

EDLC BUSINESS CASE / BOARD REPORT	
Report Title:	2026 27 Income Generation Options
Contact officer:	Karin Jackson – General Manager
Date:	18 th March 2026
Agenda Item No:	4
Report No:	EDLCT/130/26/KJ

1. INTRODUCTION

- 1.1 This report aims to highlight additional costs and provide a choice of proposals to partially bridge the funding gap for the 2026/27 budget.

2. BACKGROUND

- 2.1 The projected funding gap for 2026/27 is largely due to the following changes:
- i) 3.5% annual pay award of circa **£312k** increase (including NI)
 - ii) Increase in employers' superannuation contributions to 17.5% following a 2 year period of reduced contributions resulting in an additional **£729k**
 - iii) **£600k** reduction of the management fee from EDC and associated increase in irrecoverable VAT of circa **£40k**.

This amounts to circa **£1,681,000** of additional costs to find from increasing income and/or reducing expenditure and reserves.

- 2.2 Employers superannuation may be reduced slightly towards the end of 2026 calendar year or next financial year depending on the result of Strathclyde Pension Fund's triennial review.
- 2.3 Irrecoverable VAT is a revenue expense the Trust pays as a result of non-vatable income included in overall income. With the £600k reduction in management fee (the largest vatable income source) this is likely to mean a reduction from 42% to circa 36% which can be offset in VAT returns, resulting in an additional £40k expense.

3. PROPOSALS

- 3.1 The attached spreadsheet gives a breakdown with 2 options for price increases:

3.2 OPTION 1

This option proposes an increase of between 3% and 5% for most lets and activities. It should be noted that this would result in an estimated closing reserve of £700.4k which is below the required 1 month's payroll of £785k.

3.3 OPTION 2

This option proposes an increase of between 3% for lets and an average of 9.5% for most other activities. This option would result in an estimated closing reserve of £960k keeping the Trust within the required reserve limit of £785k (1 month's payroll).

4. RISKS & CONTINGENCY

- 4.1** Both options could result in membership cancellations and may result in income targets not being realised. Memberships will be closely monitored each month and reported back to Board.
- 4.2** Alternative income generation and cost reduction proposals should also be investigated and implemented where possible.

5 IMPLEMENTATION DATE

- 5.1** Price increases and changes to membership categories will be implemented on 1st May 2026. Decision will be required on 18th March to allow staff time to make required changes.

6. RECOMMENDATIONS

- 6.1** It is recommended that the Board: -
 - a) Notes the background information provided on the report.
 - b) Approve either Option 1 or Option 2 price increases for 2026/27.