

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

24 January 2019

Report by Director of Education

JOINT ERCLT AND COUNCIL ACTION PLAN

**PURPOSE OF REPORT**

1. To respond to the Audit and Scrutiny Committee's request to submit the revised joint Trust/Council action plan presented to Audit and Scrutiny in November 2018.

**RECOMMENDATION**

2. It is recommended that the Committee notes the report.

**BACKGROUND**

3. Audit and Scrutiny Committee considered the joint report in August 2018 in response to a [National External Audit Report: Councils' Use of Arm's-Length Organisations](#). In the report referred to above reference was made to the development and implementation of an action plan in response to an independent finance and business review of the Trust, carried out by Solace in Business on behalf of the Council.

4. The action plan referred to above was presented to Audit and Scrutiny Committee in November 2018 with indication that a revised action plan would be presented to the Trust's Board at its next meeting in December 2018.

**REPORT**

5. The revised action plan, included in Appendix 1, was approved by the Trust's Board in December 2018 and continues to be overseen by the Director of Education, the Chief Finance Officer, and the Trust's Chief Executive.

6. As indicated to Committee in November 2018 regular reports on the implementation of the action plan will be taken on a biannual basis to the Trust's Board, the next of which will be in June 2019.

**RECOMMENDATION**

7. It is recommended that the Committee notes the report.

Mhairi Shaw  
Director of Education

January 2019

Report Author

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Background papers

1. [Audit and Scrutiny Committee Paper, National External Audit Report Councils' Use Of Arm's-Length Organisations, 16 August 2018](#)
2. [Joint ERCLT and Council Action Plan in Relation to Independent Finance and Business Review of the Trust](#)

**East Renfrewshire Council and East Renfrewshire Culture and Leisure Trust  
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Recommendation		Action	Responsibility	Original Timescale	Revised Timescale	Co-dependencies	Success Criteria	Progress Update	BRAG	Status
1	The Trust Board should meet every second month increasing the number of meetings to six per year.	Proposed timetable of meetings will be presented at the June Board	A. McReavy	June-Sept		ERC Finance (availability of management information)	<ul style="list-style-type: none"> <li>5-6 Board meetings (inc Development day) in place 2019</li> <li>Increased scrutiny</li> </ul>	Additional date added to Board annual calendar which covers an offsite Strategy / Away Day.	Blue	Closed
2	The financial reports provided to trustees should be enhanced	<ul style="list-style-type: none"> <li>Closure of action 7 is required to enable robust management accounts to be produced to include I&amp;E, Balance sheet &amp; Cash flow statement.</li> </ul>	C. Campbell K. Storie	Mid July	End Dec	ERC Finance	<ul style="list-style-type: none"> <li>Management accounts produced in a timely manner (by WD10).</li> <li>Agreed format and content for reporting is operational (agreed at workshop in Feb 2018) for 2018/19 reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Currently Period End summaries available within WD10.</li> <li>Service summaries in new format. Continued work on consolidated reports – with FAR/Board summaries now on shared drive.</li> </ul>	Green  Amber	Open  Open
3	The Trust's Chief Executive should lead and oversee the development and production of an integrated Monthly Performance Report	Balanced Scorecard to be introduced for Q1 report 2018/19	A. McReavy Trust SMT	September 4 Board meeting	March 2019	ERCL / ERC Finance & HR	Balanced Scorecard report agreed by board. Trustees and Council better informed of Trust's performance	Balanced scorecard operational, with feedback from September Board included in latest version. Work will continue to extend and refine the KPIs included together with building robust processes to produce the KPIs.	Green	Open
4	The Trust, working with its ICT Business Partner, should produce an IT development plan	<p>Develop an ICT action plan for the Trust to focus on the following:</p> <ol style="list-style-type: none"> <li>Contract management and future development of core systems</li> <li>Realisation of ERCL Digital Platform</li> <li>Implementation of Open Plus</li> <li>Implementation of iCAM solution</li> </ol> <p>Enabling CPA bid submitted May-Sept 2018</p>	S. Simpson R. Taylor	Outline CPA May 2018  Dev Plan & Full CPA Sept 2018  Full realisation March 2020 (renewal of core systems contracts)	Feb 2019	ERCL / ERC ICT  Capital provision and revenue implications tbc	<p>Funding and resourcing secured to implement plan</p> <p>Improved customer journey</p> <ul style="list-style-type: none"> <li>a seamless link between customer interface (i.e. website) and core business applications</li> <li>barriers to payments and bookings removed</li> <li>reduced costs to customer interactions (channel shift)</li> </ul>	Digital Customer Journey CPA submitted to ERC and is currently progressing through the normal approval process. Clarity to be gained in relation to availability of ICT resources to support. Outcome of ERC funding decision will not be until Feb 2019.	Amber	Open
5	The terms and conditions of the present Service Level Agreements between the Trust and ERC need to be reviewed and reset to ensure that the levels of service and information council services provide to the Trust meet its developing business needs	<p>Gap analyses of key services (Finance/Creditors, HR, Marketing, ICT, PaTS) undertaken and discussed with business partners</p> <p>Revision of Service Level Agreements undertaken</p>	M. Ratter A. McReavy	May-September 2018	End Dec 2018	ERCL & ERC	Revised SLAs agreed and in place by end of 2018	<ul style="list-style-type: none"> <li>Paper to be presented to ERCL Board in relation to insourcing H&amp;S / Marketing SLAs</li> <li>ICT – work to be completed by end of December</li> <li>PaTS – formed part of IA review – planned to have draft by end of year</li> <li>Financial Services – gap analysis performed – updated SLAs still to be finalised</li> <li>Others reviewed Sept / October</li> </ul>	Amber  Amber  Amber  Green	Open  Open  Open  Open



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8	Specific financial control and reporting requirements of the Trust need to be addressed by modifying and upgrading the financial accounting systems it uses.	(ERCL) DoF is actively engaged in the core corporate systems project which is looking to replace the existing General Ledger and some of the supporting finance systems.	C. Campbell K. Storie	Sept 2018	March 2020	ERCL / ERC  Core Systems Group	A system is selected that can meet all of the Trust's requirements including full inter-co accounting.	<ul style="list-style-type: none"> <li>Trust requirements submitted to ERC as part of core systems project, specifying mandatory requirement for full inter-co accounting. This formed part of the overall mandatory requirements as part of the procurement process.</li> </ul>	Blue	Closed
8a.	Consider the benefits of an ERP	<ul style="list-style-type: none"> <li>Detailed Trust requirements have been submitted</li> <li>DoF involved in the evaluation of the new system provider</li> <li>DoF has been asked to join core corporate Board which is essentially the steering committee for the project.</li> </ul>					Financial Control processes noted in Action 7 are embedded in the services provided by ERC.	<ul style="list-style-type: none"> <li>Recruitment underway for Trust resource to ensure full engagement in core systems project.</li> </ul>	Green	Open
8b.	The Trust could procure its own separate financial accounting and reporting system.	<ul style="list-style-type: none"> <li>A review of the current Accountancy services has been completed with the paper due for presentation to the Trust Board in June 2018. Recommendation is for discussions to progress with ERC on the best way for the Trust to receive those services. The outcome of these discussions will inform a recommendation for future service provision at the Trust Board in September 2018.</li> </ul>					A recommendation of the future finance service provision and how it will be delivered is presented to the Trust Board and is supported by ERC	<ul style="list-style-type: none"> <li>Board verbal update - recommendation to engage with ERC core systems project to be provided to Board in December. This action will close recommendation 8b and 8c.</li> </ul>	Green	Open
8c.	The Trust could continue to operate on the present basis drawing on the Council's existing financial infrastructure and systems with an improved reporting interface.									
9	Business Plans and financial budgets should be based on a bottom up approach.	Complete Gyms, Swimming and Fitness analysis and revise monthly targets  Establish sales targets (financial & seat) for Theatre	K. Storie A. McReavy	By Sept 2019			Budgets and Business Plans for all services established including monthly budgets for income drivers (e.g lead generation, sales and retention, class / event / show / programme capacity etc).	<ul style="list-style-type: none"> <li>Further work has been progressed on enhancing the budgeting process for 2019/20. Budgets for all income lines, with the exception of Arts/Theatre have been produced based on underlying drivers.</li> </ul>	Green	Open
10	The next iteration of the Trust's business plan requires greater emphasis and focus on market opportunities and on commercial and financial issues	Draft Business Plan 2019-20 to September 5 Board for revision and agreement in December  Cap Ex / CPAs to be reviewed and agreed by FAR  Commercial and ancillary income streams identified	A McReavy / SMT / ERC Finance	Sept 2019	Sept 2019		Reduced deficit in service areas  Clear business development plans in place for commercial services  Business plans supported by 3 yr financial plan	<ul style="list-style-type: none"> <li>3year base plan has been produced, overlaid by income generation / savings initiatives to deliver the required savings. Further work is underway in respect of Arts / Theatre to enhance reporting.</li> <li>CPAs presented to FAR and Board for approval. Initiative presented to Board at Away Day for Approval.</li> <li>Governance in place to monitor progress and delivery of initiatives.</li> <li>Draft 3yr plan will be presented to December Board, with final plan submitted for approval in February.</li> </ul>	Green  Blue  Blue  Green	Open  Closed  Closed  Open

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11	Senior managers need to adopt a more positive approach to the Council in relation to securing investment in venues and facilities.	Improved partnership working on funding (capital and revenue) submissions to ERC supported by FAR/Board.  Guidance on available funding sources provided by Accountancy, including criteria and application process for each  Additional challenge and support provided by ERC partners for submissions.	A McReavy / SMT / ERC Business Partners	From May 2018			Increased success rate of capital and other funding bids.	<ul style="list-style-type: none"> <li>Enhanced ERCL CPA process in place for 2019/20 bids engaging all SMT.</li> <li>A partnership approach to all capital bids made in 2018 has been employed and will be maintained</li> </ul>	Green  Amber	Open  Open
12	The Trust's chief executive and senior management team need to focus on reducing the operating deficit	See 9 above	As above	As above		As above	As above	As per Action 9 above	Green	Open
13	The Council and the Board of Trustees need to review both the Trust's current business model and its level of funding through the Service Fee	See actions below	C. Campbell K. Storie	As below		As below	As below	See below		
13 a.	Fund libraries with a ring fenced Service Fee allocation	<ul style="list-style-type: none"> <li>2018/19 budget for Libraries will be agreed as part of Revised Trust budget to be presented to Trust Board in June 2018.</li> <li>Agreement on calculation of Service Fee mechanism and the ring-fenced element for future years, including application of any savings targets for subsequent years.</li> </ul>	M.McCrossan C. Campbell	May 2018  Aug 2018			Methodology for service fee agreed for future years including approach to ring-fenced budget	<ul style="list-style-type: none"> <li>ERC would not support any ring-fencing of budgets – this would be up to ERCL Board to agree. This would not result in the protection of budgets in the event of a savings target.</li> <li>The current budget to be presented to Board does not have formal ring-fencing in place. This will be discussed as part of the Dec 18 Board.</li> <li>Work has been completed on options for an alternate funding model. At present, the trends are not consistent enough to support any average % uplift etc. 2019/20 budget was produced on existing basis (eg spending pressure submissions etc). This should be reviewed annually.</li> </ul>	Blue  Green  Green	Closed  Open  Open
13 b.	Set the other services clear objectives to grow the income each earn at rates sufficiently greater than they increase expenditure	See 9 above  Operational Management Committee performs cost / benefit analysis on any operational business cases approved.	K. Storie A. McReavy	From May 2018			Operating Margin improves on a sustained basis.	Governance in place across Trust to support decision making and monitoring / control and delivery of business cases. This will form a key part of the delivery of 2019/20 initiatives. Closed as the on-going monitoring of this is included in	Blue	Closed

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								Actions 9 /10.		
13 c.	Contain expenditure in Central Services to a level that will enable the overall operating deficit to be reduced significantly year on year.		K. Storie A. McReavy				See Action 9/ 10	See Action 9/ 10		
14	Increase in the Service Fee the Trust receives from ERC in both 2018/19 and 2019/20 by between £200,000 and £300,000 in 2018/19, and hold it at broadly similar level in 2019/20. Thereafter the Service Fee should be reviewed in the light of the progress the Trust achieves over the next two years.	Budget agreement for 2018/19 in place  ERC agree to fund reserves for 2018/19  Discuss 3 year funding arrangements	M. McCrossan	May 2018	Feb 2019			Confirmation of any additional funding and any savings targets for the Trust will be subject to Council deliberations when approving the overall ERC Budget.	Green	Open

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