

PERFORMANCE & AUDIT SUB COMMITTEE



Date: 23 August 2016

Location: Reception Room, Grand Hall

Start time: 6pm

AGENDA			
AGENDA ITEM	FOR NOTING	FOR DISCUSSION	FOR APPROVAL/ DECISION
1. Apologies for Absence	✓		
2. Declarations of Interest	✓		
3. Notes of Previous Meeting – 23 May 2016	✓		
4. 2015/16 Annual Report and Accounts			✓
5. Performance Report April – June 2016			✓
6. Internal Audit Reports	✓		
7. AOCB			
8. Dates of Next Meetings: Trust AGM/Board: 13 September 2016 Performance & Audit Sub Committee: 14 November 2016			

For further information please contact: John Griffiths, Chief Executive
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PERFORMANCE & AUDIT SUB COMMITTEE



2015/16 ANNUAL REPORT AND ACCOUNTS

Date: 23 August 2016

Agenda Item: 4

Report By: John Griffiths, Chief Executive

Summary

This report represents the 2015/16 Report and Accounts for approval.

The report shows that the Trust established sound procedures for financial management and our external auditors, Scott-Moncrieff, are satisfied with accuracy of our accounts and the procedures that are in place to manage our finances.

1. BACKGROUND

1.1 The purpose of this report is to present the 2015/16 Report and Accounts for approval.

2 CONSIDERATIONS

2.1 East Ayrshire Leisure is required to submit its audited annual accounts to the Office of the Scottish Charity Regulator (OSCR). Scott-Moncrieff are our External Auditors and their audit has been produced following an intensive audit programme which required support and input from both Trust and East Ayrshire Council staff.

2.2 The 2015/16 Report and Accounts is attached as Appendix 1. The format of the Report and Accounts has been updated to meet the requirements of the new Charities Financial Reporting Standard (FRS) 102 Statement of Recommended Practice (SORP). The Annual Accounts will be submitted to OSCR once approved by the Trust Board. The report will also be published via the East Ayrshire Leisure website.

2.3 The East Ayrshire Leisure Audit Management Report including the Letter of Representation to accompany the accounts is attached as Appendix 2.

3 IMPLICATIONS

3.1 The approval and publication of the 2015/16 Report and Accounts will satisfy the ongoing requirements of OSCR and the Charities FRS 102 SORP.

Recommendation/s:

It is recommended that the Sub-Committee:

- i. Approve the 2015/16 Report and Accounts for submission to the East Ayrshire Leisure Annual General Meeting;
- ii. Approve the East Ayrshire Leisure Audit Management Report including the Letter of Representation to accompany the accounts; and

PERFORMANCE & AUDIT SUB COMMITTEE



iii. Otherwise note the content of this report.

Signature:

A handwritten signature in black ink, appearing to be "J. Allan".

Designation: Chief Executive

Date: 18 August 2016

East Ayrshire Leisure Trust
A Scottish Charitable Incorporated Organisation

Report and Accounts
For the year ended 31st March 2016

Charity Number SC043987

East Ayrshire Leisure Trust

Contents

	Page
Message from the Chair	1
Message from the Chief Executive	2
Trustees' Report	3
Independent Auditor's Report	17
Statement of Financial Activities	19
Balance Sheet	20
Statement of Cash Flows	21
Notes to the Accounts	22

East Ayrshire Leisure Trust

Message from the Chair

I have great pleasure in introducing the third Annual Report and Accounts for the East Ayrshire Leisure Trust which covers the financial year 2015/16. East Ayrshire Leisure has continued to show strong financial performance and has worked to support the Council's Community Asset Transfer and Asset Rationalisation programmes throughout the year.

Many events and activities were staged across our venues throughout the year and we were particularly pleased to be able to host 'A Vikings Guide to Deadly Dragons at the Dick Institute in Kilmarnock', which was the only Scottish venue for this incredible exhibition. Based on renowned author Cressida Cowell's 'How to Train Your Dragon', the exhibition attracted visitors from throughout Scotland.

The Waterloo 200 exhibition at the Dean Castle was another memorable highlight featuring original objects and documents from the Battle of Waterloo. The exhibition told the story of Sergeant Charles Ewart and the capturing of Napoleon's Standard for which he became a National hero.

Our Spring Festival at Dean Castle Country Park kicked off the season in fabulous style, and the month long Countryside Festival continued the celebrations later in the year. With large scale events and activities ranging from archaeology events and Walking Weekends, over 5000 people took part in the Countryside Festival with over 3000 people visiting the Country Park to celebrate everything that's great about Ayrshire Rural Life at the annual Harvest Festival.

The Country Park also played host to a number of large charitable events such as the Lauren Currie Foundation, Alzheimers Scotland and Diabetes Scotland Fun Days raising over £10,000 for local and national charities.

The state of the art Ayrshire Athletics Arena in Kilmarnock has continued to play host to some of the region's most prestigious athletics events and once again provided the perfect setting for the Scottish Athletics West District Track and Field Championships, marking the opening of the 2016 competitive athletics season.

East Ayrshire Youth Theatre (EAYT) turned 10 in 2015, and our anniversary events were spectacular, featuring a unique montage of unforgettable performances from musical favourites.

Our Imprint Book Festival continues to provide a highlight in the cultural calendar and in 2015 we welcomed acclaimed crime writer Val McDermid and actor and author John Gordon Sinclair as headliners.

Political pioneer Keir Hardie was celebrated in his home town of Cumnock at the Baird Institute with an exhibition highlighting his outstanding achievements. 100 years after his death, the exhibition illustrated that his words live on and continue to inspire people across the political spectrum.

I would like to thank the Board of Trustees for their continued work and support throughout the year and East Ayrshire Leisure's Senior Management Team and staff for their ongoing commitment to providing the best possible services for East Ayrshire residents and visitors to our area.



Councillor Douglas Reid
Chair, East Ayrshire Leisure Trust

East Ayrshire Leisure Trust

Message from the Chief Executive

Welcome to The Trust's (East Ayrshire Leisure's) Annual Report for 2015-16. This report summarises East Ayrshire Leisure's progress in its third year of operation which is also the third and final year of our first Business Plan. Significant progress has been made in establishing East Ayrshire Leisure and ensuring that a strong partnership with East Ayrshire Council remains in place.

The results for 2015-16 show that East Ayrshire Leisure is operating well and achieving its targets while continuing to respond to a changing operating environment and challenging financial situation.

From the outset of our Business Plan, we vowed to create an organisation that was driven by a commitment to delivering high quality services, through creativity and innovation and with partnership and collaboration at its heart. Throughout 2015-16 we have continued to deliver quality services across a range of venues within the Culture, Countryside and Sports remit and it has been a busy year for us, with a packed programme of events and activities attracting visitors from across Ayrshire and beyond.

Feedback from our customers continues to be hugely positive and our success is largely due to all the staff throughout the organisation. I would like to take this opportunity to thank them all for their ongoing dedication to East Ayrshire Leisure and the passion and enthusiasm they continue to show in the delivery of our services.

None of our achievements would be possible without the support of our partners and in particular our main funder, East Ayrshire Council (EAC). We will continue to work closely with them all to ensure the continued provision of new and innovative services, events, opportunities and overall quality Leisure Services.

I would also like to thank our Board of Trustees for all their support, commitment and dedication given to East Ayrshire Leisure throughout the year.



John Griffiths
Chief Executive

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

The Trustees are pleased to present their Report and Accounts for the year ended 31st March 2016. The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

EAST AYRSHIRE LEISURE TRUST – THE ORGANISATION

East Ayrshire Leisure Trust is a Scottish Charitable Incorporated Organisation recognised by the Office of the Scottish Charity Regulator (OSCR), registration number SC043987. The organisation took responsibility for a wide range of cultural, countryside, sports and community facilities and services across East Ayrshire on 1st July 2013.

East Ayrshire Leisure's initial Business Plan covered the period 2013-16, and during this period East Ayrshire Leisure has become established as an independent organisation. This report covers the final year of the initial Business Plan.

OUR PURPOSE

The East Ayrshire Leisure has the following purpose:

- 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 the whole community with the aim of improving quality 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 and the efficiency and effectiveness 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;

OUR VISION

East Ayrshire Leisure's vision reflects the vision of the Community Planning Partnership i.e. to help East Ayrshire become:

“An area full of life, with a strong cultural, sporting and natural identity which reflects the unique character of the place and its people; an area where cultural, sporting and countryside activities play a central role in social, economic and urban/rural development; an area where new and creative initiatives across the cultural, sporting and countryside fields flourish, for the benefit of both residents and visitors.”

OUR MISSION

“To provide and support high quality, innovative, cultural, sports, countryside and community services for the benefit of East Ayrshire residents and visitors to the area, which meet the council's social, cultural, environmental and economic objectives.”

OUR VALUES

East Ayrshire Leisure's core values are based on being:

- Collaborative and Creative
- Innovative and Inspirational
- Proactive and Professional
- Open and Honest
- Passionate and Proud

The principles by which we operate and carry out our business are driven by a desire to do what is best for the community and in so doing:

- We will be driven by a commitment to deliver high quality services for the people of East Ayrshire
- Creativity and innovation will be at the heart of our thinking
- We will build partnerships and thrive on collaboration
- We will invest in the formation of a highly motivated, customer focused and skilled workforce
- We will promote equality, access and diversity across our programmes
- We will deliver safe services and manage finances efficiently and effectively

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

EAST AYRSHIRE LEISURE'S STRUCTURE

THE BOARD OF TRUSTEES

A Board of 13 Trustees is responsible for providing strategic direction for the organisation. The 13 Trustees comprise:

- 6 Independent Trustees – one of whom is a Trade Union nominee
- 5 Councillor Trustees, nominated by East Ayrshire Council
- 2 Council Officer Trustees nominated by East Ayrshire Council to act as Trustees, but without voting rights.

Trustees	Appointment date	Resignation date
Partner Trustees		
Douglas Reid (Chair)	13 th March 2013	
Alan Brown	13 th March 2013	25 th June 2015
James Buchanan	13 th March 2013	25 th June 2015
Neil McGhee	13 th March 2013	
John McFadzean	13 th March 2013	27 th October 2015
Iain Linton	25 th June 2015	
Eoghann MacColl	25 th June 2015	
Hugh Ross	27 th October 2015	
Alex McPhee (ex officio)	13 th March 2013	27 th August 2015
Chris McAleavey (ex officio)	27 th August 2015	
Joe McLachlan (ex officio)	27 th August 2015	
Independent Trustees		
Elizabeth Young (Vice Chair)	13 th June 2013 (Re-appointed 27 th August 2015)	
Jean Brown	13 th June 2013	
Robin Hume	13 th June 2013 (Re-appointed 27 th August 2015)	
June Minnery	13 th June 2013 (Re-appointed 27 th August 2015)	
Eddie Rutherford	13 th June 2013	17 th May 2016
Jackie Livingston	1 st July 2015	

The Board meets regularly throughout the year and is supported by a Performance and Audit Sub-Committee made up of 5 Trustees. In addition, development sessions are also held to support Trustee training and to allow discussion to focus on key issues i.e. Business Planning and specific service areas.

Trustee training is available on an as required basis in addition to induction training for new Trustees. Development sessions to enhance Trustees knowledge of service areas have been organised throughout the year and a session on the Palace Theatre/Grand Hall held in 2016 allowed Trustees to examine facility operation and development issues in detail.

EAST AYRSHIRE LEISURE SERVICES

East Ayrshire Leisure is responsible for managing a range of facilities and services across a broad Culture, Countryside, Sport and Community Venues remit.

The range of facilities managed by East Ayrshire Leisure has been subject to change since July 2013 as the Council has undertaken a programme of Community Asset Transfer and Asset Rationalisation.

Brief Service Descriptions

- **Cultural Services**
This service manages Libraries, Museums and Heritage, Galleries, the Palace Theatre/Grand Hall Complex and Cumnock Town Hall. The service is responsible for museum collection management, arts and cultural development including visual and performing arts, reader development including Imprint Book Festival and local and family history services.
- **Countryside Services**
This service manages Dean Castle Country Park, the River Ayr Way and footpath networks across East Ayrshire. The service is responsible for Countryside Access, events, programme development at Dean Castle Country Park and outdoor education.
- **Sport & Community Venues**
This service manages Sports and Leisure Centres, Games Hall, Community Halls, Sports Pitches and the Ayrshire Athletics Arena. The service is responsible for programme development, community sports hubs, sports development and events encompassing athletics, swimming, golf and fitness.
- **Marketing & Development**
This service manages all publicity and promotional activity, communications, public relations, branding, corporate identity, web development and digital communication and strategy, market research, customer feedback and complaints handling, sponsorship and fundraising.
- **People & Finance**
This service is responsible for administration, OSCR compliance, financial management/budget monitoring, Human Relations, Information Management, Health and Safety, Freedom of information, credit control, cash receipting and staff training and development.
- **Agreements with East Ayrshire Council**
A series of agreements underpin East Ayrshire Leisure's relationship with the Council. Services Agreements are in place to cover support services that the Council provides for East Ayrshire Leisure i.e. Health and Safety, Internal Audit. Payroll etc. A Services and Finance Agreement is in place to cover the services which the Council expects us to deliver, including the facilities for which East Ayrshire Leisure is responsible.

In addition, a Collections Agreement covers how the Council's museum collections will be managed by East Ayrshire Leisure and an Asset Transfer Agreement covers the ownership

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

of assets required to support the delivery of services which are the responsibility of East Ayrshire Leisure.

Key venues and visitor attractions

We manage a wide range of facilities across East Ayrshire; our key venues and tourist attractions are highlighted below:

Annanhill Golf Course

Situated on the outskirts of Kilmarnock in scenic surroundings, this parkland course, with tree lined fairways has a par of 71 measuring 5954 yards.

Ayrshire Athletics Arena

Designed and built to the highest standard, this premier athletics and sports training facility boasts a UK Athletics Class A outdoor athletics facility with Mondo surface and 6 lane 63m indoor training area with strength and conditioning area. It has been designed to meet the highest of training and competition requirements for a wide range of athletes, sports clubs, schools and community groups and our athletics event calendar has grown year on year.

Baird Institute

First opened in 1891, the Baird Institute has world class collections of Mauchline Ware, Cumnock Pottery, artefacts of local and social history and contemporary exhibitions. The Keir Hardie Room presents the life and career of the founder of the Labour Party with an interactive audio-visual screen, a large collection of his personal belongings and souvenirs of his travels

Burns House Museum and Library

The Burns House Museum and Library is in the centre of historic Mauchline, where stories of Robert Burns and his friends and family can be found in every nook and cranny. The Burns House Museum offers the chance to visit the room where Burns and his wife Jean Armour lived, see original Burns manuscripts and objects that tell the story of his life and work.

Cumnock Town Hall

Designed by Robert Ingram and built in 1883/4, Cumnock Town Hall has undergone an extensive restoration project, designed to restore it to its former glory using traditional materials and updated facilities to cater for the needs of its 21st century users. The newly refurbished facility hosts a variety of shows as well as being available to hire for meetings shows, weddings and parties.

Dean Castle & Country Park

Dean Castle Country Park is East Ayrshire's only Country Park and provides a great day out all year round with woodland walks, an urban farm, adventure playground, visitor centre with shop and tearoom and a fantastic 14th century castle housing world class collections. The Country Park also hosts a number of large scale events every year as well as a programme of outdoor learning activities. The Country Park has received HLF funding with plans for redevelopment to turn it into a 5 star visitor attraction.

Dick Institute

The Dick Institute is one of the most important cultural venues in the south-west of Scotland, featuring the largest museum, galleries and Library in Ayrshire with a range of arts and literary events throughout the year.

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

With a programme of nationally important exhibitions, events and innovative works by leading and contemporary artists, filmmakers and young people as well as permanent displays of the museum's diverse collections including natural sciences, archaeology and local and social history.

Leisure Centres: Auchinleck, Doon Valley, Grange, Loudoun, Stewarton & St Joseph's

Our Leisure Centres offer a wide range of activities and facilities for all the family including fitness suites with a wide range of equipment, FIFA *I synthetic grass pitches, swimming pools and a range of fitness classes and activities. Many of our venues also house a variety of versatile halls suitable for staging competitions and larger events as well as badminton, football, netball as well as seated events such as shows, presentations, conferences and events.

Palace Theatre & Grand Hall Complex

Ayrshire's premier entertainment venue offers a wonderfully varied programme throughout the year including comedy, music, drama, dance, variety and much more.

River Ayr Way

The River Ayr Way is designated as one of Scotland's Great Trails and is included in the family of long to medium distance routes in Scotland. It is 44 miles from the source of the River Ayr in Glenbuck to the sea at Ayr. 22 miles of the route is managed by East Ayrshire Leisure, with the rest being managed by South Ayrshire Council.

Education & outreach

As well as our public events and activities, we also offer a number of outreach events for schools and educational establishments.

Highlights in 2015 included the Imprint schools programme, where pupils had the opportunity to meet renowned authors and learn more about their work and the writing process. To coincide with 'A Vikings Guide to Deadly Dragons' we offered class guided tours, drama and illustration workshops and writing and illustration competitions. Poet in Residence, William Letford, was based in Burns House Museum and worked with pupils from Mauchline Primary School to create a beautiful slate poetry book using the pupils' words and moulding them into lines of poetry.

Pantomania Day gave primary children the opportunity to explore how panto is produced and to learn the traditions of panto, dress up, create slapstick routines and explore theatrical make-up.

As well as special events and activities, schools are invited to engage with us through a year-long programme such as 'Discover Stories' at the library, tours of our galleries and museums, and environmental education and outdoor learning.

The Countryside Ranger Service supported 441 school visits, attended by 14,500 pupils during 2015-16. This included visits to Dean Castle Country Park as well as education projects in local greenspaces. All outdoor learning activities are linked directly to the Scottish Curriculum for Excellence.

The outdoor learning programme is also offered to tertiary educational establishments with long term projects, such as the 'Dean Lagoons Project' being delivered with Ayrshire College and the Scottish Rural College.

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

We also continue to host sports days at Ayrshire Athletics Arena and Stewarton Sports Centre, offering pupils the opportunity to experience sports in a fun, yet competitive, environment. Qualified coaches and staff provide a positive experience for all participants and those showing an interest and talent can develop their skills through our additional activities, many of which have direct links to professional clubs. During 2015-2016 we supported 35 school sports days and competitions, which were attended by 9,574 pupils.

MANAGEMENT ARRANGEMENTS

The Chief Executive and Senior Management Team are responsible for the day to day management of East Ayrshire Leisure's operations. A Scheme of Delegation is in place to allow responsibilities for key tasks to be allocated to appropriate staff. The Scheme of Delegation was approved in 2013 and will be reviewed in 2016. Staff salaries and terms of conditions of employment follow those of East Ayrshire Council and this is expected to continue.

Senior Management Team

John Griffiths (Chief Executive)
Adam Geary (Cultural Services Manager)
Chris Murphy (Sport and Community Venues Manager)
Anneke Freel (Countryside Services Manager) (from 1st April 2016)
Jackie Biggart (People & Finance Manager)
Dianne McGregor (Marketing and Development Manager)

STAFF PROFILE – March 2016

	No of FTE Staff
Cultural Services	61.6
Countryside Services	30.8
Sport and Community Venues	74
Marketing and Development	8.6
People and Finance	18.6
TOTAL	193.6

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

ADMINISTRATIVE INFORMATION

Registered Office Dick Institute
14 Elmbank Avenue
Kilmarnock
KA1 3BU
www.eastayrshireleisure.com
01563 554710

Auditor Scott Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Solicitors East Ayrshire Council
London Road Headquarters
Kilmarnock
KA3 7BU

Bankers Royal Bank of Scotland
8 John Finnie Street
Kilmarnock
KA1 1DD

Charity Number SC043987

RISK MANAGEMENT

The Board manages risk in a pro-active manner and prioritises areas of concern. The Risk Register is reviewed regularly as part of the Trustees consideration of the quarterly performance report. Key risks in 2015/16 included: reduction in service payments from East Ayrshire Council; falling income levels: Failure to effectively market, promote and programme facilities and activities; and Failure to deliver the Community Asset Transfer/Asset Rationalisation programmes.

FINANCIAL PROFILE

East Ayrshire Leisure receives funding from East Ayrshire Council to support the delivery of an agreed range of services. Significant savings were generated from the transfer to Trust services and it is expected that further savings will be required during the term of our new Business Plan for 2016-19.

East Ayrshire Leisure also generates income from charges for services and has the ability to submit bids for funding from a wide range of external bodies. Trust staff will bid for funds to support and develop service quality and delivery wherever appropriate opportunities and resources are available.

The agreed baseline budget for 2016/17 is set out below:

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

	2016/17 £
Baseline Budget (excl Savings)	6,071,600
Savings Target	(650,000)
Baseline Budget	5,421,600
Additional Savings Target	(229,000)
Baseline Budget (after Savings)	5,192,600

ASSETS AND RESOURCES

Properties

East Ayrshire Leisure has 25 year leases in place for each of its properties. These properties continue to be in the ownership of East Ayrshire Council and the Council remain responsible for repair and maintenance.

The stock of properties is currently under review and the Council's Asset Rationalisation and Community Asset Transfer programmes, alongside East Ayrshire Leisure's own service review and redesign proposals will see the number of properties managed by East Ayrshire Leisure reduce through 2016-19.

The Council has a major capital investment programme and there are projects being developed, particularly new school campuses that may see new community facilities built that will become the responsibility of East Ayrshire Leisure in due course.

Equipment

East Ayrshire Leisure has access to a wide range of specialist equipment and vehicles that support service delivery, including mobile libraries, grounds maintenance equipment, computers and sports equipment. Ownership of equipment did not transfer in July 2013 and rests with East Ayrshire Council. Inventories that clearly show ownership of equipment are now being kept as items purchased by East Ayrshire Leisure belong to East Ayrshire Leisure, not the Council.

Museum Collections

East Ayrshire Council owns significant museum collection assets which are held within its museums, libraries and archives and is responsible for the management and maintenance of any assets given on loan. East Ayrshire Leisure has been granted licence to use these assets through the Collections Agreement and will maintain and preserve them on behalf of the Council.

ACHIEVEMENT AND PERFORMANCE

The Board's priorities are highlighted in the Business Plan. East Ayrshire Leisure's initial Business Plan covered the period from the establishment of the Trust in July 2013 to the end of the 2015/16 financial year in March 2016. Progress towards the targets set in the Action Plan is reviewed on a quarterly basis and fully reported annually.

The key achievement related to the 2013/16 Business Plan is the successful delivery of the transition to Trust management. East Ayrshire Leisure is now well established and operating effectively. While the review of the scope of East Ayrshire Leisure's services will continue through the period of our second Business Plan (2016-19) there is a significant core remit which is unlikely to change and the Board will concentrate its efforts in the improvement and development of core facilities and services while managing the decommissioning process, in partnership with East Ayrshire Council, for facilities which will transfer to community management.

In terms of the 2015/16 Action Plan, there were several areas where significant progress was achieved i.e.

- New partnerships were developed with both The University of the West of Scotland and Ayrshire College to support service delivery and offer education and training opportunities. Ayrshire College Access to the Environment students were involved in the development of the Dean Castle Lagoons which includes a series of interconnecting ponds and boardwalks, giving access to an area of the Country Park which was previously not available to visitors. This attracted funding from Froglife Scotland and recognition through the Green Gown Awards Programme. This successful working relationship with Ayrshire College has led to a formal partnership being developed for 2016 onwards, where horticultural and arboricultural courses will be taught directly from the Country Park.

Other notable partnerships included those with local community organisation to support local cultural distinctiveness including work with Waterloo 200, Mauchline Burns Club and Darvel Improvement Group.

Important national partnerships included ongoing work with Scottish Libraries and Information Council (SLIC), National Museums of Scotland, Creative Scotland and Heritage Lottery Fund which helps us to deliver our programmes.

- External funding opportunities were identified and bids submitted where appropriate. Staff supported bids submitted in partnership with East Ayrshire Council and funding of around £4.5m was achieved. In July 2015 Dean Castle and Country Park was awarded £3.34m from the Heritage Lottery Fund towards a £4.7m development programme. Subject to planning approval, this ambitious and exciting project will redevelop the park. The Dean Castle restoration and modernisation project is also subject to an HLF funding bid and outcome will be known in 2016 for this £5M project. Collectively both projects will help create a 5 star visitor attraction which will maximise the opportunities that the site has to encourage visitors to participate in, appreciate and value their local natural and cultural heritage.
- Over £82K was raised to support the Cultural programmes across the service, helping to engage new audiences and create new participatory activities. Examples included the Making Some Noise project, Burns Birthday, McKie Collection Project and Read Write Count.

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

- As part of the development programme for Dean Castle Country Park, external funding was secured to appoint a Volunteer Co-ordinator and a Natural Heritage Co-ordinator based at Dean Castle Country Park. Whilst these posts will be integral to the delivery of the Country Park development project, they also allow us to further develop our opportunities for volunteering across East Ayrshire Leisure
- East Ayrshire Leisure were also successful in attracting external funds to appoint an Irvine Valley Trails Officer to work with local communities, landowners and stakeholders to develop a network of routes for walking, cycling and horse riding throughout the Irvine Valley. This 40 mile network of paths will link to places of interest throughout the valley as well as provide links to the wider network including Whitelee Windfarm and the River Ayr way.
- 4 Community Sports Hubs were introduced across East Ayrshire in Kilmarnock and Auchinleck, supported by SportsScotland and East Ayrshire Council. The aim of these hubs is to serve as a home for local sport clubs and recreational groups and to encourage the local community to come together and develop local sporting infrastructures by providing information, support and advice. The 'hub' is essentially a partnership of local sport clubs and local organisations working together in the community to enhance sporting, recreational and physical activity opportunities.
- In 2015, East Ayrshire Leisure co-ordinated an audit of all greenspaces throughout East Ayrshire and in partnership with East Ayrshire Council developed a series of action plans for each settlement in the local authority area. These action plans make up the East Ayrshire Green Infrastructure Strategy which outlines the provision of quality, accessible greenspace available to communities and recommends improvements where appropriate. This strategy has been adopted by East Ayrshire Council and is now a material consideration in planning applications to ensure protection and enhancement of the green network.
- Several areas of the Action plan remain as 'ongoing' issues or targets. Where appropriate, these have been carried forward into the 2016-19 Business Plan.

ATTENDANCES

East Ayrshire Leisure offers a wide range of Leisure opportunities for local residents and visitors with both paid-for and free activities available. Changes to East Ayrshire Leisure's facility remit as East Ayrshire Council has transferred buildings to community management have impacted on total attendances, however, attendances in 2015/16 were generally in line with expectations.

Culture and Countryside Services

	2015/16	2014/15
Total Attendances	1,832,395	1,854,859

2015/16 has been a challenging year for our culture and countryside venues/facilities, and key tourist attractions have registered a 2% fall in attendances from the previous year. This however needs to be viewed in the context of mitigating factors including closures during the year, a challenging financial climate and delays implementing service redesign. Explanations are offered below:

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

- The Palace Theatre shows the greatest fall in attendances, but this is set within the context of a record high the previous year. To mitigate risk on show loss we have reduced the number of shows offered as a 'guarantee' against loss which has reduced the Palace Theatre programme by 14%. The pantomime, Mother Goose, performed extremely well, attracting record audiences. Hall hire also continues to reduce given the range of facilities now available in Kilmarnock. We have continued to attract large scale music events to the Grand Hall due to our ongoing relationship with concert promoters and highlights throughout 2015-16 included Deacon Blue, Paul Heaton with Jacqui Abbott, Jason Donovan and Johnny Marr.
- New programming and marketing strategies for the Doon Valley Museum, Burns Monument Centre and Baird Institute will help to increase visitor numbers in future years. The Baird Institute has seen temporary staff deployment for the past year, as we waited for the Library review to be concluded and this has disrupted the visitor experience at times.
- The Dean Castle Country Park showed modest gains, but the Castle has seen a drop in attendance from previous highs of 34,000 several years ago, although this can be attributed to the ongoing closure of parts of the castle due to health and safety and collection care concerns. If funding is successful, the restoration and modernisation proposals for the castle will see an increase in visitors in years to come.
- The reduced visitor figures for libraries are explained by the closure of the following facilities as part of the service redesign during 2015/16: Catrine, Dalmellington, Hurlford, Kilmaurs, Ochiltree and Mauchline. It should be noted that Mauchline Library moved to The Burns House Museum during late January. It is clear that library usage has been in decline during the last 10 years and our challenge with the service redesign will be to bring people back, or introduce new people, to the service.
- Our mobile library service has also suffered from persistent vehicle problems that has taken the service off the road for periods of time. The introduction of a new Homewords service and procurement of two new mobile vehicles in 2016/17 will help address this issue.
- Online access to Museum Collections through Future Museum (www.futuremuseum.co.uk) has shown a 36% increase in visit numbers since start of Business Plan. The site however needs to be redesigned to ensure it maintains its relevance and funding bids are being developed with the partnership. During last year we have experienced the first decline in use since inception.

	2015/16	2014/15
Visits	225,692	245,557

Sport & Community Venues

	2015/16	2014/15
Total Attendances	774,569	778,868

- Attendances at Sport and Community Venues show a minor reduction (0.5%) when compared to 2014/15, however, unforeseen facility maintenance and repairs across several venues more than accounts for this decline, e.g. water ingress at Gavin Hamilton Sports

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

Centre and Muirkirk Games Hall, electrical installation works at Doon Valley Leisure Centre.

- Attendances at smaller facilities show gradual decline, however, attendances at larger facilities such as Auchinleck and Loudoun Leisure Centres are rising. Some existing customers may be moving to the larger facilities to take advantage of the improved range and quality of facilities on offer.
- Golf Course attendances showed slight reductions during the year. Caprington Golf Course transferred to community management in July 2015. We have been continuing to work closely with Annanhill Golf Club to improve the course and facilities available to players and visitors with investments being made to improve drainage, onsite facilities and purchase new machinery.

Online visitors

Our website was launched early 2014 and has continued to attract more visitors throughout the life of our Business Plan.

Website

Sessions on our website have grown by 24% since 2014-15:

	2015/16	2014/15
Sessions	291,736	235,263

With page views across the site also growing by 24%:

	2015/16	2014/15
Views	775,630	625,445

Facebook

Over our Facebook pages* during 2015-16, we have amassed:

	2015/16	2014/15	growth
Total page likes	12,841	8,411	53%

Total Combined Reach 2015-16: 1,348,723

Total Post Impressions 2015-16: 2,946,094

*pages include: East Ayrshire Leisure, Auchinleck Leisure Centre, Hunter Fitness Suite, Ayrshire Athletics Arena, Loudoun Leisure Centre, Catrine Games Hall, Mauchline Games Hall, Doon Valley Leisure Centre, Muirkirk Games Hall, Drongan Games Hall, Patna Games Hall, St Joseph's Leisure Centre, Gavin Hamilton Sports Centre, Stewarton Leisure Centre, Grange Leisure Centre, Stewarton Area Centre

Twitter

Our @EALeisure account has attracted increases:

	2015/16	2014/15	growth
Followers	1,863	1,110	68%
Impressions	428,000	154,300	177%

East Ayrshire Leisure Trust
Trustees Report
For the year ended 31st March 2016

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions for the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditors

To the knowledge and belief of each of the persons who are Trustees at the time the report is approved:

- So far as the Trustee is aware, there is no relevant information of which the charity's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information, and to establish that the charity's auditor is aware of the information.

Trustees' Report

Approved by the Board on 13th September 2016 and signed on its behalf by:

.....

Douglas Reid
Chair of the Board

.....

John Griffiths
Chief Executive

**East Ayrshire Leisure Trust
Independent Auditor's Report
For the year ended 31st March 2016**

We have audited the financial statements of East Ayrshire Leisure Trust for the period ended 31st March 2016 which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities in preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)'.

This report is made solely to the charity's Trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee (Scotland) Investment Act 2005 and regulations made under that Act. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 16, the Trustees are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31st March 2016 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**East Ayrshire Leisure Trust
Independent Auditor's Report
For the year ended 31st March 2016**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Nick Bennett
Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:.....

East Ayrshire Leisure Trust
Statement of Financial Activities
For the year ended 31st March 2016

	Notes	Unrestricted Fund 2016	Restricted Funds 2016	2016	2015
		£	£	£	
Income from:					
Donations	4	-	-	-	56,720
Charitable activities	4	7,888,086	69,130	7,957,216	8,424,415
Investments	4	5,548	-	5,548	3,523
Total income		7,893,634	69,130	7,962,764	8,484,658
Expenditure on:					
Charitable activities	5	8,040,200	74,340	8,114,540	8,159,631
Other (net interest defined benefit pension scheme)	9	94,000	-	94,000	71,000
Total expenditure		8,134,200	74,340	8,208,540	8,230,631
Net income/(expenditure)		(240,566)	(5,210)	(245,776)	254,027
Other recognised gains/(losses):					
Actuarial gains/(losses) on defined benefit pension schemes	9	2,333,000	-	2,333,000	(844,000)
Net movement in funds		2,092,434	(5,210)	2,087,224	(589,973)
Reconciliation of funds:					
Total funds brought forward		(1,967,440)	78,409	(1,889,031)	(1,299,058)
Total funds carried forward	17	124,994	73,199	198,193	(1,889,031)

The Statement of Financial Activities includes all gains and losses recognised in the year. None of the charity's activities were acquired or discontinued during the above period.

The notes on pages 22 to 39 form part of these financial statements.

East Ayrshire Leisure Trust
Balance Sheet
As at 31st March 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	10	70,197	17,440
Heritage assets	11	34,920	34,920
		105,117	52,360
Current assets			
Stocks and work in progress	12	8,391	8,047
Debtors	13	1,131,769	1,154,705
Cash at bank and in hand		1,806,595	1,540,538
		2,946,755	2,703,290
Liabilities			
Creditors: Amounts falling due within one year	14	(2,053,679)	(1,962,681)
		893,076	740,609
		998,193	792,969
Defined benefit pension scheme liability	9	(800,000)	(2,682,000)
Total net liabilities		198,193	(1,889,031)
The funds of the charity:			
Restricted income funds	17	73,199	78,409
Unrestricted funds (excluding pension reserve)	17	924,994	714,560
Pension reserve		(800,000)	(2,682,000)
Funds		198,193	(1,889,031)

The financial statements were approved and authorised for issue by the Board on

.....

Chair of the Board

Chief Executive

The notes on pages 22 to 39 form part of these financial statements

East Ayrshire Leisure Trust
Statement of Cash Flow for the year ended 31st March 2016

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	18	331,896	381,448
Cash flows from investing activities:			
Investment income		5,548	3,523
Donated fixed assets/heritage assets		-	(56,720)
Purchase of property, plant and equipment		(71,387)	-
Net cash provided by/(used in) investing activities		(71,387)	(53,197)
Change in cash and cash equivalents in the reporting period		266,057	328,251
Cash at the beginning of the reporting period		1,540,538	1,212,287
Cash at the end of the reporting period		1,806,595	1,540,538

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

I. Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities in preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1st January 2015) – (Charities SORP (FRS 102) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

East Ayrshire Leisure Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Before 2015 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102, as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" and referred to below as "previous UK GAAP". The financial effects of the transition to FRS 102 are set out in note 2 below

Incoming resources

Income from leisure, cultural and related activity is recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it.

Revenue grants, including those from government, are recognised in the Statement of Financial Activities (SoFA) in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty. Such income is deferred when the charity has to fulfil conditions before becoming entitled to it.

Management fees and other incoming resources are recognised in the period to which they relate.

Investment income is recognised in the period in which it is receivable.

Expenditure recognition and allocation of expenditure

Expenditure is recognised when a liability is incurred.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

Where possible, expenditure has been charged direct to charitable expenditure or governance cost. Where this is not possible the expenditure is allocated on the basis of time spent by staff on each activity.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees.

Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs are provided by East Ayrshire Council and include HR, legal, finance. The bases on which support costs have been allocated are set out in note 6.

Tangible Fixed Assets and Depreciation

It is the policy of the charity to capitalise expenditure of a capital nature in excess of £5,000.

Assets donated to the charity are included in the Balance Sheet and Statement of Financial Activities at cost.

Depreciation is charged to write off the cost less the estimated residual value of fixed assets by equal instalments over their estimated useful lives as follows:

Furniture and equipment: 5 years

Heritage Assets

Heritage Assets includes tangible fixed assets which are of historic, artistic or scientific importance that are held to advance preservation and conservation objectives of the charity. Heritage Assets are presented separately in the Balance Sheet from other Tangible Fixed Assets. Heritage Assets are reported at cost. Depreciation has not been provided on heritage assets due to these assets having indefinite long useful lives.

Lease commitments

Rentals paid under operating leases are charged to the Statement of Financial Activities as incurred.

Stock

Stocks are valued at the lower of cost and net realisable value in the ordinary course of activities.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Debtors

Trade debtors are amounts due from customers for services performed. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally invoice price, less any allowances for doubtful debts.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and are measured at fair value.

Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the charity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102. At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Pensions

East Ayrshire Leisure Trust operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Financial Activities. All costs related to the defined benefit scheme are recognised in the Statement of Financial Activities.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from the calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised in the statement of financial activities when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

VAT

The charity is partially exempt from VAT. Irrecoverable VAT is charged to the Statement of Financial Activities as an expense.

Unrestricted funds

Surplus revenue funds held within unrestricted funds are carried forward to meet the cost of future activities mainly of a revenue nature.

Commitments for specific activities and needs in the future are dealt with by making allocations to designated funds.

Restricted funds

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the appropriate fund, together with a fair allocation of management support costs where this is considered appropriate.

Taxation

The charity has charitable status and is therefore exempt from taxation under Sections 466 to 493 Corporation Tax Act 2010 (CTA 2010).

Going concern

The financial statements have been prepared on the basis of accounting policies that are consistent with the treatment of the charity as a going concern. The current funding agreement with East Ayrshire Council covers up to the 31 March 2017. In the Trustee's opinion, the charity will be able to continue for the foreseeable future. East Ayrshire Leisure participates in a defined benefit retirement scheme, excluding the deficit on this scheme (£800,000), the charity reported unrestricted funds of £924,994.

2. Transition to FRS 102

These financial statements for the year ended 31st March 2016 are the charity's first financial statements that comply with FRS 102. The charity's date of transition to FRS 102 is 1st April 2014. The charity's last financial statements prepared in accordance with previous UK GAAP were for the year ended 31st March 2015.

The transition to FRS 102 has resulted in changes in the charity's accounting policies compared to those used when applying previous UK GAAP.

The following explanatory notes to the financial statements describe the differences between the funds and income and expenditure presented under the previous UK GAAP and the newly presented amounts under FRS 102 for the reporting period ended 31st March 2015 (i.e. comparative information), as well as the funds presented in the opening statement of the balance sheet (i.e. at 1st April 2014). It also describes the changes in accounting policies made on first-time adoption of FRS 102.

In the table below, funds determined in accordance with FRS 102 are reconciled to funds determined in accordance with previous UK GAAP at both 1st April 2014 (the date of transition to FRS 102) and 31st March 2015.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

	At 1 st April 2014			At 31 st March 2015		
	Previous UK GAAP	Effect of transition	FRS 102	Previous UK GAAP restated	Effect of transition	FRS 102
	£	£	£	£	£	£
Fixed assets:						
Tangible fixed assets	-	-	-	17,440	-	17,440
Heritage assets	-	-	-	34,920	-	34,920
Current assets:						
Stocks	-	-	-	8,047	-	8,047
Debtors	1,008,842	-	1,008,842	1,154,705	-	1,154,705
Cash at bank and in hand	1,212,287	-	1,212,287	1,540,538	-	1,540,538
Liabilities:						
Creditors:						
Amounts falling due within one year	(1,923,007)	(92,180)	(2,015,187)	(1,870,501)	(92,180)	(1,962,681)
Net current assets	298,122	(92,180)	205,942	832,789	(92,180)	740,609
Total assets less current liabilities	298,122	(92,180)	205,942	885,149	(92,180)	792,969
Pension fund liability	(1,505,000)	-	(1,505,000)	(2,682,000)	-	(2,682,000)
Total net liabilities	(1,206,878)	(92,180)	(1,299,058)	(1,796,851)	(92,180)	(1,889,031)
The funds of the charity:						
Unrestricted funds	149,459	(92,180)	57,279	806,740	(92,180)	714,560
Designated funds	53,200	-	53,200	-	-	-
Pension reserve	(1,505,000)	-	(1,505,000)	(2,682,000)	-	(2,682,000)
Restricted funds	95,463	-	95,463	78,409	-	78,409
Total charity funds	(1,206,878)	(92,180)	(1,299,058)	(1,796,851)	(92,180)	(1,889,031)

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

Reconciliation of net movement in funds for the year ended 31st March 2015

	Notes	Previous UK GAAP £	Effect of transition £	FRS 102 £
Income from:				
Donations		56,720	-	56,720
Charitable activities		8,424,415	-	8,424,415
Investment		3,523	-	3,523
Other finance income	(a)	122,000	122,000	-
Total		8,606,658		8,484,658
Expenditure on:				
Charitable activities	(b)	8,159,631	-	8,159,631
Other	(a)	-	71,000	71,000
Total		8,159,631		8,230,631
Net income/(expenditure)		447,027		245,027
Other recognised gains/(losses):				
Actuarial gains/(losses) on defined benefit pension scheme		(1,037,000)	193,000	(844,000)
Net movement in funds		(589,973)	-	(589,973)

(a) Recognition of the adjustments to the defined benefit pension scheme has been restated under FRS 102.

(b) In accordance with FRS 102, a provision for paid annual leave has been recognised at the date of transition, 1st April 2014. The movement in the provision for the year ended 31st March 2015 has also been recognised as an effect of transition (nil movement).

3. Critical judgements and estimates

In preparing the financial statements trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The estimates and assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Defined benefit pension and other post-employment benefits

The present value of the defined benefit pension and other post-employment benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pension and other post-employment benefits include the discount rate. Any changes in these assumptions will have an effect on the carrying amount of pension and other post-employment benefits.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

After taking appropriate professional advice, management determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, consideration is given to the interest rates of high-quality corporate bonds that are denominated in the currency which the benefits are to be paid and that have terms to maturity approximating the terms of the related pension liability.

4. Income

Donations

Following the 2014 Commonwealth Games, the Trust received donated assets to the value of £21,800. These were recognised as voluntary income in the Statement of Financial Activities in 2014/15. The Trust also received donations, in 2014/15, from a number of sources towards the purchase of the Eglinton Statue (£34,920). No such donations were received in 2015/16.

Investment income

Investment income comprises bank interest. In 2016 bank interest received £5,548 (2015: £3,523).

Income from charitable activities is as follows:

	2016	2016	2016	31st March
	Operating	Restricted	Total	2015
	Fund	Fund		£
	£	£	£	
Chief Executive & Central Support	6,004,243	-	6,004,243	6,370,083
Marketing & Development	1,560	-	1,560	1,500
Cultural & Countryside	567,081	-	567,081	574,542
Sport & Community Venues	1,315,202	-	1,315,202	1,367,242
Projects	-	69,130	69,130	111,048
	<hr/>	<hr/>	<hr/>	<hr/>
Total income from provision of facilities and services	7,888,086	69,130	7,957,216	8,424,415
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

A management service fee of £6,001,620 was received from East Ayrshire Council for the year (2015: £6,109,380).

Income on charitable activities was £7,957,216 (2015: £8,424,415) of which £7,888,086 was unrestricted (2015: £8,313,367) and £69,130 (2015: £111,048) was restricted. All other income was unrestricted.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

5. Charitable expenditure

	Chief Executive & Central Support	Marketing & Development	Cultural & Countryside	Sport & Community Venues	Projects	Total	2015
	£	£	£	£	£	£	£
Employee costs	831,746	236,088	2,529,025	2,063,337	453	5,660,649	5,578,121
Property costs	15,861	-	345,796	531,486	-	893,143	900,560
Supplies and Services	62,777	110,924	739,920	291,407	73,076	1,278,104	1,388,322
Transport Costs	-	-	33,871	16,725	811	51,407	69,163
Support Services	212,400	-	-	-	-	212,400	212,400
Governance	18,137	-	-	700	-	18,837	11,065
Total	1,140,921	347,012	3,648,612	2,903,655	74,340	8,114,540	8,159,631

Expenditure on charitable activities was £8,114,540 (2015: £8,159,631) of which £8,040,200 was unrestricted (2015: £8,031,529) and £74,340 (2015: £128,102) was restricted. All other income was unrestricted.

6. Analysis of governance and support costs

	General Support	Governance	2016 £	2015 £
Health and Safety	4,400	-	4,400	4,400
Internal Audit	-	4,000	4,000	4,000
Human Resources	65,000	-	65,000	65,000
Corporate Infrastructure	40,000	-	40,000	40,000
Finance	54,000	-	54,000	54,000
Legal and Procurement Services	10,000	35,000	45,000	45,000
Audit fees	-	10,815	10,815	11,065
Consultants fees	3,892	-	3,892	-
Accountancy fees	4,130	-	4,130	-
	181,422	49,815	231,237	223,465

East Ayrshire Leisure receives support services from East Ayrshire Council. The total cost of support services provided by the Council in 2016 was £212,400 (2015 £212,400). The governance element of the support costs provided by the Council are calculated based on time spent throughout the year on governance activities.

The costs associated with trustee indemnity insurance are met by East Ayrshire Council.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

7. Staff Costs and Numbers

	2016	2015
	£	£
Wages and salaries	4,148,289	4,185,211
Social security costs	240,658	241,726
Other pension costs	957,334	851,984
Other staff costs	314,368	299,200
	<u>5,660,649</u>	<u>5,578,121</u>

13 members of staff were made redundant during the year and received lump sum payments totalling £71,669. The cost of these redundancies is fully funded by East Ayrshire Council.

Employees receiving salaries, including benefits in kind, of more than £60,000 were as follows:

£70,000 - £79,999 1 (2015: 1)

The senior management team comprises five staff members. The total employee benefits of the senior management team were £315,349 (2015: 305,901)

The average number of employees during the period was made up as follows:

	2016	2015
	Number	Number
East Ayrshire Leisure Trust		
Full-time (permanent)	112	111
Part-time (permanent)	125	135
	<u>237</u>	<u>246</u>

During the year trustees received no remuneration (2015: nil). Trustee expenses totalled £139 (2015: nil). No trustees received payment for professional or other services supplied to the charity (2016: nil).

8. Operating Surplus

	2016	2015
	£	£
The operating surplus is stated after charging/(crediting)		
Auditors' remuneration (including expenses) for audit	10,815	10,315
for other services	3,350	750

9. Pension Costs

East Ayrshire Leisure Trust is an admitted body of the Strathclyde Pension Fund. The Superannuation Fund is a defined benefit scheme into which employee' and employer's contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

Employees' contributions are tiered and employer's basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains solvent and in a position to meet its future liabilities. The actuarial method used is known as Projected Unit Credit Method. The last actuarial valuation was at 31st March 2014 and following this valuation employer's contributions increased to 19.3% for the years ended 31st March 2015 and 2016 and 2017 respectively.

As sponsoring authority, East Ayrshire Council has guaranteed to accept liability for any unfunded costs which may arise with regard to the Trust relating to their membership in the Strathclyde Pension Fund, should they cease to exist.

The movement in the defined benefit obligation over the year is as follows:

	31st March 2016	31st March 2015
	£'000	£'000
Opening defined benefit obligation	17,188	12,534
Current service cost	956	856
Interest cost on defined benefit obligation	581	559
Contributions by members	184	181
Actuarial losses/(gains)	(2,436)	3,155
Estimated benefits paid	(278)	(97)
	<hr/>	<hr/>
Closing defined benefit obligation	<u>16,195</u>	<u>17,188</u>

The movement in the fair value of plan assets in the year is as follows:

	31st March 2016	31st March 2015
	£'000	£'000
Opening fair value of plan assets	14,506	11,029
Interest income on plan assets	487	488
Contributions by members	184	181
Contributions by the employer	599	594
Actuarial loss/gain	(103)	2,311
Estimated benefits paid	(278)	(97)
	<hr/>	<hr/>
Closing fair value of plan assets	<u>15,395</u>	<u>14,506</u>

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

Amounts recognised in net income/expenditure (per SOFA):

	31st March 2016	31st March 2015
	£'000	£'000
Current service cost	(956)	(856)
Total service cost	(956)	(856)
Net interest		
Interest income on plan assets	487	488
Interest cost on defined benefit obligation	(581)	(559)
Total net interest	(94)	(71)
Total defined benefit cost recognised in net income/expenditure per the SOFA	(1,050)	(927)

The major categories of plan assets as a % of the total plan assets are as follows:

	31st March 2016	31st March 2015
	%	%
Equities	72	75
Bonds	16	13
Property	12	11
Cash	0	1

The estimated employer contributions for the year to 31 March 2017 are £599,000.

The principal actuarial assumptions used in the calculations are:

	31st March 2016	31st March 2015
	% per annum	% per annum
Pension Increase Rate	2.2	2.5
Salary Increase Rate	4.2	4.4
Discount Rate	3.6	3.3

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 years

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

10. Fixed Assets

	Furniture & Equipment	Total
	£	£
Cost		
As at 1 st April 2015	21,800	21,800
Additions	71,387	71,387
	<hr/>	<hr/>
As at 31 st March 2016	93,187	93,187
	<hr/> <hr/>	<hr/> <hr/>
Depreciation		
As at 1 st April 2015	4,360	4,360
Charge	18,630	18,630
	<hr/>	<hr/>
As at 31 st March 2016	22,990	22,990
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
As at 31 st March 2015	17,440	17,440
As at 31 st March 2016	70,197	70,197
	<hr/> <hr/>	<hr/> <hr/>

11. Heritage Assets

In 2014/15, the Trust procured a silver gilt sculpture of Lord Eglinton. This asset was fully funded by external providers.

	Heritage Assets	Total
	£	£
Cost		
As at 1 st April 2015	34,920	34,920
Additions	-	-
	<hr/>	<hr/>
As at 31 st March 2016	34,920	34,920
	<hr/> <hr/>	<hr/> <hr/>
Net book value		
As at 31 st March 2015	34,920	34,920
As at 31 st March 2016	34,920	34,920
	<hr/> <hr/>	<hr/> <hr/>

12. Stock

	2016	2015
	£	£
Goods for re-sale	8,391	8,047
	<hr/> <hr/>	<hr/> <hr/>

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

13. Debtors

	2016	2015
	£	£
Amounts due from East Ayrshire Council	987,675	986,583
Trade debtors	70,437	90,657
Other debtors and prepayments	73,657	77,465
	<u>1,131,769</u>	<u>1,154,705</u>

14. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Amounts owed to East Ayrshire Council	380,231	296,063
Trade creditors	223,665	218,891
Accruals and deferred income	1,026,840	904,625
Taxation and social security	422,943	543,102
	<u>2,053,679</u>	<u>1,962,681</u>

15. Deferred income

Deferred income comprises advanced ticket sales.

	2016	2015
	£	£
Balance as at 1 st April 2015	37,506	57,473
Amounts released to income during 2015/16	(37,506)	(57,473)
Amounts deferred in year	65,480	37,506
	<u>65,480</u>	<u>37,506</u>

16. Financial assets and liabilities

	2016	2015
	£	£
Financial assets at amortised cost	2,866,428	2,656,172
Financial liabilities at amortised cost	(1,565,256)	(1,382,073)
	<u>1,301,172</u>	<u>1,274,099</u>

Financial assets comprise amounts due from East Ayrshire Council, trade debtors, other debtors and cash and bank balances.

Financial liabilities comprise amounts due from East Ayrshire Council, trade creditors and accruals.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

17. Reserves

Funds	Unrestricted Funds	Restricted Funds	2016 Total	2015 Total
	£	£	£	£
Balance at 31 st March 2016				
Represented by:				
Fixed assets	105,117	-	105,117	52,360
Net current assets	819,877	73,199	893,076	740,609
Retirement benefit scheme deficit	(800,000)	-	(800,000)	(2,682,000)
	<u>124,994</u>	<u>73,199</u>	<u>198,193</u>	<u>(1,889,031)</u>

Unrestricted Fund	Opening Balance at 1st April 2015	Incoming	Outgoing	Transfers	Actuarial Loss	Closing Balance at 31st March 2016
	£	£	£	£	£	£
Unrestricted fund	714,560	7,893,634	(7,683,200)	(99,150)	-	825,844
Designated funds	-	-	-	99,150	-	99,150
Pension reserve	(2,682,000)	-	(451,000)	-	2,333,000	(800,000)
	<u>(1,967,440)</u>	<u>7,893,634</u>	<u>(8,134,200)</u>	<u>-</u>	<u>2,333,000</u>	<u>124,994</u>

Designated funds were established in 2016 for the following:

	2016
	£
Annanhill equipment	15,000
Annanhill staff welfare	6,000
Security measures at Annanhill	15,000
Libraries SIRS upgrade	15,000
Housebound van fit out and design/promotion	5,000
Housebound van purchase	9,000
Mauchline Library Wi-fi install	4,650
Fortress security alarm installations	4,500
Pole vault equipment	20,000
Floor machine for Palace Theatre	5,000
Total designated funds	99,150

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

Restricted Funds	Opening Balance £	2016 Incoming Resources £	2016 Resources Expended £	2016 Closing Balance £
Unsigned Unlimited	4,210	360	6,209	(1,639)
Creative place	24,639	-	68	24,571
Ayrshire Libraries forum	4,586	-	80	4,506
Deep roots	1,506	655	2,161	-
Scotland Creates (Legacy of Lace)	15,325	-	-	15,325
WWI	2,021	(839)	1,182	-
Wifi	11,590	11,500	11,590	11,500
Training in new technologies	10,000	-	10,000	-
Poet in residence	1,750	(44)	1,706	-
Textile team	1,114	60	497	677
Ritcher Engagement	1,668	(942)	726	-
When We are Young	-	1,660	1,660	-
Keir Hardie	-	8,847	8,847	-
Still Future II	-	15,106	10,799	4,307
Countryside Festival	-	12,200	10,651	1,549
Burns Birthday in Mauchline	-	5,742	5,742	-
The McKie Collection	-	10,175	-	10,175
Read Write Count	-	4,650	2,422	2,228
Totals	78,409	69,130	74,340	73,199

Unsigned Unlimited is project funded by Creative Scotland to help young people to network and perform and learn about the music industry. The young people in the project often feature in our event programme.

Creative Place is funded from Creative Scotland to bring high quality events and exhibitions to Kilmarnock, supporting regeneration and tourism.

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.

Deep Roots received funding from HLF and EventsScotland to support our Homecoming 2015 project for Dean Castle and Country Park. The project included two major events/education programmes in October/November, tree planting programme for the creation of Boyd Wood and new exhibition about the Boyds at the Castle. This was a highly successful project and balance of funds will be used to support the Boyd wood development.

Scotland Creates (Legacy of Lace) is funding received from National Museums Scotland on behalf of the Esmee Fairbairn Foundation, to engage young people in museums through development of exhibitions and associated events.

WWI project received funding from Lottery Funding to help school pupils to research, record and interpret East Ayrshire's Museum, Library and Archive collections relating to WWI and specifically Ayrshire's experience of the war. A full educational programme based around the collections, together with an exhibition at the Baird Institute and digital archive, will be created.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

The WiFi project is funded by the Scottish Library and Information Council. Additional funding was awarded in the year to complete the library Wifi rollout across our part-time libraries not covered by Phase I of the project, including Newmilns, Bellfield and Drongan.

Training in New Technologies project is funded by the Scottish Library and Information Council to train Library staff in new technologies such as tablet, smartphones and iPads. Once trained, the library staff will be equipped to assist customers in making the most of their own devices.

Poet in Residence took place at Burns House Museum during March/April 2016 and was funded by Museums Association and Scottish Book Trust to help develop new audiences from the museum.

Textile team is a team of volunteers that were originally funded by HLF to carry out restoration and repair of textiles. The remaining funding supports the group to continue with its work.

The Richter Engagement programme is funded by the Artfund to allow young people between ages of 14 and 25 to participate in a high quality out-of-school visual arts activity, working alongside three artists to investigate Richter's work and develop their own new work inspired by the exhibition.

When We Are Young was a successful exhibition and event programme that took place at The Baird and received funds from HLF to develop and deliver the exhibition and workshop programme.

Keir Hardie funding (HLF) was used to support the exhibition and talk programme and digitisation of Keir Hardie collections.

Still Future II is a new exhibition featuring the work of nine Scottish artists. It has received funding from Creative Scotland and resulted in a major new exhibition at the Dick Institute during 2016.

The 2015 East Ayrshire Countryside Festival received £10,000 from Awards for All to promote healthy outdoor activities throughout East Ayrshire. The project include a number of structured walks, walking festivals, cycling events, evening talks and large scale community events. The aim of the project was to target community integration and promote sustainable healthy lifestyles. The Countryside Festival attracted over 5,000 participants over a 4 week period.

The Burns Birthday in Mauchline was funded by Eventscotland to provide a celebration of Burns in our Burns House Museum and Library in Mauchline. The event enabled us to present workshops, events and educational activities for schools.

The McKie Collection fund by Museum Galleries Scotland to support the digitisation of the McKie collection.

Read Write Count is a Scotland wide initiative to improve literacy and numeracy skills for young people.

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

18. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2016	2015
	£	£
Net income/(expenditure) for the reporting period (as per the SOFA)	(245,776)	254,027
Adjustments for:		
Interest received	(5,548)	(3,523)
Depreciation	18,630	4,360
Net cost in respect of pensions	451,000	333,000
(Increase)/decrease in stock	(344)	(8,047)
(Increase)/decrease in debtors	22,936	(145,863)
Increase/(decrease) in creditors	90,998	(52,506)
Net cash provided by (used in) operating activities	331,896	381,448

Analysis of cash and cash equivalents

	2016	2015
	£	£
Cash in hand	1,806,595	1,540,538
Notice deposits (less than 3 months)	-	-
Overdraft facility repayable on demand	-	-
Total cash and cash equivalents	1,806,595	1,540,538

19. Operating lease commitments

Annual lease commitments under leases expiring:

	Other 2016	Other 2015
	£	£
In two to five years	6,754	20,223

20. Related parties

East Ayrshire Council made a contribution in line with the Services Agreement of £6,001,620 (2015: £6,109,380). Facilities were leased to East Ayrshire Leisure for a peppercorn rent. East Ayrshire Council also provided various support functions including Legal, Finance and IT for which the charity was charged £212,400 (2015: £212,400).

The relevant transactions and balances with East Ayrshire Council were:

2015/16				2014/15			
Charges to	Charges from	Due from	Due to	Charges to	Charges from	Due from	Due to
£	£	£	£	£	£	£	£
6,508,547	790,266	987,675	380,231	7,086,000	466,000	987,000	296,000

East Ayrshire Leisure Trust
Notes to the Accounts
For the year ended 31st March 2016

21. Contingent Liabilities

There are currently two public liability cases ongoing (2015: five). These are being handled via East Ayrshire Council's insurer (Zurich). If it is determined that the Trust is liable, it will need to pay the first £500 and the remainder will be covered by the insurer. Until the Assessor has completed its work, the Trust accepts no liability for these claims.

22. Post Balance Sheet Event

None

23. Non-Audit Services

In common with many other charities of a similar size, the charity's auditor assists with the preparation of the financial statements. This service is commissioned by East Ayrshire Council.

PERFORMANCE REPORT APRIL – JUNE 2016

Date: 23 August 2016

Agenda Item: 5

Report By: John Griffiths, Chief Executive

Summary

This report provides the Board with a summary of the performance of Trust services for the period April to June 2016 and highlights any significant aspects of performance for Trustees' consideration.

1. BACKGROUND

- 1.1 The attached East Ayrshire Leisure Performance report presents an overview of the Trust's performance for the period April to June 2016. The report is presented in the revised format approved by the Board in April.

2 REPORT HIGHLIGHTS/ISSUES

2.1 ACTION PLAN PROGRESS

- 2.1.1 Significant progress has been made towards the achievement of action plan objectives, programme development activities have been particularly successful in maintaining attendance figures.

2.2 FINANCIAL PERFORMANCE

- 2.2.1 A surplus of £70,450 is currently projected and it is envisaged that this amount will be utilised to assist in the management of the £141,090 2016/17 budget savings yet to be identified.

2.3 PERFORMANCE SCORECARD

- 2.3.1 The EPMS Performance Scorecard is presented for the first time and shows expected levels of performance across the main measured priorities.

2.4 RISK REGISTER

- 2.4.1 There are no issues from the Risk Register, however, Trustees should raise any new issues at the meeting.

2.5 ADDITIONAL INFORMATION

- 2.5.1 In accordance with previous discussions, detailed information regarding Health & Safety, Attendances and Absence levels will now be available via the Trustees' portal.

Recommendation/s:

It is recommended that the Sub-Committee:

PERFORMANCE AND AUDIT SUB COMMITTEE



- | |
|--|
| <ul style="list-style-type: none">i. Approve the East Ayrshire Leisure Performance report for April to June 2016; andii. Otherwise note the content of this report. |
|--|

Signature:

A handwritten signature in black ink, appearing to be "J. Allan".

Designation: Chief Executive

Date: 15 August 2016



East Ayrshire Leisure Performs

April – June 2016



Progress Against 2016-19 Action Plan..... Page 2

Financial Performance..... Page 10

- Income & Expenditure - by Service

Performance Scorecard..... Page 29

Risk Register..... Page 32



PROGRESS AGAINST 2016-19 ACTION PLAN

STRATEGIC OBJECTIVE ONE – TO BE RECOGNISED AS A PROVIDER OF HIGH QUALITY SERVICES AND FACILITIES THAT ARE WELL USED

ACTION NO	ACTION	TARGET	PROGRESS OVERVIEW/HIGHLIGHTS AT 30 JUNE 2016
EAL 1.1	Increase Customer Satisfaction levels	Show annual customer satisfaction improvements each year of Business Plan	<ul style="list-style-type: none"> Developed brief for Market Research consultant and will be commissioned by September 2016
EAL 1.2	Increase attendance levels/ticket sales through programme development both in person and online.	<p>Increase levels of attendance/ticket sales by 5% over the term of the business plan. Continue to invest in programme development.</p> <p>Increase online visitor usage by 2% each year of Business Plan</p>	<ul style="list-style-type: none"> Wide range of exhibitions/events/activities delivered across the Trust that have helped to support an increase in attendance during the quarter from previous year across all areas of operation. Examples include About Time and Picasso at Play exhibitions; Bookbug events across Libraries; 'Our Ladies of Perpetual Succour' and 'Made in Dagenham' at the Palace Theatre; Irvine Valley Walking Festival; Ayrshire Orienteering Championships at the Country Park. Digital marketing strategies developed including increased Facebook & Twitter usage (including new DCCP page) to support increased visits on www.eastayrshireleisure.com Radio campaign to drive customers to summer programme and to www.eastayrshireleisure.com £40K Funding bid being prepared to support design upgrade of www.futuremuseum.co.uk with project partners – Bid will be completed October 2016.
EAL 1.3	Achieve new quality standards and/or maintain current Accreditation standards	<p>Visit Scotland: 4 star: Doon Valley Museum 4 star: Dick Institute 4 star: Baird Institute 4/5 star: Dean Castle and Country Park 4 star: Burns House Museum</p>	<ul style="list-style-type: none"> Working with VisitScotland as part of the Dean Castle Country Park Development Project to determine what actions are required to achieve a five star grading. Assessment scheduled for 2017
		<p>Arts Council England Museum Accreditation: Dean Castle/Baird/Doon Valley/Burns House/Dick Institute maintained.</p>	<ul style="list-style-type: none"> £45K Funding bid being prepared to support investment in new Collection management System – Bid will be completed October 2016
		<p>Collection Significance: Musical Instrument/Burns Collections maintained.</p>	<ul style="list-style-type: none"> £60K funding bid to museums Galleries Scotland is being prepared to support investment in display at Dean Castle which will support wider development.

		How Good Is Our Public Library Service: 2016/17 – 1 indicator tested; 2017/18 – further 2 indicators tested; 2018/19 – further 2 indicators tested.	
		British Computer Society Accreditation: Maintain annual accreditation	Accreditation achieved in April 2016 for 2016/17
		UKA: Maintain Certification at Ayrshire Athletics Arena	Date for re-assessment May 2017
		FIFA: Certification of all Synthetic Grass Pitches	
		Maintain status as RLSS Approved Training Centre	<ul style="list-style-type: none"> Working towards external verification process and will be completed by September 2016
		Gain Green Flag award for Dean Castle Country Park and Annanhill Golf Course during life of Business Plan.	
		UKactive: achieve membership criteria	<ul style="list-style-type: none"> UKactive membership status ongoing at present. East Ayrshire Leisure now an employer partner with the Chartered Institute for the Management of Sport and Physical Activity
EAL 1.4	Maintain and sustain high level partnerships that support service delivery and improvement.	Maintain current partnership network.	<ul style="list-style-type: none"> In discussions with University West of Scotland and Ayrshire College to set up formal partnerships across several areas of operation including, marketing, libraries, Countryside and Cultural. This would cover areas like horticultural and arboriculture (agreed), IT development, technical stage craft and media arts and market research. Future Museum partnership will be expanded to include Inverclyde Council.

EAL 1.5	Introduce a system to audit, monitor and improve environmental efficiency across our core facilities	Create annual improvement plan and work with East Ayrshire Council to ensure our venues/facilities meet our environmental objectives.	<ul style="list-style-type: none"> A process has been established to ensure gas and electricity meter readings are gathered for all facilities. Reports are collated and any issues are raised with the Team Leaders.
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STRATEGIC OBJECTIVE TWO – TO ENHANCE PEOPLE’S HEALTH AND WELLBEING THROUGH PARTICIPATION

ACTION NO	ACTION	TARGET	PROGRESS AT 30 JUNE 2016
EAL 2.1	Increase general participation /attendance levels across service areas	<ul style="list-style-type: none"> Increase participation/ attendance levels by 5% over the term of the Business Plan. 	<ul style="list-style-type: none"> Wide range of exhibitions/events/activities and workshop related activity delivered across the Trust that have helped to support an increase in attendance/participation during the quarter across all areas of operation. £30K Funding bid submitted to Scottish Library and information Council for Creative Space programme at Dick Institute which will help to increase participation. Created new workshop and education focus around our core venues resulting in more opportunities for participation Examples include using Thursday evenings as a key event day in Cultural venues; family events at the Baird, Writers’ Days, Summer Reading Challenge events and Visual Art and Performing Arts workshop focus at Dick Institute, Palace and Cumnock; Friday morning practical conservation tasks and Danger Detectives at the Country Park. New sport and physical activities including Boxercise, Rookie Lifeguard, Piyo and yoga have been implemented across key facilities. Burns Birthday funding of £6.5k awarded to support programme. Sports activity programme offering reviewed with new activities on offer Promotional packages undertaken to increase summer programme attendances including 15,000 brochures distributed to schools and at major events, advertising within Primary Times and other publications distributed at the Open, radio campaigns
EAL 2.2	Increase opportunities for/numbers of young people (12-25) using our services.	<ul style="list-style-type: none"> Increase by 1% each year number of young people using our service areas. Raise £50K external funding during life 	<ul style="list-style-type: none"> Funding bid of £10 K has been submitted to encourage young people to become involved in a rural skills programme within the Dean Castle Urban Farm

		<p>of Business Plan to support programmes aimed at young people.</p> <ul style="list-style-type: none"> • Maintain and develop 2 partnerships/initiatives each year to support young people centred programmes e.g. EASC Affiliated Sports Clubs, Youth Arts Network, Vibrant Communities. • Offer reduced cost/free access to facility/project use for targeted groups of young people. • Carry out project surveys to measure behavioural change impact in 2016/17/18/19 	<ul style="list-style-type: none"> • £150 K funding bid has been submitted to the Cashback for Communities Fund for an Outdoor Learning Store, equipment and a package of activities. • New programme focus aimed at engaging this age range through Make some Noise, Gaelic Project, Youth Theatre and Ayrshire Youth Arts Network project raising in total £23K. • 126 weekly sessions are on offer for those age 12 plus to participate in a wide range of sport and fitness activities. Session are delivered directly by East Ayrshire Leisure or in partnership with local sports clubs and organisations. • 4 new activities delivered at Loudoun Leisure Centre, Doon Leisure Centre, and Stewarton Sports Centre. Boxercise, Rookie Lifeguard, Piyo and yoga.
EAL 2.3	Maximise access to our facilities and programmes for people with physical, sensory or learning disabilities.	<ul style="list-style-type: none"> • Apply audit findings where appropriate, in 2017/18/19 • Support people using our facilities/ programmes with mixed ability needs. 	<ul style="list-style-type: none"> • Working with Willowbank School to develop an outdoor learning area within Dean Castle Country Park which has been specifically adapted for mixed ability needs and will be used to support young people achieve a John Muir Award. A funding application of £2K has been submitted to the Greggs Foundation for this project. • Dean Castle £1.5M funding bid submitted to HLF which will provide increased access to Castle. Outcome known during September 2016. • New partnership with Ucan- Learn, Work, Live. Weekly activities for those with disabilities focusing on athletics and cycling taking place at the Ayrshire Athletics Arena
EAL 2.4	Increase opportunities for/numbers of older people (60+) using our services.	<ul style="list-style-type: none"> • Increase attendance by older people by 1% each year. • Ensure we have programmes that are attractive to older users. • Carry out sample surveys to measure behavioural change impact in 2016/17/18/19 • Develop and maintain partnerships each year to support older people centred programmes e.g. NHS Ayrshire & Arran, Vibrant Communities. 	<ul style="list-style-type: none"> • New Homeworks service developed for Launch in August 2016 • Working with History group in Cumnock for regular programmes at The Baird and also at Doon Valley Museum. • Working extensively with groups across Palace and Grand Hall and libraries supporting 60+ programmes. Examples include Opportunities In Retirement groups, Chit Chat Clubs, IT workshops across library network. • 1 new weekly session of yoga in place at Stewarton Sports Centre

STRATEGIC OBJECTIVE THREE – TO ENHANCE EAST AYRSHIRE'S TOURISM OFFER

ACTION NO	ACTION	TARGET	PROGRESS AT 30 JUNE 2016
EAL 3.1	<p>Increase visitor attendance at our key tourist attractions: Dick Institute, Dean Castle & Country Park, Baird Institute, Doon Valley Museum, Burns House Museum & Library, River Ayr Way, Palace & Grand Hall Complex and Cumnock Town Hall</p>	<ul style="list-style-type: none"> • Increase levels of visitor attendance in line with targets set in local Tourism Strategies. • Develop cultural/countryside and sport tourism packages with Visit Scotland/EAC to promote our venues/events. • Submit external funding bids to support tourism development across our facilities/venues. • Maintain and develop partnership working with Visit Scotland/EventsScotland to support our programmes. 	<ul style="list-style-type: none"> • Worked with EAC Tourism Officer on various projects and will integrate this work into East Ayrshire's Tourism Action Plan. • Worked with EAC to develop 'Must See EA #' and ensure East Ayrshire Leisure was fully integrated in the campaign. • Developing a bid to EventScotland for Year of Heritage for October submission. • Continuing to invest in programme development to ensure we have high quality exhibitions and events in our venues. Examples include the About Time exhibition, Picasso at Play, East Ayrshire Youth Theatre, show programmes across Palace and Cumnock Town Hall; Dunaskin Heritage Centre events. • Ayrshire Athletics Arena played host to 16 events, most notably Roon the Toon 10K and Scotland v Ireland University and College.
EAL 3.2	<p>Work with local groups to add value to the tourism offer.</p>	<ul style="list-style-type: none"> • Work with 4 groups each year to support community development and to harness local knowledge. 	<ul style="list-style-type: none"> • Worked with Irvine Valley Regeneration Partnership in the organisation of the Irvine Valley Walking Festival which attracted over 600 people to the area. • The Dunaskin Heritage Trust has been supported through a programme of Countryside Ranger led walks from April to October. • Cumnock History Group, Mauchline Burns Club, Doon Valley Community Council to add value to our heritage offer. • EAL is represented on the Kilmarnock Town Centre Stakeholder Group to develop a programme of improvements and activities that will contribute to the tourism offer in Kilmarnock • Worked with the Fenwick Walking Group to develop a series of walks in and around the village to attract people to the local area and to encourage the community to be more active in the outdoors.

STRATEGIC OBJECTIVE FOUR – TO BE RECOGNISED AS AN EMPLOYER OF CHOICE

ACTION NO	ACTION	TARGET	PROGRESS AT 30 JUNE 2016
EAL 4.1	Increase levels of staff satisfaction from 2016/17 baseline.	<ul style="list-style-type: none"> • Respond to survey findings. • Maintain constructive relationship with Trade Union – 6 meetings annually. • Maintain absence to below acceptable level of 4% • Continue to achieve low levels of formal Grievances 	<ul style="list-style-type: none"> • Developed brief for Market Research consultant and will be commissioned by September 2016 • Staff Recognition Award report approved by Board. To be implemented following discussion with the Union re sponsorship of awards. • Absence level recorded for April – June was 3.2% • One formal grievance has been submitted during the period • Four employees have been successful in their application to attend Further Education, courses are being funded by East Ayrshire Leisure
EAL 4.2	Increase the number of volunteering, placement and apprenticeship opportunities.	<ul style="list-style-type: none"> • 6 Modern Apprenticeships during life of Business Plan subject to funding. • 10 work placements during life of Business Plan • 3 interns during life of Business Plan. • Volunteers increase by 2% each year. 	<ul style="list-style-type: none"> • 17 young people between 12-24 years had work placements at Dean Castle Country Park in Q1. These young people were from Park School, Ayrshire College and Stewarton Academy. • Between April and June, 55 volunteers took part in activities within the Country Park. • Youth Theatre maintains 3 volunteers. • Textile Team at Castle 10-16 volunteers. • 14 week volunteer placement facilitated at the Ayrshire Athletics Arena.
EAL 4.3	Advance staff through training and development	<ul style="list-style-type: none"> • Increase the use of EAGER working towards 95% coverage for permanent staff. • Develop training matrix for all service areas • Develop bespoke e-learning modules and training courses • Adopt volunteering policy allowing employees the opportunity to volunteer with external organisations 	<ul style="list-style-type: none"> • Recruitment of a Training & Development Officer was advertised and it is anticipated that post holder will be in place by September 2016. • A Training Matrix that identifies mandatory training has been developed for all service areas • Bespoke e-learning module covering customer care, in conjunction with EAC and is now live and being rolled out to staff. • Mystery Shopping exercises have commenced and will be used to progress training programme.

			<ul style="list-style-type: none">• An updated draft volunteer policy has been prepared and will be presented to Trust for approval in 2016• Membership of the Scottish Council for Voluntary Organisations has been approved
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FINANCIAL PERFORMANCE TO 30.06.16

Performance & Audit Sub Committee
2016/17 EAST AYRSHIRE LEISURE BUDGET
AS AT 30th JUNE 2016 – PERIOD 3
SIGNIFICANT VARIANCES – ANALYSIS & COMMENTARY

The projected outturn for East Ayrshire Leisure at 30th June 2016 is a surplus of £70,450 and it is envisaged that this will be utilised to assist in the management of the £141,090 2016/17 budget savings yet to be identified.

There are further variances within Income and Expenditure, these are closely monitored and managed within the Service - detailed analysis provided below.

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

TABLE A – OVERALL NET POSITION

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	Service Division	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse
110,174	775,751	CHIEF EXECUTIVE & PEOPLE & FINANCE	761,540	129,035	17%	717,740	(43,800)
67,281	345,452	MARKETING & DEVELOPMENT	295,420	68,540	23%	295,420	0
520,566	2,518,146	CULTURAL	2,124,710	440,104	21%	2,124,710	0
6,713	70,265	Cultural Management	68,260	15,662	23%	68,260	0
29,425	143,656	Collection Care	149,250	27,224	18%	149,250	0
91,437	453,715	Cultural Development	417,670	60,258	14%	417,670	0
302,886	1,451,445	Libraries	1,112,780	271,694	24%	1,112,780	0
(1,838)	(19,642)	Bar & Catering	(18,600)	(10,574)	57%	(18,600)	0
91,943	418,707	Palace Complex	395,350	75,840	19%	395,350	0
102,566	563,385	COUNTRYSIDE DEVELOPMENT	574,470	116,905	20%	576,440	1,970
62,074	1,588,451	SPORT & COMMUNITY VENUES	1,650,790	99,702	6%	1,622,170	(28,620)
62,805	485,694	Sport & Community Management	519,750	81,365	16%	519,750	0
(12,544)	81,988	Area 1	93,040	3,964	4%	93,040	0
18,069	222,808	Area 2	201,540	41,899	21%	192,700	(8,840)
28,056	194,799	Area 3	237,730	28,167	12%	237,730	0
40,058	308,712	Area 4	348,530	43,368	12%	334,620	(13,910)
(795)	12,474	Area 5	360	(287)	-80%	360	0
(82,427)	173,073	Golf	135,610	(43,797)	-32%	135,610	0
9,597	87,453	Football	67,020	(5,625)	-8%	67,020	0
(745)	21,450	Community Venues	47,210	(49,352)	-105%	41,340	(5,870)
862,661	5,791,185	TOTAL	5,406,930	854,285	16%	5,336,480	(70,450)
(1,520,480)	(6,001,620)	Management Fee	(5,092,410)	(1,280,350)	25%	(5,092,410)	0
(657,819)	(210,435)	TOTAL	314,520	(426,065)		244,070	(70,450)
0	0	Savings Yet to be Identified	(141,090)	0		(141,090)	0
0	(150,860)	Trs From Reserves	(173,430)	(23,430)		(173,430)	0
0	99,150	Designated Funds	0	0		0	0
0	0	Trs To Reserves	0	0		0	0
(657,819)	(262,145)	TOTAL (after transfer to reserves)	0	(449,495)		(70,450)	(70,450)

TABLE B – OVERALL NET POSITION

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	Service Division	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse
(470,472)	(1,892,014)	Income From Charitable Activities	(1,752,120)	(464,885)	27%	(1,676,050)	76,070
(1,520,480)	(6,001,620)	Management Fee	(5,092,410)	(1,280,350)	25%	(5,092,410)	0
(1,990,952)	(7,893,634)	TOTAL INCOME	(6,844,530)	(1,745,235)	25%	(6,768,460)	76,070
968,287	5,303,196	Employee Costs	5,320,000	1,060,225	20%	5,197,050	(122,950)
8,300	50,596	Transport Costs	65,140	7,285	11%	69,360	4,220
125,108	893,142	Premises Costs	850,420	80,867	10%	847,880	(2,540)
209,818	1,097,759	Supplies & Services	811,320	167,620	21%	786,570	(24,750)
0	18,630	Financing Costs	4,090	0	0%	4,090	0
0	212,400	Support Costs	0	0	0%	0	0
21,620	107,476	Governance Costs	108,080	3,173	3%	107,580	(500)
1,333,133	7,683,199	TOTAL RESOURCES EXPENDED	7,159,050	1,319,170	18%	7,012,530	(146,520)
(657,819)	(210,435)	NET POSITION	314,520	(426,065)		244,070	(70,450)
0	0	Savings Yet to be Identified	(141,090)	0		(141,090)	0
0	(150,860)	Trs From Reserves	(173,430)	(23,430)		(173,430)	0
0	99,150	Designated Funds	0	0		0	0
0	0	Trs To Reserves	0	0		0	0
(657,819)	(262,145)	TOTAL (after transfer to reserves)	0	(449,495)		(70,450)	(70,450)

TABLE C – INCOME POSITION

Revised Actual Income To 30/06/15	Actual Out-turn to 31/03/16	Service Division	Annual Estimate 2016/17	Revised Actual Income To 30/06/16	Actual Income as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse
(472)	(8,171)	CHIEF EXECUTIVE & PEOPLE & FINANCE	(2,000)	(1,547)	77%	(5,300)	(3,300)
0	(1,560)	MARKETING & DEVELOPMENT	0	0		0	0
(60,547)	(507,893)	CULTURAL	(437,490)	(80,184)	18%	(437,490)	0
	0	Cultural Management	0	0		0	0
(1,533)	(1,783)	Collection Care	0	(1,533)		0	0
(13,006)	(57,147)	Cultural Development	(23,370)	(6,010)	26%	(23,370)	0
6,145	(102,845)	Libraries	(79,930)	(10,630)	13%	(79,930)	0
(14,153)	(87,951)	Bar & Catering	(66,400)	(25,487)	38%	(66,400)	0
(38,000)	(258,167)	Palace Complex	(267,790)	(36,523)	14%	(267,790)	0
(24,269)	(59,188)	COUNTRYSIDE DEVELOPMENT	(58,080)	(12,667)	22%	(45,090)	12,990
(385,182)	(1,315,202)	SPORT & COMMUNITY VENUES	(1,254,550)	(370,487)	30%	(1,188,170)	66,380
360	(60,900)	Sport & Community Management	(41,510)	(20,549)	50%	(41,510)	0
(54,564)	(214,392)	Area 1	(212,670)	(51,691)	24%	(212,670)	0
(27,323)	(104,750)	Area 2	(113,580)	(18,961)	17%	(63,310)	50,270
(51,074)	(223,649)	Area 3	(194,300)	(52,704)	27%	(194,300)	0
(24,248)	(111,727)	Area 4	(118,290)	(23,863)	20%	(102,080)	16,210
(44,437)	(238,809)	Area 5	(249,540)	(50,497)	20%	(249,540)	0
(157,653)	(159,940)	Golf	(131,500)	(98,561)	75%	(131,500)	0
(3,035)	(18,265)	Football	(12,660)	(3,307)	26%	(12,660)	0
(23,208)	(182,770)	Community Venues	(180,500)	(50,355)	28%	(180,600)	(100)
(470,470)	(1,892,014)	TOTAL	(1,752,120)	(464,885)	27%	(1,676,050)	76,070
(1,520,480)	(6,001,620)	Management Fee	(5,092,410)	(1,280,350)	25%	(5,092,410)	0
(1,990,950)	(7,893,634)	TOTAL	(6,844,530)	(1,745,235)	25%	(6,768,460)	76,070

TABLE D – EXPENDITURE POSITION

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	Service Division	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse
110,645	783,922	CHIEF EXECUTIVE & PEOPLE & FINANCE	763,540	130,582	17%	723,040	(40,500)
67,281	347,012	MARKETING & DEVELOPMENT	295,420	68,540	23%	295,420	0
581,113	3,026,038	CULTURAL	2,562,200	520,288	20%	2,562,200	0
6,713	70,265	Cultural Management	68,260	15,662	23%	68,260	0
30,959	145,439	Collection Care	149,250	28,757	19%	149,250	0
104,443	510,862	Cultural Development	441,040	66,269	15%	441,040	0
296,741	1,554,288	Libraries	1,192,710	282,324	24%	1,192,710	0
12,315	68,309	Bar & Catering	47,800	14,913	31%	47,800	0
129,942	676,875	Palace Complex	663,140	112,364	17%	663,140	0
126,835	622,574	COUNTRYSIDE DEVELOPMENT	632,550	129,571	20%	621,530	(11,020)
447,255	2,903,653	SPORT & COMMUNITY VENUES	2,905,340	470,189	16%	2,810,340	(95,000)
62,445	546,594	Sport & Community Management	561,260	101,914	18%	561,260	0
42,019	296,379	Area 1	305,710	55,654	18%	305,710	0
45,391	327,558	Area 2	315,120	60,859	19%	256,010	(59,110)
79,131	418,448	Area 3	432,030	80,872	19%	432,030	0
64,306	420,439	Area 4	466,820	67,231	14%	436,700	(30,120)
43,642	251,283	Area 5	249,900	50,210	20%	249,900	0
75,226	333,013	Golf	267,110	54,764	21%	267,110	0
12,632	105,718	Football	79,680	(2,317)	-3%	79,680	0
22,463	204,221	Community Venues	227,710	1,003	0%	221,940	(5,770)
1,333,129	7,683,199	TOTAL	7,159,050	1,319,170	18%	7,012,530	(146,520)
		Management Fee					0
1,333,129	7,683,199	TOTAL	7,159,050	1,319,170	18%	7,012,530	(146,520)

CHIEF EXECUTIVE & PEOPLE & FINANCE SERVICE ANALYSIS

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	CHIEF EXECUTIVE & PEOPLE & FINANCE	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse	Comment
(472)	(8,171)	Income From Charitable Activities	(2,000)	(1,547)	77%	(5,300)	(3,300)	Favourable variance mainly relates to Bank Interest Received.
(1,520,480)	(6,001,620)	Management Fee	(5,092,410)	(1,280,350)	25%	(5,092,410)	0	
(1,520,952)	(6,009,791)	TOTAL INCOME	(5,094,410)	(1,281,897)	25%	(5,097,710)	(3,300)	
83,018	474,746	Employee Costs	661,520	99,288	15%	621,520	(40,000)	Favourable variance has arisen due to delays in filling vacancies
0	0	Transport Costs	2,750	582		2,750	0	
11,708	15,861	Premises Costs	14,570	14,552	100%	14,570	0	Annual accommodation charge for Western Road Depot
13,817	54,599	Supplies & Services	61,620	12,988	21%	61,620	0	
0	0	Financing Costs	0	0		0	0	
	212,400	Support Costs	0	0		0	0	
2,102	26,316	Governance Costs	23,080	3,173	14%	22,580	(500)	
110,645	783,922	TOTAL RESOURCES EXPENDED	763,540	130,582	17%	723,040	(40,500)	
(1,410,307)	(5,225,869)	NET POSITION	(4,330,870)	(1,151,315)	27%	(4,374,670)	(43,800)	
		Savings Yet to be Identified	(141,090)	0		(141,090)	0	
		Trs From Reserves	(152,810)	(2,810)		(152,810)	0	
	4,500	Designated Funds				0	0	
		Trs To Reserves					0	
(1,410,307)	(5,221,369)	TOTAL (after transfer to reserves)	(4,624,770)	(1,154,125)	25%	(4,668,570)	(43,800)	

MARKETING & DEVELOPMENT SERVICE ANALYSIS

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	MARKETING & DEVELOPMENT	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse	Comment
0	(1,560)	Income From Charitable Activities	0	0		0	0	
		Management Fee					0	
0	(1,560)	TOTAL INCOME	0	0		0	0	
43,899	236,089	Employee Costs	211,410	45,959	22%	211,410	0	
		Transport Costs	0	0		0	0	
		Premises Costs	0	0		0	0	
23,382	110,923	Supplies & Services	84,010	22,581	27%	84,010	0	
		Financing Costs	0	0		0	0	
		Support Costs	0	0		0	0	
		Governance Costs	0	0		0	0	
67,281	347,012	TOTAL RESOURCES EXPENDED	295,420	68,540	23%	295,420	0	
67,281	345,452	NET POSITION	295,420	68,540	23%	295,420	0	
	(45,380)	Trs From Reserves	(6,310)	(6,310)		(6,310)	0	
		Designated Funds					0	
		Trs To Reserves					0	
67,281	300,072	TOTAL (after transfer to reserves)	289,110	62,230	22%	289,110	0	

CULTURAL SERVICE ANALYSIS

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	CULTURAL	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse	Comment
(60,547)	(507,893)	Income From Charitable Activities	(437,490)	(80,184)	18%	(437,490)	0	
		Management Fee					0	
(60,547)	(507,893)	TOTAL INCOME	(437,490)	(80,184)	18%	(437,490)	0	
395,762	2,067,341	Employee Costs	1,804,470	386,624	21%	1,804,470	0	Service review has now been fully implemented and will deliver service within revised budgets.
2,711	13,711	Transport Costs	31,180	2,993	10%	31,180	0	
44,580	281,111	Premises Costs	276,410	9,633	3%	276,410	0	
130,799	628,248	Supplies & Services	412,140	121,038	29%	412,140	0	
	1,890	Financing Costs	0	0		0	0	
		Support Costs	0	0		0	0	
7,261	33,737	Governance Costs	38,000	0	0%	38,000	0	
581,113	3,026,038	TOTAL RESOURCES EXPENDED	2,562,200	520,288	20%	2,562,200	0	
520,566	2,518,145	NET POSITION	2,124,710	440,104	21%	2,124,710	0	
	(83,630)	Trs From Reserves	(5,000)	(5,000)		(5,000)	0	
	38,650	Designated Funds				0	0	
		Trs To Reserves					0	
520,566	2,473,165	TOTAL (after transfer to reserves)	2,119,710	435,104	21%	2,119,710	0	

COUNTRYSIDE SERVICE ANALYSIS

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	COUNTRYSIDE DEVELOPMENT	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse	Comment
(24,269)	(59,188)	Income From Charitable Activities	(58,080)	(12,667)	22%	(45,090)	12,990	Reduction in projected income due to the closure of the Country Park buildings from September 2016 leading to reduced income from catering and retail sales.
		Management Fee					0	
(24,269)	(59,188)	TOTAL INCOME	(58,080)	(12,667)	22%	(45,090)	12,990	
89,464	461,683	Employee Costs	501,240	104,394	21%	501,240	0	
3,211	20,160	Transport Costs	15,530	2,839	18%	19,750	4,220	Projection based on 2015/16 figures to take account of general increases in fuel and transport costs
15,286	64,685	Premises Costs	58,370	14,726	25%	60,640	2,270	Projection based on 2015/16 out turn
16,376	67,558	Supplies & Services	48,820	7,613	16%	31,310	(17,510)	Reduction in supplies and services expenditure due to closure of Country Park buildings from September 2016.
	4,090	Financing Costs	4,090	0	0%	4,090	0	
		Support Costs	0	0		0	0	
2,498	4,398	Governance Costs	4,500	0	0%	4,500	0	
126,835	622,574	TOTAL RESOURCES EXPENDED	632,550	129,571	20%	621,530	(11,020)	
102,566	563,386	NET POSITION	574,470	116,905	20%	576,440	1,970	
		Trs From Reserves	0	0		0	0	
		Designated Funds				0	0	
		Trs To Reserves					0	
102,566	563,386	TOTAL (after transfer to reserves)	574,470	116,905	20%	576,440	1,970	

SPORT & COMMUNITY VENUES SERVICE ANALYSIS

Revised Actual Exp. To 30/06/15	Actual Out-turn to 31/03/16	SPORT & COMMUNITY VENUES	Annual Estimate 2016/17	Revised Actual Exp. To 30/06/16	Actual Exp as % of Annual Estimate	Projected Out-turn to 31/03/17	Variance (Favourable) / Adverse	Comment
(385,182)	(1,315,202)	Income From Charitable Activities	(1,254,550)	(370,487)	30%	(1,188,170)	66,380	
		Management Fee					0	
(385,182)	(1,315,202)	TOTAL INCOME	(1,254,550)	(370,487)	30%	(1,188,170)	66,380	
356,144	2,063,335	Employee Costs	2,141,360	423,960	20%	2,058,410	(82,950)	Favourable variance relates to the ongoing implementation of the Community Asset Transfer rationalisation programme by East Ayrshire Council.
2,379	16,725	Transport Costs	15,680	871	6%	15,680	0	
53,534	531,486	Premises Costs	501,070	41,957	8%	496,260	(4,810)	Favourable variance relates to the ongoing implementation of the Community Asset Transfer rationalisation programme by East Ayrshire Council.
25,443	236,431	Supplies & Services	204,730	3,402	2%	197,490	(7,240)	Favourable variance relates to the ongoing implementation of the Community Asset Transfer rationalisation programme by East Ayrshire Council.
	12,650	Financing Costs	0	0		0	0	
		Support Costs	0	0		0	0	
9,759	43,026	Governance Costs	42,500	0	0%	42,500	0	
447,259	2,903,653	TOTAL RESOURCES EXPENDED	2,905,340	470,189	16%	2,810,340	(95,000)	
62,077	1,588,451	NET POSITION	1,650,790	99,702	6%	1,622,170	(28,620)	
	(21,850)	Trs From Reserves	(9,310)	(9,310)		(9,310)	0	
	56,000	Designated Funds				0	0	
		Trs To Reserves					0	
62,077	1,622,601	TOTAL (after transfer to reserves)	1,641,480	90,392	6%	1,612,860	(28,620)	

RESERVES AS AT 30 JUNE 2016

TABLE A – Summary

TABLE B – Unuseable Reserves

TABLE C – Allocated Reserves Analysis

TABLE A - SUMMARY

UNRESTRICTED RESERVES	2014/15 b/f	2015/16 SURPLUS	BALANCE 31 March 2016	PROPOSED DRAWDOWN	Q1	BALANCE	APPROVAL	STATUS	NOTES
FIXED ASSET RESERVE	48,000		48,000			48,000			
RETAINED RESERVES	400,000		400,000	150,000		250,000			
UNUSEABLE RESERVES (DEPRECIATION RESERVES)	63,820	30,000	93,820		0	93,820			see Table B
ALLOCATED RESERVES	123,260	289,150	412,410		23,430	388,980			see Table C
UNALLOCATED RESERVES	20,804	42,140	62,944			62,944			
HOLIDAY PAY PROVISION		-92,180	-92,180			-92,180			
TOTAL UNRESTRICTED RESERVES	655,884	269,110	924,994	150,000	23,430	751,564			
RESTRICTED RESERVES			73,199		(11,206)	84,405			
PENSION RESERVE			-800,000			(800,000)			
TOTAL RESERVES			198,193			35,969			

RESERVES AS AT 30 JUNE 2016
TABLE B - UNUSEABLE RESERVES

UNUSEABLE RESERVES	2014/15 b/f	2015/16 SURPLUS	BALANCE 31 March 2016	PROPOSED DRAWDOWN	Q1	BALANCE	APPROVAL	STATUS	NOTES
Libraries Fit Out - Mauchline	8,110		8,110			8,110	14 July 2015 Board	Ongoing	Mauchline £10k - amount to be drawn down at year end for depreciation. 5 years from 2015/16
Annanhill Golf Course - Staff Welfare Facilities	38,000	6,000	44,000			44,000	19 August 2014 Board	Ongoing	Installation now complete. Depreciation 5 years from 2016/17
Annanhill Golf Course - Maintenance Equipment	17,710	15,000	32,710			32,710	14 July 2015 Board, updated 13 Oct 2015	Ongoing	Fairways machine now in use. Will be drawn down at year end to cover depreciation. 5 years from 2015/16.
Homewords Van		9,000	9,000			9,000			Homewords Van delivered - amount to be drawn down at year end for depreciation. Depreciation 5 years from 2016/17
TOTAL UNUSEABLE RESERVES	63,820		93,820			93,820			

RESERVES AS AT 30 JUNE 2016
TABLE C - ALLOCATED RESERVES

ALLOCATED RESERVES	2014/15 b/f	2015/16 SURPLUS	BALANCE 31 March 2016	PROPOSED DRAWDOWN	Q1	BALANCE	APPROVAL	STATUS	NOTES
People & Finance Administration Resources	20,000		20,000			20,000	14 July 2015 Board	Ongoing	Will be used to support creation of 2 * temp Clerical post for 6 months. Required for 2016/17. Recruitment has taken place, in post by Qtr 2
People & Finance Security		4,500	4,500		2,810	1,690			Fortress Security Alarm
Marketing - Additional Facilities	7,000		7,000			7,000	14 July 2015 Board	Ongoing	Focus on Auchinleck Boswell Centre marketing initially, 2015/16 approx 1k spend, met from Marketing revenue budget
Marketing & Development Staff	20,000	81,000	101,000		6,310	94,690	14 July 2015 Board	Ongoing	Visual Communications Assistant - Initial 12 months, extended to 18 months; Digital Marketing Officer for 18 months; Marketing Co-ordinator (Sport) for 18 months
Libraries Fit Out	50,000	40,000	90,000			90,000	14 July 2015 Board	Ongoing	Dick Institute initially £40k + further £40k, Newmilns £10k, Dick Institute proposed with EAC.

Wi-Fi Provision - Phase I	2,300	4,650	6,950	6,950	14 July 2015 Board	Ongoing	Wifi roll out currently in place. Additional funding now provided to ensure all libraries are covered by external funding. Upgrade of Burns House Museum to be completed.
Dick Institute/Palace Complex Programme Development	3,960	3,960	3,960	3,960	14 July 2015 Board	Ongoing	Programme took place January/February/March aimed at young people and day time use. Further programme planned in coming months.
Libraries		15,000	15,000	15,000			SIRSI Upgrade
Homewords Van		5,000	5,000	5,000			Homewords Van Fit out
Palace Complex		5,000	5,000	5,000	0		Floor Cleaning Machine @ Grand Hall
Sport & CV Staffing		99,000	99,000	9,310	89,690		Team Leader for 18 months + Co-ordinator for 12 months
Annanhill Golf Course - 4th Green	20,000	20,000	20,000	20,000	14 July 2015 Board	Ongoing	Course design and alterations under consideration. Required for 2016/17 into 2017/18
Annanhill Security Measures		15,000	15,000	15,000			
AAA Pole Vault		20,000	20,000	20,000			
Fireworks Display 2016				0			
TOTAL ALLOCATED RESERVES	123,260	412,410	388,980				

GENERAL PROJECTS

General Projects are multi-annual projects involving funding from external partners. These projects are not included in the Financial Monitoring reports.

Project	Partners	Balance b/f 01.04.16	Balance at 30.06.16	Expected Completion Date
Textile Team	Donations	(£677)	(£677)	Ongoing
Unsigned Unlimited	Creative Scotland	£1,639	£1,639	Sept 2016
Creative Place	Creative Scotland/Centerstage/Town Centre Management	(£24,571)	(£24,571)	March 2017
Ayrshire Libraries Forum	North Ayrshire Council/South Ayrshire Council/East Ayrshire Council	(£4,506)	(£4,506)	Ongoing
Scotland Creates	National Museums Scotland	(£15,325)	(£15,325)	March 2017
Wi-Fi	SLIC	(£11,500)	(£11,500)	March 2017
Still Future II	Creative Scotland	(£4,307)	(£2,203)	Sept 2016
Countryside Festival	Awards For All	(£1,549)	(£1,549)	Sept 2016
The McKie Collection	Museum Gallery Scotland	(£10,175)	(£10,175)	July 2017
Read Write Count	SLIC	(£2,228)	(£1,306)	June 2016
Make Some Noise	Creative Scotland	£0	(£14,909)	Sept 2018

Textile Team is a team of volunteers that were originally funded by HLF to carry out restoration and repair of textiles. The remaining funding supports the group to continue with its work.

Unsigned Unlimited is project funded by Creative Scotland to help young people to network and perform and learn about the music industry. The young people in the project often feature in our event programme.

Creative Place is funded from Creative Scotland to bring high quality events and exhibitions to Kilmarnock, supporting regeneration and tourism. This budget will be used to enhance the music programming at Palace and Grand Hall during 15/16.

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.

Scotland Creates (Legacy of Lace) received funding from National Museums Scotland on behalf of the Esmee Fairbairn Foundation, to engage young people in museums through development of exhibitions and associated events. This project is ongoing

WiFi - additional £11,500 has been awarded from SLIC to complete our library Wifi rollout across our part-time libraries not covered in Phase I of project, including Newmilns, Bellfied and Drongan.

Still Future II is new exhibition featuring the work of nine Scottish artists. It has received funding from Creative Scotland and will result in a major new exhibition at the Dick during January 2016.

The 2015 East Ayrshire Countryside Festival received £10,000 from Awards for All to promote healthy outdoor activities throughout East Ayrshire. The project included a number of structured walks, walking festivals, cycling events, evening talks and large scale community events. The aim of the project was to target community integration and promote sustainable healthy lifestyles. The Countryside Festival attracted over 5,000 participants over a 4 week period.

The McKie Collection funded by museum Galleries Scotland to support the digitisation of the McKie collection. A new post will be appointed for 18 months to deliver the project.

Read Write Count – Scotland wide initiative to improve literacy and numeracy skills for young people. Project funded by SLIC.

Make Some Noise is a music project funded by Creative Scotland and aimed at young people in a foster, looked-after, kinship or young caring environment and designed to help build self-esteem and provide a range of creative learning opportunities.



**EXTERNAL FUNDING
(APRIL – JUNE 2016)**

EXTERNAL FUNDING INCLUDED IN EAST AYRSHIRE LEISURE ACCOUNTS

(* denotes funding not available to East Ayrshire Council)

Section	Name of Funding Provider and Project	Value of Funding/Support	Received in 2016/17
Cultural	Live Literature Fund - Scottish Book Trust	£1,275	
Cultural	Burns's Birthday In Mauchline - EventScotland	£6,500	
Cultural	Gaelic Visual Art Workshops - Bord Na Gaidhlig	£3,500	
Cultural	Summer Reading Challenge - Tesco Bank	* £350	
Countryside	Marvellous Margins	* £250	
TOTAL		£11,875	£0



PERFORMANCE SCORECARD

East Ayrshire Leisure Trust – EPMS Quarterly Indicators – Key RED (REQUIRES INTERVENTION) AMBER (WITHIN TOLERANCE) GREEN (POSITIVE PERFORMANCE)

	Indicator	2015/16 Figure	2016/17 Target	Intervention rate	Q1	Actual	Q2	Actual	Q3	Actual	Q4	Actual	Comments
1	East Ayrshire Leisure Trust: Total Income	7,893,634	6,844,530	10%	1,745,235	1,711,130	1,745,235		1,745,235		1,745,235		Variances on Income are to be expected due to cyclical fluctuations, however income is still projecting to 6,768,460
2	East Ayrshire Leisure Trust: Total Expenditure	7,683,199	7,159,050	10%	1,789,760	1,319,170	1,789,760		1,789,760		1,789,760		Variances on Expenditure are to be expected due to cyclical fluctuations, however expenditure is still projecting to 7,012,530
3	Core Services Customer Visits: Culture	518,759	506,070	10%	127,617	148,990	121,657		138,529		118,267		Increased attendance is due to improving figures across Palace and Grand Hall, Baird and Dick Institute. The implementation of review has seen libraries improve overall footfall in some cases with reductions in others.
4	Core Services Customer Visits: Sport and Community Venues	792,551	815,666	10%	205,690	210,269	194,500		218,109		197,367		Increased attendances for Q1 relates to events held at the Ayrshire Athletics Arena and positive numbers attending core venue

													programmes and activities.
5	Core Services Customer Visits: Countryside	1,457,102	1,053,010	10%	472,974	477,689	511,662		34,268		34,106		Due to the restricted access to Dean Castle Country Park between October 2016 and March 2017, it is anticipated that visits will be out with the 10% intervention with a reduction in countryside visits in 2016/17.
6	Core Services Customer Visits: Future Museum (Virtual Service)	225,692	230,206	10%	63,440	60,831	55,634		62,256		48,876		Future museum is now 8 years old and the partnership is looking to develop a funding package to refresh design and keep it a dynamic, must-go-to heritage website.
7	Core Services Customer Visits: eastayrshireleisure.com (Virtual Service)	291,736	297,571	10%	69,050	62,078	79,994		82,673		65,855		Our new e-newsletter will be launched Summer/Autumn 16, which will help drive more visitors to the website
8	East Ayrshire Leisure Trust: Average days lost per employee	5.86 days	8 days	Over 2 days	2 days	1.54 days	2 days		2 days		2 days		All employees are managed in accordance with East Ayrshire Leisure's Sickness Absence Management Policy.



RISK REGISTER

RISK MANAGEMENT

East Ayrshire Leisure will manage risk in a proactive manner by prioritising areas of concern and addressing them on an ongoing basis. The Board reviews its Risk Register on a regular basis with the Register submitted for approval annually and then monitored through the quarterly performance reporting process.

Risk - this column lists areas of major concern for East Ayrshire Leisure that could damage its credibility or its ability to trade.

Risk rating - this column records the rating placed on each risk, this is judged according to current knowledge and experience that the assessor has in the area of concern and may be altered once specialists in the specific field have been consulted, The score should range from 0 (lowest risk) to 5 (highest risk). Risk ratings should consider both the likelihood and impact of the risk.

Priority - the assessor should indicate whether actions on the risk are urgent or not using the indicators of **high, medium or low**.

Reason for risk rating and priority - the assessor should explain why the risk exists and if appropriate why the Priority indicator has been assessed at the level set against each risk.

Information - The assessor should identify systems and processes that are in place to reduce the risk and/or weaknesses that enhance the risk and any associated actions that can/will be put in place.

RISK	Risk Rating 0 (Low) to 5 (High)	Priority (High, Medium, Low)	Reason for Risk Rating and Priority.	Information
1. Reduction in service payments from EAC	5	H	<p>This is an area of high risk as the Council, which provides the service payments to the Trust, is under severe pressure to reduce its overall spend. The priority is high as the Trust would need to take action if the Council reduces its funding.</p> <p>Closure of local facilities due to reduced funding may impact of Strategic Objective 1 and 2 of the Business Plan as targets groups will incur additional cost when they are required to travel to venues which may impact on their ability to attend facilities. Subsequently, a drop in attendance may reflect in income shortfalls that in turn, will affect the Trusts ability to invest in development opportunities.</p>	<ul style="list-style-type: none"> • The Trust has limited resources available to it and would find it difficult to identify alternative funding sources or generate additional income to offset any reductions in Council funding. • Funding regularly reviewed by Trust Board and continuous dialogue with East Ayrshire Council.
2. Falling income levels due to the economic climate, or any other reason.	2	M	<p>The overall risk rating for this area is Low/Medium as the Trust has reviewed and realigned its income targets and sets pricing annually to ensure they can cope with market pressures. The priority is medium as charges can be reviewed relatively easily if a particular difficulty is identified.</p>	<ul style="list-style-type: none"> • The Trust will have the ability to develop new income streams and review charging policies. • The Trust has a dedicated marketing team to support service development and delivery. • East Ayrshire Council and East Ayrshire Leisure have historically charged at the lower end for services in comparison

RISK	Risk Rating 0 (Low) to 5 (High)	Priority (High, Medium, Low)	Reason for Risk Rating and Priority.	Information
				with many other Scottish Leisure service providers and steep increases may have an adverse effect on the reputation of the Trust and customer numbers.
3. Health and Safety Legislation, Standards and Procedures	2	M	The risk is low/medium risk as the Trust has a good Health and Safety record. It is a medium priority as pressures placed on the Council's Safety Team may affect the amount of time dedicated to the Trust, but the Trusts Health and Safety Officer (Properties) is continually gaining knowledge and expertise that will offset any shortfall in support.	<ul style="list-style-type: none"> • Trust has its own Health and Safety Manager (Properties) supported by EAC Health and Safety Team and adhere to the Council's safety standards. Managers trained to IOSH Managing Safely standard. • East Ayrshire Leisure have initiated regular 6 weekly Health & Safety meetings attended by the Chief Executive, EAC's Safety Advisor and key managers. The forum discusses key Health & Safety issues with a view to reducing risk wherever it is identified.
4. Protection of children and vulnerable adults	2	L	This is a Low/medium risk as there are systems in place such as Protection of Vulnerable Groups checks and stringent conditions of let in place. However, an adverse incident would damage the Trust's reputation. The priority is low due to the	<ul style="list-style-type: none"> • Staff undergo Disclosure checks and spot checks are made on the documentation held by individuals/groups leasing facilities. • Staff undergo PVG check and training

RISK	Risk Rating 0 (Low) to 5 (High)	Priority (High, Medium, Low)	Reason for Risk Rating and Priority.	Information
			fact that there have been no major incidents in facilities and the Trust is in the process of reviewing and updating its Safeguarding policy and procedures.	and support from Council officials is available.
5. Loss or damage to historic collections or buildings	4	H	This is a high risk as the materials held and the historic buildings managed by the trust have immeasurable historic and cultural value. Loss or irreparable damage to this stock would have severe implications for the credibility of the Trust. It is of high priority that this area is addressed as current condition of buildings can be problematic.	<ul style="list-style-type: none"> • The Trust has dedicated manager in place to ensure the collection and estate is managed appropriately. Effective security and inventory control measures are in place across the Museums Service. • The Trust has an SLA with the Council and repairs are prioritised. • Contractors carry appropriate insurance.
6. Loss of buildings or facilities due to bad weather, maintenance issues or any other cause	3	L	This area is a medium risk although there have been instances where facilities have been closed, for example the SGP at Stewarton Sports Centre employees are better able to deal with the onset of bad weather and the closure of the SGP at St Joseph's due to construction issues, as the Trust has enough capacity to relocate customers. This is a low priority to the Trust as it has limited resources to counteract any service shortfall,	<ul style="list-style-type: none"> • Most buildings are able to withstand poor weather. Maintenance standards are generally acceptable. • Some facilities have recurring problems during poor weather. • Repairs and maintenance programmes are the responsibility of the Council and have to be prioritised.

RISK	Risk Rating 0 (Low) to 5 (High)	Priority (High, Medium, Low)	Reason for Risk Rating and Priority.	Information
			albeit it can seek financial compensation.	<ul style="list-style-type: none"> As a third party in schools etc. the Trust is limited in the amount of pressure it can apply to situations. For example, St Josephs and the Grange Leisure Centres. Each building has a snow and ice plan.
7. Failure to effectively Market, Promote and Programme facilities and activities	4	H	This is an area of high risk and high priority. If Marketing programmes are ineffective the Trust will be unable to deliver the strategic priorities identified in the Business Plan and there will be a negative impact on income levels and attendances.	<ul style="list-style-type: none"> The Marketing and Development team has had temporary additional resources allocated to it. The Marketing Plan will be updated to reflect the new Business Plan.
8. Failure to develop a workforce that is appropriately skilled, trained and motivated.	3	M	This is an area of medium risk and medium priority. It is essential that staff are well trained and motivated, without this it is unlikely that the Trust will be able to deliver strategic objectives in the new Business Plan.	<ul style="list-style-type: none"> The new Training and Development Officer will improve aspects of support for staff. Recruitment issues will decrease as the Trust moves to its core facility remit.
9. Failure to deliver the Community Asset Transfer/Asset Rationalisation programmes.	4	H	This is an area of high risk and high priority as the programmes now have completion dates linked to the achievement of savings targets by the Trust.	<ul style="list-style-type: none"> The CAT/AR programmes are led by East Ayrshire Council and it is the Council that makes the final decisions regarding the future of facilities.

RISK	Risk Rating 0 (Low) to 5 (High)	Priority (High, Medium, Low)	Reason for Risk Rating and Priority.	Information
				<ul style="list-style-type: none"> • A temporary staff structure is in place to allow the Trust to support the CAT/AR programmes and deliver event strategies for all buildings temporarily in the Trust's remit.
10. Failure to prioritise tasks and workload.	4	H	Staff workloads are challenging as the Trust continues to develop. In order to achieve stated outcomes, staff must prioritise effectively.	<ul style="list-style-type: none"> • Changes to staff structures, agreed by the Board, should assist in addressing workload issues. • Staff will require support to prioritise workload.

INTERNAL AUDIT REPORTS

Date: 23 August 2016

Agenda Item: 6

Report by: Jackie Biggart, People & Finance Manager

Summary

The Council's Internal Audit Service have carried out a location audit looking into cash handling and other operating procedures. The report concludes that sound assurance can be taken from most areas of the assessment.

In addition, an Audit of Hospitality Services has also been completed and has concluded that limited assurance can be taken from the current systems and procedures.

I. CONSIDERATIONS

- I.1 East Ayrshire Council's Internal Audit services provides services under the Service Level Agreement between East Ayrshire Leisure and the Council.
- I.2 The Internal Audit report for Auchinleck Leisure Centre is attached as Appendix 1 to this report for Trustees' information. The report identifies areas of improvement and recommendations which have been implemented. The report also gives assurance that essential controls and procedures are in place and are being adhered to, with only minor improvements required.
- I.3 The procedural improvements required as a result of the audit will be put in place across all East Ayrshire Leisure facilities.
- I.4 The Internal Audit report for Hospitality Services is attached as Appendix 2. The Hospitality Service covers the provision of bars at the Palace Theatre/Grand Hall and Cumnock Town Hall. This is a relatively new 'in-house' service and as the internal auditor responsible for the report has extensive bars experience, the report is particularly useful in terms of reviewing procedures and proposing improvements. In response to the findings of the report, significant changes have been made to bar operations and each recommendation has a clear client response which, wherever possible, has already been implemented.
- I.5 While the report could only give limited assurance regarding the effective administration of the Hospitality Services, it is expected that this will improve significantly when the follow up audit takes place as requested in September 2016.

Recommendation/s:

It is recommended that the Sub-Committee:

- i. Note the content and findings of the audits carried out by the Council's Internal Audit Service.

PERFORMANCE & AUDIT SUB COMMITTEE



Signature: Jackie Biggart

Designation: People & Finance Manager

Date: 15 August 2016

internalaudit

Auchinleck Leisure Centre

East Ayrshire Leisure Trust

Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report



East Ayrshire
COUNCIL

CONTENTS

	Details	Page
1	INTRODUCTION.....	2
2	EXECUTIVE SUMMARY	2
3	BACKGROUND INFORMATION	2
4	AUDIT FINDINGS	3
	4.1 Cash Handling	3
	4.2 Security.....	3
	4.3 Inventory	4
5	CONCLUSION	4
6	ACKNOWLEDGEMENTS	4
	INTERNAL CONTROL RECOMMENDATIONS.....	5
	SECURITY	7
	INVENTORY	8

READERSHIP

East Ayrshire Leisure Trust

Chief Executive - East Ayrshire Leisure Trust..... John Griffiths

INTERNAL CONTROLS

In order to ensure the proper conduct of its business, the East Ayrshire Leisure Trust has a responsibility to develop and implement systems of internal control. It is primarily the responsibility of management to ensure that internal controls are in place and are operating effectively.

A sound control environment will help to safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to East Ayrshire Leisure Trust policy and procedures. Such systems of internal control provide reasonable (but not absolute) assurance against loss.

The work of the Internal Audit Section in East Ayrshire Council is carried out in line with the Public Sector Internal Audit Standards (PSIAS). The PSIAS defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

AUDIT ASSIGNMENT STAFF

Lead Auditor

Lynn Ferguson

Review Auditor.....

Dougal Watt

For further information on this document, contact:

Internal Audit Section; East Ayrshire Council; Civic Centre South; KILMARNOCK; Ayrshire; KA1 1HW
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Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report



East Ayrshire
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1 INTRODUCTION

- 1.1 In accordance with the terms of the agreement with East Ayrshire Leisure Trust (EALT), Internal Audit has completed a regularity audit at the EALT's Auchinleck Leisure Centre. This assignment is included in the annual audit plan for 2015/16. This report discusses the findings of the assignment.
- 1.2 The objective of the assignment is to verify the adherence to procedures at Auchinleck Leisure Centre with regard to cash handling, security, inventories, reporting statistics, report any areas for improvement identified and recommend actions to address these areas.
- 1.3 An unannounced visit was made to the centre on the 29th February 2016. Income collected was counted and reconciled to supporting documents, cash handling and key holding procedures were observed and an inventory check undertaken.

2 EXECUTIVE SUMMARY

- 2.1 An unannounced visit was undertaken at the Auchinleck Leisure Centre. Cash handling, security, inventory and statistical reporting processes were verified to ensure adherence with East Ayrshire Leisure Trust (EALT) procedures.

Overall assessment of controls

- 2.2 Controls in place at the time of our work provide sound assurance in most areas. Objectives of internal control have been met in most areas within the scope of the audit. Non-compliance has been identified in medium risk areas.

3 BACKGROUND INFORMATION

- 3.1 Auchinleck Leisure Centre is run by East Ayrshire Leisure Trust (EALT).
- 3.2 The centre adjoins Auchinleck Academy.
- 3.3 EALT Cash Handling Procedures have been approved recognising the guidance provided in the East Ayrshire Council (EAC) Accounting Policy Bulletins (APBs) on cash handling, security and inventory.
- 3.4 Internal Audit has produced an Internal Control Self-Assessment (ICSA) questionnaire in consultation with EALT management, to be distributed to appropriate staff. The ICSA allows management and individuals to assess their awareness of, and compliance with, EALT's procedures such as the Cash Handling Procedures and EAC's APBs.
- 3.5 In July 2014 the Leisure Trust introduced the Nouveau Solutions ticketing and booking system which should, when fully rolled out to all venues, address the Trust's needs in terms of managing customer sales for leisure and entertainment facilities. Although the system has been implemented at several of the Trust's establishments including one of the Leisure Centres, it has not yet been introduced at Auchinleck Leisure Centre, but there are plans to roll out the system in the future.



4 AUDIT FINDINGS

4.1 Cash Handling

4.1.1 During the visit to the Leisure Centre we counted the cash in the till and successfully verified to supporting documentation.

4.1.2 We verified that the execution of a number of processes were in line with the requirements of the EALT Cash Handling Procedures. Due to the opening hours of the Centre we confirmed the following processes by staff interview rather than by observation as follows:

- Cash handling at shift change over;
- Reconciliation and preparation for banking and;
- Security cash uplift process.

In all the above areas we found staff were complying with the cash handling procedures.

4.1.3 The Nouveau Solutions ticketing and booking system which will be introduced in the centre includes the facility for the recording and the reconciliation of income.

4.1.4 The income cash up and preparation for banking at the Leisure Centre is undertaken by one member of staff. The staffing of the centre does not allow for any segregation of duties in the process nor any verification of income submitted. In the interim, until the implementation of the ticketing and booking system we suggest that line management consider undertaking a verification/reconciliation of income collected on a sample basis.

4.1.5 The EALT Cash Handling Procedures state "Receipts should be issued to all customers at all times when income is passed over". There was no evidence of a sign advising customers that they can ask for a receipt and we were informed that customers were only provided with receipts upon request. [\[Recommendation 1\]](#)

4.2 Security

Cash Collection Area

4.2.1 Access to the area where cash is held is accessed through a locked door and can be completely shut off out within operating hours and during the cash up process.

Key Holding

4.2.2 There was no log of keys maintained for the centre and the staff holding keys have not signed a declaration that they are aware of their responsibilities with regards to key holding. [\[Recommendation 2\]](#)

Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report

Safe Contents Register

- 4.2.3 A safe contents register is maintained and reconciled weekly and we found staff are checking safe contents at shift changeover.

4.3 Inventory

- 4.3.1 An inventory check was undertaken on a sample of items during this visit; we identified that although there was a bouncy castle on the premises which staff informed us belonged to the centre, no trace of it was found on the inventory record. [\[Recommendation 3\]](#)
- 4.3.2 As the centre facilities are shared by the school much of the equipment held in storage belongs to the school and not the Leisure Trust. It is difficult to distinguish between school and centre equipment. [\[Recommendation 4\]](#)

5 CONCLUSION

- 5.1 Internal Audit has undertaken a regularity audit at EALT's Auchinleck Leisure Centre. Areas for improvement have been identified, and recommendations have been raised to address these.

Overall assessment of controls

- 5.2 Controls in place at the time of our work provide sound assurance in most areas. Objectives of internal control have been met in most areas within the scope of the audit. Non-compliance has been identified in medium risk areas.

6 ACKNOWLEDGEMENTS

- 6.1 The Internal Audit Section would like to express their thanks to staff from Auchinleck Leisure Centre who provided co-operation and assistance to Internal Audit during this assignment.

Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report



INTERNAL CONTROL RECOMMENDATIONS

This section presents (in detail) each recommendation arising from this assignment, along with the finding which gave rise to the recommendation. It also provides space for the client's response to each recommendation together with the designation of the person responsible and the deadline for implementation.

NOTE: Internal Audit may perform a follow-up review to test implementation of recommendations.

No.	Recommendation	Priority
	Income	
1.	Receipts	Medium
	Security	
2.	Log of keys and declaration	Medium
	Inventory	
3.	Maintained continuously	Medium
4.	Items marked for identification	Medium

The priority of each recommendation is recorded, according to the following definitions:

Priority	Definition
High	A fundamental control issue. Action to address this issue should commence as soon as possible.
Medium	An important control issue that should be addressed as a priority.
Low	An issue which is not fundamental but which would improve overall control.

Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report



East Ayrshire
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INCOME

1. Back to rpt	The Centre should display a sign advising customers to expect a receipt and offer receipts to all customers.
<i>Observation</i>	The EALT Cash Handling Procedures Para 18 states "Receipts should be issued to all customers at all times when income is passed over". We were informed that receipts are only issued upon customer request. There was no evidence of a sign advising customers that they can ask for a receipt.
<i>Implication</i>	Failure to issue receipts to customers gives rise to the potential misappropriation of cash. Where cash receipts are required to be issued it ensures all transactions have to be processed through the till, reducing the risk of any misappropriation.
<i>Priority</i>	Medium

Client Response

<i>Action Proposed</i>	Appropriate signs will be displayed prominently at the facility.
<i>Responsibility</i>	Team Leader: Sport & Community Venues
<i>Due Date</i>	04/07/16

Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report



East Ayrshire
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SECURITY

2. Back to rpt	<p>The Premises Manager should maintain a list of all keys relating to the centre and the delegation of specific keys, particularly keys to safes, should be noted on this record.</p> <p>Delegated key holders should sign the record to indicate acceptance of the responsibility for the keys.</p>
<i>Observation</i>	EALT security procedures require that a log of keys is maintained and staff sign that they are aware of the responsibility with regards to key holding. This is currently not done at the centre.
<i>Implication</i>	In event of loss or damage it may not be possible to hold the responsible staff member(s) accountable if delegated tasks are not recorded.
<i>Priority</i>	Medium

Client Response

<i>Action Proposed</i>	A key exchange log sheet and key holder sign off sheet has been implemented within the facility this includes sign off to indicate acceptance of the responsibility for the keys.
<i>Responsibility</i>	Team Leader: Sport & Community Venues
<i>Due Date</i>	Implemented

Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report



East Ayrshire
COUNCIL

INVENTORY

3. Back to rpt	The centre inventory should be maintained on a continuous basis as required by APB11B.
<i>Observation</i>	APB 11B requires that inventory records be maintained on a continuous basis. Examination of the computerised inventory record identified that although there was a bouncy castle on the premises which staff advised us belonged to the centre, no trace of it was found on the inventory records.
<i>Implication</i>	In the event of fire or theft it may not be possible to identify the full extent of assets lost.
<i>Priority</i>	Medium

Client Response

<i>Action Proposed</i>	Inventory procedures have been tightened up and further training given to staff on the APB 11B. The bouncy castle has been added to inventory records.
<i>Responsibility</i>	Team Leader: Sport & Community Venues
<i>Due Date</i>	Implemented

Auchinleck Leisure Centre

Internal Audit Assignment for East Ayrshire Leisure Trust Audit Report



East Ayrshire
COUNCIL

4. Back to rpt	Equipment belonging to the Leisure Trust should be marked appropriately to allow their equipment to be easily distinguished from equipment that belongs to the school.
<i>Observation</i>	As the centre facilities are shared by the school much of the equipment held in the centre store belongs to the school and not the Leisure Trust. We found it is difficult to distinguish between equipment belonging to the school and that belonging to the centre.
<i>Implication</i>	Risk of confusion with school over ownership of assets; which may be lost and loss not recognised by either party.
<i>Priority</i>	Medium

Client Response

<i>Action Proposed</i>	Inventory undertaken EALT equipment identified and a system of marking Trust equipment introduced.
<i>Responsibility</i>	Team Leader: Sport & Community Venues
<i>Due Date</i>	04/07/16

internalaudit

Palace Theatre Hospitality Stock Control

East Ayrshire Leisure Trust

READERSHIP

East Ayrshire Leisure Trust

Chief Executive - East Ayrshire Leisure Trust.....John Griffiths
Cultural Services ManagerAdam Geary

INTERNAL CONTROLS

In order to ensure the proper conduct of its business, the East Ayrshire Leisure Trust has a responsibility to develop and implement systems of internal control. It is primarily the responsibility of management to ensure that internal controls are in place and are operating effectively.

A sound control environment will help to safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to East Ayrshire Leisure Trust policy and procedures. Such systems of internal control provide reasonable (but not absolute) assurance against loss.

The work of the Internal Audit Section in East Ayrshire Council is carried out in line with the Public Sector Internal Audit Standards (PSIAS). The PSIAS defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

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CONTENTS

	Details	Page
1	INTRODUCTION.....	2
2	EXECUTIVE SUMMARY	2
3	BACKGROUND INFORMATION	4
4	AUDIT FINDINGS	4
	4.1 Stock Control	4
	4.2 Stock Checks.....	5
	4.3 Events.....	7
	4.4 Post Event	7
	4.5 Cash Handling	7
	4.6 Procedures	8
	4.7 Verbal Recommendations	8
5	CONCLUSION	10
6	ACKNOWLEDGEMENTS	10
	INTERNAL CONTROL RECOMMENDATIONS.....	11
	STOCK DELIVERIES.....	12
	STOCK CONTROL RECORDS	13
	STOCK TRANSFER FORMS	15
	BAR TILL SYSTEM UPGRADE	19
	MONTHLY STOCK CHECK RECORDS	20
	STOCK CHECK REVIEW	24
	BAR STOCK SHEETS	25
	BAR SHOW REPORT.....	27
	DISCOUNT.....	28
	GROSS PROFIT CALCULATION.....	29
	CASHING UP	30
	RECONCILIATION.....	31
	OVERS/UNDERS MONITORING	32
	UPDATE PROCEDURES	33

AUDIT ASSIGNMENT STAFF

Lead Auditor Lynn Ferguson
 Review Auditor..... Kylie Lennox

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

1 INTRODUCTION

- 1.1 Internal Audit has completed a review of the Palace Theatre Complex Hospitality Stock Control Processes. This assignment is included in the annual audit plan for 2015/16. This report discusses the findings of the assignment.
- 1.2 The objective of the assignment is to review and assess the bar stock control arrangements in place within the Palace and Grand Hall Complex; verify the adherence to bar stock control procedures and report any weaknesses and recommend areas for improvement where appropriate.
- 1.3 As requested by the Central Support Manager the audit conducted was both a regularity audit and a systems review:
- Stock Control Procedures were recently developed by EALT. The regularity audit assessed how staff had implemented the processes outlined within the guidance to verify compliance.
 - The systems review was performed by reviewing the current procedures ensuring they were fit for purpose and making recommendations for improvement.
- 1.4 As well as stock procedures the audit covered cash handling and other areas contained within the procedures issued by EALT.
- 1.5 The scope of the assignment included:
- Selecting a random sample of events held at either the Palace Theatre, Grand Hall or Cumnock Town Hall and examining all records supporting the stock control process for these events ensuring records were completed accurately and were fit for purpose;
 - Review of cash handling procedures and ensuring cash received at above events reconciled to income recorded in the ledger;
 - Walkthrough testing was undertaken providing Internal Audit with an understanding of the process and assisting in identifying deficiencies;
 - The Civica financial ledger system was used to review expenditure of the Palace Theatre, Grand Hall and Cumnock Town Hall and to obtain any necessary purchase invoices;
 - Analysis financial information and reviewing Gross Profit margins.

2 EXECUTIVE SUMMARY

- 2.1 We visited the Palace Theatre, Grand Hall Complex and Cumnock Town Hall to establish stock control processes surrounding the bar hospitality service within each venue. Although there were monthly cumulative stock records available there were no stock records available at any of the individual stock sites. No stock listing could be provided showing the levels of stock available.
- 2.2 Monthly stock checks are purported to have been carried out but there are no records retained supporting the undertaking of these counts. A Monthly Stock Check Form created on the basis of these counts acts as a stock reconciliation between the actual stock and expected stock. These forms were signed by the team leader as reviewed, however this review was considered

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust

Audit Report

insufficient due to the numerous issues identified during examination of the forms by Internal Audit. Without records supporting the monthly stock counts or individual reports available for each stock location count we are unable to establish that either the counts were actually undertaken or that the results were accurately reflected in the Stock Check Forms.

- 2.3 It has been suggested an improvement to the current till system to incorporate a stock control system, may be more efficient than having to manually maintain stock records across each location. Before the end of this assignment, management requisitioned till upgrades for the Grand Hall complex.
- 2.4 There is a number of pro-forma attached to the Stock Control Procedures which are currently either not fit for purpose, not used correctly or not being completed. If used properly they will adequately support the stock control process allowing for accurate stock level and valuation reporting and appropriate monitoring by management; these forms include stock transfer forms, Deletion/spillage records, Bar Stock Sheet, Bar Show Reports and Post Event Reports.
- 2.5 It was identified that a discount on the sale of alcohol has been provided on various events. We have indicated such discounts could be considered as inappropriate drinks promotions and may therefore be in breach of Licencing (Scotland) Act 2005 which prohibits such promotions. Management have confirmed this process has been ceased with immediate effect from date the issue was identified to them by Internal Audit.
- 2.6 At present the current procedures do not include a reconciliation of cash banked to till receipts. This is an essential control, and without this control management are unable to confirm cash sales received have been banked, meaning if cash was misappropriated before it reaches the bank this may go undetected as no checks are in place. Also at present there is no monitoring of cash overs/shortfalls which are identified during till cash ups.
- 2.7 The gross profit is currently being calculated incorrectly. Bar expenditure is calculated based on the quantity of sales of each item, rather than the actual cost of the purchases used. The gross profit is calculated within the sales report and management may use these reports for decision making purposes on future events. As the gross profit is not being calculated correctly management are basing decisions on inaccurate information.
- 2.8 Management are considering the profit made after wages, however they should also consider the gross profit margin. If stock was being misappropriated or sales were not being recorded within the till the gross profit margin would be affected. Reviewing and comparing gross profit margins across events may highlight potential concerns.
- 2.9 The Stock Control Procedure need to be updated to accommodate the recommendations made in this report.
- 2.10 Gross Profit Analysis was conducted. The Gross Profit margin for the year 2015/16 was found to be 63%. The budgeted Gross Profit margin was 70% which was reviewed and considered reasonable. It is considered likely that a significant value of stock has not resulted in sales either

due to excessive stock wastage, stock being misappropriated and/or possibly sales not being recorded.

Overall assessment of controls

- 2.11 Limited assurance can be taken from the controls operating in the area examined. The control objectives have not been met. Significant non-compliance and control weaknesses have been identified. It is possible unnecessary loss, fraud, or potential damage to reputation exists due to the poor control environment.

3 BACKGROUND INFORMATION

- 3.1 The Palace Theatre Grand Hall Complex introduced the licenced bar hospitality service in 2014/15 to complement the Juice Bar service already operating. Previously the hospitality service provided within the bars was outsourced.
- 3.2 The main storage and delivery area for bar stock is in the Grand Hall. There is a fully stocked bar located in the Palace Theatre with an additional stock area adjacent to the bar. Cumnock Town Hall also has a stock area. Bars supplies are transferred to Cumnock from the Grand Hall store and stock left after events is retained there for the next event.
- 3.3 Palace Bar Stock Procedures have recently been developed by EALT. The procedures are supported by a number of pro-forma to be used by staff in the stock control process.
- 3.4 A monthly stock check is required of each location the results of which are supplied to management for stock value purposes.
- 3.5 Bar income for 2015/16 was £0.086M. Budgeted bar income for the year was £0.066M. The net profit position for 2015/16 was £0.02M, against budgeted net profit of £0.02M.

4 AUDIT FINDINGS

4.1 Stock Control

- 4.1.1 Bar stock deliveries are made to the main store in the Grand Hall. The Bar Stock Procedures state "On delivery items must be checked against delivery note and supplier notified of any discrepancies." In practice this is not always done. [Recommendation 1](#)
- 4.1.2 During this assignment we visited all the areas within the Grand Hall, Palace Theatre and Cumnock Town Hall which accommodate bar stock. The EALT Stock Control Procedures require that all stock is fully accounted for at all times. Despite this obligation it was identified that there were no stock records available at any of the stock sites, consequently we were unable to establish stock levels at any location.
- 4.1.3 The Stock Control Procedures state "it is imperative that ... spot stock checks are carried out." Due to the absence of any stock records it is not possible for this task to be carried out. The Team Leader confirmed checks of the monthly stock check results have been carried out on a sample of

items, however spot checks should be done out with the monthly count to ensure controls surrounding the recording of stock movements are operating effectively. [Recommendation 2](#)

- 4.1.4 The stock control process is supported by a number of pro forma which are required to be completed by appropriate officers. As stated above stock is delivered to the Grand Hall store and it is then transferred to the other locations when required. The Stock Control Procedures dictate that stock being transferred between locations should be supported by a completed Stock Transfer Form, signed and witnessed by two members of staff.
- 4.1.5 Our examination of a sample of these forms identified that they were not fit for purpose in the current format. As stated above no stock listings are maintained for each location, therefore diminishing the impact of the stock transfer forms which were intended to control and record the movement between locations. [Recommendation 3](#)
- 4.1.6 Stock Deletion forms are only completed by the Hospitality Officer as part of the monthly stock check process with only out of date stock, damages and spillages found during the count being recorded.
- 4.1.7 Although spillages during a bar service are expected it does not appear that the Stock Deletion forms are being used to record these incidences. No spillage records are being maintained at each bar location. These records should be maintained clearly showing reason for stock wastage and staff member responsible. The absence of spillage records at each bar means that there is no reasonableness check in terms of the volume of spillages or review for obvious trends undertaken by management.
- 4.1.8 The Bar Stock Control Procedures guidance on the purpose and completion of Stock Deletion forms is vague. The guidance on this should be expanded, and should include guidance on spillage records. [Recommendation 4](#)
- 4.1.9 Management have proposed that the current till arrangement be upgraded to incorporate a stock control system, which they suggest would be more efficient than having to manually maintain stock records. Internal Audit were informed post audit that an order has been placed for this till upgrade and it will be installed shortly. [Recommendation 5](#)

4.2 Stock Checks

- 4.2.1 The Stocktaking Policy for the Palace Bar & Grand Hall is incorporated within the Stock Control Procedures. Its purpose is to provide guidance on the undertaking of the monthly stock checks which are a prerequisite of the Control Procedures.
- 4.2.2 We were informed that as instructed stock checks were undertaken at all stock locations on a monthly basis, the results of which are recorded on the Monthly Stock Check Forms providing management with the value of stock. On examining a sample of these forms we found that they are populated with cumulative stocktake figures covering all stock locations and there are no supporting records documenting stocktake results for each individual location.

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust

Audit Report

- 4.2.3 The Hospitality Officer does not retain any documentation evidencing the undertaking of the individual stock counts. Without records supporting the monthly stock counts or individual reports available for each stock location count we are unable to establish that either the counts were actually undertaken or that the results were accurately reflected in the monthly Stock Check Forms. [Recommendation 6](#)
- 4.2.4 The Monthly Stock Check Forms are populated for each stock item with details of; opening & closing stock; deliveries; spillages/credit notes; sales; discrepancies and value of stock. The purpose of this form is to reconcile expected closing stock to actual closing stock. This reconciliation is an important internal control, however the accuracy of the forms was questioned due to several issues identified during the audit process. [Recommendation 7](#)
- 4.2.5 We conducted an exercise in attempt to verify the figures recorded on the December 2015 Stock Check Form to supporting documents and identified various irregularities in the sales figures reported. The quantity reported as being sold within the sales column of the stock report varied to the quantities sold per sales report in 19 items out of 73 stock items. We were able to successfully match the delivery column to source documents.
- 4.2.6 The spillage columns appeared to record only damaged stock identified during month end count. This means the spillages and wastage that occurred at each event was not considered. Despite this the levels of discrepancies between actual stock and expected stock were surprisingly low. We also examined the monthly stock reports covering the period November 2015 to March 2016 to review the discrepancies reported. As shown in the table below we found discrepancies reported during this period to be low. It should be noted that the audit commenced during March 16, and discrepancies in this month were considerably higher than all other months.

Monthly Stock Check Date	Nov 15	Dec 15	Jan 16	Feb16	March 16
No of stock items with discrepancies	5	4	7	3	17
No of individual discrepancies	23	48	29	33	179
Value of discrepancies	£11.14	£19.95	£13.78	£13.58	£77.12

- 4.2.7 The lack of discrepancies considering spillages are not recorded and the fact that the sales figures could not be agreed to actual sales suggests the monthly stock check form is not being used to identify stock discrepancies as intended.
- 4.2.8 The Stock Control Procedures require “Monthly Stock Check Forms will be reviewed together with associated paperwork on a monthly status by Team Leader.” We found little evidence to indicate a sufficient review had been undertaken. These forms were signed by the team leader as evidence of review, however this review was considered insufficient due to the numerous issues identified during examination of the forms by Internal Audit, including arithmetical inaccuracies, insufficient records to support stock count and the inability of Internal Audit to reconcile figures from the forms to supporting documents. [Recommendation 8](#)

4.3 Events

- 4.3.1 Bar staff are required to complete bar and spirit stock sheets for each event. These forms show the opening and closing stock for each event, which allows for comparison between the movements in stock with the quantities sold per till receipts. This form, if completed, provides value in that stock discrepancies are identified and unlike the month stock check, can be attributed to an individual event.
- 4.3.2 For six events/shows held in the Grand Hall/Palace Theatre/Cumnock Town Hall in 2015/16 we examined the bar stock sheets provided. Our testing identified inconsistencies in the completeness and accuracy of the forms. [Recommendation 9](#)
- 4.3.3 The Bar Stock Control Procedures refer to the Bar Show Reports in the “End of Show /Event” section but limited information or guidance is provided on the use or completion of the forms. This report is not included as an Appendix to the procedures as all other documents mentioned with the procedure are. The report in its current format does not require users to reconcile actual takings to till receipts. No evidence could be provided that for the six events sampled, this task was undertaken. [Recommendation 10](#)
- 4.3.4 Examination of a sample of till receipts identified that a 10% discount had been given on a bulk purchase of alcohol (bar tab for first drink). On discussion with Palace staff it was found that discounts are often given under certain circumstances. We have suggested that this is a breach of the licensing Scotland Act 2005 which prohibits irresponsible drinks promotions. [Recommendation 11](#)

4.4 Post Event

- 4.4.1 The Stock Control Procedures state “For larger events the Hospitality Officer will complete a Post Event Report detailing the income & expenditure for the event.” Examination of a sample of these reports identified that the Gross Profit is not being calculated correctly as the expenditure is based on the cost of the items sold, and not the cost of the items used (e.g. including spillages). Also management are considering the profit made after wages, however better use could be made of the report if they also consider the gross profit margin as results can be compared to other events and anomalies identified. [Recommendation 12](#)

4.5 Cash Handling

- 4.5.1 It was identified that currently two members of staff do not count the cash at the end of each event, place cash in a sealed bag and sign sticker agreeing amount before inputting into the safe as is defined within the procedures. It is claimed two people do count the cash, however there is no evidence of this. [Recommendation 13](#)
- 4.5.2 It was identified that currently there is no reconciliation of the cash being banked to the till receipts. This creates the risk that cash can be misappropriated between it being counted after the event and it being banked, without it being detected. [Recommendation 14](#)

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust

Audit Report

4.5.3 Our testing identified variances between till receipts and physical cash counted for these incidences no explanation was given for variances. We confirmed that currently any differences identified when cashing up between takings and till readings are not reported or monitored by management. [Recommendation 15](#)

4.6 Procedures

4.6.1 This report includes recommended changes/additions to the stock control processes that should be included as instruction/guidance within the EALT Stock Control Procedures. At present the procedures are not fit for purpose. The detail throughout requires expanding and specific points as within various recommendations above require to be added. The updated procedures should then be issued to all relevant staff. [Recommendation 16](#)

4.7 Verbal Recommendations

4.7.1 A number of verbal recommendations that have not been included in this report when implemented will increase the control environment; have been discussed and agreed with client management.

4.8 Profitability Analysis

4.8.1 Internal Audit obtained quarterly sales and purchases figures from the EALT finance team in order to review Gross Profit (GP) margins throughout the year. Monitoring of GP margins is beneficial as variances from expectations can illustrate issues with the stock control and may indicate misappropriation.

4.8.2 The information received is summarised in the table below.

	15/16 Qtr 1 Actual	15/16 Qtr 2 Actual	15/16 Qtr 3 Actual	15/16 Qtr 4 Actual	15/16 Full Year Actual	15/16 Full Year Budget	Variance
Bar Sales	- 14,153	- 24,362	- 31,578	- 17,858	- 87,951	- 66,400	- 21,551
Bar Purchases	6,578	7,447	13,066	5,821	32,912	20,000	12,912
Gross Profit	- 7,575	- 16,915	- 18,511	- 12,038	- 55,037	- 46,400	- 8,637
Gross Profit Margin	54%	69%	59%	67%	63%	70%	-7%

4.8.3 The budgeted GP margin was 70%; the actual GP margin achieved was considerably less at 63%. Palace Bar sales in the year exceeded budgeted sales by 32%, however the corresponding purchases exceeded budget by 65%.

4.8.4 The budgeted GP margin of 70% was reviewed and considered reasonable by Internal Audit. The GP margin on individual items ranges from 36% to 89%; therefore some fluctuation will be expected due to the mix of products sold in a period. The majority of items have a GP margin of

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust

Audit Report

65% plus and the average is 70%. The most popular products generally have higher margins such as vodka which has a margin of 79%. An exercise was conducted by Internal Audit to obtain an expected GP margin, in which a weighted average GP margin was calculated based on the mix of purchases from a random sample of events throughout the year. The weighted average GP margin was found to be 71%, meaning this is the margin we would expect, assuming the sample of events selected are representative of the whole population. This calculation provided further support that the budget of 70% that has been set is reasonable.

- 4.8.5 From the above analysis, it is considered likely that a significant value of stock has not resulted in sales either due to stock wastage, stock being misappropriated and/or possibly stock being issued which did not result in a sale (e.g. cash being misappropriated or free drinks being issued). Based on a GP margin of 70%, we would expect in order to generate sales of £87,951; it would cost £26,385 in bar purchases. The actual cost of bar purchases here was £32,912, £6,527 more. This suggests stock costing £6,527 has been utilised but has not resulted in any sale.
- 4.8.6 The below table further illustrates impact on the sales value based on actual bar purchases of £32,912 assuming the following GP margins were achieved:

	Expected Sales based on actual purchases	Possible lost sales
Actual GP achieved (63%)	87,951	N/A
Assuming expected GP calculated by IA achieved (71%)	113,490	25,539
Assuming expected GP calculated by IA achieved (71%) less 2% of purchases lost to spillages etc	111,220	23,269
Assuming budgeted GP margin achieved (70%)	109,268	21,317

- 4.8.7 The possible lost sales range from £21,307 to £25,539, which is 24% to 29% of the total sales value for 2015/16.
- 4.8.8 In the table above we have assumed 2% of lost purchases due to spillages, damaged stock, stock which exceeds its sell by date etc. Spillages are expected in a busy bar environment. Staff can make genuine mistakes which result in stock being wasted, however the 2% assumed here is considered generous. It is highly unlikely that genuine spillages/wastage would explain the possible lost sales values suggested above.
- 4.8.9 Our audit findings did not identify misappropriation. However due to lack of control, poor record keeping and absence of a stock listing it would not be possible to identify misappropriation. The above GPs achieved suggest at a minimum stock is being poorly controlled and the levels of wastage are unacceptable.

5 CONCLUSION

- 5.1 Internal Audit has completed a review of the Palace Theatre Complex Hospitality Stock Control Processes. Areas for improvement have been identified, and recommendations have been raised to address these.

Overall assessment of controls

- 5.2 Limited assurance can be taken from the controls operating in the area examined. The control objectives have not been met. Significant non-compliance and control weaknesses have been identified. It is possible unnecessary loss, fraud, or potential damage to reputation exists due to the poor control environment.

6 ACKNOWLEDGEMENTS

- 6.1 The Internal Audit Section would like to express their thanks to staff from the Palace Theatre Grand Hall Complex who provided co-operation and assistance to Internal Audit during this assignment. In particular, Internal Audit recognise the assistance granted by the Hospitality Officer and Team Leader.

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

INTERNAL CONTROL RECOMMENDATIONS

This section presents (in detail) each recommendation arising from this assignment, along with the finding which gave rise to the recommendation. It also provides space for the client's response to each recommendation together with the designation of the person responsible and the deadline for implementation.

NOTE: Internal Audit may perform a follow-up review to test implementation of recommendations.

No.	Recommendation	Priority
	Stock Control	
1.	Confirmation of stock delivery	Medium
2.	Stock Control Records	High
3.	Stock Transfer Forms	High
4.	Stock Deletion Forms	High
5.	Bar till system upgrade	Medium
	Stock Checks	
6.	Monthly stock check records and support	High
7.	Accuracy of Monthly stock check form	High
8.	Stock check review	High
	Events	
9.	Bar stock sheets	High
10.	Bar show reports	High
11.	Discount	High
	Post Event	
12.	Gross Profit calculation	High
	Cash Handling	
13.	Cashing-Up	High
14.	Reconciliation	High
15.	Overs/unders monitoring	High
	Procedures	
16.	Update Procedures	High

The priority of each recommendation is recorded, according to the following definitions:

Priority	Definition
High	A fundamental control issue. Action to address this issue should commence as soon as possible.
Medium	An important control issue that should be addressed as a priority.
Low	An issue which is not fundamental but which would improve overall control.

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

STOCK DELIVERIES

1. Back to rpt	On delivery, all items received must be checked against the delivery notes before delivery is accepted from delivery driver. Evidence of check should be shown on delivery note which should be signed by the staff member conducting the check and filed as evidence. The supplier should be notified of any discrepancies immediately.
<i>Observation</i>	Bar stock deliveries are made to the main store in the Grand Hall. The Bar Stock Procedures state "On delivery items must be checked against delivery note and supplier notified of any discrepancies." In practice this is not always done, we found evidence of delivery notes signed as unchecked.
<i>Implication</i>	Could be a delay in identifying any discrepancies Staff not following agreed procedures
<i>Priority</i>	Medium

Client Response

<i>Action Proposed</i>	Due to part time hours of Hospitality Officer the delivery is very often received by VSA staff within the Grand Hall. It will be re-iterated to all staff that when they take a delivery that it is imperative that it is checked and the time of taking delivery, initialled & put in one location in the Grand Hall store. Any discrepancies should be reported immediately to the Hospitality Officer/Team Leader. The delivery note will then be passed to Hospitality Officer and re-checked at the earliest opportunity then stock levels entered into the tills, invoice copied with one copy retained and one sent to EALT People & Finance Team.
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

STOCK CONTROL RECORDS

<p>2. Back to rpt</p>	<p>a) Stock records should be maintained on an ongoing basis. The stock lists should accurately reflect the existing stock at each individual bar and store location.</p> <p>b) All stock movements including sales, deliveries, stock transfers between locations and spillages should be recorded on a timely basis providing a current snapshot of the stock held at each location.</p> <p>c) Spot checks should then be carried out by management across all locations at random ensuring any discrepancies are identified and investigated.</p> <p>d) The Bar Stock Procedures should be updated to include a detailed description of the stock recording system implemented.</p>
<p><i>Observation</i></p>	<p>We identified that bar stock is held in the following locations:</p> <ul style="list-style-type: none"> • Palace Upper Bar; • Palace Kitchen Store; • Grand Hall Pillared Hall kitchen store and; • Cumnock Town Hall. <p>EALT Bar Stock Procedures state “it is imperative that all stock is fully accounted for at all times”.</p> <p>a) During this assignment we were unable to establish stock levels at any of the locations above as stock listings are not maintained.</p> <p>b) In order to maintain comprehensive stock records at each location sales, deliveries, stock transfers between locations and spillages need to be considered.</p> <p>c) The stock control procedures state “it is imperative that ... spot stock checks are carried out.” The current process does not allow for random spot checks due to the absence of stock listings.</p> <p>d) Although the Bar Stock Procedures require that all stock is fully accounted for at all times, there is no guidance on the maintenance of individual stock records.</p>
<p><i>Implication</i></p>	<p>Stock is not being adequately controlled. Unable to verify stock levels at individual locations. Cannot verify that stock is fully accounted for. Stock may have been misappropriated without detection.</p>
<p><i>Priority</i></p>	<p>High</p>

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

Client Response

<i>Action Proposed</i>	a) As per 1 April 2016 monthly stock sheets are retained for all individual sites. b) All stock movements including sales, deliveries, stock transfers between locations and spillages will be recorded on a timely basis with immediate effect at both the Grand Hall and Cumnock Town Hall. c) Spot stock checks of a random selection of items will be carried out by Hospitality Officer & Team Leader on a monthly basis in each location. All documentation will be retained and any discrepancies investigated. d) Procedures have been updated in light of above
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

STOCK TRANSFER FORMS

<p>3. Back to rpt</p>	<ul style="list-style-type: none"> a) The process for dealing with stock transfers should be clarified and fully documented in the Bar Stock Procedures. b) Stock transfers should be signed for and witnessed by two members of staff as per the Bar Stock Procedures. c) Stock transfer forms should be completed for all stock movements. d) These forms should be duplicated and sequentially numbered. One copy should be retained for filing and the other copy should be taken within the stock to transfer location. The sequential numbering of stock transfer forms should be reviewed to ensure no transfer forms missing. e) Stock listings should be updated on a timely basis for all stock transfers to ensure all stock is fully accounted for at all times.
<p><i>Observation</i></p>	<p>The current procedures surrounding the transfer of stock are inadequate. The Bar Stock Procedures state “Stock moving from one location to another can only be done on the completion of a Stock Transfer Form which must be signed for and witnessed by two members of staff.</p> <ul style="list-style-type: none"> a) This guidance is unclear, as the pro-forma for recording stock transfers allows for only two signatures. Stock should be signed for by two individuals as having left one location and then as being received at another location; b) We examined eight transfer forms and only one had two signatures. Although there was evidence found of transfer forms being completed it was found these forms are of little use as: c) Stock transfer forms provide no evidence the stock moved from one location was received by another; d) Stock transfer forms are not sequentially numbered therefore we were unable to determine whether they are completed for all transfers; e) No stock listing is maintained for each location, therefore diminishing the impact of the stock transfer form as it is not used to record movements between locations.
<p><i>Implication</i></p>	<p>The current procedures surrounding the transfer of stock are inadequate. Stock is not being adequately controlled Stock may have been misappropriated without detection.</p>
<p><i>Priority</i></p>	<p>High</p>

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

Client Response

<i>Action Proposed</i>	<ul style="list-style-type: none">a) Stock Transfer Forms and Guidance has been updated with immediate effect to incorporate recommendations.b) Procedures have been re-iterated to all staff who may be involved in this process. Spot checks of these forms are being carried out by Team Leader and lack of correct completion will be investigated and may result in disciplinary action.c) As aboved) All stock transfer forms are being sequentially numbered and will be reviewed on a monthly basis by the Team Leader.e) Stock records will be updated on a timely basis for all stock transfers
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

STOCK DELETION FORMS

<p>4. Back to rpt</p>	<ul style="list-style-type: none"> a) The current format of the pro-forma used to record stock deletions should be expanded to include the responsible persons' name. b) Consideration should be given to maintaining spillage records at each location, detailing date, person responsible, description of spillage, reason for spillage and signature of duty manager or other individual as assurance spillage was legitimate error c) Management should undertake periodic review of the stock deletion forms and spillage records for any obvious trends such as recurring staff member or stock item. Spillages at each bar location should be compared for reasonableness in terms of volume of spillages. Management should challenge any irregularities identified. d) Instruction within the Stock Control Procedures should include clear guidance on the use and completion of the stock deletion forms and spillage records.
<p><i>Observation</i></p>	<p>The Bar Stock Procedures states "Any stock which is out of date or damaged must be noted on the Stock Deletion Form; will be signed off by Licensee/Hospitality Officer and Team Leader prior to insertion on stock spreadsheet."</p> <ul style="list-style-type: none"> a) In its current format the deletion forms do not show which member of staff was responsible for the deletion or spillage. b) Currently the stock deletion forms are only completed by the Hospitality Officer during the monthly stock checks recording out of date stock, damages and spillages found during the count. Although spillages during a bar service are expected there was very little evidence of these recorded. c) The current limited use of the stock deletion forms and the absence of spillage records at each bar mean that there is no reasonableness check in terms of the volume of spillages or review for obvious trends undertaken by management. d) The Bar Stock Control Procedures guidance on the purpose and completion of stock deletion forms is inexplicit.
<p><i>Implication</i></p>	<p>Stock deletion and spillage records form part of the stock control process by not completing them the level of stock reported will never accurately reflect the existing stock level.</p> <p>Staff members who frequently records stock deletions cannot be identified and challenged.</p>
<p><i>Priority</i></p>	<p>High</p>

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

Client Response

<i>Action Proposed</i>	a & b) Amend Deletion Form to include spillage, the form will include record of date, person responsible, description of spillage, reason for spillage and signature of duty manager or other individual as assurance spillage was legitimate error. c) Forms will be retained, compiled into a spreadsheet and reviewed monthly by the Team Leader for any obvious trends. Any discrepancy above 2% will be investigated. d) Update procedures on the purpose and completion of the stock deletion forms and re-issue to staff.
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

BAR TILL SYSTEM UPGRADE

5. Back to rpt	Management should give consideration to up grading the current bar till system used to allow the stock control functionality to be utilised.
<i>Observation</i>	The Palace Team Leader proposes upgrading the bar tills to enable them to facilitate in the stock management and control process. She stated that the tills in their current state have the facility to manage the stock but require WIFI and she has provided management with a quote for installation which covers the Palace and the Grand Hall but not Cumnock Town Hall.
<i>Implication</i>	Introducing the stock control facility to the bar tills may be more efficient in comparison to the time required to manually update stock records as recommended in Rec 2 above.
<i>Priority</i>	Medium

Client Response

<i>Action Proposed</i>	Upgrades to tills in the Palace Theatre Grand Hall complex have been requisitioned.
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

MONTHLY STOCK CHECK RECORDS

<p>6. Back to rpt</p>	<ul style="list-style-type: none"> a) All documentation recording the results of the monthly stock counts undertaken at each stock location should be retained to support the figures reported in the Monthly Stock Check Forms. b) Monthly Stock Check Forms should be adapted to allow comparison of the actual count figures with the stock per the stock listings c) A separate Monthly Stock Check Form should be completed for each count location in addition to the cumulative record currently produced. This will highlight the location at which discrepancies arise. d) The monthly bar stock checks should be undertaken by two members of staff and both should sign off the monthly stock check reports.
<p><i>Observation</i></p>	<p>The Bar Stock Control Procedures refer to the Stocktaking Policy for the Palace Bar & Grand Hall which provides guidance on the undertaking of monthly stock checks. The procedures dictate that a monthly stock check is required of each bar stock location. These reports should provide management with the reported value of stock.</p> <ul style="list-style-type: none"> a) The Hospitality Officer stated that monthly stock checks are undertaken at all locations where bar stock is held. He populates a spreadsheet (Monthly Stock Check Form) with cumulative stocktake figures for all the locations. We were informed that no documentation evidencing the undertaking of the individual stock counts was retained. b) The forms in their current format do not allow for comparison between physical stock count figures and stock listing. c) We were informed that the results of the monthly stock checks are recorded as cumulative totals for all stock locations and there is no record of individual stock counts for each bar/store. d) The procedures state that “stock check should be carried out by the Hospitality Officer and another member of staff” and “monthly stock check forms must be witnessed and signed for by 2 members of staff (hospitality officer and one member of staff).” The Hospitality Officer informed us that the stock checks are undertaken by him and one other. We examined five Monthly Stock Check Forms and we found that each had been signed off by Hospitality Officer only.
<p><i>Implication</i></p>	<p>Without any records supporting the monthly stock counts or individual reports available for each stock location count, we were unable to establish that 1) the counts were undertaken or 2) that the results were accurately reflected in the Stock Check Forms. No reliance can be placed on the information provided on the Stock Check Forms.</p>
<p><i>Priority</i></p>	<p>High</p>

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

Client Response

<i>Action Proposed</i>	a) Monthly stock checks are carried out at each site and collated into the core stock sheet as required by EALT Finance & People. All individual stock check reports are now and will continue to be retained as of April 2016. b) Forms now amended and in place that allow for comparison between physical stock count figures and stock listing. d) Re-iterated to staff the need for 2 signatures on all paperwork & spot checks to verify be undertaken by Team Leader
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

ACCURACY OF MONTHLY STOCK CHECK FORM

7. Back to rpt	The Hospitality Office should take care when completing monthly stock check ensuring accuracy.
<i>Observation</i>	<p>The monthly stock check forms are populated for each stock item with:</p> <ul style="list-style-type: none"> • Opening & closing stock • Deliveries • Spillages/credit notes • Sales • Discrepancies • Value of stock <p>Concerns were raised over the accuracy of these figures within this form. An exercise was conducted to verify the figures within the Decembers Stock Check Report to supporting documents. The testing revealed the following:</p> <ul style="list-style-type: none"> • significant differences reported as sales figures in comparison to those recorded on the Product Sales Reports (populated from till receipts). • spillage recorded on the form appeared to be mainly spillages identified at the month end stock take i.e. full cases out of date. Monthly spillage accumulated from events was expected to be higher than observed here. December spillage column contained not one nip of vodka and Morgan's despite 1,457 and 170 being sold retrospectively. IA would expect staff had either spilled, topped with incorrect mixer, filled wrong quantity a number of times in this month. • At one of the events held in January 2016 a significant number of shots were sold as per till receipt (313) but the corresponding monthly stock report figure showed sales of only 83 or if they fell under the following monthly stock check report that total was only 205 either way there is a significant difference between actual sales and those reported in stock figures <p>We also examined the monthly reports covering the period November 2015 to March 2016 to review the discrepancies reported. We found that prior to the commencement of our audit visit discrepancies reported were considered low but those reported in March during the audit assignment increased significantly from five discrepancies (value=£11.14) in November 2015 to 17 discrepancies (value=£77.12) in March 2016.</p>
<i>Implication</i>	Limits the assurance we can place on the accuracy of the monthly stock reports.
<i>Priority</i>	High

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

Client Response

<i>Action Proposed</i>	All new forms and procedures will ensure that all figures are accurate and spot checks will be carried out on a monthly basis. Any variances will be investigated as per our enhanced procedures.
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

STOCK CHECK REVIEW

<p>8. Back to rpt</p>	<p>The Team Leader should ensure that Monthly Stock Check Forms are reviewed for accuracy by comparing figures recorded with appropriate supporting documentation.</p> <p>All stock level discrepancies recorded over a predetermined percentage level should be investigated.</p> <p>Any review undertaken by the Team Leader should be evidenced.</p>
<p><i>Observation</i></p>	<p>The Bar Stock Control Procedure states “Monthly Stock Check Forms will be reviewed together with associated paperwork on a monthly status by Team Leader.”</p> <p>As detailed in the observation box of Recommendation 7, concerns over the accuracy of the monthly stock reports were raised.</p> <p>There was no evidence discrepancies highlighted were investigated. No explanations were provided on the monthly stock reports for the variances.</p> <p>We found very little evidence of review of the Monthly Stock Forms by the Team Leader.</p>
<p><i>Implication</i></p>	<p>The number of errors and omissions identified within the Monthly Stock Forms means only limited assurance can be placed on the accuracy of these report.</p> <p>The significant rise in the number of reported stock discrepancies following our audit visit indicated that prior to our visit not all discrepancies were reported; again little assurance can be taken that the figures reported in these reports are accurate.</p>
<p><i>Priority</i></p>	<p>High</p>

Client Response

<p><i>Action Proposed</i></p>	<p>All Monthly Stock Check reviews are recorded signed off by Team Leader and retained. Discrepancies over 3% will be investigated by the Team Leader.</p>
<p><i>Responsibility</i></p>	<p>Team Leader</p>
<p><i>Due Date</i></p>	<p>Implemented</p>

BAR STOCK SHEETS

<p>9. Back to rpt</p>	<p>a) Staff should ensure that bar and spirit stock sheets are completed in full for all events.</p> <p>b) Consideration should be given to adding additional columns the bar stock reports. A column recording actuals sales per till receipts and a variance column should be added. The variance column should show the difference between actual quantities sold and the expected quantity sold being the stock movement. The addition of a column for recording explanations for all variances at the end of each event should be considered.</p> <p>c) Opening, closing stock figures, takings and floats should be checked and signed off in accordance with procedural guidance.</p> <p>d) The additional column requested in b) above will record the actual sales per till receipt to allow for any variances to be highlighted.</p> <p>e) The Hospitality Officer should verify the arithmetical accuracy of the stock sheets before sign off.</p>
<p><i>Observation</i></p>	<p>The Bar Stock Control Procedures dictate that Bar Stock Sheets for both Bottles and Spirits should be in place at the start of every bar shift. Opening stock level figures should be recorded for each stock item. "Stock will then be replenished up to that stock level at the end of each bar shift to ensure continuity".</p> <p>These forms should be populated with the closing stock, number sold and takings for each item. The opening and closing stock and takings and float require to be signed off as checked.</p> <p>For six events/shows held in the Grand Hall/Palace Theatre/Cumnock Town Hall in 2015/16 we examined the completed bar stock sheets and:</p> <p>a) Verified for completeness;</p> <p>b) Determined appropriateness;</p> <p>c) Ensured authorised appropriately;</p> <p>d) Compared takings recorded to till receipts;</p> <p>e) Checked arithmetical accuracy;</p> <p>Our testing undertaken on the forms identified the following :</p> <p>a) The completeness of the forms varied from partially completed to non-completion for one event.</p> <p>b) In order to facilitate review by management the current format of the stock sheets should be expanded to include the following relevant information</p> <ul style="list-style-type: none"> • Record of actual sales per till receipt for each item • Variances between expected and actual takings • Explanations for all variances <p>c) The Stock Control Procedures state "stock sheets must be signed by the duty licensee and another member of staff. Two of the reports examined had not been signed off appropriately.</p> <p>d) On the forms supporting three of the events the takings column did not agree with the till receipts.</p> <p>e) Numerous errors within the reports examined particularly in the arithmetical accuracy of the number of items sold column.</p>
<p><i>Implication</i></p>	<p>The accuracy of these reports is vital to its use, as it can be used to identify variances and possible misappropriation.</p>
<p><i>Priority</i></p>	<p>High</p>

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

Client Response

<i>Action Proposed</i>	a) Staff reminded that all paperwork should be completed in full b) Forms amended to include required columns. Variances of more than £10 will be investigated on the night & reported on Bar Report for further investigation by Hospitality Officer/Team Leader. c) Staff reminded that stock sheets must be signed by duty manager and another member of staff. d) Spot checks on paperwork undertaken by Team Leader for completeness and accuracy. e) Tracking of variances will be carried out on a monthly basis.
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

BAR SHOW REPORT

10. Back to rpt	<p>a) Instructions for completion of the Bar Show Reports should be included in the guidance. The guidance should state this report must be completed for all events.</p> <p>b) Pro-forma should be added as an appendix to the Stock Control Procedures.</p> <p>c) The Bar show report currently in use should be updated to include a cash reconciliation between actual cash counted and cash per till receipts, clearly highlighting any overs/unders. Till receipts should be attached to bar reports as evidence to support cash reconciliation.</p> <p>d) The Bar show Reports should be signed by two people checking the float at the beginning and end of the shift and confirming the cash reconciliation.</p>
Observation	<p>a) The Bar Stock Control Procedures refer to the Bar Show Reports in the “End of Show /Event paragraph but limited information or guidance is provided on the use or completion of the forms.</p> <p>b) Unlike all the other appropriate pro-forma supporting the Stock Control Process the Bar Show Report is not included as an appendix to the procedural document.</p> <p>During our assignment we selected a random sample of six events. Examination of the Bar Show Reports supporting these events identified the following:</p> <p>c) The report in its current format does not require users to reconcile actual takings to till receipts. No evidence could be provided that for the six events sampled, this control was completed.</p> <p>d) The format of the reports requires sign off by two staff that start and end floats were checked; we found that in four of the six cases the float checks had not been signed off.</p>
Implication	<p>Inconsistencies in the use and completion of the forms due to lack of guidance No evidence that reconciliation of takings to till undertaken</p>
Priority	High

Client Response

Action Proposed	<p>a) The Procedures will be fully reviewed in line with the update appendix and guidance within this Audit. The procedures will include instructions for completion of the Bar Show Reports and state that the report must be completed for all events.</p> <p>b) Pro-forma will be added as an appendix to the Procedures.</p> <p>c) & d) The report format will be updated and actioned to accommodate record of reconciliation and sign off by two members of staff. Staff will have training on new procedures and paperwork and will sign off on this training.</p>
Responsibility	Team Leader
Due Date	Implemented

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

DISCOUNT

11. Back to rpt	Management should inform all staff that irresponsible drinks promotions are prohibited under Licensing (Scotland) Act 2005, and this includes discounts on the purchases of alcohol.
<i>Observation</i>	<p>During this assignment we identified a receipt that showed that 10% discount had been given on a bulk purchase of alcohol (bar tab for first drink).</p> <p>On discussion with Palace staff it was found that discounts are given under certain circumstances.</p> <p>We have suggested that this is a breach of the Licensing Scotland Act 2005 which prohibits irresponsible drinks promotions.</p> <p>Licensing Scotland Act 2005 Para 8 states "An irresponsible drinks promotion must not be carried out Involves the supply of an alcoholic drink free of charge or at a reduced price on the purchase of one or more drink".</p>
<i>Implication</i>	Breach of Licencing (Scotland) Act 2005
<i>Priority</i>	High

Client Response

<i>Action Proposed</i>	Staff informed that no further discounts will be given on alcohol.
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

GROSS PROFIT CALCULATION

12. Back to rpt	<p>a) The cost of sales element of the gross profit calculation should be based on the actual stock used.</p> <p>b) Profit should be calculated on net sales and net purchases providing a more accurate consideration.</p> <p>c) Consideration should be given to completing Post Event Reports for all events to facilitate gross profit comparison across similar type events.</p> <p>d) Consideration should be given to calculating the gross profit margin within the Post Event Report.</p> <p>e) Management should review gross profit margins and highlight those outside an expected range.</p>
<i>Observation</i>	<p>The Stock Control Procedures state “For larger events the Hospitality Officer will complete a Post Event Report detailing the income & expenditure for the event.”</p> <ul style="list-style-type: none"> Examination of a sample of these reports identified that the Gross Profit is not being calculated correctly as the expenditure is based on the cost of the items sold, and not the cost of the items used. Management are considering the profit made, however better use could be made of the report if they also consider the gross profit margin. If stock was being misappropriated or sales were not being recorded the gross profit margin would be affected. Review of margins and comparison to average/similar events may indicate such activity. Examination of the Product Sales Reports identified that as above the profit is calculated on the basis of the number of items sold rather than the stock movement of that item.
<i>Implication</i>	<p>The information shown on the reports is not reflective of actual profit made. Profitability of all events are not being monitored effectively.</p>
<i>Priority</i>	High

Client Response

<i>Action Proposed</i>	<p>Post Event Report has been amended to provide Gross Profit figure and percentage. These reports to be signed off by Hospitality Officer & Team Leader. Any variance from agreed percentage figures will be investigated & findings recorded. Monthly review of these forms and trends thereof to be carried out by Team Leader.</p>
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

CASHING UP

13. Back to rpt	<p>a) Two people should be involved in the cashing up process and both should sign to agree the amount counted and place in the sealed bag.</p> <p>b) Current procedures should be updated to ensure it is made clear that both individuals should sign the sticker showing amount as evidence of agreement.</p>
Observation	<p>a) Procedures state cashing up should be done by duty licensee and another staff member, 'placed in a sealed bag with a sticker showing amounts'. No evidence of this control was found during the audit.</p> <p>b) The current procedures does not make clear both individuals counting the cash should sign and agree money counted and see it going into sealed bag.</p>
Implication	Increases the risk that cash can be misappropriated
Priority	High

Client Response

Action Proposed	<p>a) Hospitality Officer to ensure that bags & stickers are located at each bar site.</p> <p>b) Procedures will be updated to reflect action above and reiterated to all staff. Spot checks of bags to be carried out by Hospitality Officer & Team Leader to ensure they have not been tampered with.</p>
Responsibility	Team Leader
Due Date	Implemented

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

RECONCILIATION

14. Back to rpt	A reconciliation between the sales ledger and the bar reports (till receipts) should be prepared on a monthly basis ensuring all cash received per till receipts has been banked.
<i>Observation</i>	At present it was identified that there is no check of cash being banked to till receipts. An E-return is prepared and the cash is collected by G4S, however the amount on the E-return is not verified to till receipts by an individual other than the Hospitality Officer who prepares the cash for banking. At present it is possible that cash could be misappropriated before it is banked/ E- return completed and the fraud would go undetected as there is no reconciliation of cash banked to till receipts.
<i>Implication</i>	Creates the risk that cash can be misappropriated before being prepared for banking and it could go undetected due to lack of review.
<i>Priority</i>	High

Client Response

<i>Action Proposed</i>	The E>Returns will be printed and filed with the appropriate Bar Report. The Team Leader will verify the e-return totals against those on the bar report and sign off as evidence as checked.
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	June 2016

OVERS/UNDERS MONITORING

15. Back to rpt	<p>Management should agree upon a percentage above which differences between cash collected and cash expected per till report should be highlighted by the staff undertaking cash up duties.</p> <p>Management should monitor any overs and unders reported for regularity/patterns.</p>
<i>Observation</i>	<p>Our testing identified variances between till receipts and physical cash counted. There was no explanation provided to support variances.</p> <p>We confirmed that currently any differences identified when cashing up between takings and till readings are not reported or monitored by management.</p>
<i>Implication</i>	<p>Cash may be misappropriated and go undetected.</p> <p>Monitoring of over and unders allows for identification of any trends and patterns</p>
<i>Priority</i>	High

Client Response

<i>Action Proposed</i>	<p>New forms will highlight variances at source on each event and will be investigated as per procedures. Management have agreed that variances over £10 will be highlighted.</p> <p>Variances will be noted on the Bar Report and this will be collated into a summary sheet for monthly checking.</p>
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented

Palace Theatre Hospitality Stock Control

Internal Audit Assignment for East Ayrshire Leisure Trust
Audit Report

UPDATE PROCEDURES

16. Back to rpt	<p>The Stock Control Procedures should be updated incorporating all the changes agreed in this report.</p> <p>The final document should be dated and version control introduced to facilitate a periodic review of the Procedures.</p> <p>The final document should be provided to all relevant staff.</p>
<i>Observation</i>	<p>This report contains changes/additions to the stock control processes that require to be included as instruction/guidance within the EALT Stock Control Procedures.</p> <p>The Procedural document provided to us was not dated therefore it was difficult to establish when they were introduced. It would be beneficial to introduce periodic review of the Procedures ensuring they remain current and incorporate any process changes.</p>
<i>Implication</i>	The current Stock Control Procedures may not be fit for purpose.
<i>Priority</i>	High

Client Response

<i>Action Proposed</i>	<p>Procedures will be fully updated in light of all changes and new Appendices will be attached.</p> <p>Staff meeting of all Licensees will take place for training on new forms.</p> <p>Procedures will be reviewed by Hospitality Officer and Team Leader on an annual basis or when any relevant laws are changed.</p>
<i>Responsibility</i>	Team Leader
<i>Due Date</i>	Implemented