2020 and aims to prevent poverty among working and unemployed parents. They are working in tandem with the Council's employability and financial inclusion teams to support eligible parents in North Lanarkshire from the following groups:

- Lone Parents
- BAME parents
- Families with a disabled member – parent, child or adult member
- Mothers under 25
- Families with a baby under 1 year

- Families with more than 3 children

The first quarter was concerned with building a caseload of eligible clients and the current caseload is as follows: 32 clients engaging in work and 20 out of work clients engaging.

2.2.5 Prospects Delivery

In spite of a full lockdown Routes to Work supported 50 clients into employment in the first quarter of 2020/21. They ceased taking referrals on 16th March and re-opened to new referrals 26th May 2020. In the period since re-opening referrals to the end of the Quarter, which is just over one month, they received 247 pre-registration enquiries.

Services are being delivered remotely and in line with Scottish Government and Council guidance during the pandemic. Routes to Work have assessed that it is unlikely in the near future that they will be able to return to their usual community based outreach service. Therefore, they are keen to work with the Council to participate in multi-agency hub-type activity as this rolls out in an effort to maintain their reach across North Lanarkshire.

3. Equality and Diversity

3.1 Fairer Scotland Duty

Promoting inclusive growth and ensuring that all north Lanarkshire residents have opportunities to enter employment, training or education is at the heart of the Council's ambitions. Routes to Work contribute to that goal by tailoring support to residents to secure and maintain employment.

3.2 Equality Impact Assessment

There are no specific impacts to note.

4. Implications

4.1 Financial Impact

Public Accountability Obligations

4.1.1 To satisfy the Council's duty to ensure the organisation delivering employment and training services on its behalf is financially sound, the Council's Section 95 Officer maintains appropriate and proportionate processes and procedures for scrutinising Routes to Work's financial performance.

4.1.2 The Council's Legal Agreements with Routes to Work specify the financial information which must submit to the Council including an annual business plan, quarterly management accounts, audited financial statements etc., to enable Financial Solutions to assess and report any financial risk likely to arise as a result of the Council using Routes to Work to deliver these services.

- 4.1.3 The Council expends revenue resources annually with Routes to Work to deliver services which assist the Council in achieving its priority outcomes therefore has a duty to ensure this money is being properly used to deliver both the Council's and Routes to Work objectives. This report will include the draft 2019/20 financial outturn as well as the financial results and projections for the first quarter of 2020/21.
- 4.1.4 For financial year 2019/20, the Council approved revenue spend equating to £2.713m. This represents 91% of the organisations budgeted income of £2.969m with the balance of income of £0.256m being primarily generated through other trading activities as outlined in Appendix 1.
- 4.1.5 For financial year 2020/21, the Council approved revenue spend equating to £2.957m. This represents 93% of the organisations budgeted income of £3.163m with the balance of income of £0.206m being primarily generated through other trading activities as outlined in Appendix 4.

Financial year 2019/2020 - Draft Financial Performance to 31 March 2020

- 4.1.6 The draft unaudited financial outturn is an operating surplus of £0.024m, this is a small adverse movement of £0.005m against budget. Further details are provided at Appendix 1.

Financial year 2019/2020 - Balance Sheet as at 31 March 2020

- 4.1.7 Appendix 2 provide key balances to give members an update on the overall financial standing of the company, as at 31 March 2020, along with the comparator figures as at 31 March 2019. Key balances and indicators worthy of specific note include:

- a) The ratio of current asset to current liabilities is 13.9:1, which is a measure of whether a company has enough resources to pay its debts at this point in time. Values less than 1 indicate a company may have difficulty meeting current obligations. Therefore Members should be assured the company has positive liquidity.
- b) Unrestricted reserve funds of £0.862m are in excess of the desired reserves position of £0.700m, and £0.194m higher than identified estimated costs that may be incurred on the wind-up of the company.

Financial year 2019/20 – Projected Cashflow to 30 July 2020

- 4.1.8 A cash flow forecast to the 30 July is attached as Appendix 3 with an estimated balance of cash of £0.135m at the 30 July, a reduction of £0.511m from the balance of £0.646m held at the year end. This cash reduction is as a result of approved Board action to revise NLC invoicing arrangements to reduce the levels of cash held within RTW bank accounts to close to £0.085m which is the level assured by the government back banking guarantee. This aims to mitigate exposure to risk in regard to cash balances held in the event of a banking crisis triggered by COVID-19. Invoicing arrangements going forward will be under revision with NLC and revised as necessary.

Financial Year 2020/21 – Financial Performance to 30 June 2020

- 4.1.9 The actual year to date performance to 30 June 2020 along with forecast projections to 31 March 2021 have been provided at Appendix 4. Year to date income is lower than budget by £0.133m this is more that overset by a reduction in expenditure against budget of £0.181m.
- 4.1.10 Projections to the year 31 March 2021 have been forecast to equal budget. COVID-19 lockdown has meant a reduction in anticipated participant numbers in the ESF Pipeline Programme leading to a probable reduction in projected income due to a projected reduction on spend on beneficiary costs. Therefore it is likely that forecasting reporting on budget may not be accurate. Discussion with NLC are underway on possible revisions to funding to reflect the COVID-19 impact. Financial Solutions request that revised forecast projections are provided once these are finalised.

Financial year 2020/2021 - Balance Sheet as at 30 June 2020.

- 4.1.11 Appendix 5 provides key balances to give members an update on the overall financial standing of the company, as at 30 June 2021, along with the comparator figures as at 31 March 2020. Key balances and indicators worthy of specific note include:
- a) The ratio of current asset to current liabilities is 8.5:1, which is a measure of whether a company has enough resources to pay its debts at this point in time. Values less than 1 indicate a company may have difficulty meeting current obligations. Therefore Members should be assured the company has continued positive liquidity.
 - b) Unrestricted reserve funds of £0.857m are in excess of the desired reserves position of £0.700m, and £0.132m higher against the estimated costs that may be incurred on the wind-up of the company.

Financial year 2020/21 – Projected Cashflow

- 4.1.12 A projected cash flow was not provided to the Board as part of the reported figures to 30 June 2020, however some assurances were provided verbally to the Board on the short term liquidity of RTW. Financial Solutions have requested that a projected cash flow is provided at each Board Meeting as a matter of course.

4.2 HR/Policy/Legislative Impact

There are no HR/Policy/Legislative impacts linked to this report.

4.3 Environmental Impact

There are no environmental impacts linked to this report.

4.4 Risk Impact

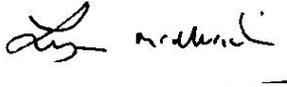
Routes to Work maintain a detailed risk register which is presented to each Board meeting. In terms of the Council, the risk of Routes to Work and the wider employability programmes being deemed non-compliant with external funders is present.

5. Measures of success

- 5.1 Routes to Work Ltd. continue to provide an effective employability service on behalf of the Council to support unemployed and underemployed residents of North Lanarkshire.

6. Supporting documents

- 6.1 Appendices 1-5 - Routes to Work – 2018/19 and 2019/20 Performance



Lizanne McMurrich
Head of Communities

Appendix 1

Routes to Work Limited

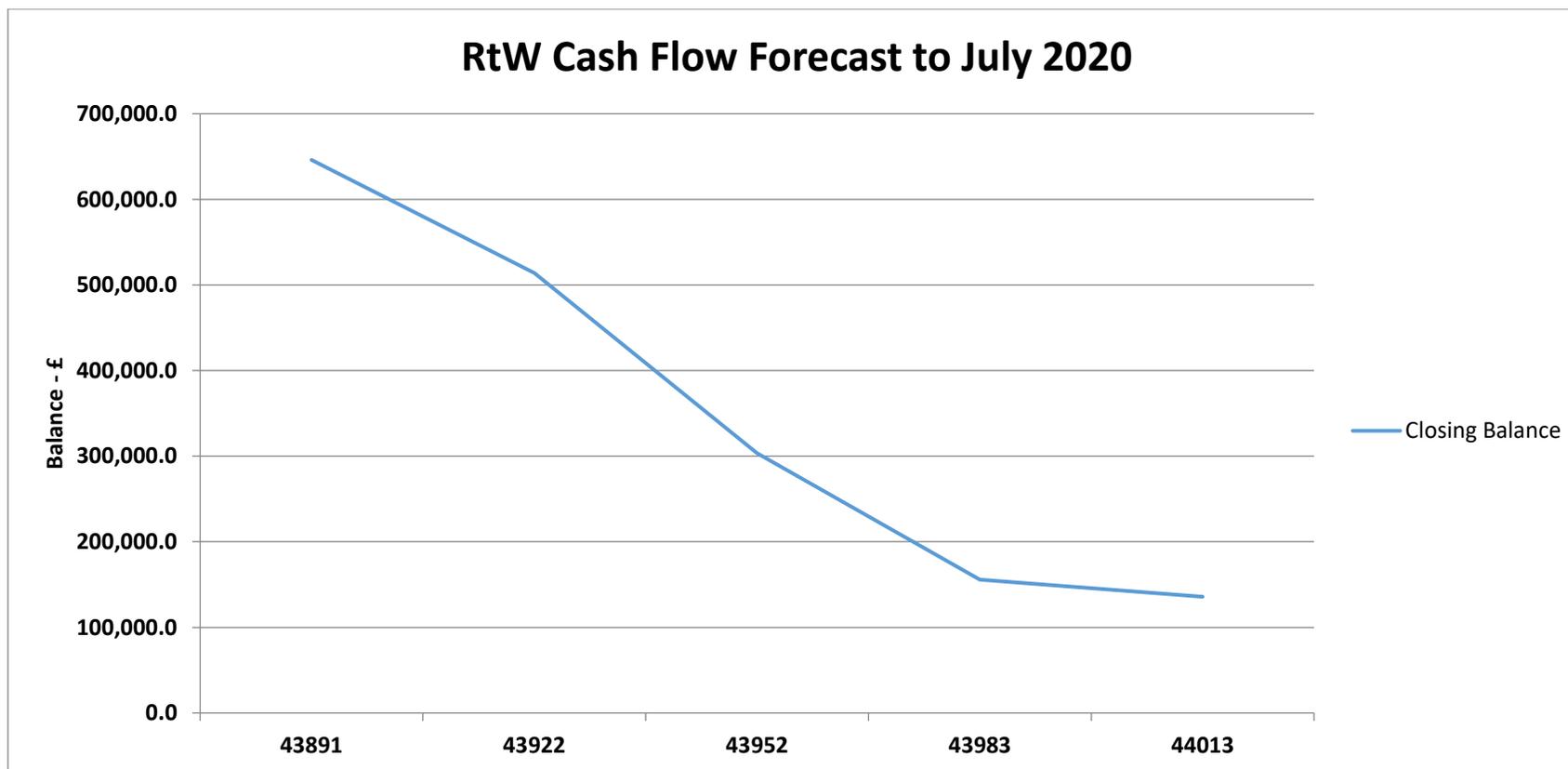
Draft Financial Performance as at 31 March 2020

Income & expenditure	2019/20 Annual Budget £'000	2019/20 Unaudited Outturn £'000	2019/20 Variance £m	Commentary
Income from NLC - ESF Pipeline/ Management Fee	2,713	2,627	(86)	Principally due to a reduction in ESF expenditure of £85k largely offset by an increase in expenditure below.
Income from NLC - Other	0	140	140	No One Left Behind, Single Works Programme and Working Matters Progress. These programmes were not included in the 2019/20 budget. Income is largely matched by an increase in expenditure below.
Other trading activities	168	162	(6)	SDS Employability Fund
Development Income	85	27	(58)	Non achievement of income which is offset by a reduction in expenditure below
Interest	3	5	2	
Total Incoming Resources	2,969	2,961	(8)	
Expenditure: Charitable Activities	(2,940)	(2,937)	3	Principally due to a reduction in ESF expenditure £85k, SDS Expenditure £18k and Development Expenditure £35k largely offset by unbudgeted expenditure relating to No One Left Behind, Single Works and Working Matters Programmes.
Total Resources Expended	(2,940)	(2,937)	3	
Operational surplus / (deficit)	29	24	(5)	

Routes to Work Limited

Overall Financial Standing - Balance Sheet as at 31 March 2020

Balances/ Indicator	Unaudited at 31/03/2020 £	31/03/2019 £	Commentary
Fixed Assets	38,480	26,101	Purchase of Office equipment, computer hardware and software
Current Assets:			
Trade Debtors	361,571	417,009	Quarter 4 invoices for ESF Pipeline offset by monies received in advance
Prepayments	9,506	28,106	
Bank / Cash	646,060	477,453	Increase due to realisation of short term investments
Short Term Investments	85,000	255,000	12 month term investment, 2 of the 3 bonds maturing at COVID-19 impact not re-invested
	1,102,137	1,177,568	
Current Liabilities:			
Other Creditors inc. VAT & other taxes	(79,028)	(162,859)	PAYE/NI to HMRC, accrued Purchases
	(79,028)	(162,859)	
Net Asset / (Liabilities)	1,061,589	1,040,810	Healthy positive position in net assets.
Financed by Reserves:-			
Designated Reserves	239,000	239,000	Future Developments/ICT - £225k, Pension Reserve £14k
Unrestricted funds	862,823	832,285	
Restricted Funds	(40,234)	(30,475)	Programme expenditure incurred yet to be reclaimed
Total Reserves	1,061,589	1,040,810	



Appendix 4

Routes to Work Limited

Financial Performance as at 30 June 2020

Income & expenditure	2020/21 Annual Budget £'000	2020/21 Year to 30 June			2020/21 Projected Outturn £'000	2020/21 Variance £m	Commentary
		Budget £	Actual £	Variance £			
Income from NLC	2,957	741	617	(124)	2,957	0	This budget consists of NLC SLA and service payments and management fee (ESF, NO One Left Behind, Parental Employability Support, Working Matters Progress)
Other trading activities	171	9	8	(1)	171	0	This budget consists of SDS £168k, Job Retention Scheme Grant £3k
Development Income	31	6	(2)	(8)	31	0	
Interest	4	1	1	0	4	0	
Total Incoming Resources	3,163	757	624	(133)	3,163	0	
Expenditure:							
Charitable Activities	(2,940)	(797)	(616)	181	(2,940)	0	Budget Includes Knowledge Transfer Project - £30k and 20,000 job entry celebration £10k
Total Resources Expended	(3,199)	(797)	(616)	181	(2,940)	0	
Operational surplus / (deficit)	(36)	(40)	8	48	223	0	

Appendix 5

Routes to Work Limited

Overall Financial Standing - Balance Sheet as at 30 June

Balances/ Indicator	31/06/2020 £	Draft Unaudited at 31/03/2020 £	Commentary
Fixed Assets	32,825	38,480	Office equipment, computer hardware and software
Current Assets:			
Trade Debtors	347,846	361,571	
Prepayments	615,470	9,506	Increase from the year end due to invoice timing arrangements agreed with NLC
Bank / Cash	128,460	646,060	Decrease from the 31 March 2020 due to invoice timing arrangements agreed with NLC
Short Term Investments	85,000	85,000	
	1,176,776	1,102,137	
Current Liabilities:			
Other Creditors inc. VAT & other taxes	(139,048)	(79,028)	PAYE/NI to HMRC, accrued Purchases
	(139,048)	(79,028)	
Net Asset / (Liabilities)	1,070,553	1,061,589	Healthy positive balance held in net assets
Financed by Reserves:-			
Designated Reserves	239,000	239,000	Future Developments/ICT - £225k, Pension Reserve £14k
Unrestricted funds	856,539	862,823	
Restricted Funds	(24,986)	(40,234)	Programme expenditure incurred yet to be reclaimed
Total Reserves	1,070,553	1,061,589	