

EAST RENFREWSHIRE COUNCILCABINET30 August 2018Report by Head of AccountancyEAST RENFREWSHIRE CULTURE AND LEISURE TRUST – CONFIRMATION OF
FINANCIAL SUPPORT**PURPOSE OF REPORT**

1. The purpose of this report is to homologate the issue of a letter to ERCLT confirming the Council's ongoing financial support for the Trust.

RECOMMENDATION

2. The Cabinet is invited to homologate the issue of a letter to ERCLT confirming the Council's ongoing financial support for the Trust's activities.

BACKGROUND

3. ERCLT is an Arm's Length External Organisation (ALEO), reported within the Council's annual Group Accounts.

4. 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. As part of the external audit of ERCLT's accounts for 2017/18 the Council is required to confirm its ongoing financial support for the Trust as a going concern.

6. It is not unusual for auditors to seek such assurances from Councils and it is entirely reasonable for the Council to confirm its ongoing financial support for the Trust to continue to provide and develop services in line with existing plans in the coming year.

7. ERCLT operated within budget from its establishment in July 2015 until 31 March 2017, however during 2017/18 it forecast a projected overspend of some £277,000, after utilisation of reserves, at 31 March 2018.

8. Management action was taken by the Trust to address this and the outturn position for the year was substantially improved with the additional Council contribution reduced to £225,000 and the Trust maintaining a general reserve of 1% of budget.

9. An independent review of the Trust's financial arrangements was also carried out and an action plan agreed and implemented.

10. A report outlining the Trust's good operational performance was subsequently noted at the previous meeting of Cabinet.

11. As in previous years, we will continue to monitor the Trust's financial position throughout the year.

12. The letter (attached as Appendix 1) confirming the Council's ongoing support for planned activities whilst requiring the Trust to continue to take all possible actions to operate within budget, was issued to ERCLT in advance of their Finance, Audit and Risk Committee meeting on 21 August 2018 and, as such, it was not possible to obtain prior Cabinet approval.

FINANCE AND EFFICIENCY

13. The issue of the letter does not change the Council's budget plans for 2018/19 or beyond.

CONSULTATION

14. The Director of Education, the Chief Legal Officer and Councillors Buchanan and Lafferty have been consulted on this matter.

PARTNERSHIP WORKING

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

CONCLUSIONS

16. In view of the Trust's timescales for finalising the audit of the 2017/18 accounts it was necessary to issue a letter of support prior to obtaining Cabinet approval and so homologation of this action is now required.

RECOMMENDATION

17. The Cabinet is invited to homologate the issue of a letter to ERCLT confirming the Council's ongoing financial support for the Trust's activities.

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The Directors
East Renfrewshire Culture & Leisure Limited
St Johns Annex
18 Commercial Road
Barrhead
East Renfrewshire
G78 1AJ

1 August 2018

Dear Trustees

Funding Arrangements

The terms of the Management Agreement between the Council and East Renfrewshire Culture & Leisure Limited (ERCLL) state:

“26 General

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.”

So as to provide the required assurance that ERCLL is operating as a going concern, however, the Council confirms its commitment to ongoing financial support for ERCLL’s activities for the period to 30 September 2019. Specifically, in order to support the delivery of services by ERCLL in accordance with the standards set out in the Management Agreement entered into between East Renfrewshire Council and ERCLL, we agree to provide such additional funding as ERCLL may require to support these trading activities. However, the Council expects and seeks assurance that ERCLL will take steps to maintain its expenditure within budgeted levels wherever possible.

I trust that this provides the assurance that you require.

Yours faithfully

Margaret McCrossan
Head of Accountancy
East Renfrewshire Council

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