

# TRUST BOARD MEETING



**Date: 12 November 2024**

**Location: Ayrshire Athletics Arena, Queens Drive, Kilmarnock**

**Start time: 6pm**

<b>AGENDA</b>			
<b>AGENDA ITEM</b>	<b>FOR NOTING</b>	<b>FOR DISCUSSION</b>	<b>FOR APPROVAL/ DECISION</b>
<b>1. Apologies for Absence</b>	✓		
<b>2. Declarations of Interest</b>	✓		
<b>3. Minutes of previous meetings</b> 3.1 Board Meeting: 24 September 2024			✓
<b>4. Legend Presentation</b>		✓	
<b>5. Performance Report July - September 2024</b>	✓		
<b>6. Organisational Growth – Future Direction</b>			✓
<b>7. AOCB</b>			
<b>8. Dates of Next Meetings:</b> <b>Performance &amp; Audit Sub-Committee:</b> 11 February 2025 <b>AGM/Trust Board:</b> 25 February 2025			

For further information please contact: Anneke Freel, Chief Officer  
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# REPORT TO BOARD OF TRUSTEES

## PERFORMANCE REPORT JULY TO SEPTEMBER 2024

Date: 12 November 2024

Agenda Item: 5

Report by: Anneke Freel, Chief Officer

### I PURPOSE OF REPORT

- 1.1 This report provides details of the Trust's performance for the second quarter of 2024/25.
- 1.2 In line with the organisational review, Strategic Vision and Corporate Delivery Plan, the performance report has been separated into 3 documents:
  - East Ayrshire Leisure Performs – providing an update on attendance figures, organisational learning, the risk register and other organisational wide items
  - Corporate Delivery Plan Record of Progress – providing an update on the priority outcomes
  - Financial Performance – providing an update on our financial position at the end of the quarter and projections to the end of the financial year

### 2 EAST AYRSHIRE LEISURE PERFORMS

- 2.1 The overall attendance at our venues for the period July to September 2024 was 506,203, which is a decrease of 8% compared to the same period in 2022/23. As reported in Q1, this is predominantly due to the closure of the Palace and Grand Hall for major refurbishment and is likely to follow this trend throughout 2024/25.
- 2.2 The Cultural Hubs have benefitted from the introduction of the community performing arts programme. This programme was introduced to Stewarton Area Centre, Cumnock Town Hall, Darvel Town Hall and Morton Hall following the temporary closure of the Palace and Grand Hall. The programme has generally been well received and there are clear genres that the communities want to see in their local venues. Comedy and tribute acts have been particularly popular. This programme is being evaluated to allow us to develop it as the intention is to keep it going, even after the Palace Theatre and Grand Hall reopens. Stewarton Area Centre has seen an increase of 30% compared to the same period in 2023/24, Darvel Town Hall has seen an increase of 37% and Morton Hall has seen an increase of 69%.
- 2.3 St. Joseph's Leisure Centre outdoor pitch was closed for the summer for replacement. This saw a reduction of 91% in attendance for the period.
- 2.4 The risk register has been reviewed with no changes.

### 3 CORPORATE DELIVERY PLAN RECORD OF PROGRESS

- 3.1 This report is the second quarter of a new corporate delivery plan for the 2024-26 period, which includes 46 strategic outputs across our 6 Strategic Themes. In quarter 2, we have started working on 38 (83%) of the 2 year priorities. Updates are included against each output within the record of progress report.

# REPORT TO BOARD OF TRUSTEES



## 4 FINANCIAL PERFORMANCE

- 4.1 The financial performance quarter 2 report provides detail of the Trust's financial performance for the period July to September 2024. The projected outturn for East Ayrshire Leisure at 30<sup>th</sup> September 2024 is a £10k surplus position.

### Recommendation/s:

It is recommended that Trustees:

- i. Note the East Ayrshire Leisure Performs Report for the period July to September 2024

Signature:

*Anneke Freck*

Designation: Chief Officer

Date: 21 October 2024



**EAST AYRSHIRE LEISURE PERFORMS**

**QUARTER 2**

**JULY - SEPTEMBER**

**2024/25**



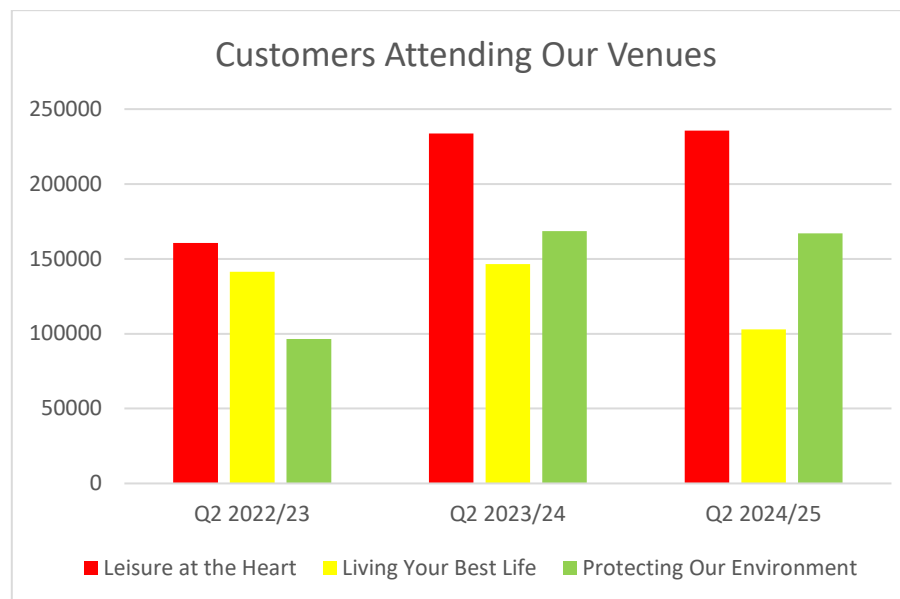
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## PERFORMANCE INDICATORS

### Attendance Figures

The following chart summarises our attendance figures across 3 of our strategic themes and the table provides a detailed breakdown of which venues are included within each theme.



- Libraries have recorded an overall increase of 10.6 % for quarter 2 2024/25. This is predominantly due to the popularity of the Access to Cash UK programme in Cumnock library. Cumnock Library has shown an increase of 67% due to this new, temporary service. The cultural hubs have also benefitted from additional programming that was introduced with the closure of the Palace and Grand Hall. Stewarton Area Centre, Morton Hall and Darvel Town Hall have all seen an increase in excess of 30% . Overall the venues within **Leisure at the Heart** portfolio have seen a slight increase compared to the same period in 2023/24.
- The venues within the **Living Your Best Life** portfolio have seen an overall decrease of 75% compared to the same period in 2023/24. As reported in quarter 1, this is not surprising as the Palace and Grand Hall is now closed for refurbishment.
- Protecting our Environment** is currently only recording figures for Dean Castle Country Park. The Country Park continues to be popular, although has recorded a decrease of 8% compared to the same period in 2023/24. This can be aligned to the spike in attendances at Dean Castle when it was opened in April 2023.

Leisure at the Heart	Living Your Best Life	Protecting our Environment
Auchinleck Library Cumnock Library Darvel Library Newmilns Library Galston Library Dick Institute Library Stewarton Library Crosshouse Library Stewarton Area Centre Boswell Centre Galston Community Centre Darvel Town Hall Morton Hall Cumnock Town Hall Auchinleck Leisure Centre Barony Sports Village Doon Valley Leisure Centre Rose reilly Sports Centre Loudoun Lesiure Centre Hunter Fitness Suite St Joseph's Leisure Centre Grange Leisure Centre William McIlvanney Leisure Centre E-books Mobile Services Football Pavilions	Dick Institute Museum Dean Castle Burns House Museum Burns Monument Centre Baird Institute Doon Valley Museum Ayrshire Athletics Arena Annanhill Golf Course	Dean Castle Country Park River Ayr Way

### **Strategic Vision Performance Monitoring**

The following performance indicators are aligned to our 10 year Strategic Vision

<b>Performance Indicator</b>	<b>Quarter 1 Performance</b>	<b>Quarter 2 Performance</b>	<b>Quarter 3 Performance</b>	<b>Quarter 4 Performance</b>	<b>2023/24 Performance</b>	<b>2030 Strategic Aspirations</b>
People attending our Venues	501,656	505,464			2.18 million	2.9 million
People engaging in our programmes						0.99 million
Our eastyrshireleisure.com online visitors	232,775	238,202			0.93 million	0.38 million
Online visitors to futuremuseums.com	31,100	28,480			0.23 million	0.25 million
Number of programmes for 12-25 year olds	18	18			70	30
Number of programmes for 65+	15	20			29	15
Number of local and regional events and exhibitions	12	69			88	40
Number of children engaged in our education programme	5365	1117			15446	20,000
Opportunities that we offer for volunteers and work placements	4	18			16	50
Our absence Levels	2.85	2.63			7.19	8 days / annum
Our staff turnover rates	2.2%	3.3%			4.5%	7-10%
Number of community initiatives that we support	19	15			55	30
Number of partnership projects we engage in	40	11			138	40
Carbon Footprint	Not currently recorded				Not currently recorded	990tCO2e



## **KEY UPDATES**

### **Insurance Claims**

The following information provides an update on the number of live claims in progress during the period July - September 2024:-

Public Liability	2 x new
Employers' Liability	1 x closed 1 x ongoing
Motor Claim	3 x new

### **Gifts & Hospitality**

No gifts and hospitality records were received during this period.

## **ORGANISATIONAL LEARNING**

Organisational Learning is our new framework which analyses feedback from events and activities, staff and customer comments and complaints, venue visits, audits and external accreditation schemes. This process demonstrates our commitment for continuous improvement through collectively sharing and reviewing processes and procedures whilst also celebrating good practice and acknowledging where there are opportunities to learn.

<b>Learning Theme</b>	<b>Recommendation/Notes</b>	<b>Action Required</b>
<b>Customer Care/Services</b>	<ul style="list-style-type: none"> <li>Service and Staff praised for levels of customer care:               <ul style="list-style-type: none"> <li>Amazing, helpful staff, lovely and so friendly, went above and beyond. Facility was lovely and clean, well set out and informative, all phrases have been said about staff and venues this quarter.</li> <li>Several comments received re. the Treehouse café: excellent, food was lovely and priced very reasonably, and Annanhill Golf Course: was in an unbelievably good condition, beautifully cut and the greens were outstanding.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Service action required               <ul style="list-style-type: none"> <li>Staff newsletter and Intranet - staff to be notified.</li> </ul> </li> </ul>
<b>Health &amp; Safety</b>	<ul style="list-style-type: none"> <li>Staff being subjected to verbal abuse, concerned for their own safety, feeling intimidated and/or threatened, public refusing to leave premises  St Joseph's, Visitor Centre, Cumnock Library, Auchinleck Library, Rose Reilly</li> </ul>	<ul style="list-style-type: none"> <li>Service action required               <ul style="list-style-type: none"> <li>Violence &amp; Aggression H&amp;S Standard</li> <li>Violence &amp; Aggression Risk Assessment</li> <li>Staff awareness – do's &amp; don'ts</li> <li>Conflict Handling Training</li> <li>Scenario Based Exercise</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Number golf balls entering gardens</li> </ul>	<ul style="list-style-type: none"> <li>Service action required               <ul style="list-style-type: none"> <li>Additional signage to be put in place</li> <li>Plans are in place to alter holes to direct golf balls away from boundaries</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Ongoing issue with Synthetics Grass Pitches – unauthorised access, condition of goals.</li> </ul>	<ul style="list-style-type: none"> <li>Service action required</li> </ul>

		<ul style="list-style-type: none"> <li>- Discussions to take place with Campus Manager and partners.</li> </ul>
<b>Media Consent</b>	<ul style="list-style-type: none"> <li>• Complaint received in relation to parents taking photographs/videos in venues.</li> </ul>	<ul style="list-style-type: none"> <li>• Service action required               <ul style="list-style-type: none"> <li>- Website &amp; Media Protocol</li> <li>- HR &amp; Marketing to consider how to prevent parents taking photos/videos of others without permission.</li> </ul> </li> </ul>
<b>Investigation</b>	One to one meeting	<ul style="list-style-type: none"> <li>• Service action required               <ul style="list-style-type: none"> <li>- Regular progress meetings to be scheduled</li> </ul> </li> </ul>
	Communication	<ul style="list-style-type: none"> <li>• Service action required               <ul style="list-style-type: none"> <li>- Individuals to carefully consider means of communication and ensure that Trust values and behaviours are displayed at all times</li> </ul> </li> </ul>

## RISK REGISTER

No.	Risk	Lead Officer	Likelihood	Impact	Total Risk Score (L x I)	Risk Category	Controls
1	There will be a reduction in funding received from East Ayrshire Council, resulting in a reduction in service provision and a requirement to generate more income from services.	Chief Officer	4	4	16  RISK APPETITE: CAUTIOUS (Compliance)	HIGH	<ul style="list-style-type: none"> <li>• Communication with East Ayrshire Council allowing forward planning to ensure that service provision meets the requirements of the main funding provider.</li> <li>• Introduction of Organisational Learning</li> <li>• Implementation of Growth Plan 2024-2030</li> <li>• PR; communications with staff and customers</li> <li>• Financial Strategy</li> <li>•</li> </ul>
2	There is a risk of not being able to maintain high quality services because of a lack of funding, resulting in a failure to invest, loss of staff, a reduction in staff commitment and damage to East Ayrshire Leisure's reputation.	Executive Managers & Strategic Leads	4	3	12  RISK APPETITE: OPEN (Reputation)	MEDIUM	<ul style="list-style-type: none"> <li>• Business Planning</li> <li>• Positive Public Relations</li> <li>• Equipment Replacement Programme</li> <li>• Leisure Facility Strategy</li> <li>• Financial Strategy</li> <li>• Continued dialogue with Council</li> <li>• B.E.S.T. - ongoing training and development of staff</li> <li>• Introduction of Organisational Learning</li> <li>• Implementation of Growth Plan 2024-2030</li> </ul>
3	There is a risk partners and external stakeholders do not see East Ayrshire Leisure as a partner of choice because of a lack of resources invested in partnership activity, resulting in a failure to deliver Delivery Plan targets and the loss of external funding.	Executive Managers & Strategic Leads	3	3	9  RISK APPETITE: OPEN (Reputation)	LOW	<ul style="list-style-type: none"> <li>• Service reviews</li> <li>• Positive Public Relations</li> <li>• Service Level Agreements/Contracts</li> <li>• Strategic Vision 2020-2030 with 2 yearly Corporate Delivery Plans</li> <li>• Leisure Facility Strategy</li> </ul>

No.	Risk	Lead Officer	Likelihood	Impact	Total Risk Score (L x I)	Risk Category	Controls
4	There is a risk that buildings are not at the standard required or operating efficiently in terms of environmental sustainability due to a lack of capital investment or maintenance, resulting in a reduction in facilities, loss of income, the inability to market services, inability to respond to impacts of climate change or weather and the loss of services.	Executive Managers & Strategic Leads	3	4	12  RISK APPETITE: OPEN (Operation)	MEDIUM	<ul style="list-style-type: none"> <li>Regular communication with the Council</li> <li>Business Continuity Plan</li> <li>Regular Workplace inspections and reviews</li> <li>Fire Risk Assessments</li> <li>Established repairs reporting system</li> <li>Proposed Asset Management Plan (EAC)</li> <li>Capital Improvement Plan (EAC)</li> <li>Environmental management, monitoring and reporting</li> <li>Leisure Facility Strategy and Action Plan</li> <li>Maintenance Liaison Group</li> <li>Leisure Programme Board</li> </ul>
5	There is a risk that East Ayrshire Leisure does not take commercial opportunities because staff are not able to identify and take these opportunities, resulting in lost revenue streams, perceptions of poor service and the failure to be aligned with market demands.	Executive Managers & Strategic Leads	4	3	12  RISK APPETITE: OPEN (Financial)	MEDIUM	<ul style="list-style-type: none"> <li>Attendance at Events</li> <li>Recruitment and Selection procedure</li> <li>B.E.S.T. reviews</li> <li>Training and development programme</li> <li>Growth Plan 2024-30</li> <li>Financial Strategy</li> <li>Establishment of a trading subsidiary</li> </ul>
6	There is a risk that East Ayrshire Leisure does not have the right people with the right skills in the right	Executive Managers &	3	2	6	LOW	<ul style="list-style-type: none"> <li>Training and development</li> <li>Ongoing review of Training matrices</li> <li>Induction Process</li> <li>B.E.S.T. review and development programme</li> </ul>

No.	Risk	Lead Officer	Likelihood	Impact	Total Risk Score (L x I)	Risk Category	Controls
	places because of the failure to adapt/train existing staff, not recruiting the right people and not motivating its workforce. This would result in poor services, lack of customer engagement, failure to cross-sell and a loss of income.	Strategic Leads			RISK APPETITE: OPEN (Operation)		<ul style="list-style-type: none"> <li>Recruitment and selection procedures</li> <li>Effective communication with staff</li> </ul>
7	There is a risk that East Ayrshire Leisure will not comply with legislation standards and fail to meet the requirements of Health & Safety, GDPR, OSCR, VAT etc.	Executive Managers & Strategic Leads	1	4	4 RISK APPETITE: CAUTIOUS (Compliance)	LOW	<ul style="list-style-type: none"> <li>Health &amp; Safety Strategy Group</li> <li>Partnerships Working Groups</li> <li>Service Level Agreement</li> <li>Support from East Ayrshire Council</li> </ul>
8	There is a risk that East Ayrshire Leisure will not be able to operate services due to a failure in IT systems including the Box Office and Booking System. This would result in a loss of income, not being able to meet community demand and reputational damage.	Executive Managers & Strategic Leads	2	4	8 RISK APPETITE: OPEN (Operation)	LOW	<ul style="list-style-type: none"> <li>Dedicated Systems Development Officer and IT Co-ordinator</li> <li>Regular communication with Council's IT dept</li> <li>Ongoing review of systems</li> </ul>
9	There is a risk that East Ayrshire Leisure will not be able to proceed with planned	Executive Managers &	3	4	12	MEDIUM	<ul style="list-style-type: none"> <li>Partnership working groups (SAG)</li> <li>Support from EAC</li> <li>Appropriate insurance cover in place</li> </ul>

No.	Risk	Lead Officer	Likelihood	Impact	Total Risk Score (L x I)	Risk Category	Controls
	events due to natural disasters, severe weather, threats or other unexpected incidents.	Strategic Leads			RISK APPETITE: OPEN (Operation)		<ul style="list-style-type: none"><li>• Contract agreements in place</li><li>• PR; communications with staff and customers</li></ul>



**CORPORATE DELIVERY PLAN**  
**RECORD OF PROGRESS**  
**QUARTER 2**  
**JULY - SEPTEMBER**  
**2024/25**





**KEY:**

Chief Officer	AF
Executive Lead: People, Policy and Performance	JB
Executive Lead: Place, Projects and Programmes	PM

Strategic Lead: Leisure at the Heart of Every Community	GR
Strategic Lead: Living Your Best Life	MC
Strategic Lead: Protecting our Environment	CK

Strategic Lead: Sharing Our Vision	DR
Strategic Lead: Creating a Solid Foundation for Growth	LR
Strategic Lead: Investing in our People and Embracing our Values	IP



- No Progress





- Some Progress






- Complete

## SHARING OUR VISION

**Strategic Objective: To create a programme of community engagement activities which includes consultation with our customers and potential customers about existing and future facilities and services and to adopt a positive approach to feedback**



Output		Lead	Progress	Comments
1	Develop and implement a 2 year programme of Customer Exchange activities for members of the community	DR		<p>In line with EAC Leisure Review and as part of stakeholder engagement an online survey was carried out to establish feedback on the proposal.</p> <p>Over 750 people contributed to the survey. Generally people who contributed to the survey were positive about the proposals and commented on the opportunities that they could bring. Many respondents mentioned the Galleon refurbishment and the need to ensure that programmes are accessible and affordable.</p> <p>Should the transfer of services from EAC and KLCT to EALT take place on the 1<sup>st</sup> April then a number of Roadshows are planned for April/May 2026. This will be a more detailed exercise consisting of in person sessions and targeted workshops with key stakeholders and partners. There will also be an on-line engagement exercise to supplement the face to face programme.</p> <p>These will take place at the Galleon and St Joseph's Leisure Centre, Barony Sports Village, Stewarton Area Centre, Morton Hall and Doon Valley Community Centre and are subject to the proposal being approved.</p>
2	Develop a programme of customer consultation activities aligned to the priorities within the Leisure Facility Strategy	DR		<p>A stakeholder session was held at the Palace Theatre as part of the planning process for the Cultural Kilmarnock project. It was well attended</p> <p>Dick Institute - A survey was promoted via social media and via venue staff during September to gain feedback on the Dick</p>

				<p>Institute and inviting comments from respondents on service improvements.</p> <p>A total of 55 people completed the survey with the main feedback being in relation to the opening hours, it was stated that the opening times were restrictive, particularly with the venue not being open on Sundays and Mondays.</p>
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SHARING OUR VISION				
Strategic Objective: To ensure our use of creative marketing-led activities effectively promote our high quality services, maximise customer engagement and make a real difference to how people view East Ayrshire Leisure Trust				
Output		Lead	Progress	Comments
3	Develop and implement a programme of signage and interpretation as outlined in the Leisure Facility Strategy 2022-30	DR		A programme of works is being actioned in accordance with our Leisure Facility Strategy and actions assigned through Teamwork. Signage and interpretation has been installed at Annanhill Golf Course providing information about the new paths, local history and biodiversity.
4	Review all actions within the East Ayrshire Leisure Digital Transformation Action Plan 2021-24 and develop a revised action plan for the period 2024-26	DR		A draft action plan for 2024-26 has been developed by the Development Officer: Marketing & Tourism. Further exploratory meetings with the Extended Management Team will ensure all service areas' needs and requirements are being addressed. Do you think we should take the revised action plan to Board after discussion with SMT??
5	Develop, implement and evaluate a Destination Campaign Action Plan for 2024-26	DR		Discussion with VisitScotland and the local tourism forum have taken place. A further review of the Action Plan is required to ensure it ties in with the national vision for the area. Web development will form part of the plan and ideas are currently being considered. Board should probably get to see the Destination Campaign Action Plan – is this one of our organised sessions



## SHARING OUR VISION

**Strategic Objective: To integrate our values into all aspects of our business including Review and Development programme, recruitment, training and meetings. To focus on skills, knowledge and experience in the development of our business and to ensure we invest in industry specialist training which is tailored to meet the needs of our programmes**

Output		Lead	Progress	Comments
6	Develop and implement an online learning platform to deliver a range of high quality training designed specifically for the needs of the Trust	DR		EAC has been contacted re options for LearnPro as system has recently been upgraded. Meeting with Learn Pro representative to be arranged to discuss our bespoke requirements.
7	Develop and implement a 2 year programme of Staff Exchange events, activities and initiatives	DR		<p>An online staff survey questionnaire was issued to employees and bank workers during August, 316 individuals were invited to take part, 164 employees responded representing a response rate of 52%. An action plan will now be developed to ensure any actions arising from the survey whether at a Corporate level or a Service level are addressed.</p> <p>Staff were invited to our Wellbeing Wednesday event which was held within Dean Castle Country Park. The event was well attended and staff were given the opportunity to participate in a range of activities from mindfulness, arts &amp; crafts, boxercise, outdoor yoga and much more..... feedback overall was hugely positive.</p> <p>Staff from Doon Valley Leisure Centre, Dower House, Dean Castle Country Park and Dean Castle joined in our coffee chats during this period. Staff are provided the opportunity to meet with the Executive Management and discuss any development opportunities or concerns they may have in an informal manner.</p>



### EISURE AT THE HEART OF EVERY COMMUNITY



**Strategic Objective: To work with community, local authority and private providers to develop a Leisure Facility Strategy that identifies all leisure provision throughout East Ayrshire and maximises the opportunities for our communities to participate in leisure activity**


Output		Lead	Progress	Comments
8	As part of East Ayrshire Council's project team, develop proposals for Doon Valley Leisure Centre to maximise opportunities that the community campus has for community participation in leisure activities.	GR		A series of programme board meetings have now been set up to discuss the refurbishment plans for the Doon Campus.
9	Secure funding for the upgrade and development of sports pitches as part of the implementation of the sports pitch priorities identified in the Leisure Facility Strategy 2022-2030	GR		Merlin Park development is scheduled to be complete for September 2025.  Early discussions have started taking place between the SFA and local clubs regarding the demand for sports pitches , particularly in Kilmarnock

### LEISURE AT THE HEART OF EVERY COMMUNITY

**Strategic Objective: To work collaboratively with key partners and stakeholders in the development of programmes and activities whilst exploring innovative delivery models which ensure best value for our customers**





Output		Lead	Progress	Comments
10	Develop and implement an action plan for the opening of Galston Town Hall	GR		
11	Introduce, monitor and evaluate a pilot mobile services programme and integrate successes into core services	GR		




LEISURE AT THE HEART OF EVERY COMMUNITY				
Strategic Objective: To work with partners to explore funding opportunities for refurbishment and development of leisure facilities				
Output		Lead	Progress	Comments
12	Secure funding for the redevelopment of Darvel Town Hall	GR		
13	Implement improvement plan for Rose Reilly Sports Centre including installation of a studio for fully inclusive exercise, an outdoor pump track, new play area and outdoor fitness space	GR		<p>The active wellbeing suite equipment will be installed in January 2025.</p> <p>The tender for the pump track and outdoor fitness space will be going out to market before by the end of the year</p>


LIVING YOUR BEST LIFE				
Strategic Objective: To support the development of sustainable pathways that encourage lifelong participation in leisure activities				
Output		Lead	Progress	Comments
14	Establish a Youth Board in line with the East Ayrshire Leisure Programme Development Strategy 2022-2026	MC		<p>Following initial meeting, focus has been on the development of young ambassadors e.g. Performing Arts (pathways, educational links), Visual Arts/Museums (young curators) and Sport (youth golf links).</p> <p>A funding application for £15K has been submitted to Youth Arts Fund to support the development of a Young Curator programme to reach young people who face barriers to arts opportunities.</p> <p>Initial meetings arranged with EAYT to discuss a Performing Arts Pathway.</p>

## LIVING YOUR BEST LIFE





**Strategic Objective: To contribute to a programme of high profile regional and national events, exhibitions, programmes and projects, that are ambitious and outward facing, whilst maximising the impact on our customers and visitors**

Output		Lead	Progress	Comments
15	Work with key stakeholders across Ayrshire to develop a regional wide Cultural Strategy	MC		Still in planning stage. Following initial meeting/discussions, tender was advertised for consultant but didn't attract enough interest. This will be reviewed for reissue in due course
16	Develop a funding strategy for the implementation of the Ayrshire Regional Sports Park	MC		Positive meetings/discussions with EAC, Sportscotland and NGB partners. A brief for a consultancy firm has been developed and issued for tender. Tenders are scheduled for return in November.
17	Develop a masterplan for Annanhill Golf Course, which includes the development of the clubhouse to enhance participation in female and youth golf	MC		<p>Positive progress with Youth Golf, with participation growing, and the AGC hosting the Ayrshire Junior Golf Open on 1<sup>st</sup> Aug.</p> <p>Young Golf – Developing partnership with Golphin (using AAA). Public consultation required to understand why females aren't participating in golf at Annanhill – despite it being a popular pass-time in Ayrshire region. Youth season tickets is 18.5% of total ticket sales.</p>
18	Review the opportunities for 2024/26 within the East Ayrshire Leisure Programme Development Strategy 2022-2026 and develop and implement a 2 year programme of hallmark and regional events	MC		<p>Developed Event Plan for 2024 – 25, and firming up regular/expected events. Require further analysis on financial sustainability of the events. Currently, large events planned for May (Fest), Aug/Sep (Tastes), October (Killiween), Nov- Dec (Big Top Panto), Dec (Town Centre), Dec (Starry Nights), Jan (Big Top Live). Running/Sports events continue to be successful and grow</p> <p>A proposed Whisky festival day has been rescheduled to Aug/Sep 2025 – based on feedback from whisky companies re the busy calendar and lead in time.</p>




				<p>Acts booked and confirmed for January 2025 Live @ Big Top event</p> <p>Temporary exhibition programme fully programmed up until summer 2026 for main exhibitions at Dick Institute and Baird Institute</p>
19	Implement redevelopment project at Burns House Museum as part of the Mauchline CARS project	MC		<p>External works have been developed through the Mauchline CARS project and have received outline planning consent. An expression of interest has been submitted to NHLF for internal improvements including interpretation and signage.</p> <p>Application for funding is due for completion/submission in Q3.</p>
20	Develop an interpretation plan that provides enhance public access to the Dean Castle	MC		<p>Label interpretation – complete.</p> <p>Medieval Makeover Version 1 is on Futuremuseum. V2 sent back for feedback from game developer (Inspire). Links to collections and artefacts shared with Inspire.</p> <p>Monthly tours up and running. School bookings and Museum workshops up and running.</p>
21	Develop and implement Cultural Kilmarnock	MC		<p>Grand Hall and Palace Theatre have been closed and now emptied. Invasive structural surveys are now ongoing with contractors anticipated to start late 2024.</p>


LIVING YOUR BEST LIFE				
Strategic Objective: To develop activities and services that contribute to the Scottish Government's aspirations for 'A Healthy and Active Nation' and 'A Creative, Open and Connected Nation' and to ensure that East Ayrshire Leisure is at the heart of future trends and initiatives				
Output		Lead	Progress	Comments
22	Implement a campaign to promote the new Futuremuseum.com platform and add community based collections to the website	MC		Positive progress with Futuremuseum site.







				<p>In snagging stage – migration has left blurry images and incomplete data,</p> <p>Google Analytics reporting required to assess and drive numbers.</p>
23	Develop a funding strategy for the creation of an ‘open store’ museum	MC		Collection Care Action Plan in place. Proposals are being developed to enable greater public access to the collections
24	Maintain accreditation for our museums by reviewing the Collection Procedural Manual in line with the Collection Development Strategy 2022-30 and Collection Agreement and submitting an application to Museum Galleries Scotland	MC		Accreditation application has been submitted
25	Develop an action plan for the completion of the digitisation of the entire museum collection onto Axiell Collection Management System	MC		<p>Ongoing process as part of Collection Care Management Action Plan.</p> <p>Plan of action with deadlines is being developed.</p>
26	Implement, monitor and evaluate the actions outlined in the East Ayrshire Leisure Sporting Pathways Action Plan 2023-26	MC		<p>Built on uptake of Run Jump and Throw across sites. Improved ASN engagement and programmes. Working towards junior athletics pathway with partners. Aim to introduce regular and seasonal running/triathlon events across EAL estate. Continue to recruit and build on Golf programme/pathway. Improvements made to AGC has attracted larger regional events. Investigating development of Junior Club pathway in Athletics. Within Gymnastics there is a plan to develop Gymnastics School/Club with activators and Lead Coaches, to help develop programme.</p> <p>Developing staffing model for coaching network.</p>





INVESTING IN OUR PEOPLE & EMBRACING OUR VALUES				
Strategic Objective: To develop and embed our People Strategy so that employees at all levels, alongside our customers, partners and communities, are engaged and can contribute to the business.				
Output		Lead	Progress	Comments
27	Develop, implement, monitor and evaluate a People Strategy	IP	<div><div></div></div>	


INVESTING IN OUR PEOPLE & EMBRACING OUR VALUES				
Strategic Objective: To offer work placements, volunteering and apprenticeships				
Output		Lead	Progress	Comments
28	Identify and implement opportunities for Foundation Apprenticeships	IP		A student previously on placement within Hospitality gained valuable knowledge and experience allowing them to secure employment within the Trust.
29	Identify and implement opportunities for Modern Apprenticeships	IP		Research has been carried out to identify MA opportunities within the Trust. Benchmarking with EAC and other local authorities to determine a pay structure has been carried out.
30	Identify and implement opportunities for Graduate Apprenticeships	IP		




INVESTING IN OUR PEOPLE & EMBRACING OUR VALUES				
Strategic Objective: To review and continually improve and enhance our systems and processes to ensure that they are effective and appropriate in the transformation of our business				
Output		Lead	Progress	Comments
31	Implement, Monitor and Evaluate Leisure Management Systems	IP		With the system going live on the 12 <sup>th</sup> June a key focus continues on online sign up/invoicing/APP launch.




				<p>Recent compliance checks and mandatory training have been completed to enable us to continue to be a BACS approved organisation enabling online sign up.</p> <p>While customer invoices are being issued from the system further development and monitoring of this process continues.</p> <p>To ensure that we continue to maximise functions within the system and continue to develop our staff we have procured the Legend Training Environment. This provides opportunities for the system to be viewed and tested prior to going live.</p>
32	Implement, Monitor and Evaluate Leisure Ticketing Systems	IP		<p>With the system going live on the 1<sup>st</sup> May monitoring and evaluation is on-going.</p> <p>The Ticketing System has supported the introduction of the Community Programming within the Cultural Hubs, ticket sales have been available online to maximise sales opportunities.</p> <p>As we continue to develop the system we take a proactive approach to customer and staff feedback.</p>
33	Review and identify various payment methods available to the Trust which will enhance customer service	IP		<p>Work is underway and is prioritised in line with the Leisure Facility Strategy with 13 Trust venues being installed with VeriFone devices which are integrated with Legend.</p> <p>Mobile devices for our hospitality service have been rolled out with additional devices procured for large scale events.</p> <p>All new devices support sim and Wi-Fi coverage.</p>
34	Explore opportunities to enhance the existing commitment reporting system	IP		

CREATING A SOLID FOUNDATION FOR GROWTH				
Strategic Objective: To develop a collaborative approach with relevant partners to explore wider opportunities that fit within the Trust's vision and values and to explore opportunities to share resources across all our services internally and with key stakeholders				
Output		Lead	Progress	Comments
35	Develop, implement, monitor and evaluate identified actions outlined within the East Ayrshire Leisure Growth Plan	LR		Updated Growth Plan approved by Board, actions identified and Working Groups established

CREATING A SOLID FOUNDATION FOR GROWTH				
Strategic Objective: To maximise the return from commercial opportunities, especially around retail, hospitality and membership packages, so that we are in a position to fulfil our charitable obligations and become a sustainable organisation				
Output		Lead	Progress	Comments
36	Expand the membership packages to include opportunities across all service areas	LR		Working Group has been established to review current memberships offer across all services & develop a comprehensive range of membership packages – implementation scheduled for April 2026.
37	Introduce a hospitality offer to support large scale events and programmes at identified venues as outlined in the Leisure Facility Strategy	LR		Hospitality offer is being adapted to suit events in conjunction with Event Programme.
38	Develop and implement a retail plan, which includes on-line and venue sales	LR		
39	Prepare a Business Plan for the development of a Trading Arm	LR		Working Group has been established and Azets were commissioned to carry out some advisory work around VAT/Tax implications.  Report has been received and implications are being reviewed to determine business plan and next steps

PROTECTING OUR ENVIRONMENT				
Strategic Objective: To prepare and adopt a Climate Change Declaration on an annual basis which audits our carbon footprint and outlines priorities for carbon reduction				
Output		Lead	Progress	Comments
40	Implement, monitor and evaluate the East Ayrshire Leisure Net Zero Action Plan 2024-26	CK		Internal recycling bins in operation, external bins being reviewed. Carbon Literacy training course approved and being rolled out.

PROTECTING OUR ENVIRONMENT				
Strategic Objective: To adopt the principles of Visit Scotland's Green Tourism Business Scheme to reduce the environment impact of our business				
Output		Lead	Progress	Comments
41	Develop a funding strategy for further upgrades to Dean Castle Country Park's outdoor toilets and car park to include LED lighting and EV charging points	CK		WPI issued and working with EAC for confirmed costs and timescales for upgrading the outdoor toilets
42	Develop a funding strategy to enhance adventure and informal play at Dean Castle Country Park	CK		Including as part of the Urban Croft proposal
43	Develop an Urban Croft proposal, including funding strategy that focuses on Assloss Walled Garden, Assloss Stables, Assloss Car Park and the paddocks at Dean Castle Country Park	CK		Consultancy company appointed, customer survey complete and report now in draft format

PROTECTING OUR ENVIRONMENT				
Strategic Objective: To implement a Sustainable Transport Strategy which encourages active travel in all our operations and with our staff and customers				
Output		Lead	Progress	Comments
44	As part of the Ayrshire Roads Alliance led project team implementation of the Kilmarnock Green Infinity Loop, particularly as it goes through Dean Castle Country Park, Ayrshire Athletics Arena, Scott Ellis Playing Fields and Annanhill Golf Course	CK		Route Agreed
45	Update the accessibility audit and associated action plan of the River Ayr Way and develop a funding strategy to carry out improvement works to tie in with the 20 <sup>th</sup> anniversary celebrations	CK		Accessibility Audit underway and working with Ayrshire Roads Alliance in relation to bridges on the route
46	Develop a funding strategy to upgrade and install additional electrical supply to Annanhill Golf Course to allow the move from diesel to electric golf carts	CK		Meeting held onsite to consider electric Golf carts



**FINANCIAL PERFORMANCE**  
**QUARTER 2**  
**JULY – SEPTEMBER**  
**2024/25**



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**Notes:**

All financial figures are cumulative to the current quarter and projected to the end of the financial year, i.e Qtr 3 shows the actual amounts for Qtr 3, combined with projections up to the end of March 2025.

The 1<sup>st</sup> paragraph is a brief statement which summarises the current financial position.

The 'Annual Budget Table' reconciles the annual budget for the Trust. The budget is initially reported to the Board in February for the upcoming financial year, but there are often adjustments throughout the year. This table provides a reconciliation from initial February report to the current report.

**FINANCIAL PERFORMANCE KEY****ADVERSE:****FAVOURABLE:**

## **SUMMARY STATEMENT**

The current projected outturn for East Ayrshire Leisure at 30<sup>th</sup> September 2024 is a favourable variance of £10,000. Management will continue to monitor and implement action to ensure the projected position is achieved.

Detailed explanation of variances can be found within individual Service Analysis.

There are further variances within Income and Expenditure, these are closely monitored and managed within the Service during the year where possible - Detailed explanation of variances can be found within individual Service Analysis.

**TABLE A – Overall Net Position (including Income/Expenditure) for East Ayrshire Leisure analysed by Service Area**

**TABLE B – Overall Net Position (including Income/Expenditure) for East Ayrshire Leisure analysed by Subjective Level**

**TABLE C – Income Position for East Ayrshire Leisure analysed by Service Area**

**TABLE D – Expenditure Position for East Ayrshire Leisure analysed by Service Area**

## **ANNUAL BUDGET**

Table below provides detail of Annual Budget showing the impact of 2024/25 savings approved at 20<sup>th</sup> February 2024 Board meeting.

<b>Service Division</b>	<b>Annual Budget 2024/25</b>	<b>Annual Budget 2024/25 Qtr 1</b>	<b>Annual Budget 2024/25 Qtr 2</b>	<b>Annual Budget 2024/25 Qtr 3</b>	<b>Annual Budget 2024/25 Qtr 4</b>	<b>Comments</b>
<b>EXECUTIVE MANAGEMENT</b>		346,690	787,870			
<b>SHARING OUR VISION</b>		415,810	384,470			
<b>INVESTING IN OUR PEOPLE AND EMBRACING OUR VALUES</b>		615,660	617,510			
<b>CREATING A SOLID FOUNDATION FOR GROWTH</b>		198,780	162,990			
<b>LEISURE AT THE HEART OF EVERY COMMUNITY</b>		1,947,260	1,769,470			
<b>LIVING YOUR BEST LIFE</b>		994,760	921,050			
<b>PROTECTING ENVIRONMENT</b>		1,000,880	941,940			
<b>TOTAL</b>	5,638,300					
<b>SAVINGS TO BE ALLOCATED</b>	(181,000)					
<b>TOTAL</b>	5,457,300	5,519,840	5,585,300	0	0	
<b>Management Fee</b>	(5,457,300)	(5,502,030)	(5,506,930)			
<b>Reserves</b>	0	(17,810)	(78,370)			
<b>TOTAL</b>	0	0	0	0	0	

## **OVERALL NET POSITION**

### **Notes:**

Tables A and B present financial information in different formats:

TABLE A: Overall Net Position (including Income/Expenditure) for Trust analysed by Service Area  
TABLE B: Overall Net Position (including Income/Expenditure) for Trust analysed by Subjective Level

### **For all tables**

Columns 1 and 2 refer to information for prior year; 1<sup>st</sup> column provides prior year information for same period and the 2<sup>nd</sup> column provides final position for full prior year

Column 3 refers to the Service Areas

Column 4 provides the Annual Budget – this reconciles to the Annual Budget table above

Column 5 provides the Actuals to date (including commitments)

Column 6 provides Actual Expenditure as a % of Annual Budget

Column 7 provides anticipated projected position for end of financial year

Column 8 provides anticipated projected variance for current financial year – (Favourable)/Adverse)

Final column provides quick review of favourable/adverse position

**TABLE A – OVERALL NET POSITION**

Actual Out-turn to 31/03/24	Service Division	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse	
<b>321,098</b>	<b>EXECUTIVE MANAGEMENT</b>	<b>787,870</b>	<b>219,385</b>	<b>28%</b>	<b>758,200</b>	<b>(29,670)</b>	
<b>404,249</b>	<b>SHARING OUR VISION</b>	<b>384,470</b>	<b>191,024</b>	<b>50%</b>	<b>384,470</b>	<b>0</b>	
61,510	Vision Management Team	54,180	27,245	50%	54,180	0	
44,977	Visual Communications	40,220	20,220	50%	40,220	0	
192,788	Marketing & Tourism	187,350	93,327	50%	187,350	0	
35,509	Organisational Administration	32,030	16,455	51%	32,030	0	
69,466	Training & Engagement	70,690	33,776	48%	70,690	0	
<b>720,572</b>	<b>INVESTING IN OUR PEOPLE AND EMBRACING OUR VALUES</b>	<b>617,510</b>	<b>298,172</b>	<b>48%</b>	<b>617,510</b>	<b>0</b>	
65,532	People Management Team	63,680	30,307	48%	63,680	0	
45,027	Volunteer & Placement	43,220	20,577	48%	43,220	0	
164,741	Systems & Data	160,520	83,519	52%	160,520	0	
460,984	Corporate	368,520	170,026	46%	368,520	0	
(15,713)	Active Community Hubs	(18,430)	(6,257)	34%	(18,430)	0	
<b>210,137</b>	<b>CREATING A SOLID FOUNDATION FOR GROWTH</b>	<b>162,990</b>	<b>81,800</b>	<b>50%</b>	<b>153,650</b>	<b>(9,340)</b>	
59,298	Growth Management Team	53,200	26,161	49%	53,200	0	
42,846	Finance	62,370	20,273	33%	68,620	6,250	
78,982	Commercial (Hospitality & Retail)	7,200	31,568	438%	7,610	410	
29,012	Commercial (Business)	40,220	3,797	9%	24,220	(16,000)	
<b>2,092,364</b>	<b>LEISURE AT THE HEART OF EVERY COMMUNITY</b>	<b>1,769,470</b>	<b>963,364</b>	<b>54%</b>	<b>1,782,720</b>	<b>13,250</b>	
74,621	Community Management Team	90,600	33,825	37%	80,580	(10,020)	
342,438	Cultural Hubs	279,310	140,613	50%	307,950	28,640	
349,908	Lifestyle Hubs	335,610	157,455	47%	280,370	(55,240)	
991,496	Library Hubs	891,120	488,027	55%	892,910	1,790	
215,377	Sport Hubs	81,920	113,373	138%	130,000	48,080	
23,890	Sport Football	27,660	(4,914)	-18%	27,660	0	
94,633	Management Arrangements	63,250	34,985	55%	63,250	0	
<b>1,210,772</b>	<b>LIVING YOUR BEST LIFE</b>	<b>921,050</b>	<b>603,509</b>	<b>66%</b>	<b>921,050</b>	<b>0</b>	
49,024	Best Life Management Team	59,430	29,634	50%	34,130	(25,300)	

159,986	Sports	103,920	5,096	5%	118,740	14,820	
511,206	Museums	455,100	242,047	53%	474,100	19,000	
354,871	Performing Arts	159,690	262,743	165%	151,170	(8,520)	
135,685	Visual Arts	142,910	63,988	45%	142,910	0	
<b>1,069,350</b>	<b>PROTECTING OUR ENVIRONMENT</b>	<b>941,940</b>	<b>538,484</b>	<b>57%</b>	<b>957,700</b>	<b>15,760</b>	
73,177	Environment Management Team	70,410	31,465	45%	70,410	0	
544,813	Sustainability	506,140	266,985	53%	504,850	(1,290)	
108,805	Estates	97,080	85,201	88%	97,080	0	
342,555	Countryside	268,310	154,833	58%	285,360	17,050	
<b>6,028,543</b>	<b>TOTAL</b>	<b>5,585,300</b>	<b>2,895,738</b>	<b>52%</b>	<b>5,575,300</b>	<b>(10,000)</b>	
<b>(5,827,870)</b>	<b>Management Fee</b>	<b>(5,506,930)</b>	<b>(2,748,499)</b>	<b>50%</b>	<b>(5,506,930)</b>	<b>0</b>	
<b>200,673</b>	<b>TOTAL</b>	<b>78,370</b>	<b>147,239</b>		<b>68,370</b>	<b>(10,000)</b>	
<b>(214,340)</b>	<b>Trs From Reserves</b>	<b>(78,370)</b>	<b>(78,370)</b>	<b>100%</b>	<b>(78,370)</b>	<b>0</b>	
<b>(13,667)</b>	<b>TOTAL (after transfer from reserves)</b>	<b>0</b>	<b>68,869</b>		<b>(10,000)</b>	<b>(10,000)</b>	

**TABLE B – OVERALL NET POSITION**

<b>Actual Out- turn to 31/03/24</b>	<b>Service Division</b>	<b>Annual Estimate 2024/25</b>	<b>Revised Actual Exp. to 30/09/24</b>	<b>Actual Exp as % of Annual Estimate</b>	<b>Projected Out- turn to 31/03/25</b>	<b>Variance (Favourable) / Adverse</b>	
(2,464,202)	Income From Charitable Activities	(2,281,470)	(907,663)	40%	(2,475,415)	(193,945)	
(5,827,870)	Management Fee	(5,506,930)	(2,748,499)	50%	(5,506,930)	0	
<b>(8,292,072)</b>	<b>TOTAL INCOME</b>	<b>(7,788,400)</b>	<b>(3,656,162)</b>	<b>47%</b>	<b>(7,982,345)</b>	<b>(193,945)</b>	
5,914,990	Employee Costs	5,408,020	2,593,122	48%	5,381,830	(26,190)	
80,245	Transport Costs	45,300	36,908	81%	45,300	0	
907,532	Premises Costs	837,460	340,997	41%	836,650	(810)	
1,192,096	Supplies & Services	1,427,270	808,562	57%	1,638,195	210,925	
32,680	Financing Costs	5,000	0		5,000	0	
187,400	Support Costs	0	0		0	0	
177,801	Governance Costs	143,720	23,812	17%	143,740	20	
<b>8,492,745</b>	<b>TOTAL RESOURCES EXPENDED</b>	<b>7,866,770</b>	<b>3,803,401</b>	<b>48%</b>	<b>8,050,715</b>	<b>183,945</b>	
<b>200,673</b>	<b>NET POSITION</b>	<b>78,370</b>	<b>147,239</b>		<b>68,370</b>	<b>(10,000)</b>	
<b>(214,340)</b>	<b>Trs From Reserves</b>	<b>(78,370)</b>	<b>(78,370)</b>	<b>100%</b>	<b>(78,370)</b>	<b>0</b>	
<b>(13,667)</b>	<b>TOTAL (after transfer from reserves)</b>	<b>0</b>	<b>68,869</b>		<b>(10,000)</b>	<b>(10,000)</b>	

## Notes

The following individual Service tables provide analysis in both formats; by sub-service and by subjective level, followed by a summarised comments section for each Service area.

### EXECUTIVE MANAGEMENT SERVICE ANALYSIS

Actual Out-turn to 31/03/24	EXECUTIVE MANAGEMENT	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse
(5,827,870)	Executive Management	(4,719,060)	(2,529,114)	54%	(4,748,730)	(29,670)
(29,230)	Trs From Reserves	(10,000)	(10,000)		(10,000)	0
(5,857,100)	<b>TOTAL OBJECTIVE ANALYSIS</b>	<b>(4,729,060)</b>	<b>(2,539,114)</b>	<b>54%</b>	<b>(4,758,730)</b>	<b>(29,670)</b>
(133,393)	Income From Charitable Activities	0	(4,775)		(60,970)	(60,970)
(5,827,870)	Management Fee	(5,506,930)	(2,748,499)	50%	(5,506,930)	0
0	External funding	0	0		0	0
(5,961,263)	<b>TOTAL INCOME</b>	<b>(5,506,930)</b>	<b>(2,753,274)</b>	<b>50%</b>	<b>(5,567,900)</b>	<b>(60,970)</b>
330,212	Employee Costs	470,150	139,501	30%	466,850	(3,300)
0	Transport Costs	0	0		0	0
8,405	Premises Costs	0	42,873		0	0
83,172	Supplies & Services	297,940	32,608	11%	332,520	34,580
0	Financing Costs	0	0		0	0
0	Support Costs	0	0		0	0
32,701	Governance Costs	19,780	9,178	46%	19,800	20
454,490	<b>TOTAL RESOURCES EXPENDED</b>	<b>787,870</b>	<b>224,160</b>	<b>28%</b>	<b>819,170</b>	<b>31,300</b>
(5,506,772)	<b>NET POSITION</b>	<b>(4,719,060)</b>	<b>(2,529,114)</b>	<b>54%</b>	<b>(4,748,730)</b>	<b>(29,670)</b>
(29,230)	Trs From Reserves	(10,000)	(10,000)		(10,000)	0
(5,536,002)	<b>TOTAL (after transfer from reserves)</b>	<b>(4,729,060)</b>	<b>(2,539,114)</b>	<b>54%</b>	<b>(4,758,730)</b>	<b>(29,670)</b>



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Comments
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**Executive Management** encompasses Trust Board, Chief Officer, Executive Leads and Trust-wide activities, events and funding.

Executive Management

Favourable variance relates to management action being taken to support all the Trust Services, including £10k projected income from External Events.

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## SHARING OUR VISION ANALYSIS

Actual Out-turn to 31/03/24	SHARING OUR VISION	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse
61,510	Vision Management Team	54,180	27,245	50%	54,180	0
44,977	Visual Communications	40,220	20,220	50%	40,220	0
192,788	Marketing & Tourism	187,350	93,327	50%	187,350	0
35,509	Organisational Administration	32,030	16,455	51%	32,030	0
69,466	Training & Engagement	70,690	33,776	48%	70,690	0
0	Trs From Reserves	0	0		0	0
404,249	<b>TOTAL OBJECTIVE ANALYSIS</b>	384,470	191,024	50%	384,470	0
(1,033)	Income From Charitable Activities	(1,500)	(5,000)	333%	(1,500)	0
(1,033)	<b>TOTAL INCOME</b>	(1,500)	(5,000)	333%	(1,500)	0
333,905	Employee Costs	306,820	153,464	50%	306,820	0
0	Transport Costs	0	0		0	0
0	Premises Costs	0	0		0	0
68,991	Supplies & Services	78,150	41,768	53%	78,150	0
0	Financing Costs	0	0		0	0
0	Support Costs	0	0		0	0
2,387	Governance Costs	1,000	791	79%	1,000	0
405,283	<b>TOTAL RESOURCES EXPENDED</b>	385,970	196,024	51%	385,970	0
404,249	<b>NET POSITION</b>	384,470	191,024	50%	384,470	0
0	Trs From Reserves	0	0		0	0
404,249	<b>TOTAL (after transfer from reserves)</b>	384,470	191,024	50%	384,470	0

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**Comments**

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**Sharing Our Vision** is responsible for Visual Communications; Marketing and Tourism; Organisational Administration; and Training and Engagement.

Sharing Our Vision

Currently a breakeven position is anticipated.

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## INVESTING IN OUR PEOPLE AND EMBRACING OUR VALUES ANALYSIS

Actual Out-turn to 31/03/24	INVESTING IN OUR PEOPLE AND EMBRACING OUR VALUES	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse
65,532	People Management Team	63,680	30,307	48%	63,680	0
45,027	Volunteer & Placement	43,220	20,577	48%	43,220	0
199,043	Systems & Data	160,520	83,519	52%	160,520	0
460,984	Corporate	368,520	170,026		368,520	0
(15,713)	Community Lettings Co Managed Centres	(18,430)	(6,257)		(18,430)	0
<b>(14,460)</b>	<b>Trs From Reserves</b>	<b>(30,460)</b>	<b>(30,460)</b>		<b>(30,460)</b>	<b>0</b>
<b>740,414</b>	<b>TOTAL OBJECTIVE ANALYSIS</b>	<b>587,050</b>	<b>267,712</b>	<b>46%</b>	<b>587,050</b>	<b>0</b>
(47,238)	Income From Charitable Activities	(31,200)	(9,237)	30%	(31,680)	(480)
<b>(47,238)</b>	<b>TOTAL INCOME</b>	<b>(31,200)</b>	<b>(9,237)</b>	<b>30%</b>	<b>(31,680)</b>	<b>(480)</b>
462,847	Employee Costs	454,150	229,033	50%	454,150	0
0	Transport Costs	0	0		0	0
14,800	Premises Costs	12,450	2,831	23%	12,930	480
103,021	Supplies & Services	146,360	75,466	52%	146,360	0
0	Financing Costs	0	0		0	0
187,400	Support Costs	0	0		0	0
34,045	Governance Costs	35,750	80	0%	35,750	0
<b>802,112</b>	<b>TOTAL RESOURCES EXPENDED</b>	<b>648,710</b>	<b>307,409</b>	<b>47%</b>	<b>649,190</b>	<b>480</b>
<b>754,874</b>	<b>NET POSITION</b>	<b>617,510</b>	<b>298,172</b>	<b>48%</b>	<b>617,510</b>	<b>0</b>
<b>(14,460)</b>	<b>Trs From Reserves</b>	<b>(30,460)</b>	<b>(30,460)</b>		<b>(30,460)</b>	<b>0</b>
<b>740,414</b>	<b>TOTAL (after transfer from reserves)</b>	<b>587,050</b>	<b>267,712</b>	<b>46%</b>	<b>587,050</b>	<b>0</b>

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**Comments**

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**Investing in Our People and Embracing** Our Values is responsible for Volunteer and Placement; Systems and Data; Corporate; and Community Lettings.

Investing in Our People and Embracing Our Values

Currently a breakeven position is anticipated.

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## CREATING A SOLID FOUNDATION FOR GROWTH ANALYSIS

Actual Out-turn to 31/03/24	CREATING A SOLID FOUNDATION FOR GROWTH	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse
59,298	Growth Management Team	53,200	26,161	49%	53,200	0
42,846	Finance	62,370	20,273	33%	68,620	6,250
78,982	Commercial (Hospitality & Retail)	7,200	31,568	438%	7,610	410
29,012	Commercial (Business)	40,220	3,797	9%	24,220	(16,000)
0	Trs From Reserves	0	0		0	0
210,137	<b>TOTAL OBJECTIVE ANALYSIS</b>	<b>162,990</b>	<b>81,800</b>	<b>50%</b>	<b>153,650</b>	<b>(9,340)</b>
(405,314)	Income From Charitable Activities	(439,510)	(205,055)	47%	(449,510)	(10,000)
(405,314)	<b>TOTAL INCOME</b>	<b>(439,510)</b>	<b>(205,055)</b>	<b>47%</b>	<b>(449,510)</b>	<b>(10,000)</b>
363,059	Employee Costs	349,960	141,904	41%	303,960	(46,000)
0	Transport Costs	0	0		0	0
2,241	Premises Costs	0	124		0	0
235,530	Supplies & Services	239,570	137,217	57%	286,230	46,660
0	Financing Costs	0	0		0	0
0	Support Costs	0	0		0	0
14,621	Governance Costs	12,970	7,610	59%	12,970	0
615,451	<b>TOTAL RESOURCES EXPENDED</b>	<b>602,500</b>	<b>286,855</b>	<b>48%</b>	<b>603,160</b>	<b>660</b>
210,137	<b>NET POSITION</b>	<b>162,990</b>	<b>81,800</b>	<b>50%</b>	<b>153,650</b>	<b>(9,340)</b>
0	Trs From Reserves	0	0		0	0
210,137	<b>TOTAL (after transfer from reserves)</b>	<b>162,990</b>	<b>81,800</b>	<b>50%</b>	<b>153,650</b>	<b>(9,340)</b>

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**Comments**

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**Creating A Solid Foundation For Growth** is responsible for Financial Reporting, Commercial and Hospitality Services.

Creating A Solid Foundation For Growth

Currently a favourable position is anticipated, predominantly due to Bank Interest Received. Other variances are related to a maternity leave currently being filled by agency personnel.

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## LEISURE AT THE HEART OF EVERY COMMUNITY ANALYSIS

Actual Out-turn to 31/03/24	LEISURE AT THE HEART OF EVERY COMMUNITY	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse
74,621	Community Management Team	90,600	33,825	37%	80,580	(10,020)
342,438	Cultural Hubs	279,310	140,613	50%	307,950	28,640
349,908	Lifestyle Hubs	335,610	157,455	47%	280,370	(55,240)
991,496	Library Hubs	891,120	488,027	55%	892,910	1,790
215,377	Sport Hubs	81,920	113,373	138%	130,000	48,080
23,890	Sport Football	27,660	(4,914)	-18%	27,660	0
94,633	Management Arrangements	63,250	34,985	55%	63,250	0
<b>(20,570)</b>	<b>Trs From Reserves</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>2,071,794</b>	<b>TOTAL OBJECTIVE ANALYSIS</b>	<b>1,769,470</b>	<b>963,364</b>	<b>54%</b>	<b>1,782,720</b>	<b>13,250</b>
(1,096,681)	Income From Charitable Activities	(1,050,220)	(422,738)	40%	(1,053,930)	(3,710)
<b>(1,096,681)</b>	<b>TOTAL INCOME</b>	<b>(1,050,220)</b>	<b>(422,738)</b>	<b>40%</b>	<b>(1,053,930)</b>	<b>(3,710)</b>
2,421,731	Employee Costs	2,097,550	1,040,507	50%	2,114,510	16,960
29,876	Transport Costs	12,830	11,441	89%	12,830	0
485,518	Premises Costs	452,950	161,556	36%	452,950	0
231,110	Supplies & Services	245,550	169,601	69%	245,550	0
9,100	Financing Costs	0	0		0	0
0	Support Costs	0	0		0	0
11,710	Governance Costs	10,810	2,997	28%	10,810	0
<b>3,189,045</b>	<b>TOTAL RESOURCES EXPENDED</b>	<b>2,819,690</b>	<b>1,386,102</b>	<b>49%</b>	<b>2,836,650</b>	<b>16,960</b>
<b>2,092,364</b>	<b>NET POSITION</b>	<b>1,769,470</b>	<b>963,364</b>	<b>54%</b>	<b>1,782,720</b>	<b>13,250</b>
<b>(20,570)</b>	<b>Trs From Reserves</b>	<b>0</b>	<b>0</b>		<b>0</b>	
<b>2,071,794</b>	<b>TOTAL (after transfer from reserves)</b>	<b>1,769,470</b>	<b>963,364</b>	<b>54%</b>	<b>1,782,720</b>	<b>13,250</b>



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**Comments**

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**Leisure at the Heart of the Community** has responsibility for the operations of our community based facilities, which are split into 4 categories; Lifestyle Hubs, Sports Hubs & Pavilions, Library Hubs and Cultural hubs. The team also has responsibility for developing the regular programming within these venues e.g. Aquatics, Fitness and Readership programmes and to work with local partners adopting a place based approach to maximum the use of our venues and ensure we meet the needs of the local communities.

Overall an £13k adverse position is the result of covering long -term staff absence across the service area as a whole.

Community Management Team

A favourable position is a result of projected savings in staffing costs.

Cultural Hubs

An adverse position is a result of long-term absence, which management continue to monitor closely.

Lifestyle Hubs

A favourable position is a result of projected increases in income across several areas including Fitness Development membership income.

Library Hubs

A small adverse position is projected.

Sport Hubs

An adverse position of is a result of the reduced projection of sports hall income, which we continue to monitor closely.

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## LIVING YOUR BEST LIFE ANALYSIS

Actual Out-turn to 31/03/24	LIVING YOUR BEST LIFE	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse
49,024	Best Life Management Team	59,430	29,634	50%	34,130	(25,300)
159,986	Sports	103,920	5,096	5%	118,740	14,820
511,206	Museums	455,100	242,047	53%	474,100	19,000
320,569	Performing Arts	159,690	262,743	165%	151,170	(8,520)
135,685	Visual Arts	142,910	63,988	45%	142,910	0
<b>(105,650)</b>	<b>Trs From Reserves</b>	<b>(17,550)</b>	<b>(17,550)</b>		<b>(17,550)</b>	<b>0</b>
<b>1,070,820</b>	<b>TOTAL OBJECTIVE ANALYSIS</b>	<b>903,500</b>	<b>585,959</b>	<b>65%</b>	<b>903,500</b>	<b>0</b>
(733,938)	Income From Charitable Activities	(712,520)	(236,109)	33%	(830,920)	(118,400)
<b>(733,938)</b>	<b>TOTAL INCOME</b>	<b>(712,520)</b>	<b>(236,109)</b>		<b>(830,920)</b>	<b>(118,400)</b>
1,104,211	Employee Costs	921,100	464,810	50%	915,250	(5,850)
11,636	Transport Costs	7,780	15,077	194%	7,780	0
302,159	Premises Costs	293,560	104,782	36%	293,560	0
420,505	Supplies & Services	359,620	252,344	70%	483,870	124,250
13,910	Financing Costs	5,000	0		5,000	0
0	Support Costs	0	0		0	0
57,987	Governance Costs	46,510	2,605	6%	46,510	0
<b>1,910,408</b>	<b>TOTAL RESOURCES EXPENDED</b>	<b>1,633,570</b>	<b>839,618</b>	<b>51%</b>	<b>1,751,970</b>	<b>118,400</b>
<b>1,176,470</b>	<b>NET POSITION</b>	<b>921,050</b>	<b>603,509</b>	<b>66%</b>	<b>921,050</b>	<b>0</b>
<b>(105,650)</b>	<b>Trs From Reserves</b>	<b>(17,550)</b>	<b>(17,550)</b>		<b>(17,550)</b>	<b>0</b>
<b>1,070,820</b>	<b>TOTAL (after transfer from reserves)</b>	<b>903,500</b>	<b>585,959</b>	<b>65%</b>	<b>903,500</b>	<b>0</b>

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### Comments

**Living Your Best Life** is responsible for Sports; Museums, Performing Arts and Visual Arts. Remit includes the following venues – Dean Castle, Dick Institute, Grand Hall & Palace Complex, Ayrshire Athletics Arena, Annanhill Golf Course, Baird Institute, Burns House Museum & Library.

#### Best Life Management Team

Favourable position of £25k projected due to the resignation of the Strategic Lead (September 2024) who is not being replaced this financial year.

#### Sports

We anticipate a £15k adverse position due to additional bank staffing and essential equipment purchases for Ayrshire Athletics Arena.

#### Museums

Overall position £19k adverse predominantly due to bank staff costs in covering DC vacancy, additional staffing through holiday period and providing additional support to Stores project.

#### Performing Arts

Panto ticket sales projection has been brought into line with prior years, but is offset by a reduction in income due to the closures of The Palace and The Grand Hall.

The projected figure includes an allocation of up to £100k from 2024-25 pension savings re loss of income relating to Palace and Grand Hall closure.

#### Visual Arts

Currently showing a break even position.

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## PROTECTING OUR ENVIRONMENT ANALYSIS

Actual Out-turn to 31/03/24	PROTECTING OUR ENVIRONMENT	Annual Estimate 2024/25	Revised Actual Exp. to 30/09/24	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/25	Variance (Favourable) / Adverse
73,177	Environment Management Team	70,410	31,465	45%	70,410	0
544,813	Sustainability	506,140	266,985	53%	504,850	(1,290)
108,805	Estates	97,080	85,201	88%	97,080	0
342,555	Countryside	268,310	154,833	58%	285,360	17,050
<b>(44,430)</b>	<b>Trs From Reserves</b>	<b>(20,360)</b>	<b>(20,360)</b>		<b>(20,360)</b>	<b>0</b>
<b>1,024,920</b>	<b>TOTAL OBJECTIVE ANALYSIS</b>	<b>921,580</b>	<b>518,124</b>	<b>56%</b>	<b>937,340</b>	<b>15,760</b>
(46,606)	Income From Charitable Activities	(46,520)	(24,749)	53%	(46,905)	(385)
<b>(46,606)</b>	<b>TOTAL INCOME</b>	<b>(46,520)</b>	<b>(24,749)</b>		<b>(46,905)</b>	<b>(385)</b>
899,026	Employee Costs	808,290	423,903	52%	820,290	12,000
38,733	Transport Costs	24,690	10,389	42%	24,690	0
94,410	Premises Costs	78,500	28,833	37%	77,210	(1,290)
49,767	Supplies & Services	60,080	99,558	166%	65,515	5,435
9,670	Financing Costs	0	0		0	0
0	Support Costs	0	0		0	0
24,351	Governance Costs	16,900	551	3%	16,900	0
<b>1,115,956</b>	<b>TOTAL RESOURCES EXPENDED</b>	<b>988,460</b>	<b>563,233</b>	<b>57%</b>	<b>1,004,605</b>	<b>16,145</b>
<b>1,069,350</b>	<b>NET POSITION</b>	<b>941,940</b>	<b>538,484</b>	<b>57%</b>	<b>957,700</b>	<b>15,760</b>
<b>(44,430)</b>	<b>Trs From Reserves</b>	<b>(20,360)</b>	<b>(20,360)</b>		<b>(20,360)</b>	<b>0</b>
<b>1,024,920</b>	<b>TOTAL (after transfer from reserves)</b>	<b>921,580</b>	<b>518,124</b>	<b>56%</b>	<b>937,340</b>	<b>15,760</b>

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Comments
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**Protecting Our Environment** is responsible for Sustainability; Estates and Countryside.

Countryside

Adverse variance predominately relates to additional spend on staffing within Residential Centre at DCCP. Significant management action and promotion has been implemented to develop the Residential Centre which has resulted in some additional costs. Management are monitoring these costs and will incorporate these costs in future charging review.

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## **RESERVES AS AT 30<sup>th</sup> SEPTEMBER 2024**

### **Notes**

The Reserves Table provides detail on the current Reserves position for the Trust

The 1<sup>st</sup> table is a summary report and the 2<sup>nd</sup> table provides analysis of the committed amounts from Reserves

Line 1 Retained Reserves refers to our Reserves Policy – currently set to “minimum 2% of Turnover”.

Line 2 refers to Unallocated Reserves – this amount will initially be allocated to fund any in-year deficit and then to any additional spend approved by The Board.

Line 3 Allocated Reserves refers to allocated amounts and the 2<sup>nd</sup> table provides further analysis of progress on these commitments

Line 4 MGTR refers to Museum and Galleries Tax Relief received and this must be used to help fund future exhibitions

Lines 5 & 6 refer to specific accounting entries required each financial year

## Summary

UNRESTRICTED RESERVES	2023/24 b/f	2023/24 SURPLUS	BALANCE 31 March 2024	APPROVED ALLOCATIONS	REVISED BALANCE	PROPOSED DRAWDOWN	Q1	Q2	Q3	Q4	BALANCE	NOTES
RETAINED RESERVES	270,000		270,000		270,000						270,000	
UNUSEABLE RESERVES	89,942	0	89,942	17,850	107,792					-	107,792	
UNALLOCATED RESERVES	209,405	13,667	223,072	16,370	239,442						239,442	
ALLOCATED RESERVES	564,345	0	564,345	-34,220	530,125		17,810	60,560	0	0	451,755	see Allocated Table
MGTR FUNDS	85,047		85,047		85,047		(48,596)				133,643	£86k allocated Board 20.06.24 - Malky McCormick Collection
FIXED ASSET RESERVE	34,920		34,920		34,920						34,920	
HOLIDAY PAY PROVISION	(60,874)		(60,874)		(60,874)						(60,874)	
<b>TOTAL UNRESTRICTED RESERVES</b>	<b>1,192,785</b>	<b>13,667</b>	<b>1,206,453</b>	<b>0</b>	<b>1,206,452</b>	<b>0</b>	<b>(30,786)</b>	<b>60,560</b>	<b>0</b>	<b>0</b>	<b>1,176,678</b>	

## Allocated Reserves Analysis

ALLOCATED RESERVES	2023/24 b/f	2023/24 SURPLUS	BALANCE 31 March 2024	APPROVED ALLOCATIONS	REVISED BALANCE	Q1	Q2	Q3	Q4	BALANCE	APPROVAL	STATUS	NOTES
Box Office/Booking System	13,775		13,775		13,775		10,450			3,325	1 June 2021 Board, 28 June 2022 Board	Ongoing	
Secure Portal Upgrade	4,880		4,880		4,880		4,880			0	28 June 2022 Board	Complete	
People Counters	3,000		3,000		3,000					3,000	28 June 2022 Board	Ongoing	
Venue Equipment	3,000		3,000		3,000					3,000	28 June 2022 Board	Ongoing	
Valuations	4,000		4,000		4,000					4,000	28 June 2022 Board	Ongoing	
Equipment Replacement Programme	111,970		111,970	-17,850	94,120		8,600			85,520	28 June 2022 Board	Ongoing	Allocation approved by Executive Management; £45.8k + £10.75k transferred to Unuseable Reserves
Wellbeing Initiatives - EA Gift Cards to staff	4,280		4,280		4,280					4,280	4 October 2022 Board	Ongoing	
10th Anniversary Events and Initiatives	19,590		19,590		19,590					19,590	21 February 2023 Board	Ongoing	
Uniforms	35,000		35,000		35,000					35,000	30 May 2023 Board	Ongoing	
Security Costs - Palace & Grand Hall	2,500		2,500		2,500					2,500	30 May 2023 Board	Ongoing	
Dean Castle - Visitor Safety Measures	5,000		5,000		5,000					5,000	30 May 2023 Board	Ongoing	
Collection Management Support (1 FTE Co-ordinator)	22,680		22,680		22,680	7,810	7,820			7,050	28 Sept 2023 Board	Ongoing	
Climate Strategy	30,000		30,000		30,000			20,360		9,640	28 Nov 2023 Board	Ongoing	
Urban Farm - Feasibility Study	30,000		30,000		30,000					30,000	28 Nov 2023 Board	Ongoing	



24-25 Savings Balance	181,000	181,000		181,000					181,000	20 Feb 2024 Board	Ongoing	
IT Equipment linked to new Systems		0	10,000	10,000	8,450				1,550	20 June 2024 Board	Ongoing	
Potential NDR Liability		0	7,300	7,300					7,300	20 June 2024 Board	Ongoing	
Regional Sports Park		0	30,000	30,000					30,000	20 June 2024 Board	Ongoing	
Growth Plan - Trading Subsidiary		0	20,000	20,000					20,000	20 June 2024 Board	Ongoing	
Event Management	25,500	25,500	-15,500	10,000	10,000				0	22 November 2022 Board	Complete	£10k still required, release balance as uncommitted
23-24 Savings Balance	68,000	68,000	-68,000	0					0	21 February 2023 Board	Complete	redesignate as per note, release balance as uncommitted
IT Equipment - Corporate Services	170	170	-170	0					0	1 June 2021 Board	Complete	Release balance as uncommitted
		0		0					0			
<b>TOTAL ALLOCATED RESERVES</b>	<b>564,345</b>	<b>0</b>	<b>564,345</b>	<b>-34,220</b>	<b>530,125</b>	<b>17,810</b>	<b>60,560</b>	<b>0</b>	<b>0</b>	<b>451,755</b>		

## **GENERAL PROJECTS**

### **Notes:**

General Projects are multi-annual projects involving funding from external partners. These projects are not included in the Financial Monitoring reports. The table gives an overview of the projects and the Additional Information gives a brief description of each of the projects.

Project	Partners	Balance b/f 01.04.24	Balance at 30.09.24	Expected Completion Date
Ayrshire Libraries Forum	North Ayrshire Council/South Ayrshire Council/East Ayrshire Council	(£3,707)	(£3,693)	Ongoing
Burns Birthday in Mauchline	Event Scotland	(£861)	(£861)	Mar 2025
Kilmarnock Green Infrastructure	Sustrans	(£14,955)	(£14,955)	June 2027
Digital Storyteller in Residence	Scottish Book Trust	(£2,372)	(£2,372)	Mar 2025
Irvine Valley Trails 2019 onwards	LCTT, Transport Scotland, EAC Renewable Energy Fund	(£1,665)	(£1,665)	Oct 2023
SHOUT	EAC	(£3,684)	(£3,684)	Ongoing
Morton Hall and Library	EAC	£21,744	£19,599	Mar 2025
Wifi Project	EAC	(£24,700)	(£24,700)	Mar 2025
Foster Carer Service - Memberships	EAC	(£4,000)	(£4,000)	Ongoing
Youth Memberships	EAC	(£8,162)	(£8,162)	Ongoing
Annick Valley Leisure Facilities	EAC	(£198,144)	(£153,655)	Ongoing
Stewarton Dev Cont	EAC	(£49,464)	(£64,138)	Ongoing
Patna Leisure Facilities	EAC	(£810)	(£810)	Ongoing
Going Green (Par for the Course)	REF	£155,439	(£7,933)	Mar 2024
FutureMuseum.co.uk Redevelopment	Museum Gallery Scotland	£386	£13,288	Mar 2024
Nature Therapy Breaks	Shared Care Scotland	(£12,952)	(£20,130)	Mar 2024
Mayfest event at DCCP	EALT	£0	£5,351	Mar 2024
Leisure Facility Strategy	EAC	(£0)	(£0)	Mar 2025
Cultural Hub Events	Creative Scotland	(£32,236)	(£3,343)	Ongoing
Parental Employability - Work Experience	EAC	(£1,323)	(£1,133)	Mar 2024
Fanzones		£0	£0	July 2024
Big Top		£0	£88,373	Mar 2026
KGIL Artworks Programme	EAC/ARA	£0	£350	Ongoing

## **Additional Information**

**Ayrshire Libraries Forum** is a network partnership of the three Ayrshire councils, Ayrshire NHS, school, prison and higher education libraries to be used towards the upkeep of Ayrshire Working Lives website.

**Burns Birthday in Mauchline** – The project which was funded by Event Scotland has now come to an end. There is a surplus balance which Event Scotland have said we can use towards future support of cultural programme for Scotland's Winter Festival planning. The team are drafting a proposal to utilise the balance and it is anticipated funds will be utilised by end of 2024-25.

**Kilmarnock Green Infrastructure** – RIBA stages 3 and 4 for routes 1 and 2 are scheduled to be complete by Spring 2024. It is anticipated that route 2 will begin construction towards the end of the summer 2024. The project has now been transferred to Ayrshire Roads Alliance to manage.

**Digital Storyteller in Residence** - The project which was funded by the Scottish Book Trust has now come to an end. There is a surplus balance which Scottish Book Trust have said we can use towards further Digital Storytelling activities. The team are drafting a proposal which will support the digital infrastructure in conjunction with Library Mobile Services. It is anticipated funds will be utilised by end of 2024-25.

**Irvine Valley Trails** – Work has now been completed improving access to this path network, upgrading bridges, gates, steps and fencing as well as installing new signage. Claim have been submitted to the Low Carbon Travel and Transport Fund and the Renewable Energy Fund to claim the Trails capital grant.

**SHOUT** - £5,000 funding from East Ayrshire Council has been issued to offer FREE swimming to SHOUT card holders during the school holiday periods.

**Morton Hall and Library** – Procurement of new furniture for Newmilns Library is being managed by the Trust but will be funded by EAC. A maximum of £20,000 of the £30,000 allocation will be for library furniture and the balance is for the overall venue.

**Wifi Project** - After an initial review was submitted to the EAC we have since received funding of £20,000 to contribute to the installation costs of Wi-Fi across all East Ayrshire Leisure standalone venues.

**Foster Carer Service** - Memberships – £4,000 funding from East Ayrshire Council has been issued to support foster carers in accessing sport and physical activity services for the children they are caring for.

**Youth Memberships** – £5,000 funding will be utilised to target certain 16-17 years olds who currently do not engage with physical activity or our sports venues. The funding will be utilised to pay for a fitness membership that will give them access to our gyms, fitness classes, swimming pools, running tracks and racquet sports.

**Annick Valley Leisure Facilities** – EAC Members and Officers Working Group (MOWG) on developer contributions identified £212,000 which has been allocated for Annick Valley and has been transferred to East Ayrshire Leisure.

**Stewarton Dev Contr** – With reference to the cabinet report of 31st May 2023, £49,464 has been allocated from developer contribution funds towards leisure projects in Stewarton.

**Patna Leisure Facilities** – EAC Members and Officers Working Group (MOWG) on developer contributions identified £810 which has been allocated for Patna and has been transferred to East Ayrshire Leisure.

**Going Green (Par for the Course)** – A contractor has been appointed and work is underway on a circular path network around the course which will measure approximately 1 mile in length. The path will be finished with Toptrec, a 100% recycled material produced from selected arisings from highway and maintenance works. A section of the path will be made of recycled plastic boardwalk and new ponds will have been created along with a ditch and bund at the 10<sup>th</sup> to create a wildlife corridor.

**FutureMuseum.co.uk Redevelopment** - A successful bid was submitted to Museums Galleries Scotland for £47,000 to support the redevelopment of the south west Scotland partnership project. The project is estimated to take two years to complete. FutureMuseum.co.uk is a partnership between East Ayrshire Leisure Trust, Dumfries and Galloway Council, North Ayrshire Council and South Ayrshire Council. The objectives of the project are to maximise access to the museum and gallery collections of the South-West of Scotland, to deepen people's understanding of the history of the region, and to drive footfall to the museums and galleries in the region. A redesign of the website will make it more accessible through improved design, site navigation and effective use of analytical tools to support content generation.

**Nature Therapy Breaks** – Funding of £34,200 was awarded to provide short breaks for unpaid carers and those they care for in the Treehouse Residential Centre within Dean Castle Country Park. Working with East Ayrshire Council Children and Disabilities Team, there were almost 100 notes of interest for the breaks. We hosted 35 adults and 55 children and young people staying across a four week period over the summer holiday period. The staff thoroughly enjoyed working with the families to ensure opportunities were suggested to suit all requirements. When asked what difference the break had made for the young people, their responses were overwhelmingly positive and in most instances attendees noted benefits to their mental health and wellbeing.

After the short breaks had concluded, around 70 children, young people, parents and carers returned to the Dean Park Castle Courtyard for a feedback event. This allowed for the children and carers to meet up with people they had met on their stay and the turnout was amazing with 75% of the attendees coming along.

**Dean Castle Mayfest** – A weekend of events were designed and programmed at the end of May 2023 to restart our live programme at the Dean Castle. Funding for Mayfest was secured through the Heritage Lottery Fund (Castle Restoration) , The Community Renewal Fund and other town centre partners. All events were well attended with the Sunday seeing approx. 10K visitors.

**Leisure Facility Strategy** – Following the publication of the Leisure Facility Strategy 2020-2030, East Ayrshire Council allocated £500k for their capital programme to implement the priorities for the period 2020-2025. A cross service leisure facility action plan has been produced to identify and implement the priorities for this funding.

**Cultural Hub Events** – Funding has enabled the transportation costs for pupil/student visits to the East Ayrshire Leisure Temporary Exhibition Programme based at our galleries at the Dick Institute and Baird Institute. This has taken place over the past 2 years – Quentin Blake (39 Primary & Secondary School visits), Cornelia Parker (6 Secondary School visits), Martin Creed (Ayrshire College project and one Secondary School visit), Georgia O'Keefe (10 Secondary Schools).

Funding also supported:

- Artist fees to assist with engagement and set-up of exhibitions and engagement activities.
- Art club sessions and engagement.
- Visual Art and exhibition engagement activity.
- Materials and resources.

**Parental Employability – Work Experience** – Funding was secured from EAC to deliver a work experience project with Parental Employability. The scheme is aiming to give parents who are interested in working in the outdoors some practical experience and training.

**Fanzones** – Dedicated Family Fanzone was set up at Ayrshire Athletics Arena for the three Scotland games in Euros 2024. These events included children's activities, live bands, local artists to create a unique and enjoyable family friendly experience for Ayrshire

**Big Top** - The Big Top venue will provide an exciting and accessible performance space that allows a family friendly environment and can accommodate 652 seats. It will be in situ throughout December and January and allow us to maintain our audience numbers in readiness for the newly refurbished Palace Theatre & Grand Hall's reopening in 2026

**KGIL Artworks Programme** – This project is being managed by East Ayrshire Leisure Trust in conjunction with Ayrshire Road Alliance.

## **EXTERNAL FUNDING**

### **Notes:**

A robust monitoring process is now in place for all External Funding applications from initial submission to subsequent successful or unsuccessful award.

**EXTERNAL FUNDING APPROVED APPLICATIONS**

(\*denotes funding not available to East Ayrshire Council)

**EXTERNAL FUNDING APPROVED APPLICATIONS**

Section	Name of Funding Provider and Project	Value of Funding/Support	Comments
Protecting Our Environment	Business Stream – EAC: Aerator Flow Reduction Phase I	£1,500	
<b>TOTAL</b>		<b>£1,500</b>	

**EXTERNAL FUNDING DECLINED APPLICATIONS**

Section	Name of Funding Provider and Project	Value of Funding/Support	Comments
Protecting Our Environment	Business Stream – EAC: Water Efficiency Phase 2	£20,000	Declined 26/08/24
Protecting Our Environment	Business Stream – EAC: Utility	£28,475	Declined 26/08/24
<b>TOTAL</b>		<b>£48,475</b>	





# REPORT TO BOARD OF TRUSTEES

## PROPOSED TRANSFER OF SERVICES TO EAST AYRSHIRE LEISURE

Date: 12 November 2024

Agenda Item: 6

Report by: Anneke Freel, Chief Officer

### I PURPOSE OF REPORT

- I.1 This report provides Trustees with an update on the implementation of the Growth Plan 2024-2030, which was approved by Board on 20<sup>th</sup> June 2024, specifically the work to establish a trading subsidiary; the transfer of the Galleon Leisure Centre to East Ayrshire Leisure, along with the transfer of additional services from East Ayrshire Council to the Trust as part of the East Ayrshire Council Leisure and Culture Review.
- I.2 The detail was presented to East Ayrshire Council on the 31<sup>st</sup> October 2024. The Council approved the proposals and is recommending to the Board of Trustees the transfer of the following services to East Ayrshire Leisure:
  - Vibrant Communities excluding Home Links and Housing Support
  - Corporate and Community Catering
  - Creative Minds
  - Instrumental Music Service
- I.3 The detail was presented to Kilmarnock Leisure Centre Trust on the 11<sup>th</sup> November 2024. KLCT approved the proposals and is recommending to the Board of Trustees the transfer of the Galleon Leisure Centre to East Ayrshire Leisure.

### 2 CONSULTATION AND ENGAGEMENT

- 2.1 Following the Council meeting on 18 June 2024 and subsequent meetings of the Kilmarnock Leisure Centre Board and the East Ayrshire Leisure Trust Board on 20 June 2024, a detailed Communication Plan was produced as outlined in Appendix 1, which included the following key activities:
  - Team engagement sessions with an open invitation to Trade Union representatives, elected members and trustees from both KLCT and EALT
  - 1:1 sessions with colleagues from People and Culture to allow employees to discuss issues specific to them
  - Collective bargaining and other joint Trade Union liaison including Teachers Trade Unions
  - Elected member update sessions
  - Coaching through change training for managers
  - Extended management team workshop including managers from East Ayrshire Leisure, East Ayrshire Council and Kilmarnock Leisure Centre Trust
  - Stakeholder engagement
- 2.2 20 staff engagement sessions have taken place between July and August 2024. 88% of Vibrant Communities staff, 100% of Creative Minds Staff, 85% of Corporate and Community Catering Staff and 97% of contracted employees from the Galleon all attended the sessions. A number of casual workers from the Galleon also attended the sessions.

## REPORT TO BOARD OF TRUSTEES

- 2.3 Excluding current vacancies and casual employees, 90% of contracted employees attended the staff engagement sessions. It should further be noted that 2 employees from Vibrant Communities who were on annual leave during the arranged sessions, arranged a separate session with the EALT Chief Officer on their return.
- 2.4 At the request of the staff team 2 additional sessions were arranged, totalling 4 sessions with the Instrumental Music Service. The first session was to give the information prior to the June Council meeting. 86% attended this session. A further meeting was requested on 20 of August at which 73% of employees attended. The next session was held at the Dower House on the 5 September, with 50% employees in attendance. Finally, the staff team requested a further meeting with EAL to discuss the Trust's Growth Plan. This took place on 25 September. 45% of staff were able to attend this meeting.
- 2.5 There was generally a positive response from employees from Vibrant Communities, Corporate and Community Catering, Creative Minds and The Galleon, with some clear themes emerging from the discussion:
- How are externally funded, temporary posts affected by the proposals
  - How are bank workers affected by the proposals?
  - Are compulsory redundancies envisaged?
  - Will there be a change in my job role?
  - Will we do more detailed measurement of impact?
  - Will there be new opportunities?
  - Why were the employees in scope chosen?
- 2.6 The initial sessions with the Instrumental Music Service (IMS) were not quite as positive. The employees within this service were particularly concerned with being removed from an Education Service and the impact that this may have on the perception of the IMS. They questioned the merit of the proposals and they were concerned that there was misleading information in the report that was presented to members on 18 June 2024. Employees stated that they had a concern about losing skilled employees and then subsequently having difficulty in recruiting to a non-education service. The Instrumental Music instructors were also concerned about the knock on effect of services in other local authority areas, where they might not have a well-established or high performing Trust.
- 2.7 After the initial three sessions with IMS, the employees asked for a further session with the EALT Chief Officer to discuss the Trust's growth proposals. This discussion was facilitated on 5 September. A further discussion with EIS Union Representatives was also requested at this meeting and this was facilitated on 11 October 2024.
- 2.8 The staff engagement sessions were led by services managers, the Depute Chief Executive, the Chief Education Officer or EALT's Chief Officer. Colleagues from People and Culture were not in attendance at these sessions to allow a wider discussion about the rationale for the proposals and concerns that the teams had as a group.
- 2.9 Additional 1:1 sessions were arranged with HR colleagues so that employees had the opportunity to ask specific questions that related to their employment contract and the TUPE transfer process. Whilst, HR officers took the lead on these sessions, managers from EAC and EALT were available during the sessions. 90% of Corporate and Community employees, 39% Vibrant Community Employees, 100% of Creative Minds employees and 23% of IMS employees took the opportunity to meet with HR. Some employees were absent at the time or unable to attend, additional sessions will be arranged to accommodate anyone who wishes a meeting.

# REPORT TO BOARD OF TRUSTEES

- 2.10 A question and answer document was produced after each engagement session and 1:1 HR session. This document captures the discussions at the meetings, as well as questions raised. The FAQ which is attached at Appendix 2 has also been circulated to all staff and Trade Union representatives.
- 2.11 The Leisure and Culture Review has been a standing agenda item on EAC meetings with Trade Unions throughout the engagement process. Trade Unions have also attended many of the engagement sessions. Ongoing updates have also been presented as regular items at Joint Trade Union Collective bargaining, EAC Joint Trade Union meetings, department specific Trade Union meetings and the Teacher Consultative Group Meeting.
- 2.12 The communication plan includes a 2 stage stakeholder engagement exercise. Stage 1 has taken place to provide high level discussion as part of the development of the proposals to date. This has included an on-line survey that each service/organisation involved in the review has shared with their networks and on their social media platforms. Stage 1 has also included a presentation and discussion at the Communities Conference on 12 October 2024.
- 2.13 Over 780 people contributed to the stage 1 survey. The full survey report is included as Appendix 3. Generally people who contributed to the survey were positive about the proposals and commented on the opportunities that they could bring. Many respondents mentioned the Galleon refurbishment and the need to ensure that programmes are accessible and affordable.
- 2.14 Stage 2 will be a more detailed exercise consisting of in person drop in sessions and targeted workshops with key stakeholders and partners. There will also be an on-line engagement exercise to supplement the face to face programme. Stage 2 is subject to the approval of the proposals.
- 2.15 Whilst not engaged in the formal communication process, East Ayrshire Leisure employees have been kept up to date with the proposals through the staff newsletter, updates from the Chief Officer and team meetings.

## 3 WORKSTREAMS AND CONSIDERATIONS

- 3.1 To support the implementation of East Ayrshire Leisure's Growth Plan, East Ayrshire Leisure, East Ayrshire Council and the Kilmarnock Leisure Centre Trust agreed a number of key priorities that would allow the proposals to be developed further. Working groups were established to develop each of the priorities. The following paragraphs provide information about each workstream and the key considerations of each working group. An implementation action plan is included as appendix 3.

### Governance

- 3.2 East Ayrshire Leisure is a Scottish Charitable Incorporated Organisation. As part of the change in scope, the Board of Trustees had to pass a resolution to make amendments to its constitution. These amendments were approved at the board meeting on 24 September 2024.
- 3.3 Kilmarnock Leisure Centre Trust is a non-incorporated Scottish Charity. If the proposal for transfer of the Galleon is approved an application will be made to OSCR for consent to dissolve KLCT. The Galleon Leisure Centre will be transferred to East Ayrshire Council as an asset and will be added to the portfolio of assets managed by EALT on behalf of EAC. Formal consultation with Galleon employees will be undertaken from that point.

### IT

- 3.4 In order to provide a seamless transition on 1 April, there are a number of IT implications. KLCT employees need to be moved onto the EAC IT network and all employees need to be given an East Ayrshire Leisure e-mail address. This is a critical piece of work to ensure annual leave, payroll, absence etc. can be processed.

### Booking System

- 3.5 East Ayrshire Leisure has just invested in a new ticketing system and a separate booking system. This is supported by an app which will be launched by November 2024. The KLCT has a different booking system. The working group is undertaking an option appraisal to determine which booking system is the most effective and will serve the needs of an integrated organisation.

### Health and Safety

- 3.6 With the support of EAC Health and Safety colleagues, a thorough review of risk assessments and health and safety policy across all services has been carried out to ensure that there is a consistent approach to managing safety. The Galleon will be required to follow EALT's health and safety policies and procedures and will report directly to the Trust's health and safety strategy group.

### Procurement

- 3.7 An audit of all suppliers that are used by EAC services in scope, EALT and the KLCT has been carried out. With the support of EAC Procurement team, a bespoke procurement framework will be established for the procurement of specialist services. KLCT will move from paper orders to using PECOS, which in turn will be enhanced so that the Trust can process e-invoices.

### Memberships

- 3.8 East Ayrshire Leisure and The Galleon Leisure Centre have nearly 6,000 members across their fitness programmes. Currently members of the EALT programme cannot access the Galleon and vice versa. The proposal is to create an integrated membership that will allow members to benefit from community based facilities and the facilities at the Galleon.
- 3.9 The working group has also proposed the introduction of 3 new memberships; a premium membership which provides unlimited access to all sport and fitness facilities including Annanhill Golf Course, gyms, fitness classes, sauna/steam room, swimming pools and dryside facilities; a wellbeing membership which provides unlimited access to wellness suites, swimming pools, gyms and specialised classes; and a pre-school shout card which will extend the opportunities currently offered through the existing shout card.
- 3.10 As the services become fully integrated, other opportunities will be developed to look at memberships which include access to performing arts, museums and events. The working group is also carrying out an options appraisal to determine which swimming programme will be integrated across all pool sites to ensure a consistent approach to swimming lessons. It should be noted that the Trust and Vibrant Communities are also working with The Jets to develop an ASN swimming programme across all sites.

### Office Accommodation

- 3.11 The majority of transferring employees will continue to work from their current location until a remodelling exercise has been completed. However, it is envisaged that the management team will come together in one space to enable the transition.

### Trading Subsidiary

- 3.12 East Ayrshire Leisure was established in 2013 to operate and manage a range of cultural, countryside and sports facilities and services on behalf of East Ayrshire Council. The Trust is a Scottish Charitable Incorporated Organisation (Charity No: SCO43987) and has been trading as a Charity since 1 July 2013. As a charitable trust the Vision is "Always with a focus on continuous improvement, we will deliver inclusive, sustainable and accessible services to enable our communities and visitors to live their best life".
- 3.13 At the time of inception, it was not deemed necessary to create a separate trading subsidiary aligned to the charity as the focus was on primary trading activities linked to the objectives of the charity and any non-primary trading activities were deemed to be *De Minimis* trading.

3.14 However, as a charity the Trust's ambition is to be less reliant on public sector funding and to have greater flexibility to generate income through non-primary trading activities. To enable growth in this area, the EALT Board of Trustees will consider the establishment of a trading subsidiary to explore all potential commercial and non-charitable trading activities, which subsequently donates its taxable profits to the charity under Gift Aid. A review of income streams and subsequent impact on tax and VAT has been carried out by Azets and is included as Appendix 4. This review has informed the business plan for the trading subsidiary, which is included as Appendix 5.

3.15 The trading subsidiary will focus on the following income streams in the first 3- 5 years, but will continually seek other opportunities for further growth.

- Food and Beverage including street food opportunities that provide pop up provision at events and semi-permanent venues within parks; cafes and restaurants at key sites including the Palace Theatre and Grand Hall, the Galleon, Dean Castle Country Park and London Road; Community cafes within community venues and day care centre; coffee shops akin to the provision at the Dick Institute; vending and permanent and temporary bars
- Trading, both face to face and online which includes locally branded merchandise; retail through the introduction of gift shops in museums; golf pro shop; temporary gift shops aligned to specific exhibitions; kids play facilities; party packages and a range of experience days such as 'Behind the Scenes at Dean Castle', 'A Night in the Museum' and 'Keeper for the Day'
- Skills Training including machine and tool training, first aid and aquatics training
- Equipment Hire providing specialist equipment hire for community, local and regional events such as marquees, bouncy castles, stages, technical equipment and other activity equipment such as Zorbs and Laser Tag
- Event Management providing an in-house team of event management and production staff to create high profile events throughout the year and to support communities where needed.
- Special Projects including feasibility studies, surveys and other professional services
- Residential holidays within the Treehouse Centre and through the development of the Assloss Estate project

### Remodelling

3.16 The leisure and culture review includes the transfer of services from 3 separate departments within EAC, as well as the Galleon Centre, currently operated by Kilmarnock Leisure Centre Trust to East Ayrshire Leisure. To all intents and purposes, this is the coming together of 5 organisations.

3.17 In order to maximise the potential of the new operating model and to provide the most efficient, effective and economic service, the Trust will undertake a remodelling exercise to ensure that all services are fully integrated by 2026 and meet the needs and demands of the community.

3.18 This remodelling exercise will be based on the findings of the stakeholder roadshows that are planned for 2025 and full employee engagement.

### Performance Monitoring

3.19 Part of the proposal is to create an Impact Measurement Framework. Measuring the impact of the services that will be included within this different approach to culture, sport, leisure, community and wellbeing services will be critical to demonstrate the value of what is provided, as well as help to plan, review and improve services and ensure that they achieve the best outcomes for the community.

- 3.20 Key to developing a successful impact framework is to distinguish between understanding what you aim to achieve – what you want to bring about, and how to measure that change. A theory of change is at the heart of any approach to developing a measurement framework. A clear and robust theory of change is a necessary basis for measuring impact because it provides a theoretical framework to allow you to assess whether what you do is working as planned, and how it can be improved. Done properly, a theory of change has three major benefits:
- It helps you understand all the important outcomes of your work, so you can develop a framework that measures the right things. These might be intermediate outcomes that lead to several others, or outcomes that make the service or programme different from others. If measurement is not based on a theory of change, it risks not measuring the most important things and therefore wasting money. In this way, a theory of change can help you to ensure that what you measure is related to your strategy.
  - It helps you understand how the outcomes you seek to influence are connected. Basing measurement on a theory of change can understand how change is happening as well as whether it is happening. Because a theory of change shows what an organisation is trying to achieve and how it is planning to get there, organisations can work out whether they are on track to achieve intended outcomes.
  - It helps you track the progress you make towards your final goal. Some final goals cannot be easily measured - they involve change that happens too gradually or change in the lives of people who are difficult to track. Theories of change show all the intermediate steps that lead to the end goal and can therefore help to assess progress towards it.
- 3.21 A theory of change can help in other ways too. It will be used to develop and refine the EALT 10 year Strategic Vision, thinking about the Trust's place in the sector and identifying areas where the Trust is working together with others, and ways they might collaborate to increase impact.
- 3.22 During the remodelling exercise, which will lead to the full integration of services as described in the paragraph above, the theory of change and impact measurement framework will be developed alongside the development of services. Appendix 5 provides a template that will be used to design the framework and make sure that the right data is being collected to track the impact of each outcome.
- 3.23 It should be noted that this will also reflect the National Performance Framework and the requirements of the Local Government Benchmarking Framework and will be reported to Council and reviewed on an annual basis.
- Rebranding
- 3.24 Since its establishment in 2013, East Ayrshire Leisure has continued to evolve and develop and is no longer delivering on the traditional remit associated with leisure services. The Trust is now involved in a wide range of activities around health and wellbeing, education, tourism, economic development and community empowerment.
- 3.25 The transfer of services proposed within the review will widen the scope of services even further. It is the view of the working group that the name 'East Ayrshire Leisure' is no longer appropriate. As part of the remodelling, the Trust will consider a rebranding exercise to better reflect the wide range of services it will offer. The working group has identified the costs associated with this in terms of website, social media platforms and intranet development, signage across all venues and uniforms amongst other things and will develop an awareness raising campaign to launch the transformed and renamed organisation by April 2026.
- 3.26 The proposal is to rename East Ayrshire Leisure Trust to Ayrshire 360. The management team believe that this new name will better reflect the wide range of services that will be on offer if the transfer proposals are approved. The Trust will continue to be registered as East Ayrshire Leisure with OSCR and Companies House, but will trade as Ayrshire 360. If approved by Trustees, a branding guide will



be produced and market tested with staff and customers.

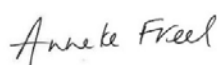
## 4 PROPOSED STAFF CHANGES

- 4.1 At its meeting on the 24<sup>th</sup> September 2024, Trustees recognised the importance of the hospitality service and events management in the growth of a trading subsidiary. In order to facilitate these 2 services, it was agreed to create a Strategic Lead for Hospitality and Retail and a Strategic Lead for Events Management. There is a further recommendation to create a Development Officer (Bars) and Development Officer (Catering). There currently is a Development Officer (Hospitality and Retail) within the structures. However, given the scale of the proposed operations, we are proposing to split the functions of this post and create 2 Development Officer posts within this service area.
- 4.2 During the development of the proposals to transfer additional services to East Ayrshire Leisure from East Ayrshire Council and the Kilmarnock Leisure Centre Trust, a number of other areas of the business have been identified for further investment to ensure the transfer of services is robust. On this basis, Trustees are asked to approve the new Development Officer posts within Hospitality and Retail, as well as the following additional posts. These new posts will be funded from existing service resources:
- Development Officer (Accountancy) – New Post
  - Assistant Business Support Analyst – Temporary Post (6 months)

### Recommendation/s:

It is recommended that Trustees:

- Approve the recommendation to transfer additional services as identified from East Ayrshire Council to East Ayrshire Leisure;
- Approve the recommendation of the Galleon Leisure Centre including staff and resources from Kilmarnock Leisure Centre Trust to East Ayrshire Leisure;
- Approve the change of name from East Ayrshire Leisure to Ayrshire 360 for trading purposes from April 2026;
- Approve the creation of a Development Officer (Accountancy) and Development Assistant (IT), as well as Development Officer (Bars) and Development Officer (Catering) to replace the existing Development Officer (Hospitality and Retail);
- Note the engagement and communication that has been undertaken to date and the proposals for a stage 2 engagement roadshow;
- Note the action plan developed through the working groups; and
- Otherwise note the content of this paper

A handwritten signature in cursive script, reading "Anneke Freer".

Signature:

Designation: Chief Officer

Date: 21 October 2024



Month	Programme	Date, location & time
July 24 – Sept 24	Galleon Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	29 <sup>th</sup> July @ 1pm 30 <sup>th</sup> July @ 9am 3 <sup>rd</sup> August @ 12 noon 5 <sup>th</sup> August @ 4pm 6 <sup>th</sup> August @ 5pm Galleon Leisure Centre <b>Complete</b>
	Coaching through Change for management team	Ongoing
	Play and Early Intervention Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	13 <sup>th</sup> August @ 4pm Sir Alexander Fleming Room @ HQ <b>Complete</b>
	Communities Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	31 <sup>st</sup> July @ 9.30am Shortlees Community Centre <b>Complete</b>
	Young People, Sport & Diversion Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	19 <sup>th</sup> August @ 2pm Robert Burns Room @HQ <b>Complete</b>
	Lifeskills and Inclusion Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	21 <sup>st</sup> August @ 3pm Centrestage ESOL Room <b>Complete</b>
	Housing & Older People Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	24 <sup>th</sup> July @ 9.30am Garven Court Supported Accommodation Unit <b>Complete</b>
	CHAT Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	14 August @ 3pm Robert Burns MR @ HQ <b>Complete</b>
	Community and Corporate Catering Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	20 <sup>th</sup> August @ 10am Treehouse Meeting Room Dean Castle Country Park <b>Complete</b>
	Instrumental Music Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	20 <sup>th</sup> August 2024 – 12noon Kirkstyle 5 <sup>th</sup> Sept 2024 – 1pm De Walden Room, Dower House, Dean Castle Country Park <b>Complete</b>
	Creative Minds Staff Information Sessions (TUs/Elected members/Trustees invited to attend)	22 <sup>nd</sup> August 24 Dick Institute <b>Complete</b>
July 24 – Oct 24	Elected Member / Trustee Updates (open invitation to attend group meetings)	Monthly
	Collective Bargaining Meeting	5 <sup>th</sup> August 2024 @ 2pm, HQ

		<b>Complete</b>
July 24	Update EALT staff through staff newsletter	August 24 <b>Complete</b>
	Catch up with portfolio Elected Members: Councillor Cowan Councillor Filson Councillor Barton Councillor McMahon	29 <sup>th</sup> July 24 1 <sup>st</sup> August 24 1 <sup>st</sup> August 24 29 <sup>th</sup> July 24 <b>Complete</b>
Aug 24	EALT Joint Trade Union Mtg.	Rearranged
	Catch up with portfolio Elected Members: Councillor Cowan Councillor Filson Councillor Barton Councillor McMahon	22 <sup>nd</sup> August 24 29 <sup>th</sup> August 24 19 <sup>th</sup> August 24 19 <sup>th</sup> August 24 <b>Complete</b>
	EAC Central Joint Consultative Committee Mtg	29 <sup>th</sup> August 24, HQ <b>Complete</b>
Sept 24	EALT Wellbeing Day	4 <sup>th</sup> September 24 <b>Complete</b>
	<u>Facilities &amp; Property Management</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	9 <sup>th</sup> September, London Road <b>Complete</b>
	Teachers Consultative Group Meeting	12 <sup>th</sup> September 24 <b>Complete</b>
	Catch up with portfolio Elected Members: Councillor Cowan Councillor Filson Councillor Barton Councillor McMahon	16 <sup>th</sup> September 24 18 <sup>th</sup> September 24 16 <sup>th</sup> September 24 16 <sup>th</sup> September 24 <b>Complete</b>
	<u>Education – Instrumental Music</u> – East Ayrshire Leisure Growth Plan	25 <sup>th</sup> September, Dower House <b>Complete</b>
	<u>Education – Instrumental Music and Creative Minds</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	26 <sup>th</sup> September, Kirkstyle Primary School <b>Complete</b>
	Extended Management Team Session – Roadshow – Future Direction (including EAC and KLCT Management Teams)	Thursday 26 <sup>th</sup> Sept @ 9.30am. Dick Institute <b>Complete</b>

	Survey - Initial thoughts to be obtained from Communities via survey (Trust, VC, Galleon, Instrumental Music & Creative Minds)	Wk comm 9 <sup>th</sup> September Closed – 22/09/24. <b>Complete</b>
Oct 24	Survey - Analyse & feedback (Trust, VC, Galleon, Instrumental Music & Creative Minds)	9 <sup>th</sup> Oct (lodgment EAC 17 <sup>th</sup> Oct) Feedback being gathered for inclusion within EAC report. <b>Complete</b>
	<u>Vibrant Communities</u> Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	1 <sup>st</sup> October, Western Road 2 <sup>nd</sup> October, Western Road 10 <sup>th</sup> October, Western Road <b>Complete</b>
	Meeting with Group Leaders: SNP Group Labour Group Conservative Independents	W/c 7 <sup>th</sup> October 24 7 <sup>th</sup> October @ 2:30pm 8 <sup>th</sup> October @ 3pm 8 <sup>th</sup> October @ 10am 10 <sup>th</sup> October @ 1:30pm <b>Complete</b>
	Communities Conference	12 <sup>th</sup> October 24 <b>Complete</b>
	Communities & Economy JCC	28 <sup>th</sup> October 24
	Present to EAC	31 <sup>st</sup> October 2024
Nov 24		
	Present to EALT and KLCT Boards	KLCT 11/11/24 EALT 12/11/2024
	EMT Engagement Session (EALT, EAC & Galleon)	14 <sup>th</sup> November 24
	<u>Vibrant Communities</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	27 <sup>th</sup> November, Western Road
<b>SUBJECT TO FINAL EAC AND TRUST BOARD APPROVALS</b>		
	<u>Facilities &amp; Property Management</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	2 <sup>nd</sup> December, London Road <b>(tbc)</b>
Dec 24	<u>Vibrant Communities</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	4 <sup>th</sup> December, Western Road
	EMT Engagement Session (EALT, EAC & Galleon)	5 <sup>th</sup> December 24
	VC Development Day	tbc
	<b>Office Accommodation – Dower House</b>	<b>20<sup>th</sup> December 24 (????)</b>

Jan 25	<u>Education – Instrumental Music and Creative Minds</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	30 <sup>th</sup> January, Conference Room, Kilmarnock Academy
Feb 25	<u>Vibrant Communities</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	19 <sup>th</sup> February, Western Road 20 <sup>th</sup> February, Western Road
	<u>Facilities &amp; Property Management</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	24 <sup>th</sup> February, London Road
Apr 25	EAC Staff TUPE Transfer	1 <sup>st</sup> April 25
	KLCT Staff TUPE Transfer	1 <sup>st</sup> July 25
	Trust Induction	1 <sup>st</sup> April 25
	Roadshows – Future Direction (Project Team: Anneke Freel, Jackie Biggart, Paul Mathieson, Shirley Andrews, Suzanne Clark, Julie Carrie, Sterry Matthews). Targeted stakeholders: <ul style="list-style-type: none"> <li>o Elected Members</li> <li>o Trustees</li> <li>o Trust Staff</li> <li>o KLCT Staff</li> <li>o EAC Staff</li> <li>o Community</li> <li>o Young People</li> </ul>	End April 25 (Analyse & provide feedback May/June 25) <ul style="list-style-type: none"> <li>• Face to face sessions for invited stakeholders</li> <li>• Electronic survey crucial to understanding the view of how the services operate, the benefits of the services, what could improve the services, what may encourage more participation in the services and the opportunities for change.</li> </ul>
May 25	<u>Education – Instrumental Music and Creative Minds</u> - Individual staff information and engagement sessions (individual employees to attend with HR, Line Manager, Trade Union and a representative from East Ayrshire Leisure Trust)	15 <sup>th</sup> May, Conference Room, Kilmarnock Academy
May 25	Board Meeting – Strategic Leadership Plan	27 <sup>th</sup> May 25
Aug 25	EAC Instrumental Music Staff - TUPE Transfer	18 <sup>th</sup> August 25
	Trust Induction	18 <sup>th</sup> August 25
Aug 25	Implement Strategic Leadership Plan	1 <sup>st</sup> Aug 25
Nov 25	Board Meeting – Organisational Redesign	November 25

Jan 26	Individual staff consultation sessions (individual employees to attend with HR, Line Manager and Trade Union)	tbc
Apr 26	Implement Organisational Redesign	1 <sup>st</sup> April 26



On the 18<sup>th</sup> June 24, East Ayrshire Council endorsed a proposals to transfer EAC Vibrant Communities, Creative Minds, Instrumental Music and Corporate and Community Catering to East Ayrshire Leisure. On the 20<sup>th</sup> June 24, the Board of Trustees of Kilmarnock Leisure Centre Trust and East Ayrshire Leisure Trust further supported these proposals and also endorsed the transfer of employees of the Kilmarnock Leisure Centre Trust (The Galleon) to East Ayrshire Leisure. This decision was subject to robust and meaningful employee and trade union consultation. Staff engagement has taken place between July and September. The FAQs below have been developed following the staff information sessions:

**Q1. What is TUPE?**

- A. TUPE stands for Transfer of Undertakings Protection of Employment rights and is legislation that protects the rights of employees when there is a transfer to a new employer. A 'TUPE transfer' happens when: an organisation, or part of it, is transferred from one employer to another.

**Q2. Who is protected by TUPE?**

- A. All employees are protected by TUPE regardless if you have a permanent or fixed term contract. If you are in part of the organisation / service that is transferring then you will be in scope to transfer to the new employer.

**Q3. Will my pay and conditions be affected?**

- A. Your current terms and conditions will automatically transfer from your old employer to your new employer on the date of transfer. East Ayrshire Leisure Trust has the same terms and conditions, pay and grading structure and policies as East Ayrshire Council. However, they have different terms and conditions, pay and grading structure and policies to Galleon employees. Galleon employees can choose to transfer to East Ayrshire Leisure Trust terms and conditions from the date of transfer.

Instrumental Music Teachers are currently on SNCT terms and conditions. These will also transfer over and remain in place.

**Q4. Will I remain a member of the pension scheme?**

- A. East Ayrshire Leisure Trust and East Ayrshire Council are both members of the Strathclyde Pension Scheme, resulting in no change for East Ayrshire Council employees. Employees of the Galleon will be transferring to an employer who is a member of the Strathclyde Pension Fund and will have the opportunity to join Strathclyde Pension Fund from the date of transfer. Existing workplace pension that is offered by the Kilmarnock Leisure Centre Trust is exempt from TUPE and will not transfer. Kilmarnock Leisure Centre Trust have agreed to organise an independent pension advice for their employees.

**Q5. What happens after Council / Board approval?**

- A. If Council / Board approves the transfer of staff to East Ayrshire Leisure Trust there will be processes followed between the old and new employers:-
- Employees affected by the transfer will be informed of the decisions;
  - Group / individual meetings will be arranged;
  - Employee information will be provided to the new employer;
  - Employees will receive written notification of the transfer;

**Q6. What is the proposed implementation date?**

- A The proposed implementation date for East Ayrshire Council Vibrant Communities and Corporate and Community catering is the 1<sup>st</sup> April 2025. The proposed implementation date for Galleon employees is 1 July 2025 and the date of implementation for East Ayrshire Council Instrumental Music and Creative Minds is the 18<sup>th</sup> August 2025.

**Q7. What if I don't want to transfer?**

- A If you do not want to transfer to the new employer, you can refuse. If you decide you do not want to transfer, you'll need to advise your current employer in writing. This will be treated as if you are resigning and they will inform the new employer that you will not transfer.

Those employees who have expressed a wish to remain in the Council's service and not transfer to their new employer will be entitled to be redeployed under the TUPE Lateral Transfer Scheme only where a suitable vacancy exists prior to the transfer date.

**Q8. What if I am in a temporary funded?**

- A. If your fixed term contract is ending prior to the transfer date then your contract would end as normal. If your contract date extends beyond the transfer date then you would be eligible to transfer to East Ayrshire Leisure Trust. If you are seconded and your end date is beyond the transfer date then your secondment arrangement will transfer over to East Ayrshire Leisure Trust. Individuals currently on secondment can discuss their own specific case with their line manager/HR.

**Q9. What happens if I have more than 1 post?**

- A Only those posts that fall within the scope of the transfer will transfer over to East Ayrshire Leisure Trust. It may then be the case that you could be employed by both East Ayrshire Leisure Trust and East Ayrshire Council if you have more than 1 job.



**Q10. What if I am a freelance/casual/bank worker?**

- A. Casual/bank workers do not transfer under TUPE regulations. All casual/bank workers will be invited to join the East Ayrshire Leisure Trust bank register if the proposals are approved.
- Freelance employees do not transfer under TUPE regulations. East Ayrshire Leisure Trust does not currently employ freelance individuals on a long term basis. If the proposals are approved, East Ayrshire Leisure Trust will consider how freelance workers could be integrated into structures to ensure continuity of service.

**Q11. What will happen after the transfer date?**

- A. On the date of the transfer, your new employer automatically takes over your employment contract. This means your employment contract continues – you do not get a new one. Your new employer must inform you in writing that there's been a change of employer.

Your length of service ('period of continuous employment') with your old employer will also transfer to the new employer. There will be no break in service for EAC employees.

Your terms and conditions of employment automatically transfer to your new employer.

Any changes must be noted in a measures letter from the new employer and this will be provided before the transfer takes place to allow the outgoing employer to consult with employees about the proposed measures in advance.

**Q12. Can changes be made to contracts of employment after a certain period of time following TUPE?**

- A. There is no fixed time period. TUPE offers protection to your terms and conditions. Only under certain circumstances can these be changed. Your new employer can only make changes because of the transfer if either;
- they improve your terms and conditions, for example your employer increases your holiday entitlement (annual leave)
  - there is an 'economic, technical or organisational' (ETO) reason involving a change in the workforce, for example your organisation needs restructuring

**Q13 How will the transfer of The Galleon Centre to East Ayrshire Leisure Trust affect the roles and responsibilities of staff?**

- A. Employees can choose to transfer on to East Ayrshire Leisure Trust terms and conditions. If they choose to do this, they will be expected to carry out the roles and responsibilities of the post that they've been matched to. Training will be provided to support this process. Where staff choose to remain on their current terms and conditions, there will be no direct impact on their roles and responsibilities.



**Q14 Will the transfer impact the Galleon Centre Refurbishment project or monies allocated for the project?**

- A. The transfer will not affect the Refurbishment project or monies allocated. These monies will still be ring fenced for the project. However, it could have a positive impact on the project as East Ayrshire Leisure Trust has significant experience of raising external funding, which could enhance the project.

**Q15 Will staff be expected to work across multiple venues?**

- A. Generally, it would not be normal practice to expect staff to work across multiple venues. Staff would need to be familiarised and trained to work in different venues.

**Q16 Will staff be asked to work from an alternative office location?**

- A. Your work location will be based on the remit of your post and the needs of the organisation. It is envisaged that the majority of employees will continue to work from their current location until a review of office accommodation for staff and services has been carried out.

**Q17 Why is the transfer proposal being considered now?**

- A. East Ayrshire Council is carrying out a cross service leisure review of all facilities and services that they fund. It is envisaged that the transfer of services from East Ayrshire Council and the Galleon to East Ayrshire Leisure Trust will have significant benefits to the sustainability of services, as well as their development and enhancement. Previously, transfer proposals for the Galleon in particular were not part of a larger review, with the significant benefits that this will bring.

**Q18 Are staff roles safe from redundancies due to the transfer?**

- A. The transfer of the employees to East Ayrshire Leisure Trust will not result in compulsory redundancies.

**Q19 What is the vision of the larger organisation if the transfer proposal goes ahead?**

- A. The main aim of the larger organisation is to offer a variety of enhanced services to the community, working in collaboration with the Local Authority and other third sector organisations. There are multiple working groups in place to help facilitate the transfer proposal. These working groups are helping shape the overall vision and brand of the new organisation. There will be a number of Roadshows in multiple venues to allow the community and key stakeholders to influence the future direction of the new organisation.

**Q20 Does the increments noted in the current East Ayrshire Leisure Trust pay bands take in to account the length of service a staff has in their current role at the Galleon Centre?**

- A. Yes it does.

**Q21 Does East Ayrshire Leisure Trust still intend to run Les Mills classes at the Galleon Centre if the transfer proposal goes ahead?**

A. Yes it does.

**Q22 Will the transfer have an impact on the current arrangements for Personal Training products offered by the Galleon Centre?**

A. No, it won't. However, the working groups are considering a range of memberships, services and activities.

**Q23 Will we be updated on progress of the transfer proposal?**

A. Yes. A communication plan is being developed to ensure that all employees are kept up to date throughout the process.

**Q24 Will employees be supported through this period of change?**

A communication plan is being developed that will ensure robust consultation and support throughout the process. East Ayrshire Council and East Ayrshire Leisure Trust has significant wellbeing resources available to staff on their intranets.

**Q25 Will East Ayrshire Leisure Trust look at where there are gaps in provision across East Ayrshire?**

A. Yes it will. The transfer of services to East Ayrshire Leisure Trust is intended to sustain and enhance the provision of services to the community. Any opportunities to meet the needs and demands of the community, particularly where that need is not already being met, will be considered.

**Q26 Transport is often an issue for service users. Is there an opportunity to review this as part of the development and enhancement of services?**

A. All opportunities will be considered and explored.

**Q27 Will East Ayrshire Leisure Trust consider a better transition for modern apprentices into employment?**

A. East Ayrshire Leisure Trust is committed to working with East Ayrshire Council's Economic Development Team and other partners to explore employment opportunities internally and with external employers to ensure sustainable pathways for modern apprentices, volunteers and other individuals on placement with us.

**Q28 Will employees still be allowed to provide representation on EAC strategic groups or external organisations?**

A. Yes, a review is currently being undertaken to determine the groups that employees from East Ayrshire Council and East Ayrshire Leisure Trust are on to ensure the right representation in the future.

**Q29 Will it be possible to introduce a system to track the impact of services?**

- A. As part of this process, we will be developing a Performance Management Framework that will set targets and key performance indicators for the services going forward. This will provide a framework for measuring the impact on individuals and communities who engage in our services.

**Q30 Will Vibrant Communities still support Community Councils or will this remain within East Ayrshire Council?**

- A. The provision of services to support Community Councils will transfer as part of the proposals.

**Q31 Will there be opportunities within East Ayrshire Leisure Trust and will employees be given support to be suitable for these opportunities?**

- A. All staff will be offered personal development opportunities as part of the annual review process. If employees show a particular interest in new opportunities that may be developed as part of the transfer of services, opportunities for skills development will be considered.

**Q32 Is there a likelihood that pay will be affected for East Ayrshire Council employees as part of the transfer?**

- A. East Ayrshire Leisure Trust has the same pay and grading structure as East Ayrshire Council.

**Q33 Will all services transition on to East Ayrshire Leisure Trust's booking system?**

- A. A Working Group has been established to consider this proposal.

**Q34 After transfer, is it likely that East Ayrshire Leisure Trust will sub contract services to third party to deliver on their behalf?**

- A. No. East Ayrshire Leisure Trust will deliver all services directly and will work with key local, regional and national partners to enhance services and ensure that there is no duplication.

**Q35 Will all staff who are transferring receive a new e-mail address?**

- A. Yes. There is currently a working group who is specifically looking at this transition.

**Q36 How will we ensure that East Ayrshire Council and other local stakeholders still value the services?**

- A. East Ayrshire Council and East Ayrshire Leisure Trust have a very strong working relationship and partnership that will continue. A robust communication and engagement plan will also be developed to ensure that the profile of services is high. East Ayrshire Leisure Trust also intends to work with all staff teams, existing and

transferring to develop a new Strategic Plan that will ensure that key stakeholders are aware of the services and their value.

**Q37 Will employees still have access to Glow and other role specific IT systems if the transfer goes ahead?**

- A. This is currently being investigated, but it is envisaged that where the systems is essential to deliver the role, access will continue if the transfer goes ahead.

**Q38 Will our current structures change?**

- A. There are no immediate plans to change structures. However, as the organisations/departments become fully integrated into one organisation, there will be a need to carry out a remodeling exercise, which may lead to a change in structures and job roles. This will be done in consultation with all employees and any changes in role will be subject to job evaluation. There will also be a stakeholder engagement roadshow to support any potential remodeling.

**Q39 In the new organisation, will there be more opportunities for jobs?**

- A. The establishment of a trading subsidiary may provide additional opportunities through the creation of new posts

**Q40 Will there be an introduction of fees and charges where these currently don't apply?**

- A. There will be a working group set up to look at fees and charges across all services areas. However, the commitment is to provide services that are either free or affordable, but are inclusive for all.

**Q41 How will the trading subsidiary work?**

- A. The trading subsidiary will be established to allow the organisation to undertake income generation that is secondary for the purposes of the charity. East Ayrshire Leisure is not currently in a position to do this to a great extent. Any profits generated through the trading subsidiary will be reinvested into the charity through gift aid.

**Q42 Will we still have to pay the current letting charges or will we be able to use EAL facilities for free?**

- A. East Ayrshire Leisure does not operate an internal recharging policy. Therefore, services that transfer to the Trust will not be charged for using facilities. There is a working group that has been set up to particularly look at finance. Budgets that have been used for paying letting charges may be realigned to offset income targets.

**Q43 For instrumental music tuition, how will the separation of SQA and pre-S3 work?**

- A. It is not envisaged that there will be any change to the existing arrangements for tuition. The Service Level Agreement between East Ayrshire Council and East Ayrshire Leisure will define the arrangements for pre S3 and SQA tuition.

**Q44 Is free tuition protected for S3+ taking SQA? What about those who are not preparing for SQA music? Is pre S3 music not protected from charging and future cuts via the Trust as it isn't deemed statutory by EAC?**

- A. There are no plans to charge for tuition within schools

**Q45 Will SQA be deemed as a priority for tuition?**

- A. There are no plans to introduce a two tier tuition model which separates SQA from non SQA tuition

**Q46 Is it understood by decision makers that everything pre S3 leads to learners taking SQA in the first place? Learners cannot simply pick up an instrument and reach SQA level in a year or so without the necessary tuition in the early stages and all the experiences that provides**

- A It is not envisaged that there will be any change to the existing arrangements for tuition to young people pre or post S3. Young people would still have Music on their school curriculum and be exposed to music classes and access to tuition if required.

**Q47 Some of the information within the June 24 Council report was inaccurate and misleading, particularly as it referred to RSNO, Royal Scottish Conservatoire and the ambitions for the Grand Hall. Will this be corrected in future reports?**

- A This information was in reference to East Ayrshire Leisure's current working relationships and future ambitions for music.

**Q48 Is there a middle ground for IMS? Can the staff who focus on curricular activity stay with EAC and the non-curricular staff transfer?**

- A This approach would continue to put the service at risk and would not offer the sustainability set out in the proposal.

**Q49 How can the budget be protected with EALT and not EAC?**

- A If the service and budget remains within EAC, it will be reviewed in the wider cuts that Education need to make over the next 2 years. EALT's management fee will reduce, providing EAC with savings. However, EALT has the opportunity to generate income to subsidise services that EAC doesn't.

**Q50 Is the budget provided by the Scottish Government come for music tuition because they are within an education service?**

A No

**Q51 Will EALT be able to recruit skilled tutors when they are not an education service?**

A EALT has a robust recruitment process that ensures recruitment of talented and skilled employees across all of its remit

**Q52 There will be a perception that the IMS is less valuable as it is not within education. How will this be managed?**

A There will be a seamless transfer of services with no impact on young people.

**Q53 Will EAC internal vacancies be open to transferring employees to allow wider access to job opportunities?**

A Any transferring employees will have the opportunity to apply for any positions within the EAC vacancy list for a 3 month period after the date of transfer.

**Q54 Will transferring employees retain their redeployment rights?**

A East Ayrshire Leisure Trust has the same redeployment policy as East Ayrshire Council. East Ayrshire Council has confirmed that anyone on a fixed term contract will have access to both East Ayrshire Council and East Ayrshire Leisure Trust's redeployment registers.

It should be noted that compulsory redundancies are not envisaged as part of the proposals. Therefore, this should not apply to employees on a permanent contract.

**Q55 What happens if the transfer doesn't go ahead?**

A If the proposals are not approved, East Ayrshire Leisure Trust will continue to implement their growth plan with the establishment of the trading subsidiary; The Kilmarnock Leisure Centre Trust will continue to operate the Galleon Leisure Centre and East Ayrshire Council employees will remain in the Council.

**Q56 Are the vehicles and equipment that we need to do our jobs transferring too?**

A Yes

**Q57 Are the budgets that we need to do our jobs transferring too?**

A Yes

**Q58 Will my continuous service that has been built up with EAC, be recognised by other local authorities if I transfer to EAL?**

- A The Leisure Trust has made a formal application to the Department of Communities and Local Government that the Redundancy Payments (Continuity of Employment in Local Government etc.) (Modification) Order is amended. What that means for employees is that continuity of service should be recognised as continuous service if East Ayrshire Leisure employees' commence employment with another local government employer.

**Q59 Has there been an EQIA?**

- A The proposals align with EAC's legal responsibilities to promote equality and ensure equity and fairness, as set out in the Equality Act 2010 (Scotland), as well as responsibilities under the Fairer Scotland Duty 2018 to contribute towards a fairer Scotland.

An Equality Impact Assessment has been carried out following comprehensive engagement with staff, Joint Trade Union Members and Elected Members.

**Q60 Will we still be aligned to East Ayrshire Council's Strategic Plans and be able to work with Council departments?**

- A East Ayrshire Leisure already delivers various EAC priorities on the Council's behalf, particularly where they are aligned to the Community Plan. This will continue for any services that transfer to the Trust and will be reflected within the Service Level Agreement.

East Ayrshire Council and East Ayrshire Leisure have a close partnership with strong working relationships between departments and colleagues.

**Q61 Will we compete for funds with community groups?**

- A No





# **VAT and tax review of charity income and trading subsidiary requirements**

East Ayrshire Leisure Trust

September 2024



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## Scope of advice

We have been engaged to review the income streams of East Ayrshire Leisure Trust (“EALT” or “the Charity”) and consider whether profits arising from any of these activities are subject to corporation tax under Part 11 of the Corporation Tax Act 2010. We will also agreed provide advice on which activities could be transferred to a new trading subsidiary, explain how this subsidiary company can minimise its tax liability (including the operation of gift aiding profits), and how the charity and subsidiary would interact.

We agreed to comment on the corporation tax and VAT implications of the Trust charging management fees/other recharges to the new subsidiary company, as well as any tax implications of the Trust providing loan finance to the subsidiary.

We will consider the impact of transferring certain activities into a subsidiary company and how this might affect the charities current VAT position. We will also comment on the subsidiary company's requirement to register for VAT, the expected VAT recovery position and whether a VAT group should be introduced.

Our advice will not extend to the company or charity law implications of the subsidiary, and how this should be executed from a legal point of view. A lawyer should be engaged to assist with the legal aspects.

# Scope of advice

## Confidentiality

Our report is addressed to East Ayrshire Leisure Trust and is intended for their sole use. The report should not be reproduced, in whole or in part, without obtaining the prior written consent of Azets. The report should not be relied upon for any other purpose except those identified in our engagement letter of 16 July 2024. Azets accepts no duty of care to any third party in connection with this report.

## Verification of Information

This report is based on information that you have provided to us. Please review the information contained in the report carefully and if you have any additional information that you consider may be relevant or which has changed (or is likely to change) from that detailed in the report, please advise us so that we can consider our advice in light of this.

## Limitations

This document has been prepared on the basis of tax law, regulations, judicial interpretations and HM Revenue and Customs (HMRC) practice at the time of writing. We will not update or revise this document to take account of any change in tax law or HMRC practice in the future, unless we are specifically asked to do so.

The document reflects our analysis of the current UK practice and our interpretations of the applicable laws and regulation in force at the date of the report. UK tax legislation is circumscribed by anti-avoidance rules and jurisprudence, and sometimes such legislation can be introduced with retrospective effect. Consequently, our views are not binding on any of the tax authorities and there can be no assurance that they will not take a position contrary to our comments and analysis.

# Executive summary

## Corporation tax

- The majority of the income streams have been identified as meeting the primary purpose objectives of EALT and are therefore exempt charitable trades. Profits arising from these trades are not subject to corporation tax and can remain within EALT. In order to assess the tax status of the activities, we reviewed the income streams in detail.
- We have identified six activities which do not meet the primary purpose objectives of the East Ayrshire Leisure Trust, and therefore do not qualify as exempt charitable trades, as follows:
  - Parties and booked sessions
  - Retail
  - Consultancy services
  - Hospitality
  - Facility hire
  - Treehouse residential
- Any profits from non-charitable trading activities are liable to corporation tax if carried on by EALT. If a non-charitable trading activity gives rise to a trading loss, HMRC would view the charity's funds as being used to support a loss-making trade, therefore a corporation tax liability may arise as some of the charity's income would cease to be exempt from tax. It would therefore be recommended that these activities are carried out by a trading subsidiary from a corporation tax perspective.
- It is advisable that properties be retained by EALT, and use of these by the trading subsidiary should result in rent being charged. Rental income received by EALT will be exempt from corporation tax provided it is used for charitable purposes. Rent should be charged at market rates.
- Management charges and recharges should be applied to the trading subsidiary when it used services or assets owned by the charity. These should be calculated only to cover costs, without markup, to avoid potential tax charges.

## Executive summary – Cont'd

### VAT

- If a subsidiary is formed the value of income received from activities that are deemed not be primary purpose will likely exceed the compulsory VAT registration threshold, as such the subsidiary will be required to register for VAT.
- The subsidiary could elect to register for VAT in its own right and separate from EALT, if this were to happen it is estimated that EALT's ability to recover VAT on general overhead costs will fall from c.83% to c.78%
- If EALT introduces a subsidiary we would recommend it forms a VAT group, the effect of which will:
  - Remove the requirement to charge VAT on the transfer of non-primary purpose activities (so long as the VAT group is formed ahead of the transfer)
  - Remove the requirement to charge VAT on any future supplies between VAT group members
  - Reduce compliance activity/cost, as a VAT group only has to file a single VAT return per quarter.
  - Allow EALT to maintain the recovery of VAT incurred on its general overhead costs at c.83%

### Observations

During our review of income and its current classification for VAT purposes, we identified that some of the income recorded under the activities below may not be recorded in line with current VAT guidance. As this was not part of the scope of work, we have not investigated it any further.

## Executive summary – Cont'd

### VAT

#### Observations

We recommend EALT reviews this income to ensure it has been recorded correctly (for VAT) and reduce the opportunity for any potential challenge from HMRC:

- Ticket income
- Residential centre
- Supervised Children's activities/Youth Theatre and Young Naturalists Club

For the avoidance of doubt the VAT treatment of these activities does not impact on our findings and conclusions with respect to whether EALT should introduce a subsidiary.

We would be happy to discuss our thoughts on the VAT treatment of this income with EALT.

# Background

- East Ayrshire Leisure Trust Limited is a Scottish Charitable Incorporated Organisation (SCIO).
- The objectives of East Ayrshire Leisure Trust, as set out in the Articles of Association, are to:
  - To deliver inclusive, sustainable and accessible services to enable our communities and visitors to live their best life;
  - To advance the arts, heritage, culture and science;
  - To advance public participation in sport;
  - To provide recreational facilities, and organise recreational activities with such facilities/activities being made available to members of the public at large with the object of improving their conditions of life
  - To advance education;
  - To advance health;
  - To advance citizenship and/or community development (which may include the promotion of civic responsibility, volunteering, the voluntary sector and/or the effectiveness or efficiency of charities);
  - To relieve those in need by reason of age, ill health, disability, financial hardship or other disadvantage;
  - To promote, establish, operate and/or support other similar schemes and projects which further charitable purposes.
- The charity runs a range of activities which generate income in pursuit of the above objectives.
- The UK tax legislation provides certain tax exemptions in respect of trading profits of charities. Any activities undertaken in the furtherance of the charity's objectives should not affect EALT's charitable status. We expect any activities that fall out with these objectives to be seen by HMRC as non-charitable trading activity. In such cases, the use of a subsidiary company would be advisable as this would almost certainly reduce the tax burden and, more importantly, would protect the charitable status.



# Corporate taxation of charity income

## Taxation of profitable trades

It is often assumed all income received by charities is not taxable. It is true that income such as donations, gifts, grants and income from land are not subject to corporation tax in the charity. However, when a charity carries on a trade, the tax legislation is aimed at ensuring that only “charitable trades” are exempt from tax. If a charity carries on a non-charitable trade, any profit from the trade is subject to tax in the same way as a trading profit made by any other entity.

All rental income received by a charity from land or buildings is exempt from tax provided the profits arising are applied for charitable purposes.

However, where services are provided along with the use of the land or building, such as the provision of a caretaker or catering services, the profits may amount to trading and will be taxable in the charity.

In order to qualify as an exempt “charitable trade”, a trade must fall into one of the following categories:

- Primary purpose trading – Income that arises from a trade which is “exercised in the course of carrying out a primary purpose” of the charity is exempt from tax.
- Ancillary trading – The tax exemption available for primary purpose trading extends to other trading which is not overtly primary purpose in nature, but which is ancillary to carrying on the primary purpose (for example the sale of food and drink to visitors of an art exhibition). The income therefore forms part of the primary purpose trade.
- Trades carried out by the beneficiaries – Trades where the work is mainly carried out by the beneficiaries of a charity will qualify for exemption as charitable trades (for example a charity which helps Armed Forces pensioners, may operate a café which is staffed mainly by the pensioners).
- Small-scale’ trades – If a non charitable trade carried on by a charity has a turnover of less than £80,000 and the gross annual income of the charity exceeds £320,000, the profits from the trade will be exempt. If the gross annual income is less than £320,000 but more than £32,000, trading profits will be exempt if they equate to less than 25% of turnover.

# Corporate taxation of charity income – Cont'd

## Taxation of profitable trades

- Small-scale' trades – If a non charitable trade carried on by a charity has a turnover of less than £80,000 and the gross annual income of the charity exceeds £320,000, the profits from the trade will be exempt. If the gross annual income is less than £320,000 but more than £32,000, trading profits will be exempt if they equate to less than 25% of turnover.

If a trade is partly “primary purpose” and partly not “primary purpose”, the two parts of the trade are each to be treated as separate trades. These provisions may mean that the non-primary purpose part of a trade may nevertheless qualify for exemption from tax if it falls within the exemption for small-scale trades once it is segregated from the other part of the trade which is already exempt.

If a trade is not a charitable trade, and the income breaches the small scale trading exemption corporation tax may be payable (currently at a rate of between 19% and 25%). To prevent tax leakage a trading subsidiary can be used to carry on the trade. The subsidiary company will not itself be a charity, and its profits will be chargeable to corporation tax. However, profits can be donated to the charity thus reducing the company's taxable profits to nil. Therefore, because the donation is exempt in the charity, no corporation tax is payable by either party. This “trading subsidiary” structure is commonly used by charities to shelter from tax any profits arising from trades which are not charitable trades.

There may also be non-tax reasons for putting such a structure in place, if for example the trading activity is one which the trustees of the charity may feel the charity itself is not permitted to carry on under the terms of its Memorandum or other constituting documents.

## Taxation of loss-making trades

We understand it is the intention of EALT for its non-charitable trading activities to be profit making in the long run, however there may initially be losses whilst these activities are established.

If a charity operates a loss-making trade which is not a charitable trade, this can have serious consequences for corporation tax purposes. If a charitable trade makes losses, there is no tax problem. However, the tax treatment of non-charitable trading losses is more problematic as the legislation defines losses made through non-charitable trading activities as non-charitable expenditure by the charity. This can mean that the charity's tax exemptions are at risk and a tax liability may arise.

# Corporate taxation of charity income – Cont'd

## Taxation of loss-making trades

Where a charity incurs non-charitable expenditure, it has the following impact:

- Charitable tax exemptions otherwise available in respect of the charitable trading income are restricted.
- The restriction removes the exemption from this charitable income so that it becomes chargeable to tax. This is referred to as “deemed income” and is chargeable to tax.

## Tax relief for losses from non-charitable trading

In certain circumstances, HMRC will accept that a loss arising from non-charitable trading may be offset against the “deemed income” it creates in the charity. Utilising the loss against deemed income should reduce the chargeable deemed income and taxation liability to nil. However, this only applies if:

- The non-charitable trade is itself carried out on a commercial basis with a view to making a profit. If the non-charitable trade loss does not pass this test it is seen to be an “uncommercial” loss and under tax legislation cannot be offset against other income of the same period.

# Income analysis for corporation tax purposes

As already noted, in order for a trade to be a 'charitable trade' in terms of the tax legislation, it must be:

- A primary purpose trade; or
- Ancillary to the primary purpose; or
- A trade where the work is mainly carried out by beneficiaries; or
- A 'small-scale' trade

## Primary purpose trades

The full definition of this category of charitable trade, is a trade which is "exercised in the course of carrying out a primary purpose" of the charity.

If it could be shown that any of the activities were undertaken "in the course of carrying out" the charitable objectives of EALT, then the trades in question should be primary purpose trades, whose profits would be exempt from corporation tax and whose losses would not be non-charitable expenditure.

We have reviewed all income streams of EALT and have considered whether each activity is a charitable trade of the charity on the next page.

## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
School programmes	Any activity delivered as part of the school curriculum	Running school programmes as part of the education of the local community meets the primary purpose objective of the charity and is therefore exempt.  <b>EXEMPT</b>
Children and young people's programmes	Out of school programme including coaching, youth theatre, book and nature clubs, school holiday programme, swimming and music lessons etc.	Providing programmes for children and young people meets the primary purpose objective of the charity and is therefore exempt.  <b>EXEMPT</b>
Leadership programmes	Duke of Edinburgh, John Muir Award, Leadership Academy, Events Academy, Junior Sports Council, Young People's Cabinet, Youth Board, Youth forums, youth awards	Running leadership programmes as part of advancing citizenship and community development meets the primary purpose objective of the charity and is therefore exempt.  <b>EXEMPT</b>

## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
Wellbeing programmes	Including exercise on referral, natural health, walking clubs, adult literacy, art therapy, walking football, digital inclusion etc.	The wellbeing programmes provide recreational activities ranging from art classes to sports activities, promoting both physical and mental wellbeing, meeting the primary purpose objective of the charity. <b>EXEMPT</b>
Community development	Community grants, community councils, community led action plans, community capacity building	Community development is one of the core values of EALT. The various community projects provided and supported meet the primary purpose objective of the charity and is therefore exempt. <b>EXEMPT</b>
Memberships	Gym, fitness classes and performing arts	The provision of gym, fitness and arts classes contribute to the delivery of EALT's objective to encourage public participation in both sports and the arts. Therefore, these activities meet the primary purpose objective of the charity. <b>EXEMPT</b>
Play facilities	Soft play, climbing walls, adventure play where chargeable	The provision of recreational facilities to the community meets the primary purpose objective of the charity. <b>EXEMPT</b>

## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
Parties and booked sessions	Children's birthday parties, fun days etc. including hall hire, staff, supplies and food packages	<p>Income derived from an interest or right over land is exempt from corporation tax in the hands of the charity provided the income is applied for charitable purposes.</p> <p>Where additional services are provided the income received then becomes taxable, additional services often includes hire of staff/equipment, provision of catering or cleaning services.</p> <p>We understand party equipment and supplies, extra staff and catering packages will be provided and therefore this activity will be taxable.</p> <p><b>TAXABLE</b></p>
Lifeskills	Volunteering, apprenticeships, placements, internships	<p>The provision of lifeskills training exemplifies the charities commitment to providing education and developing the community, meeting the primary purpose objective of the charity</p> <p><b>EXEMPT</b></p>
Sports Development	Sporting pathways, Sports Council, community sports hubs and partnerships, competitive calendar, talented athletes	<p>Providing sporting activities is one the primary objectives of EALT and helps to encourage the community to participate in recreational sport. Therefore this meets the primary purpose objective of the charity.</p> <p><b>EXEMPT</b></p>

## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
Hospitality	Cafes, bars, catering. Includes head office canteen (which staff pay to use).	<p>Cafes are open to the general public. Currently there are bars in some venues that are only available during theatre shows for visitors who have bought tickets. We understand this is likely to change going forward and some of the bars are intended to be open to the general public.</p> <p><u>If the cafes/bars are open to the general public</u></p> <p>Hospitality itself is not a charitable activity. If the cafes and bars are open to the general public (rather than solely patrons of the charity), any income received would be taxable.</p> <p><b>TAXABLE</b></p> <p><u>If the cafes/bars are open only to theatre goers/users of charitable activities</u></p> <p>If the income derived from the cafes and bars is used to support the charity, the income would be deemed to be ancillary to the primary purpose of the charity and therefore exempt.</p> <p><b>ANCILLIARY EXEMPT</b></p>



## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
Community events	Playday, danger detectives, walking festivals, Christmas festival etc.	Community recreational events available to the public at large meets the primary purpose objective of the charity. <b>EXEMPT</b>
Retail	Gift shops, on-line sales, vending, wood products.	Where goods are bought new and subsequently resold, this is classed as a trade that is separate from the primary purpose of the charity. If the goods were donated and then resold, this would be exempt.  However, we understand that supplies are bought new for resale therefore any income received would be taxable. <b>TAXABLE</b>
Ticket sales	Golf course pay as you go and season ticket, performing arts	Tickets are for recreational art and sporting activities, the encouragement of which are part of EALT's core objectives. As this meets the primary purpose of the charity, the income will be exempt. <b>EXEMPT</b>
Hire of equipment	Hire of equipment such as inflatables, marquees, music systems.	The hiring out of equipment is an example of the charity's commitment to providing recreational facilities to the community. As this meets the primary purpose of the charity, the income will be exempt. <b>EXEMPT</b>

## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
Livestock sales	Urban farm and rare breeds breeding programme	<p>The charity's livestock programme provides members of the community the opportunity to learn more about animals and agriculture, and promote science. As this meets the primary purpose of the charity with the objective to advance education, the income will be exempt.</p> <p><b>EXEMPT</b></p>
Treehouse residential	Main use is by school and community groups with very limited private bookings	<p><u>For community groups and schools</u></p> <p>Income derived from an interest or right over land is exempt from corporation tax in the hands of the charity provided the income is applied for charitable purposes. Any income received from school or any community groups will therefore be exempt.</p> <p><b>EXEMPT</b></p> <p><u>For private bookings</u></p> <p>Residential spaces let to private companies is a trading activity for corporation tax purposes. Income received will therefore be taxable.</p> <p><b>TAXABLE</b></p>

## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
Facility hire	Halls, conference rooms, physio rooms, squash courts, meeting rooms.	<p>Income derived from an interest or right over land is exempt from corporation tax in the hands of the charity provided the income is applied for charitable purposes.</p> <p><u>Non-charitable facilities (halls, conference rooms, etc)</u></p> <p>As part of hall hire the charity sometimes provide catering/bar access as part of the cost to the customer (e.g. for weddings).</p> <p>Where additional services are provided the rent received then becomes taxable, additional services often includes hire of staff/equipment, provision of catering services. Therefore, where equipment and additional services (such as catering) are provided this activity will be taxable.</p> <p><b>TAXABLE</b></p> <p><u>Charitable facilities (sports halls, squash courts, etc.)</u></p> <p>Income generated from hiring out facilities related to the charity's objectives, such as sports halls and squash courts, will be exempt from corporation tax as this meets the charity's purpose.</p> <p><b>EXEMPT</b></p>

## Income analysis for corporation tax purposes – Cont'd

Activity	Description	Corporation tax status
Strategic events	Large scale chargeable events. Ticketed large events, such as Halloween and Christmas events.	<p>Many charities run various fundraising events throughout the year. These activities become taxable where the charity has held 15 or more of the same type of event in the financial year in the same location. If a charity runs 15 or more events in the year which are different in nature at various locations then this income is exempt.</p> <p>At the moment EALT engage third parties to run these events, however going forward the charity is considering managing and running these inhouse.</p> <p>To qualify as a fundraising event it must be 'clearly organised and promoted primarily to raise money for the benefit of the charity' and marketing material should make this clear. On the basis that this is done, income received will be exempt.</p> <p>Small scale events, where the income does not exceed a £1,000 per week are exempt. For example, running a weekly coffee morning in the local town hall.</p> <p><b>EXEMPT</b></p>
Consultancy Services	Undertaking feasibility surveys and preparing strategy documents for third party organisations	<p>Consultancy services provided to third parties constitute a trade that is not in line with the primary purpose of the charity, and therefore any income from this source will be taxable.</p> <p><b>TAXABLE</b></p>

## VAT: Income and activities

We have reviewed EALT's activities as outlined in the 'EALT Income 2023-24' Excel sheet provided. Our findings and observations are based on the communications we have had with EALT staff. We have not reviewed any contracts or agreements associated with the activities outlined below.

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Catering Income	Supplies of catering in Cafes at EALT sites	£226,453.63	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Bar Income	Supplies of drinks in Bars at EALT venues	£121,401.62	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Vending Income	Supplies of food and drink through Vending machines at EALT sites	£1,398.02	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Staff Hire	Supplies of additional specialist EALT staff required to support venue hire (i.e., light or sound tech)	£16,118.88	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Meeting Room Hire	Supplies of access/hire of meeting rooms	£4,760.75	Exempt	Exempt	We are satisfied EALT is treating this income correctly on the basis that it has not opted to tax its interest in any land or property. Please See VAT Appendix 1.1 for further details on Property/Room Hire.
Indoor Hire Sports Hall	Supplies of access/hire of Indoor Sports facilities	£37,682.11	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Indoor Hire Sports Hall (Block)	Supplies of block booking for access/hire indoor Sports facilities	£118,237.24	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Outdoor Facility Hire	Supplies of access/hire of Outdoor Sports facilities	£4,150.00	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Ticket Sales	Income from the sale of tickets for own productions/Co-production ticket income/Pay and play green fees for golf	£453,687.39	Exempt	Exempt/Standard Rated	Please see below our comments on Ticket Income.
Events Income	Entry fees for running events.	£14,671.06	Exempt	Standard Rated	HMRC Guidance VAT Notice 701/1 5.9.3 confirms where a charity requires a registration/entry fees to an event, this income will be standard rated.
Residential Centre	Supplies of Serviced accommodation - Main use is by school and community groups with very limited private bookings/ Catered or self-catered use available with staff onsite to look after property.	£10,180.00	Exempt	Standard Rated	Please see below our comments on the Residential Centre.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
PRS Income	Performance rights charge linked to hall/room hire by 3rd parties who use music for their activities/classes	£6,249.04	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Public Swimming	Supply of PAYG access to EAL's Swimming pools	£10,852.23	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Parties	Supplies of Children's birthday parties, fun days etc. including hall hire, staff, supplies and food packages	£17,478.07	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Supervised Children's Activities	Supplies of Children's sessions such as "mini kickers" football training/coaching session. Outdoor education "build a den" and/or fun sessions	£14,942.40	Exempt	Standard Rated/Exempt	Please see VAT Appendix 1.3 for further details on Supervised Children's Activities, and Appendix 1.4 for details on Education.



## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Fitness Classes	Exercise Classes provided by EALT	£11,893.55	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Educational Courses	Contribution from candidate towards an Aquatic Training Course	£250.00	Unconfirmed	Exempt	We would expect this type of activity to be exempt as a supply of education for VAT purposes where the conditions for VAT exemption are met. Please see VAT Appendix 1.4 for further details on Education.
Membership – Golf Season	Supplies of Individual membership for access to Golf courses	£84,622.50	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Locker Fees	Supply of lockers to individuals who are participating in sport	£1,790.00	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Football Pitch Hire	Supplies of access/hire of Football pitches	£3,722.00	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Indoor Track	Supplies of access/hire of indoor athletics facilities	£8,178.90	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Outdoor Track	Supplies of access/hire of outdoor athletics facilities	£12,257.54	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
PAYG Gym	Supplies of PAYG access to gym facilities	£7,274.80	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Sports Coaching PAYG	Supply of sports coaching to individuals by EALT	£5,062.80	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Sale of Equipment	Supplies of swimming goggles, shuttle cocks etc	£416.67	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Equipment Hire Income	Income in relation to the hiring of technical equipment for shows & events	£12,421.52	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Sale of Merchandise	Supplies of wands, stars and merchandise for shows etc sold at events	£22,207.74	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Booking Fees	Charge added to ticket transactions when booking	£16,468.00	Follows liability of the ticket purchased	Standard Rated/Exempt	Please see below our comments on Booking fees.
Events Hire Income	Income in relation to the hire of theatre by third party with specialist equipment and staff	£45,953.70	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.1 for further details on Property/Room Hire.
Personal Training	Supplies of personal training by EALT staff to public/members	£88.00	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
YT Subscriptions	Income related to membership of EALT youth theatre	£13,707.55	Exempt	Standard Rated/Exempt	Please see our comments below on Youth Clubs.
Park Products	Supplies of merchandise from park (i.e., logs)	£7,980.00	Outside the Scope	Standard Rated/Reduced Rated	Where ready cut pieces of wood of a suitable size used for fuel is held out for sale as firewood, this can be sold at the reduced rate.
Livestock Sales	Supplies of livestock from the Urban farm and rare breeds breeding programme	£1,300.00	Zero-Rated	Zero-Rated	We are satisfied EALT is treating this income correctly.
Young Naturalist Club	Supplies of membership to nature club for young people	£1,269.06	Exempt	Exempt	Please see our comments below on Youth Clubs.
Ranger Service	Supplies of a guide for the park or activities provided by EALT ranger	£2,132.00	Exempt	Standard Rated/Exempt	Please see VAT Appendix 1.3 for further details on Supervised Children's Activities, and Appendix 1.4 for details on Education.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Property Rental Income	Supply of the lease of/part of a commercial property	£15,516.62	Exempt	Exempt	We are satisfied EALT is treating this income correctly on the basis that it has not opted to tax its interest in any land or property. Please See VAT Appendix 1.1 for further details on Property/Room Hire.
Professional services Income	Supplies of undertaking feasibility surveys and preparing strategy documents for third party organisations in the UK.	£1,666.68	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Cloakroom Charges	Supplies of cloakroom at theatre	£1.67	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Membership – Active Corporate	Supplies of Gym/Pool membership. Corporate membership a discounted membership for individuals associated with relevant bodies	£35,369.00	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Membership – Track	Supply of Sports membership.	£18,020.75	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Membership – Active Staff	Supply of Gym membership.	£38,711.02	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Membership – Active Junior	Supply of Gym membership.	£748.23	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Membership – Active Youth	Supply of Gym membership.	£27,754.31	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Membership – Active Plus	Supply of Gym membership.	£149,527.67	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Membership – Active Swim	Supply of Pool membership.	£10,689.44	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Membership – Active Lifestyle	Supply of Gym membership.	£45,032.57	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Sports Coaching Athletics Membership	Supply of Coaching Membership for Athletics club	£19,531.15	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Community Space	Supplies predominantly of room hire, with some other activities such as Playday, danger detectives, walking festivals, Christmas festival etc.	£155,409.99	Exempt	Exempt/Standard Rated	Activity based supplies could be standard rated.  We are satisfied EALT is treating the rental income correctly on the basis that it has not opted to tax its interest in any land or property. Please see VAT Appendix 1.1 for further details on Property/Room Hire.
Pool Hire (BLOCK)	Supplies of block booking for access/hire of swimming pools	£11,180.25	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Pool Hire (PAYG)	Supplies of access/hire of swimming pools	£429.40	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Swimming Lesson Membership	Supplies of block swimming lessons	£91,577.21	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Swimming Lesson Private	Supplies of swimming lessons	£6,491.25	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Swimming Lesson Holidays	Supplies of swimming lessons	£2,349.25	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Rookie Lifeguard	Income related to training provided to children on pool safety.	£1,825.00	Exempt	Standard Rated/Exempt	Please see VAT Appendix 1.3 for further details on Supervised Children's Activities, and Appendix 1.4 for details on Education.



## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
SGP Block	Supplies of access/hire of Football pitches	£173,885.02	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
SGP Weekend	Supplies of access/hire of Football pitches	£46,928.35	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
SGP PAYG	Supplies of access/hire of Football pitches	£19,728.10	Exempt	Exempt	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.2 for further details on Sports and Facility Hire.
Other Partner Contributions	Matched funding from unconnected third parties. EALT does not supply anything in return.	£887,350.26	Outside the Scope	Outside the Scope	We are satisfied EALT is treating this income correctly.
Grants Income	Grant income from third party.	£677,841.78	Outside the Scope	Outside the Scope	Where a payment has been made without the expectation of anything in return, this can be treated as outside the scope for VAT purposes.

## VAT: Income and activities – Cont'd

Activity	Description	Value	EAL VAT Treatment	HMRC VAT Treatment	Comments
Sponsorship Income	Income received from third party sponsors	£3,466.68	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
Unspecified Donations	Third party donations	£11,472.72	Outside the Scope	Outside the Scope	We are satisfied EALT is treating this income correctly. Please See VAT Appendix 1.5 for further details on Donations
Other Fees and Charges	Charges made to council on costs incurred by NHS occupancy of Crosshouse site and Young people admission to Active Club	£217,282.12	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.
MGT Fee Income	Management Fees received from East Ayrshire council for EAL's supplies	£5,827,870.00	Standard Rated	Standard Rated	We are satisfied EALT is treating this income correctly.

## VAT: Income and activities – Cont'd

### Ticket income

We understand that EALT currently treats all ticket income received as exempt for VAT purposes. This includes EALT's own Theatre ticket income, co-productions income, 3<sup>rd</sup> party production income and walk on green fees for golf.

The VAT liability of income generated from ticket sales in relation to cultural events and/or performances depends on whether the organisation collecting the ticket income is acting as Principal (effectively selling the tickets) or receives commission as an Agent.

Ticket income received as Principal will be standard rated, unless the organisation is culturally exempt\*. Where cultural exemption applies all ticket income received as Principal would be exempt for VAT purposes

Commission/income received as an agent will be standard rated.

\*A culturally exempt organisation is one which applies all profit made from exempt admission fees to the continuance or improvement of its facilities, and is managed and administered on an essentially voluntary basis by people who have no direct or indirect financial interest in the activities of the organisation.

On the above basis, we believe that EALT's ticket income needs further analysis to determine the VAT liability of the supplies. It was not clear based on our conversations with EALT staff as to whether EALT is culturally exempt for VAT purposes. This does not impact our conclusions or recommendations in relation to the subsidiary company, however, additional analysis may be required to determine the VAT liability of the cultural income.

### Youth clubs

EALT provides non-sporting youth activities through two clubs: Youth Theatre and the Young Naturalist Club. Membership income for each club is treated as Exempt for VAT purposes by EALT.

## VAT: Income and activities – Cont'd

Normally, subscription to a youth club will be liable for VAT at the standard rate unless all of the following conditions are met:

- its members are mainly under 21 years of age
- it has been established to promote the social, physical, educational or spiritual development of its members
- it provides a range of activities
- it has its own constitution
- it is able to produce its own accounts
- it cannot and does not distribute any profit
- it applies any profit made to provide or enhance the service to its members
- A youth club must not use any of its income to subsidise any outside activity

It is unclear from the information provided whether the above conditions have been met by EALT. We would be happy to discuss this with EALT staff.

### Booking fees

Where booking fees are applied to transactions (such as ticket bookings), the VAT liability will be dependent on whether HMRC would consider the fees to be an administrative charge for the transaction, or a fee for a payment handling service. Where the fee is an administrative charge, the liability should follow that of the main supply being made (e.g., the ticket). However, if it is deemed to be in connection to a payment handling service, the supply will be viewed as separate from the main transaction, and treated as a VAT exempt financial service.

### Residential centre

We note that EALT provides serviced accommodation located in Dean Castle country park. This accommodation can be supplied on a catered or self-catered basis, and is primarily provided to schools and community groups with very limited private bookings. EALT currently treats this income as VAT exempt.

Where the accommodation is for long-term usage as a residential dwelling and is not intended for holiday or leisure use, the supply would be exempt for VAT purposes.

## VAT: Income and activities – Cont'd

Please note, that HMRC permitted temporary reduced rates of VAT to be charged on the provision of holiday accommodation during the following dates:

- 15<sup>th</sup> July 2020 and 30<sup>th</sup> September 2021 – 5%
- 1<sup>st</sup> October 2021 to 31<sup>st</sup> March 2022 – 12.5%

Since 1<sup>st</sup> April 2022, the letting of holiday accommodation has returned to the standard rate (20%).

We would recommend that EALT review the historic VAT treatment of this activity.

### Identification of non-primary purpose activities

In line with above comments, it is recommended for corporation tax purposes the following activities are transferred into a subsidiary company as they are not considered to be primary purpose. For VAT purposes we reviewed EALT income for 2023-24 and attempted to allocate the income streams to the non-primary purpose activities identified:

- **Retail parties**
  - Parties £17,478.07
  - Supervised children's activities £14,942.40 \*
- **Retail**
  - Sale of merchandise £22,207.74
  - Livestock sales £1,300

## VAT: Income and activities – cont'd

### Identification of non-primary purpose activities

- **Hospitality**

- Catering income £226,453.63\*
- Bar income £121,401.62\*
- Vending income £1,398.02\*

- **Facility Hire**

- Staff Hire £16,118.88
- Community space £155,409\*
- Events hire income 45,953.70

- **Consultancy**

- Professional services income £15,516.62

- **Treehouse residential**

- Residential Centre £10,180

\* We understand that not all of the income recorded against these headings/sub-headings will be non-primary purpose, depending on the nature of the activity itself (i.e. room hire only, with no staff or services) or subsequent decisions taken by EALT board/SMT following the issue of this report (for example non-patrons of leisure and culture centres can access café and bars). As such the income recorded against these headings may require an additional review once final decisions have been made around the introduction of a subsidiary.

## VAT: income and activities – cont'd

### Identification of non-primary purpose activities

In line with the income analysis above most of this income is likely be considered taxable (either standard or zero rated) for VAT purposes and as such the value of this income must be considered when determining whether the subsidiary would have a requirement to register for VAT. We have commented on this further on in this report.

## Setting up a subsidiary company

If a trading subsidiary is created to house the non-charitable trades, while this could reduce the overall tax leakage from the group, there are some practical points to consider to make sure there are no adverse tax consequences.

### Gift Aid donation of profits

A wholly owned subsidiary company could carry on the non-charitable trading activities and Gift Aid the profits to EALT at the end of the accounting period. The donation is tax-deductible in the subsidiary's hands provided it is paid to EALT **within nine months** of the company's accounting period end. The receipt is treated as donation income in the charity's hands and is exempt from tax if applied for charitable purposes.

### Financing the subsidiary

The trading company will however require working capital which the donation payment will deplete, and care will need to be taken to ensure the subsidiary has enough capital to stay in business.

We understand it is expected there may be initial shortfall while new activities get up and running but over time the subsidiary is expected to be self-sufficient and will not be funded long-term by the EALT. If any funding deficit is to be met by EALT, it will need to be able to justify that the lending of the funds is an investment objective of the charity and a loan is in the charity's best interests. OSCR and HMRC will expect a charity to be able to demonstrate the funding of a trading subsidiary is an appropriate use of the charity's resources, in the light of considerations such as the:

- investment powers of the charity
- need to diversify investments
- risk profile of the trading activity
- financial viability and business prospects of the subsidiary
- suitability of the investment



## Setting up a subsidiary company – Cont'd

### Financing the subsidiary

EALT should not provide a guarantee over its own assets. Charity law prevents a charity giving away its own assets except in the furtherance of its charitable purposes and the giving of a gratuitous guarantee could be viewed as giving away assets if the guarantee was called.

Therefore, if the charity makes a loan to the trading subsidiary, to help argue that it is for the 'benefit of the charity', it will need to be on commercial terms. A formal loan agreement would need to be in place, a commercial rate of interest charged and a fixed term of repayment agreed.

If the investment or loan by the charity was seen as non-qualifying by HMRC it would be treated as non-charitable expenditure and this would result in the tax exemption in the charity being lost up to the amount of the non-qualifying investment. (i.e. £1 of the charity's exempt income would be taxed for every £1 of non-qualifying investment).

In summary, from a corporation tax perspective carrying on the non-charitable trading activities through a newly created subsidiary for the purpose is probably the preferred option but should not be undertaken without some careful planning and further consideration of how the subsidiary would be funded both initially and longer term particularly considering the loss making non-charitable trades.

### Transferring activities to the subsidiary company

#### Corporation tax and Stamp Duty

It can become necessary for the charity to transfer certain activities to the trading subsidiary depending on the circumstances surrounding each trade. Where activities are profitable there may be assets or stock associated with the activity or trade which must be transferred to or used by the subsidiary.

Under charity law the acquisition of such assets must take place at market value, and it should be considered how the subsidiary will achieve sufficient funds. This may require additional capital investment by the charity.

## Setting up a subsidiary company – Cont'd

### Corporation tax and Stamp Duty

When assets are transferred a capital gains charge may arise although it is likely the charity exemption applies. Transfers of property could also incur a Stamp Duty Land Tax charge.

#### *Properties*

To avoid any problems arising from financing the subsidiary EALT may prefer to retain ownership of the properties used and rent them to the trading subsidiary. This would presumably result in less funding being required by the subsidiary from EALT as the subsidiary would not acquire the properties. Rent should be charge at a market rate.

Rental income derived by EALT from leasing the properties to the subsidiary would be exempt from corporation tax in EALT's hands provided the income was used for charitable purposes. It is also possible to rent only part of the properties to the trading subsidiary, such as individual rooms, as opposed to the whole property in each case.

#### *Management charges/recharges*

It is common for charities and their trading subsidiaries to operate using the shared resources, such as the same premises, staff and equipment etc. As EALT would remain in control of these facilities, it becomes necessary for the trading subsidiary to pay a fair and reasonable charge to the charity for any utilised. These management charges, or recharges, are required to take place following the arm's length principle and cover both direct and indirect costs including overheads.

It is important to ensure management charges are calculated fairly, only amounting to a reimbursement, as any profit could be regarded as taxable as non-exempt trading income. In short, HMRC will generally accept a recharge of costs without requiring a markup.

HMRC does not prescribe any specific method to allocate costs, provided there is a fair and reasonable apportionment. Nevertheless it is common for entities to recharge based on aspects such as floor area (e.g. floor area of café space in venue owned by the charity, compared to overall floor area of the property) or staff time (e.g. amount of charity staff time spent on non-charitable activities in the subsidiary). Please see **Appendix 3** for the tax implications of different cost and recharge scenarios for venues being allocated either to the charity or the trading subsidiary.

## Setting up a subsidiary company – Cont'd

### VAT registration of the subsidiary

When transferring the nominated activities to a subsidiary EALT must consider the VAT implications of the transfer and whether any VAT must be accounted for on the sale/transfer

Typically, the sale of transfer of goods and or services would be VATable and therefore the vendor (EALT) would be required to account for output VAT on the sale/transfer.

However, where certain conditions are met the sale or transfer of a business , or part of business, that can be operated in its own right, may be able to be treated as a Transfer of a Going Concern (TOGC). The consequence of a TOGC is that it is not seen as a supply for VAT purposes and as such there would be no requirement to charge or account for VAT on the sale/transfer.

HMRC guidance confirms that where the following conditions a transfer/sale is a TOGC:

- the assets, such as stock-in-trade, machinery, goodwill, premises, and fixtures and fittings, must be sold as part of the TOGC
- the buyer must intend to use the assets in carrying on the same kind of business as the seller — this does not need to be identical to that of the seller, but the buyer must be in possession of a business rather than simply a set of assets
- where the seller is a taxable person, the buyer must be a taxable person already or become one as the result of the transfer
- in respect of land or buildings which would be standard-rated if it were supplied, the buyer must notify HMRC that they have opted to tax the land by the relevant date, and must notify the seller that their option has not been disapplied by the same date
- where only part of the business is sold it must be capable of operating separately
- there must not be a series of immediately consecutive transfers of the business

## Setting up a subsidiary company – Cont'd

### VAT registration of the subsidiary

A business or organisation that makes taxable supplies of goods and or services will be required to register for VAT when its taxable turnover exceeds the VAT registration threshold (currently £90K) in any rolling 12 month period or, where it is expected that taxable turnover will exceed the threshold in the next 30 days.

The value of taxable income generated from non-primary purpose activities for the YE 2023-2024 was c.£602,500, using this value as an example of potential turnover for the subsidiary (even allowing for a reduction on this value when filtering out primary purpose income) it is very likely the subsidiary will exceed the compulsory VAT registration threshold (current £90,000).

The subsidiary could register for VAT as a standalone entity. If doing so, it will be required to account for standard rate VAT on its income. This will allow it to recover all of the VAT it incurs on expenditure associated with making wholly standard rated supplies.

However, the effect of this is that it will reduce the value of taxable income received by EALT, which in turn will likely reduce the value of VAT it will be entitled to recover on general overhead costs. We have estimated that by operating 2 separate VAT registrations this could result in the percentage of VAT that is recoverable on general overhead costs in EALT falling from c.83% to c78%. (please see appendix 2)

Alternatively, EALT could consider registering both companies within a VAT group. The members of a VAT group are regarded as a single entity for VAT purposes. The lead member of the VAT group is known as the 'representative member'. The representative member is responsible for all VAT accounting for the group which includes the completion and submission of the group's VAT return. However, all the members within the VAT group registration are jointly and severally liable for any VAT due. Any supplies made between the VAT group members are disregarded, including transfers of assets or management charges, as they are not treated as supplies for VAT purposes.

## Setting up a subsidiary company – Cont'd

### VAT registration of the subsidiary

In order to form a VAT Group certain conditions need to be met. The main condition is the 'control condition',

Two or more 'bodies corporate' are eligible to be treated as members of the same VAT group if one of the entities 'controls' each of the other entities. A company is a 'subsidiary' of another company, i.e., its 'holding company', if:

- i. the holding company holds a majority of the voting rights in it; or
- ii. the holding company is a member of it and has the right to appoint or remove a majority of its board of directors; or
- iii. the holding company is a member of it and controls alone, pursuant to an agreement with other shareholders or members, a majority of the voting rights in it; or
- iv. it is a subsidiary of a company which is itself a subsidiary of a holding company

While we understand that a subsidiary company has not been set up we understand it is likely that if EALT decides to operate a subsidiary it will likely be a company limited by shares wholly owned by EALT. If this was the case, we would expect the "control conditions" to be met and both companies would be eligible to form a VAT group. We would suggest that that EALT is the representative member.

Where a VAT group is formed any existing VAT numbers will be cancelled and replaced with a new VAT group registration number.

The obvious benefits to EALT of forming a VAT group would be it would only be required to file 1 VAT return per quarter for the VAT group. Beyond this any supplies between VAT group members can be disregarded for VAT purposes which means if the VAT group was formed prior to the transfer of non-primary purpose activities (to the subsidiary) there would be no requirement to account for VAT on the transfer or consider the TOGC rules, as the transfer should be disregarded for VAT purposes. This would also apply to any future transactions between group members for example management charges, rent etc ultimately improving cashflow

## Setting up a subsidiary company – Cont'd

### VAT registration of the subsidiary

As all VAT group member are considered a single entity for VAT purposes and all income and expenditure is reported on a single return (per quarter) it also means there would be no drop in VAT recovery for EALT on general overhead expenditure, in effect it would continue to recover c.83%.

In summary based on the reasons set out above if EALT introduces a subsidiary we would recommend form a VAT group, the effect of which will:

- Remove the requirement to charge VAT on the transfer of non-primary purpose activities
- Remove the requirement to charge VAT on any future supplies between VAT group members
- Reduce compliance, as a VAT group only has to file a single VAT return per quarter.
- Allow EALT to maintain the recovery of VAT incurred on its general overhead costs at c83%

### Other considerations

As well as the corporation tax and VAT benefits of operating certain activities through a separate company, a trading subsidiary would also not be constrained by the charity's objectives and could therefore operate on a more commercial and flexible basis to maximise profits.

The subsidiary would also be able to promote and market its successes through the media without risking the tax-exempt status of any of EALT's income, or giving rise to any suggestion the charity was carrying on an activity not in accordance with its charitable objects.

# Conclusions

## Corporation tax

We have identified a number of activities which do not meet the primary purpose objectives of EALT and therefore do not qualify as exempt charitable trades. These are as follows:

Activities to transfer to a subsidiary company	
Parties and booked sessions	Hospitality
Retail	Facility hire
Consultancy services	Treehouse residential

## Conclusions – Cont'd

### Charitable trades

We have set out below the charitable trades and other income sources which are exempt from corporation tax and could be left in the EALT.

Activities to retain in Gairloch & District Heritage Company Limited	
School programmes	Children and young people's programmes
Leadership programmes	Wellbeing programmes
Community development	Memberships
Play facilities	Lifeskills
Sports development	Community events
Strategic events	Ticket sales
Hire of equipment	

### Allocation of expenditure

In calculating the profit or loss of the non-charitable trades for tax purposes, a deduction must be made for all costs of the business (both direct and indirect). There are no formal requirements as to how a charity must allocate its costs other than that it must be on a reasonable basis.



## Conclusions – Cont'd

### VAT

If a subsidiary is formed the value of income received from activities that are deemed not be primary purpose will likely exceed the compulsory VAT registration threshold, as such the subsidiary will be required to register for VAT.

The subsidiary could elect to register for VAT in its own right and separate from EALT, if this were to happen it is estimated that EALT's ability to recover VAT on general overhead costs will fall from c.83% to c.78%

If EALT introduces a subsidiary we would recommend it forms a VAT group, the effect of which will:

- Remove the requirement to charge VAT on the transfer of non-primary purpose activities (so long as the VAT group is formed ahead of the transfer)
- Remove the requirement to charge VAT on any future supplies between VAT group members
- Reduce compliance activity/cost, as a VAT group only has to file a single VAT return per quarter.
- Allow EALT to maintain the recovery of VAT incurred on its general overhead costs at c.83%

### Observations

During our review of income and its current classification for VAT purposes, we identified that some of the income recorded under the activities below may not be recorded in line with current VAT guidance. As this was not part of the scope of work, we have not investigated it any further.

## Conclusions – Cont'd

We recommend EALT reviews this income to ensure it has been recorded correctly (for VAT) and reduce the opportunity for any potential challenge from HMRC:

- Ticket income
- Residential centre
- Supervised Children's activities/Youth Theatre and Young Naturalists Club

For the avoidance of doubt the VAT treatment of these activities does not impact on our findings and conclusions with respect to whether EALT should introduce a subsidiary.

We would be happy to discuss our thoughts on the VAT treatment of this income with EALT.

# Appendix 1 - VAT treatment overview

## Property/Room Hire

Allowing a third-party exclusive use of a room, office or area of land is exempt from VAT (subject to the option to tax).

The supply of a room with any additional services (for example catering) would mean the whole supply would be subject to standard rated VAT

## Sports and Facility Hire

The supply of sports and sports facilities by a charity to an individual, club or association for playing any sport or for taking part in any physical recreation is always exempt for VAT purposes.

This includes supplies which can be demonstrated to be closely related to the provision of sport, including:

- playing, competing, refereeing, umpiring, judging, coaching or training (but not attending as a spectator or involvement in administration)
- use of changing rooms, showers and playing equipment together with storage of equipment essential to the sporting activity
- match fees charged by an eligible body for use of the playing facilities
- mooring, hangarage and use of workshop facilities (but not the use of parts, or the services of an engineer)

The supply of sports facilities by a charity to a corporate body will usually be standard rated unless the supply is:

- For more than 24 hours or
- A series of lets (10 or more) to the same organisation and the facility has not been opted to tax.

If the above conditions are met the supply of sports facilities to a corporate body would be exempt for VAT purposes

## Appendix 1 - VAT treatment overview – Cont'd

### Supervised Children's Activities

The supervision of children is standard rated unless the service is supplied by a charity, public body or state regulated institution and the supervision is day-care, nursery or after school club (but not an activity-based club such as dance), in which case the supervision would be exempt for VAT purposes.

### Education

The supply of training by a charity (eligible body) is exempt for the purposes of VAT providing:

- The charity is precluded from distributing any profit it makes, and
- It only applies the profit it makes from the delivery of training to the improvement of training services or facilities

In practice HMRC would expect an eligible body to document that any profit would be “ring-fenced” and used only to improve and deliver future training.

### Grants/donations

Grants/Donations are outside the scope of VAT, as long as there is no expectation of goods or services being provided in return. Where the donor receives a benefit in return, the VAT liability of the income will follow the liability of the goods or services supplied.

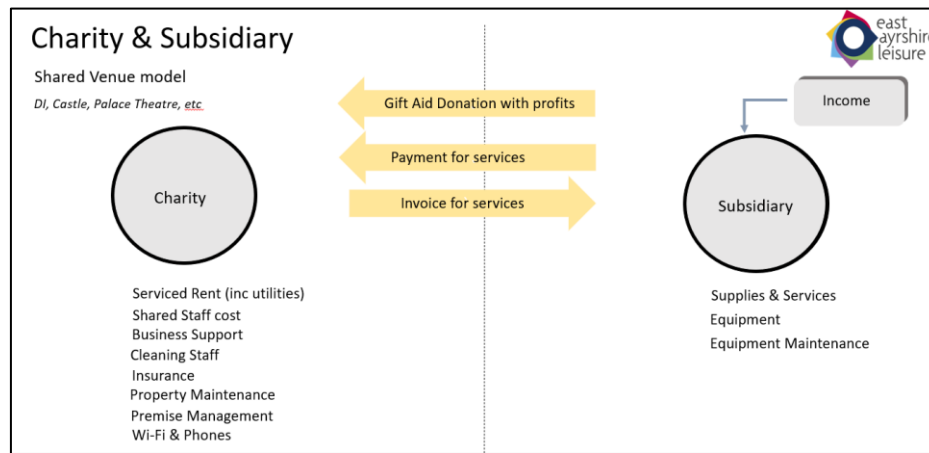
## Appendix 2 – Estimated VAT Recovery Calculation

Description	Actual
Bank Interest Received	-7,769,961.55
Catering Income	Trading income
Bar Income	Trading income
Vending Income	Trading income
Staff Hire	Trading income
Meeting Room Hire	-4,760.75
Indoor Hire Sports Hall (PAYG)	-37,682.11
Indoor Hire Sports Hall (BLOCK)	-118,237.24
Outdoor Facility Hire	-4,150.00
Ticket Sales	-453,687.39
Events Income	-14,671.06
Residential Centre	-10,180.00
PRS Income	-6,249.04
Gift Vouchers	-150
Public Swimming	-10,852.23
Parties	Trading income
Supervised Childrens Activities	Trading income
Fitness Classes	-11,893.55
Educational Courses	-250
Membership - Golf Season	-84,622.50
Locker Fees	-1,790.00
Football Pitch Hire	-3,722.00
Indoor Track	-8,178.90
Outdoor Track	-12,257.54
PAYG Gym	-7,274.80
Sports Coaching PAYG	-5,062.80
Sale of Equipment	-416.67
Equipment Hire Income	-12,421.52
Sale of Merchandise	Trading income
Booking Fees	-16,468.00
Events Hire Income	Trading income
Personal Training	-88
YT Subscriptions	-13,707.55

Park Products	-7,980.00
Livestock Sales	Trading income
Young Naturalist Club	-1,269.06
Ranger Service	-2,132.00
Property Rental Income	-15,516.62
Professional Services Income	Trading income
Cloakroom Charges	-1.67
Membership - Active Corporate	-35,369.00
Membership - Track	-18,020.75
Membership - Active Staff	-38,711.02
Membership - Active Junior	-748.23
Membership - Active Youth	-27,754.31
Membership - Active Plus	-149,527.67
Membership - Active Swim	-10,689.44
Membership- Active Lifestyle	-45,032.57
Sports Coaching Athletics Membership	-19,531.15
Community Space	-155,409.99
Pool Hire (BLOCK)	-11,180.25
Pool Hire (PAYG)	-429.4
Swimming Lesson Membership	-91,577.21
Swimming Lesson Private	-6,491.25
Swimming Lesson Holidays	-2,349.25
Rookie Lifeguard	-1,825.00
SGP Block	-173,885.02
SGP Weekend	-46,928.35
SGP PAYG	-19,728.10
Overs/Shorts	-481.79
Other Partners Contributions	
Grants Income	
Sponsorship Income	-3,466.68
Unspecified Donations	
Other Fees & Charges	-217,282.12
Mgt Fee Income	-5,827,870.00

Value of taxable	-6,055,286.18
Value of total	-7,769,961.55
PE recovery %	78%

## Appendix 3 – Cost allocation scenarios



Venue with both charitable functions and trading functions in operation (e.g. a museum with a café and gift shop)

### IF VENUE HELD IN CHARITY

#### Charity tax implications

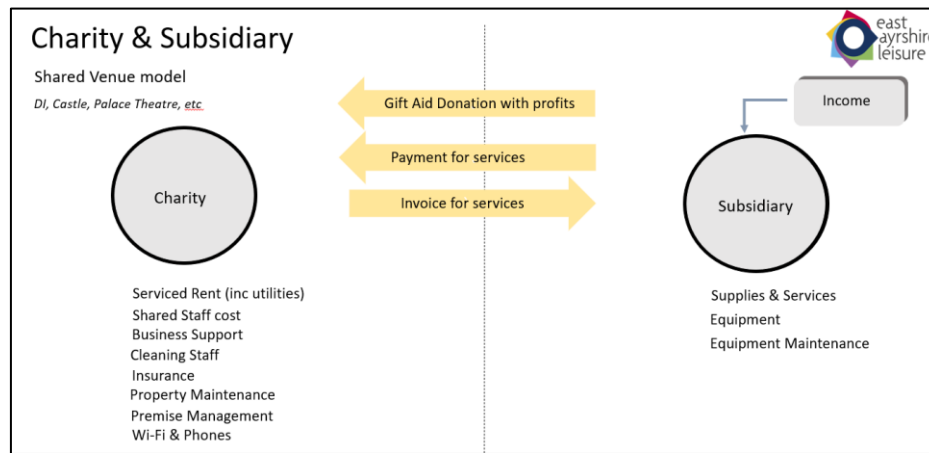
- No tax payable by charity on recharges for use of property, staff or other services (provided recharged on a just and reasonable basis)
- No tax payable by charity on gift aid donation received

#### Trading subsidiary tax implications

- Payments for services, staff and rent should be tax deductible against taxable income received
- Any remaining taxable profits can be donated up to the charity to reduce corporation tax payable, potentially to Nil

As mentioned above, HMRC does not prescribe any specific method to allocate costs, provided there is a fair and reasonable apportionment. Nevertheless it is common for entities to recharge based on aspects such as floor area (e.g. floor area of café space in venue owned by the charity, compared to overall floor area of the property) or staff time (e.g. amount of charity staff time spent on non-charitable activities in the subsidiary).

## Appendix 3 – Cost allocation scenarios



Venue with both charitable functions and trading functions in operation (e.g. a museum with a café and gift shop)

### IF VENUE HELD IN TRADING SUBSIDIARY

#### Charity tax implications

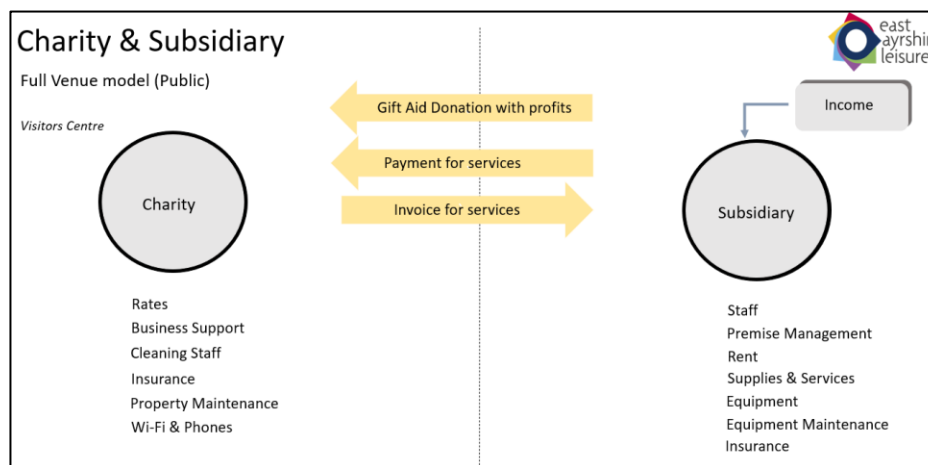
- As charity is exempt from corporation tax on charitable activities, payments made to trading subsidiary for using venue would not receive a tax deduction
- No tax payable by charity on gift aid donation received

#### Trading subsidiary tax implications

- Payments received for services, staff and rent would be taxable
- Any taxable profits can be donated up to the charity to reduce corporation tax payable, potentially to Nil

As mentioned above, HMRC does not prescribe any specific method to allocate costs, provided there is a fair and reasonable apportionment. Nevertheless it is common for entities to recharge based on aspects such as floor area (e.g. floor area of café space in venue owned by the charity, compared to overall floor area of the property) or staff time (e.g. amount of charity staff time spent on non-charitable activities in the subsidiary).

## Appendix 3 – Cost allocation scenarios



Venue with only trading functions in operation (e.g. a café or gift shop)

### IF VENUE HELD IN CHARITY

#### Charity tax implications

- No tax payable by charity on recharges for use of property, staff or other services (provided recharged on a just and reasonable basis)
- No tax payable by charity on gift aid donation received

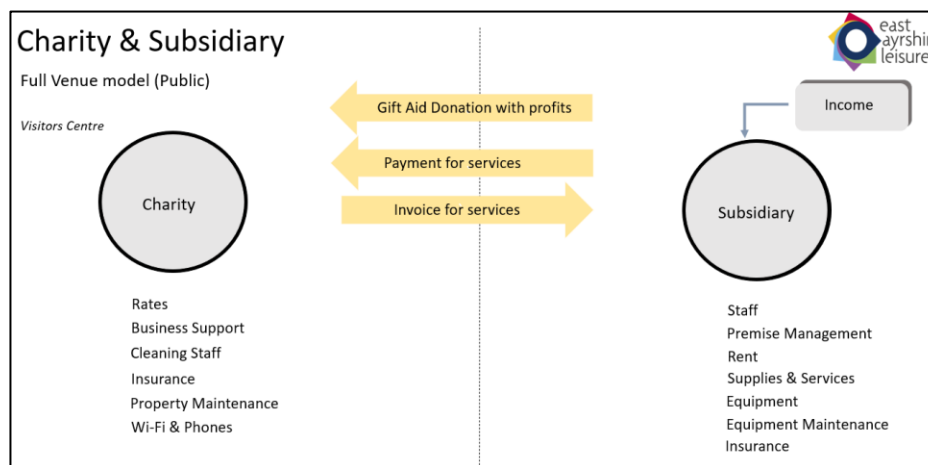
#### Trading subsidiary tax implications

- Payments for services and rent should be tax deductible against taxable income received
- Any remaining taxable profits can be donated up to the charity to reduce corporation tax payable, potentially to Nil

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## Appendix 3 – Cost allocation scenarios



Venue with only trading functions in operation (e.g. a café or gift shop)

### IF VENUE HELD IN TRADING SUBSIDIARY

#### Charity tax implications

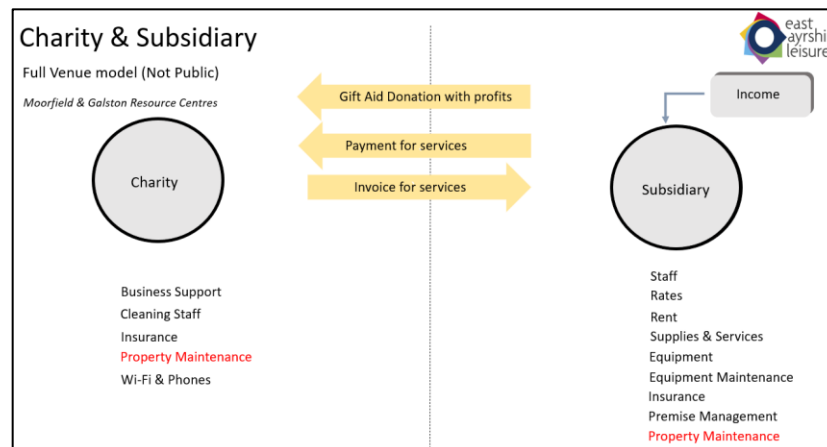
- As charity is exempt from corporation tax on charitable activities, payments made to trading subsidiary for using venue would not receive a tax deduction
- No tax payable by charity on gift aid donation received

#### Trading subsidiary tax implications

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- Any taxable profits can be donated up to the charity to reduce corporation tax payable, potentially to Nil

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## Appendix 3 – Cost allocation scenarios



Venue that is used to support trading operations, but not open to the public (e.g. a central production unit for hospitality)

### IF VENUE HELD IN CHARITY

#### Charity tax implications

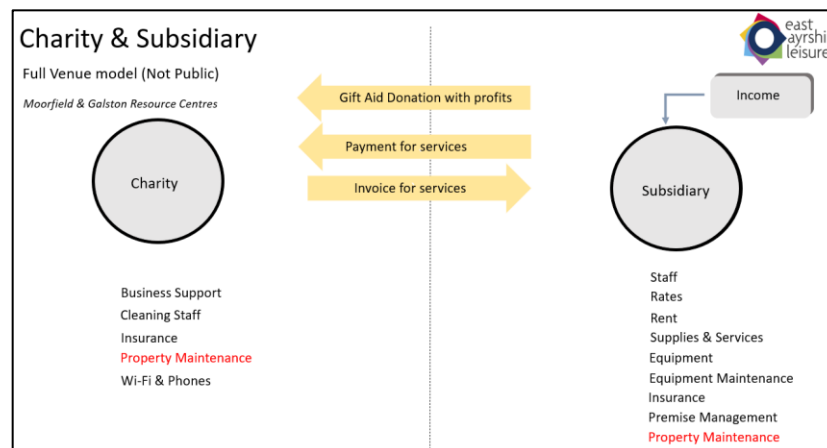
- No tax payable by charity on recharges for use of property, staff or other services (provided recharged on a just and reasonable basis)
- No tax payable by charity on gift aid donation received

#### Trading subsidiary tax implications

- Payments for services and rent should be tax deductible against taxable income received
- Any remaining taxable profits can be donated up to the charity to reduce corporation tax payable, potentially to Nil

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## Appendix 3 – Cost allocation scenarios



Venue that is used to support trading operations, but not open to the public (e.g. a central production unit for hospitality)

### IF VENUE HELD IN TRADING SUBSIDIARY

#### Charity tax implications

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# GAAR and DOTAS

## GAAR

All tax planning work must take account of the General Anti-Abuse Rule ('GAAR') and also the General Anti-Avoidance Rule within the Revenue Scotland and Tax Powers Act 2014. The GAAR is one part of the Government's approach to managing the risk of tax avoidance. It has been introduced to strengthen HMRC's anti-avoidance strategy and help tackle abusive avoidance. The Scottish rule applies to devolved taxes.

While we would not expect the type of work discussed in this report to fall foul of these provisions, it is impossible to be certain. The GAAR is highly subjective and has not yet been widely tested.

## DOTAS

We do not believe that the advice provided needs to be disclosed under the DOTAS (Disclosure of Tax Avoidance Schemes) regime, as the planning in our view does not use "substantially standardised" documentation, nor are the transactions "substantially standardised in form". As the rest of this report and our discussions with you demonstrate, we consider the mechanism best suited to the circumstances of each individual client, and the documentation is prepared by a lawyer of your choosing whom you will engage with separately. Again, we have opinion from tax counsel supporting this view.

Should the situation arise where HMRC were to successfully argue that the scheme should have been disclosed, it is our responsibility to apply for a SRN (Scheme Reference Number) which we will then pass on to you. You will then need to report the SRN on the relevant tax return or you will be liable for a penalty of up to £5,000. If the SRN relates to a year where the return has already been filed, an amended return will need to be filed. Provided the amendment is made timeously after the SRN is received penalties should not arise as you would be deemed to have a "reasonable excuse" for not originally notifying.

## Disclaimer

The purpose of this presentation is to give general information on the subject matter presented.

It is not intended to be a comprehensive analysis of the subject matter that is being discussed or presented in written or verbal form. The information is believed to be correct as at 4 September 2024.

It is not intended to be a substitute for formal advice from the appropriate person in the organisation to a client under the terms of a suitable signed engagement letter.

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The background is a solid green color. It is decorated with various geometric patterns, primarily triangles. In the top-left corner, there are several overlapping triangles of different shades of green, some containing smaller triangles. A large, solid green triangle points downwards in the upper-left quadrant. In the bottom-left, there is a small triangle containing a smaller one. The bottom-right corner features a complex fractal-like pattern of many small green triangles. A single small green triangle points downwards in the middle-right area.

AZETS

## Configuring for Sustainability and Growth

### The Business Case for supplementing our Charity with a Trading Subsidiary

November 2024



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# 1. Executive summary

The East Ayrshire Leisure [EAL] management team has been challenged to address the impact of grant funding reductions amounting to £1.8 million over a five-year period to 2029/30. It has resolved that a “business as usual” response would lead to reductions in both services and staffing. The alternative was to explore avenues to secure the sustainability of the portfolio of infrastructure and services under management. This has led to the conclusion that the establishment of a Trading subsidiary would introduce new opportunities through which to generate revenue, these currently being inaccessible due to EAL’s charitable status. Significant work has already been undertaken to understand the implications of this change. The aim of this paper is to share that detail. It should be noted that there are some limitations to the depth and form of financial information presented, this being constrained by the structure and form of the financial information to date for transferring services and the limited work done so far on remodelling the organisation. Nonetheless, on a net-expenditure basis, significant annual savings are forecast relative to the base case, **achieving a peak of around £2 million savings per year by 2029/2030.**

## 2. Introduction

East Ayrshire Leisure [EAL] operates a large portfolio of leisure, culture, outdoor and sporting infrastructure within the region, with near term expansion of the portfolio under management, scheduled. Alongside this expansion, and in response to a requirement to evolve in order to address challenges associated with public sector budget constraints, the senior management of EAL propose to establish a Trading arm to enable it to operate in areas [commercially] that it’s charitable status would not allow for. This has been assessed and verified by Azets during a recent exercise to assess the VAT and tax implications of introducing the trading subsidiary.

The aim of this paper is to present a Business Case to support this change, detailing rationale, positive impact and implications of this change. It reveals how – through careful management of the transition – significant annual savings will be made relative to the “business as usual” reference point

### 3. Current status

East Ayrshire Leisure [EAL] is a Scottish Charity, established to operate and manage leisure, culture, outdoor and sporting facilities and services on behalf of EAC. We have a clearly defined mission and vision, together with shared values that underpin all that we do.

This operational context is applied across an expanding portfolio under management, which includes venues, environments, services and infrastructure that enable us to deliver value to the communities that we serve.

Table 1 below presents some of EAL’s key performance characteristics:

#	Item	Measure
1	Net expenditure	£8,492,745
2	Aggregate income	£8,506,412
3	Team size	313
4	Facilities under management	38

Table 1: EAL Key Performance Characteristics

Our ambition going forward is to increase our impact, both with respect to the breadth of what we do and the efficiency with which we operate. Responsibility for Vibrant Communities, Community & Corporate Catering, Instrumental Music, Creative Minds and Galleon Leisure Centre is included in the forward plan.

Within the ambition to increase impact and integration of additional activity, the management team considers it appropriate to ensure that the Trust is suitably configured to enable our value and impact to be maximised.

## 4. Change proposal and rationale

The aim of the change proposal is two-fold:

- to reduce the funding requirement from East Ayrshire Council [EAC] to support the activities currently undertaken by EAL [inclusive of Vibrant Communities, Community & Corporate Catering, Instrumental Music, Creative Minds and Galleon Leisure Centre];
- to enable EAL to broaden its scope and engage in activity that would be otherwise inaccessible due to its charitable status.

EAL recognises the increasing financial pressure facing local authorities and the imperative for community services to be delivered as efficiently as possible. More specifically, EAL's management has been challenged to secure savings /reductions to EAC management fee as outlined in the table below.

2025/6	2026/7	2027/8	2028/9	2029/30
£0.12m	£0.200m	£0.480m	£0.500m	£0.500m

Table 2: Annual savings targets

This driver for reduced contributions is likely to remain beyond 2029/30.

Against that backdrop, EAL's leadership has explored what might be done to reduce the cost to EAC without compromising services delivered. Indeed, exploration has focused on how EAL can achieve even more with less.

The conclusion reached following investigation is that EAL should **introduce a Trading Subsidiary** alongside the charity to allow for broadening the scope of activity and generating additional revenue through which to contribute towards sustainability.

As detailed within the board meeting minute of 24<sup>th</sup> September 2024, a number of areas have been identified which could sit within the Trading Subsidiary:

#### Galleon Leisure Centre

- Fitness / memberships
- Aqua – general public swimming, lessons and club hire.
- Ice rink – primarily club hire, public skating.
- Dry side – sporting activities, bowling, badminton, games hall activities.
- Bar / catering.
- Venue hire and admin – retail sales etc.

#### Corporate Catering

- London Road staff café
- Northwest Area Centre café
- Meetings and functions
- External catering
- Lunch clubs and community cafes
- Event catering: weddings, funerals etc.

#### East Ayrshire Leisure

##### Hospitality Services

- Café at Visitor Centre and Dick Institute
- Bars within Grand Hall/Palace Theatre
- Portable bar units for use at other venues
- Residential Centre hires
- Enhanced retail
- Production kitchen
- Café options for summer venues
- Gift shops
- Memberships gym/classes etc.
- Trust events e.g. Starry Nights.

### Vibrant Communities

- School-based experiences: bouncy castles, laser tag, silent disco
- Events
- Equipment hire

Within the context of the above, a range of ideas have been generated around future opportunities, from merchandise sales, through skills development experiences to expanded food and beverage options. Current status and the impact of change are detailed within sections 6-8 of this document.

## 5. Change considerations

When exploring the implications of change, EAL's leadership has taken into consideration a number of factors including:

- Governance and management arrangements
- People and employment arrangements
- Potential for private sector displacement
- Enhanced community impact / benefit
- Growth / reduced demand on grant funding
- Risk

### 5.1 Governance and management arrangements

In order to facilitate a trading subsidiary, the Board of Trustees passed a resolution at their meeting on the 24<sup>th</sup> September 2024 to update the EAL constitution. This change allowed for the creation of a board of directors to oversee the trading subsidiary.

The trading subsidiary will be a separate entity registered as East Ayrshire Leisure Community Interest Company (Trading) and will be wholly owned by the charity.

## 5.2 People and employment arrangements

From the first of April 2025, East Ayrshire Council will transfer Vibrant Communities and Corporate and Community Catering to East Ayrshire Leisure. At the same time Kilmarnock Leisure Centre Trust will transfer the Galleon Leisure Centre and all its resources to EAL. Following this, on the 18<sup>th</sup> August 2025, EAC will transfer Instrumental Music and Creative Minds to EAL. These transfers will increase the staff resource of the Trust by 181 full time equivalent posts.

In order to ensure the sustainability of the new organisation, an integrated management structure will be implemented by August 2025, with a full team integration exercise carried out by April 2026.

## 5.3 Potential for private sector displacement

Increased activity, particularly in the hospitality and event industries, could lead to private sector displacement or unintended consequences to local businesses. However, the theory of change associated with the establishment of the trading subsidiary and the transfer of additional services is to create an organisation that is sustainable, doesn't rely on external funding for core services, meets the needs of East Ayrshire Communities, supports our young leaders and continues to grow and develop.

Displacement of the private sector would undermine this intention. Therefore, any new trading initiative that is introduced, will be done so with a strong grasp of the economic logic and how the local economy works.

## 5.4 Enhanced community impact / benefits

Culture, Sport, Community, Leisure and Wellbeing activities are at the very heart of community life. They play a vital role in enhancing the quality of life and wellbeing of individuals, fostering social cohesion and contributing to the overall development of communities in multifaceted ways.

The wellbeing benefits of participation in culture, sport, leisure and community activities are now well established and it was to these services that many people turned to during the worst of the pandemic. These services clearly matter to people and communities and their value considerably outweighs their cost.

However, with the pressures facing local government likely to continue, the need for transformational change and a different approach is ever more urgent as local authorities have to focus on statutory services.

East Ayrshire Leisure is among a small number of Trusts across Scotland that emerged from the pandemic in a stronger financial position due to sound financial and operational management. As the Trust continues to grow, its intention is to increase its business development activities and drive income generation as a means of addressing budget pressures.

East Ayrshire Leisure is in a better position to sustain, enhance and grow the services that are valuable to the community, as they have a greater ability to develop a more agile, entrepreneurial culture and access to a wider range of funding sources than East Ayrshire Council has access to.

#### 5.5 Growth / reduced demand on grant funding

East Ayrshire Leisure was established in 2013 to operate and manage a range of cultural, countryside and sports facilities and services on behalf of East Ayrshire Council. The Trust is a Scottish Charitable Incorporated Organisation (Charity No: SCO43987) and has been trading as a Charity since 1 July 2013. As a charitable trust the Vision is “Always with a focus on continuous improvement, we will deliver inclusive, sustainable and accessible services to enable our communities and visitors to live their best life”.

At the time of inception, it was not deemed necessary to create a separate trading subsidiary aligned to the charity as the focus was on primary trading activities linked to the objectives of the charity and any non-primary trading activities were



deemed to be *De Minimis* trading.

However, as a charity the Trust's ambition is to be less reliant on public sector funding and to have greater flexibility to generate income through non-primary trading activities. To enable growth in this area, a trading subsidiary to explore all potential commercial and non-charitable trading activities, which subsequently donates its taxable profits to the charity under Gift Aid will be established.

The trading subsidiary will focus on the following income streams in the first 3- 5 years, but will continually seek other opportunities for further growth.

Food and Beverage including street food opportunities that provide pop up provision at events and semi-permanent venues within parks; cafes and restaurants at key sites including the Palace Theatre and Grand Hall, the Galleon, Dean Castle Country Park and London Road; Community cafes within community venues and day care centre; coffee shops akin to the provision at the Dick Institute; vending and permanent and temporary bars

Trading, both face to face and online which includes locally branded merchandise; retail through the introduction of gift shops in museums; golf pro shop; temporary gift shops aligned to specific exhibitions; kids play facilities; party packages and a range of experience days such as 'Behind the Scenes at Dean Castle', 'A Night in the Museum' and 'Keeper for the Day'

Skills Training including machine and tool training, first aid and aquatics training

Equipment Hire providing specialist equipment hire for community, local and regional events such as marquees, bouncy castles, stages, technical equipment and other activity equipment such as Zorbs and Laser Tag

Event Management providing an in-house team of event management and production staff to create high profile events throughout the year and to support

communities where needed.

Special Projects including feasibility studies, surveys and other professional services

Residential holidays within the Treehouse Centre and through the development of the Assloss Estate project

#### 5.6 Risk

Whilst, there will be significant pressure on the trading subsidiary to generate income, without undertaking the establishment of a trading subsidiary there is a greater risk that provision of services will need to be reduced or stopped, due to limitations on public sector funding and an increasing demand for services. The current service delivery across EAL, EAC and KLCT is not sustainable.

## 6. Baseline performance

Baseline performance addresses the anticipated outcome if EAL and recently integrated activities continue without change.

Table 3 reveals the increase in net expenditure expectation based, founded upon the following assumptions:

- East Ayrshire Leisure Trust income management fee from East Ayrshire Council of £5,827,870;
- Galleon Leisure Centre income management fee from East Ayrshire Council of £165,900 with year on year reductions;
- Instrumental Music allocation from Scottish Government of £274,000 and Youth Music Initiative of £170,000;
- Vibrant Communities time limited external funding of £964,320;
- Year on year expenditure increases 2.2% CPI inflation;

- Year on Year reduction of funding to Vibrant Communities from H&SCP by 4% each year;
- SportScotland funding of £403,960 for Vibrant Communities until 26/27. No guarantee beyond this point;
- 3% increase in income across all commercial activities.

2024/5	2025/6	2026/7	2027/8	2028/9	2029/30
(£3.834m)	(£4.108m)	(£4.762m)	(£5.017m)	(£5.268m)	(£5.513m)

Table 3: Net expenditure forecast without change

The aggregated impact of the above is that net expenditure is estimated to grow from £3.834m in 2024/25, to a little over £5.5 million in 2029/30, an increase of £1.679 million. The alternative will be to reduce services across the portfolio, reducing impact and weakening the legacy required to achieve long term sustainability.

## 7. Change and impact

The aim of the change proposal is to strengthen prospects for sustainability.

Table 4 summarises performance as a result of introducing the Trading Company, founded upon the same assumptions made for the “Do Nothing” scenario, with the additional commitment that the management fee will be reduced by £1.8 million over an agreed schedule by 2029/30.

	2024/5	2025/6	2026/7	2027/8	2028/9	2029/30
Charity	(£3.842m)	(£4.021m)	(£4.674m)	(£5.216m)	(£5.791m)	(£6.358m)
Trading	£0.009m	£0.256m	£0.606m	£1.423m	£2.097m	£2.190m
Combined	(£3.834m)	(£3.765m)	(£4.068m)	(£3.793m)	(£3.694m)	(£4.168m)

Table 4: Net expenditure forecast with introduction of Trading Company

As a consequence of the transition and introduction of trading activity, the growth in net expenditure increase over the period shrinks to £333k, an improvement of £1,346m over the period.

## 8. The growth opportunity

The growth opportunity is the primary purpose of establishing the Trading company. The management team believe that this will enable **net expenditure to be reduced below present levels by over £400k.**

Table 5 sets out the performance forecast with growth introduced. The assumptions mirror those for the transition option but also include the impact of the Galleon refurbishment by 2027/28 and the re-opening of the Palace and Grand Hall in the same year.

	2024/5	2025/6	2026/7	2027/8	2028/9	2029/30
Charity	(£3.842m)	(£4.021m)	(£4.624m)	(£5.165m)	(£5.739m)	(£6.476m)
Trading	£0.009m	£0.256m	£0.724m	£2.114m	£2.717m	£3.044m
Combined	(£3.834m)	(£3.765m)	(£3.890m)	(£3.051m)	(£3.021m)	(£3.433m)

Table 5: Net expenditure forecast with growth

The freedom of the Trading subsidiary to operate in areas that would not be accessible to the charity very clearly offers potential to strengthen the operating model, thereby offering prospects to increase impact whilst, sustaining the estate and reducing the net expenditure burden.

## 9. Change process and timing

A key consideration when planning for and executing change is to understand the impact on “business as usual”. In recognition of this – and the ambition to

complete the transition programme by the end of 2025 - working groups have been established to focus on specific functions that might be impacted by the transition.

Table 6 sets out the areas being addressed, and the composition of working groups assembled to address them. The table also reveals remit and schedule for each contribution.

<b>FUNCTION</b>	<b>START</b>	<b>COMPLETE</b>	<b>LEAD</b>	<b>TEAM MEMBERS</b>	<b>REMIT/KEY ACTIONS</b>
Governance	31 <sup>st</sup> Oct 24	1 <sup>st</sup> July 2025	A Freel	S Mathew EAC legal	<ul style="list-style-type: none"> <li>Registration of the trading company</li> <li>Review of the SLA</li> <li>Dissolution of KLCT</li> <li>Establishment of Board of Directors</li> </ul>
Human Resources	31 <sup>st</sup> Oct 24	18 <sup>th</sup> Aug 2025	J Biggart	A Freel S Clark S Mathew J Carrie S McAulay EAC HR	<ul style="list-style-type: none"> <li>Staff sessions</li> <li>TUPE</li> <li>Job matching</li> <li>Induction</li> </ul>
Communication Plan	31 <sup>st</sup> Oct 24	30 <sup>th</sup> Nov 2025	J Biggart	A Freel S Clark S Mathew J Carrie D Reid	
Financial Management	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 2025	L Russell	I Pick S Clark S Mathew J Carrie EAC Finance	<ul style="list-style-type: none"> <li>Review of contracts</li> <li>Review of budgets</li> <li>Review of financial systems</li> <li>Create coding structure</li> </ul>
Property	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 2025	P Mathieson	A Freel S Mathew C Keenan EAC F&PM EAC IT	<ul style="list-style-type: none"> <li>Review of property portfolio</li> <li>Action plan for Civic Centre South</li> <li>Develop employee office strategy</li> <li>Review of IT infrastructure</li> <li>Update LFS cross service action plan</li> </ul>
Booking System	31 <sup>st</sup> Oct 24	31 <sup>st</sup> July 2025	I Pick	D Hasson J Carrie A Black A Mathieson	<ul style="list-style-type: none"> <li>Options appraisal to determine which booking system is most</li> </ul>

				C Anderson	appropriate for new organisation <ul style="list-style-type: none"> <li>Development of an action plan for implementation</li> </ul>
Health & Safety	31 <sup>st</sup> Oct 24	28 <sup>th</sup> Feb 2025	J Biggart	C Keenan S Clark J Carrie C Collins H Collins EAC H&S	<ul style="list-style-type: none"> <li>Ensure this functions currently managed by EAC can continue to operate as of the 1<sup>st</sup> April including:               <ul style="list-style-type: none"> <li>SHE system</li> <li>Risk Assessment</li> <li>Localised agreements</li> <li>Insurance Arrangements</li> </ul> </li> </ul>
Memberships	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Dec 2025	G Russell	D Hasson G Stewart J Noble D Reid L Russell J Biggart	<ul style="list-style-type: none"> <li>Determine financial impact of new fitness membership programme</li> <li>Rebrand fitness memberships and develop campaign</li> <li>Develop action plan for moving to Galleon swim programme</li> <li>Explore wider membership opportunities</li> </ul>
Performance Monitoring	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 2026	A Freel	S Matthew J Carrie C Fulton D Reid	<ul style="list-style-type: none"> <li>Review Strategic Vision</li> <li>Agree KPIs and outcomes</li> <li>Develop a performance monitoring framework</li> <li>Review the Equality reporting requirements</li> </ul>
Procurement	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 2025	I Pick	L Russell S Mathew W Penman A Freel J Carrie EAC Finance EAC Procurement	<ul style="list-style-type: none"> <li>Develop procurement framework</li> <li>Review current pecos system &amp; ensure fit for purpose</li> <li>Review uniform offer</li> </ul>
Rebranding	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 26	D Reid	A Freel S Mathew L Fulton L Kyle S Clark J Carrie J Biggart	<ul style="list-style-type: none"> <li>Agree new name at Board on the 12<sup>th</sup> November</li> <li>Market test name with wider staff teams</li> <li>Prepare branding guidelines</li> <li>Develop costed action plan</li> <li>Develop campaign</li> </ul>

					<ul style="list-style-type: none"> <li>Relaunch organisation</li> </ul>
Fees & Charges 2025/26	31 <sup>st</sup> Oct 24	28 <sup>th</sup> Feb 25	L Russell	S Matthew P Mathieson S Clark	<ul style="list-style-type: none"> <li>Review all fees &amp; charges ensuring a consistent approach to charging is applied. Benchmark with similar providers to ensure the proposed level of fees &amp; charges proposed for 2025/26 can be justified.</li> <li>Prepare report for presentation to P&amp;ASC on 11<sup>th</sup> Feb 25</li> </ul>
Trading	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 25	P Mathieson	A Freel S Mathew J Biggart L Russell	<ul style="list-style-type: none"> <li>Present business case to board on 12<sup>th</sup> Nov 24</li> <li>Appoint SL Hospitality and Retail &amp; SL Events</li> </ul>
Transport	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 25	C Keenan	H Collins P Mathieson S Clark EAC Catering EAC Transport	<ul style="list-style-type: none"> <li>Review existing and transferring fleet</li> <li>Develop business case and action plan for fleet upgrades or consolidation</li> </ul>
Asset Management	31 <sup>st</sup> Oct 24	31 <sup>st</sup> Mar 25	J Biggart	S Mathew I Pick S Clark J Carrie	<ul style="list-style-type: none"> <li>Review asset registers and privacy statements</li> </ul>

Table 6: Transition schedule and working groups

Action plans have already been developed for:

- Governance;
- Human Resources;
- Financial Management;
- Leisure Facility Strategy Cross Service;
- Health & Safety; and
- Rebranding

This pre-work positions management very well to deliver the transition in an effective, efficient manner and provides evidence that the characteristics of the transition are understood, carefully considered and able to be actioned during the

coming year, thereby positioning EAL for further development and growth going into 2026/27.

## 10. Recommendation

It is recommended that Trustees authorise the management team to proceed with establishment of the subsidiary company to unlock the potential to support the sustainability and development ambition for the portfolio of assets and services under EAL management.

DRAFT