

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

22 November 2018

Report by Director of Education

JOINT ERCLT AND COUNCIL ACTION PLAN IN RELATION TO INDEPENDENT FINANCE
AND BUSINESS REVIEW OF THE TRUST

PURPOSE OF REPORT

1. To respond to the Audit and Scrutiny Committee's request to submit the joint Trust / Council action plan referred to in a report in August 2018.

RECOMMENDATION

2. It is recommended that the Committee considers and comments on the report.

BACKGROUND

3. Audit and Scrutiny Committee considered a 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.

REPORT

4. The action plan, included in Appendix 1, is the original one approved by the Trust's Board in June 2018 and is overseen by the Trust's Board, the Director of Education, the Chief Finance Officer and the Trust's Chief Executive. It has already been reviewed by that Steering Group with progress thus far on each element assessed. This will be the subject of a report to the Trust Board next month when the four elected Members on the Board will be able to scrutinise it.

RECOMMENDATION

5. It is recommended that the Committee considers and comments on the report.

Report Author

Mhairi Shaw, Director of Education

Tel: 0141 577 8635

Mhairi.Shaw@eastrenfrewshire.gov.uk

Background paper

1. [Audit and Scrutiny Committee Paper, National External Audit Report Councils' Use Of Arm's-Length Organisations, 16 August 2018](#)

November 2018

East Renfrewshire Council and East Renfrewshire Culture and Leisure Trust
Joint Action Plan to Address Recommendations of Finance and Business Review
June 2018

Recommendation		Action	Responsibility	Timescale	Co-dependencies	Success Criteria
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"> 5-6 Board meetings (inc Development day) in place 2019 Increased scrutiny
2	The financial reports provided to trustees should be enhanced	<ul style="list-style-type: none"> Closure of action 7 is required to enable robust management accounts to be produced to include I&E, Balance sheet & Cash flow statement. 	C. Campbell K. Storie	Mid July	ERC Finance	<ul style="list-style-type: none"> Management accounts produced in a timely manner (by WD10). Agreed format and content for reporting is operational (agreed at workshop in Feb 2018) for 2018/19 reporting.
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	ERCL / ERC Finance & HR	<ul style="list-style-type: none"> Balanced Scorecard report agreed by board Trustees and Council better informed of Trust's performance
4	The Trust, working with its ITC 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"> Contract management and future development of core systems Realisation of ERCL Digital Platform Implementation of Open Plus Implementation of iCAM solution <p>Enabling CPA bid submitted May-Sept 2018</p>	S. Simpson R. Taylor	<p>Outline CPA May 2018</p> <p>Dev Plan & Full CPA Sept 2018</p> <p>Full realisation March 2020 (renewal of core systems contracts)</p>	<p>ERCL / ERC ICT</p> <p>Capital provision and revenue implications tbc</p>	<p>Funding and resourcing secured to implement plan</p> <p>Improved customer journey</p> <ul style="list-style-type: none"> a seamless link between customer interface (i.e. website) and core business applications barriers to payments and bookings removed reduced costs to customer interactions (channel shift)

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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>Revise Service Level Agreements, including measures of quality and key monitoring periods.</p>	M. Ratter A. McReavy	May-September 2018	ERCL & ERC	<ul style="list-style-type: none"> Revised SLAs agreed and in place by end of 2018 High quality of service delivered by Council, monitored by Trust through agreed indicators
6	Repair and maintenance policies of facilities the Trust operates need to be reviewed to provide an appropriate quality for a commercial operation.	<p>Bid to establish an annual capital line to fund minor works outwith current repairs and maintenance (décor, minor repairs, moveable assets, fixtures, fittings, improvements to customer environments).</p> <p>Enabling CPA bid submitted May-Sept 2018</p>	P. Daws A. McReavy	<p>Outline CPA May 2018</p> <p>Full CPA Sept 2018 (Funding from April 2019 if agreed)</p>	Capital provision	<p>Funding and Resourcing secured to address issues noted in report / Property Asset Management Plan</p> <ul style="list-style-type: none"> Improvements to customer environments Reduction in complaints in relation to facilities' condition Realise objectives / address issues highlighted in <i>Property Asset Management Plan</i>
7	The Trust's financial management processes and how financial information is configured, presented and disseminated, need to be reshaped.	<p><u>Processes:</u></p> <ul style="list-style-type: none"> Accruals & Prepayments posted into the ledger each period. One sided journals are corrected in each period. Where possible, cause for one sided journals is fixed at source Suspense / Control accounts are reconciled / balanced and cleared 	C. Campbell K. Storie	Mid July		<p><u>At the end of each period:</u></p> <ul style="list-style-type: none"> Actuals within GL reflect accruals based accounting Balance Sheet balances Balance sheet control accounts / suspense accounts are cleared where possible with reconciliation of open / aged balances

	Recommendation	Action	Responsibility	Timescale	Co-dependencies	Success Criteria
7	The Trust's financial management processes and how financial information is configured, presented and disseminated, need to be reshaped. (cont'd)	<ul style="list-style-type: none"> • where possible for each period. <u>Configuration / Presentation</u> <ul style="list-style-type: none"> • Format / content agreed at workshop in Feb 2018 for period end service reports is implemented for 18/19 reporting • DoF/ERC finance work together to establish standard reporting suite for FAR/Board reporting which would minimise re-work <u>Distribution:</u> Once revised reporting suite is embedded, enable online through BOXI				<ul style="list-style-type: none"> • Reduction in re-work between DoF/ERC finance • Reporting suite is available online • Trust has a robust suite of financial reports reflecting a trading operation

Recommendation		Action	Responsibility	Timescale	Co-dependencies	Success Criteria
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. <ul style="list-style-type: none"> Detailed Trust requirements have been submitted 	C. Campbell K. Storie	Sept 2018	ERCL / ERC Core Systems Group	A system is selected that can meet all of the Trust's requirements including full inter-co accounting. Financial Control processes noted in Action 7 are embedded in the services provided by ERC. 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
8a.	Consider the benefits of an ERP	<ul style="list-style-type: none"> DoF involved in the evaluation of the new system provider DoF has been asked to join core corporate Board which is essentially the steering committee for the project. 				
8b.	The Trust could procure its own separate financial accounting and reporting system.	<ul style="list-style-type: none"> 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. 				
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).

Recommendation		Action	Responsibility	Timescale	Co-dependencies	Success Criteria
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		Reduced deficit in service areas Clear business development plans in place for commercial services Business plans supported by 3 year financial plan
11	Senior managers need to adopt a more positive approach to the Council in relation to securing investment in venues and facilities.	<ul style="list-style-type: none"> 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. Explore CPD for senior managers to adopt more commercial outlook 	A McReavy / SMT / ERC Business Partners	From May 2018		Increased success rate of capital and other funding bids.
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

Recommendation		Action	Responsibility	Timescale	Co-dependencies	Success Criteria
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	<i>See actions below</i>	C. Campbell K. Storie	As below	As below	As below
13 a.	Fund libraries with a ring fenced Service Fee allocation	<ul style="list-style-type: none"> • Head of Accountancy to discuss with Trust the required approach on ring-fencing in conjunction with Action 13 regarding a 'one pot' funding approach. • 2018/19 budget for Libraries will be agreed as part of Revised Trust budget to be presented to Trust Board in June 2018. • Agreement on calculation of Service Fee mechanism and any ring-fenced element for future years, including application of any savings targets for subsequent years. 	M. McCrossan C. Campbell	June 2018 Aug 2018		Methodology for service fee agreed for future years including approach to ring-fenced budget
13 b.	Set the other services clear objectives to grow the income each earn at rates sufficiently greater than they increase expenditure	<p>See 9 above</p> <p>Operational Management Committee performs cost / benefit analysis on any operational business cases approved.</p>	K. Storie A. McReavy	From May 2018		Operating Margin improves on a sustained basis.
13 c.	Contain expenditure in Central Services to a level that will enable the overall operating deficit to be reduced significantly year on year.	<ul style="list-style-type: none"> • Establish systems which will ensure all posts are budgeted • Consider need to restructure staffing model 	K. Storie A. McReavy			<ul style="list-style-type: none"> • FAR committee and Trust Board can monitor expenditure against budget more effectively • Staffing model is within budget and sustainable

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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 funding to permit minimum level of reserves to be retained. Discuss 3 year funding arrangements	M. McCrossan	May 2018		<ul style="list-style-type: none"> • Balanced budget for 2018/19 approved by Board. • Trust has reserves which can be utilised in case of emergency • Trust is able to formulate business plan on 3-yearly basis

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