

EAST RENFREWSHIRE COUNCILCABINET15 March 2018Report by Head of AccountancyEAST RENFREWSHIRE CULTURE AND LEISURE TRUST – FINANCIAL SUPPORT**PURPOSE OF REPORT**

1. The purpose of this report to Cabinet is to homologate the issue of a letter of comfort to ERCLT in view of the Trust's forecast overspend position at 31 March 2018.

RECOMMENDATION

2. The Cabinet is invited to homologate the issue of a letter of comfort to ERCLT in view of the Trust's forecast overspend position at 31 March 2018.

BACKGROUND

3. Under the terms of the Management Agreement between the Council and ERCLT, the Trust is obliged to provide culture and leisure services to the Council for the benefit of the public. The level of financial support to allow the Trust to do this is set out in the Council budget each year. The terms of the financial support can however be amended by agreement in terms of Clause 26.1 of the Agreement which states:

“Other than pursuant to Part 4 of the Schedule, the terms of this Agreement shall not be amended or altered except by mutual agreement in writing by the duly authorised representatives of the Council and the Company”.

REPORT

5. ERCLT has been operating within budget since its establishment in July 2015, however its most recent financial monitoring report has highlighted a projected overspend of some £277,000, after utilisation of reserves, at 31 March 2018.

6. The current three year Management Agreement between the Council and ERCLT is approaching an end and the two parties have been in discussion on the future support to be provided to the Trust. A consultant has been engaged through SOLACE to provide an independent view on the appropriate level of Council funding to ERCLT in future.

7. A report on these findings should be received in the coming weeks, however provision for an increase of £239,000 in financial support to ERCLT, together with the deferral of the Trust's planned £110,000 savings target for the year have been reflected in the Council's agreed budget for 2018/19.

8. In the interim, to allow ERCLT to continue to provide and develop services in line with existing plans in the current year, it has been necessary to provide the Trust with a letter of comfort, amending the terms of the Management Agreement, seeking that action is taken to minimise any overspend and confirming that the Council will meet any shortfall at 31 March 2018.

9. The letter was issued to ERCLT in advance of their Board meeting on 27 February 2018 and, as such, it was not possible to obtain prior Cabinet approval.

FINANCE AND EFFICIENCY

10. The additional contribution can be accommodated within Council budgets for 2017/18.

CONSULTATION

11. The Director of Education, Chief Officer – Legal and Procurement, and Councillors Buchanan and Lafferty have been consulted on this matter.

PARTNERSHIP WORKING

12. The Management Agreement sets out the arrangements for partnership working between the Council and ERCLT.

CONCLUSIONS

13. In view of the projected ERCLT overspend for 2017/18 it was necessary to issue a letter of comfort to the Trust to allow them to continue the provision and development of services as planned. Timescales did not permit prior Cabinet approval and homologation of this action is now required.

14. Additional funding has been built into 2018/19 funding plans and the position will be reviewed after an independent report on ECLT funding has been received.

RECOMMENDATION

15. The Cabinet is invited to homologate the issue of a letter of comfort to ERCLT in view of the Trust's forecast overspend position at 31 March 2018.

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