



# EAST AYRSHIRE LEISURE TRUST FINANCIAL STRATEGY

2022 - 2026

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## **SECTION I: WHO WE ARE AND WHAT WE DO**

### **I. Introduction**

#### **I.1 East Ayrshire Leisure's Strategic Vision**

This document expands on our Strategic Vision 2020-2030 to give further information on our vision for East Ayrshire Leisure Trust and the facilities that we manage. It provides strong and ambitious objectives, outlines clear timescales for delivery and gives specific strategic direction for our facilities that will develop the Trust into a more independent, resilient, innovative and inclusive organisation. Within the period of this strategy, East Ayrshire Leisure Trust will continue to grow as a leisure provider, facilitator and partner that is recognised on both a local and national stage.

#### **To be successful in our ambitions collectively we plan to:**

- Work more closely with local communities and our customers to deliver services that are valued and embedded in local life;
- Engage with local and national partners to develop collaborative approaches to service design that enhance the opportunities for leisure across East Ayrshire;
- Develop facilities that are of a high quality and to support partners across the third, public and private sector in doing the same;
- Contribute to local and national agendas through the provision of an innovative programme that encourages East Ayrshire to flourish;
- Value our people, recognise their skills and talents and empower them to be solution focused;
- Integrate commercialisation and sustainability into our business model in its widest sense and to explore more efficient working practices, governance and leadership arrangements and to look to the market place for inspiration
- Be a responsible member of the community that supports a sense of place and adopts environmental best practice

#### **I.2 Financial Strategy**

In addition to our Strategic Vision, we have prepared a suite of Strategies, which explain our Governance, the process and Protocols we adhere to and any other relevant regulations, or documents, which apply. The Financial Strategy sets out how the organisation plans to finance its overall operations to meet its objectives, now and in the future. Sound financial management is essential for the success of the Trust, assisting in the successful transition from where we are now, to where we want to be.

#### **I.3 Funding**

The Trust receives a monthly management fee from East Ayrshire Council, which equates to approximately 75% of our total annual expenditure. Additional funding must be achieved through income generation and this requires Executive Managers and Development Managers to be aspirational and creative in the delivery of services, to entice paying customers into our venues and to look for new funding streams. Cashflow management is continuously updated and monitored to ensure that the Trust maintains sufficient funds to meet all outstanding liabilities.

#### **I.4 Governance & Financial Management Framework**

Financial Regulations and robust processes and protocols already in place including Civica and accompanying financial reporting mechanisms; all of which ensure sound financial management to support this Strategy. Trustees, Development Managers, Development Officers and employees all have a duty to abide by the highest standards of integrity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and that controls are in place to ensure the standards are met.

Detailed analysis of cost and income control is presented routinely to the Management Team, Performance & Audit Sub-Committee (P&ASC), the Board of Trustees and East Ayrshire Council, as detailed within our meeting schedule.

Our financial monitoring system allows for interrogation of operating costs against income at various levels within the organisation; facility level, sub-grouping level and service level. This enables historic or ongoing issues to be identified and addressed.

We continue to monitor and review income targets ensuring that whilst we continue to be aspirational when setting the targets, they remain achievable.

#### **I.5 Reserves and Surpluses**

East Ayrshire Leisure's Reserves Policy is currently set at a minimum of 2% of turnover. The Reserves Policy is reviewed annually and any amendments are subject to Board approval. At the end of each financial year, any surplus funds will be allocated to Reserves. Any items committed but not processed will be submitted for consideration by the Board and can be designated from Reserves. Any further proposed allocations from Uncommitted Reserves are presented to the Trust Board for approval prior to commitment.

#### **I.6 External Auditors**

The Trust are subject to an annual external audit to satisfy OSCR regulations. Auditors are appointed through a tendering process involving the Head of Corporate Services, Finance & Business Development Manager and the Trustee Ambassador(s) for Creating A Solid Foundation for Growth, as well as a representative from EAC procurement services. The scope of the audit is approved, in advance, by the Performance & Audit Sub-Committee and involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to provide reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managers; and the overall presentation of the financial statements.

The Trust has been successful in receiving unqualified audits since its inception in 2013, with limited management recommendations. However, all processes are subject to continuous review and are developed and updated as necessary.

### **1.7 Internal Audit**

A Service Level Agreement (SLA) exists between East Ayrshire Council and the Trust, which allows the provision of an internal audit service to deliver direct support to the Trust. The current arrangement provides a total allocation of 25 days per annum.

An annual audit plan is scoped by the Chief Officer or nominated Manager and agreed with East Ayrshire Council then approved by the P&ASC. Regular updates are provided to the Sub-Committee and annually to our External Auditors.

### **1.8 Financial Risk Management**

A Financial Risk Assessment is essential in both the daily operation and management of the Trust and in the development of new opportunities. It can help identify the risk level specific to our business and to individual proposals, prioritise the risks, develop ways to avoid them and outline steps to manage them should they happen.

East Ayrshire Leisure's Risk Register identifies a number of key financial risks and the mitigation measures we have in place to monitor and manage them. The Risk Register is reviewed quarterly and Trustees notified of any changes.

## **2. Strategic Vision Theme: Creating A Solid Foundation for Growth**

East Ayrshire Leisure will achieve continuous improvement in the operation of the Trust and will focus on developing and challenging existing and new business opportunities in order to fulfil our strategic and charitable objectives. In order to achieve this theme, we have established the following Strategic Objectives:

1. To review and continually improve and enhance our systems and processes to ensure that they are effective and appropriate in the transformation of our business
2. To develop a collaborative approach with relevant partners to explore wider opportunities that fit within the Trust's vision and values and to explore opportunities to share resources across all our services internally and with key stakeholders
3. To maximise the return from commercial opportunities, especially around retail, hospitality and membership packages, so that we are in a position to fulfil our charitable obligations and become a sustainable organisation
4. To develop an effective performance management framework

The delivery of each objective is monitored through a supporting 2 year Corporate Delivery Plan and individual Service Delivery Plans which outline specific actions and outputs.

## **SECTION 2: OUR VISION**

### **3. Supporting Strategies and Plans**

#### **3.1 Leisure Facility Strategy**

The Leisure Facility Strategy provides a solid foundation to enable us to use our venues to promote health and wellbeing and to support East Ayrshire Council and other local, regional and national partners in delivering economic growth. It also provides an ambitious programme of improvements for our venues from 2022 – 2030. As each venue closes for refurbishment, a mitigation plan will be developed to minimise loss of income and to explore opportunities for complementary or compensatory programming in other venues.

#### **3.2 Digital Transformation Action Plan**

The Trust has a commitment to put online engagement, programming and promotion at the heart of developing our services ensuring they are modern, agile and efficient. This action plan covers the 2021-2026 period and identifies how we will increase our digital reach and develop our digital engagement. The Plan will be reviewed as part of the quarterly performance monitoring process.

#### **3.3 Equipment Renewal Programme**

Some services areas have been operating with the same equipment since before the Trust's establishment in 2013; this is neither efficient nor sustainable. In order to support growth and continue to attract customers, we will explore various mechanisms, which allow us to invest in more modern equipment and resources. An equipment renewal programme will be developed in conjunction with the priorities set within the Leisure Facility Strategy.

Where we operate shared school sites with East Ayrshire Council, a review of shared gym and sports equipment is required to establish and agree formal responsibilities with regard to the maintenance and replacement of equipment, which balances both the needs of the school and the community.

Over the lifespan of this strategy, we will consider the renewal of our vehicle fleet, which will allow us to operate our services more effectively and will contribute to our net zero target for 2030.

#### **3.4 Hospitality Plan**

Prior to the inception of the Trust in 2013 our catering services were operated by a franchise. The Trust identified the importance of bringing this service in-house and have continued to see the financial benefit, as well as enhanced customer service and the opportunity for continued development. Our vision for our Hospitality Services is to expand the bars, cafes, vending and event catering as well as explore online hospitality opportunities as outlined within the Leisure Facility Strategy and Digital Transformation Action Plan.

#### **3.5 Retail Plan**

The production of a retail plan will identify opportunities across our venues and organisational areas as detailed within our Delivery Plan 2022 - 24. The retail plan will also investigate the creation of an online shop, which will allow for merchandise to be purchased; for example, exhibition and theatre-related products, venue memorabilia, books by local

authors or work by local artists. The Digital Transformation Action Plan also outlines development within other service areas for online purchases. It is essential that the retail plan is ambitious, embraces our locally unique selling point and identifies the most appropriate retailer model that provides a service to others while generating income.

### **3.6 Commercialisation Plan**

The Trust understands that ‘commercialisation’ is far wider than income generation alone and involves empowering staff to be innovative, to embrace new flexible and agile ways of working and the introduction of trading and selling services. This means, through effective leadership and management at all levels of the organisation, we must make sound decisions on how we use our resources and how we invest public funds to be more efficient and to generate income.

Priorities include reviewing services, resources, assets and procurement models, making efficiencies, business planning, and of course investigating income-generating opportunities. The Trust has a rich source of assets, attributes and roles from which we can develop a more commercialised approach to our delivery and development and create a culture of trust, empowerment and involvement in commercial activities.

Over the 4 year period of this strategy, the Trust will continue to develop as a more enterprising organisation. This will require us to think and act differently when considering the ways in which we manage, deliver and resource our services and facilities with the aim of providing the best value for our communities and visitors.

We will become even more resourceful, innovative and confident to consider options, trialling new ways of working, evaluating and reviewing as we go and applying learning throughout. The Trust has very enterprising staff and volunteers and we work with partners who are equally as enterprising. Through the development of our People Strategy, we will provide our staff with the skills they require to be inquisitive, creative and enterprising in everything they do.

We recognise that not all services can ‘trade’ or change what they do to generate income. It is important that we continue to offer a range of free and affordable services and facilities. We will all work in a way that puts our customers first, but we will all also be aware of costs and delivering services as effectively and efficiently as possible.

### **3.7 External Funding**

The Trust has a significant record of accomplishment of attracting external funds for programmes, projects and facilities. Since 2013, we have worked with partners to attract over £20m of investment into leisure provision in East Ayrshire. It is anticipated that over the period of this strategy, the Trust’s venues and programmes will have benefitted from over £90m of additional investment. The Trust explores every opportunity for external funding, particularly relating to new service development and facility improvements. The management team remain alert at all times to funding opportunities available to the Trust. All submitted applications are monitored and both successful and unsuccessful awards are reported quarterly to the Board. The Trust does not have a dedicated external funding

officer. We believe that staff should be empowered to explore new opportunities and as such have integrated external funding into the role of the extended management team.

### **3.8 Business Development**

Through our Exchange programme, we acknowledged that some of the best ideas for development come from our teams and customers. It is important that these ideas are encouraged, harnessed and explored. In order to ensure that all members of staff are able to make suggestions for improvement and development, and that they are then subsequently involved in implementation, we introduced a Business Development and Planning process. The first stage encourages new ideas to be submitted for consideration and discussion and then key members of staff are identified to support the development of a business proposal. If approved, a working group is established to drive the proposal forward. Evaluation of all proposals is crucial, with key learning points noted.

### **3.9 Net Zero and Sustainability**

One of the best ways that we have identified to improve our resilience is to start managing our facilities and programmes to ensure environmental best practice. East Ayrshire Leisure Trust is committed to supporting East Ayrshire's Net Zero Target for 2030. The development and publication of an annual Trust specific Climate Change Declaration and Action Plan will focus us on more efficient ways of working.

## **SECTION 3: FUTURE OPPORTUNITIES**

### **4. Changing Portfolio**

High quality facilities are crucial in the development of a financially sustainable and resilient organisation. Since our inception in 2013, the portfolio of facilities that the Trust manages on behalf of East Ayrshire Council has changed as some facilities are no longer viable, some have transferred to community ownership or management and new facilities have developed. In line with our Strategic Vision and the audit and community consultation that was carried out in 2019 and 2020, our Leisure Facility Strategy sets out our vision for the venues that we currently manage that supports leisure programming across the area without competing with, or duplicating, other provision in local communities.

### **5. Growing Partnerships**

As well as being a leisure provider with a large portfolio of high quality leisure facilities, East Ayrshire Leisure Trust is also committed to supporting local community, charitable and private sector partners to maximise opportunities for community activity regardless of who the leisure provider is.

Working with key local, regional and national partners across the private, public and third sectors will allow us to deliver projects and programmes that will maximise income opportunities whilst also providing a range of quality, free and affordable activities and services, providing value for our customers and our communities.

Through the continued development of partnerships and the further development of our 4 and 5 star visitor attractions, we will support key regional tourism campaigns. We are also uniquely placed to work in partnership with tourism and hospitality providers to focus on East Ayrshire's unique selling point in relation to arts, heritage, sports and countryside.

## **SECTION 4: CORPORATE DELIVERY PLAN**

### **6. Financial Planning**

As outlined in our Strategic Vision document it is our intention to grow and develop as a leisure provider and maximise the return from commercial opportunities, particularly in the areas of retail, hospitality and membership packages. This growth will allow the Trust to reduce the financial liability on East Ayrshire Council through the reduction of the annual management fee. However, in order for the Trust to deliver on our 10 year Strategic Vision, accompanying Action Plans and to ensure we continue to deliver the B.E.S.T. service for our customers and our communities, significant investment is also required, and this must be taken into consideration.

East Ayrshire Leisure Trust, like many organisations, has experienced financial pressures as a result of the Coronavirus and it is envisaged that it will take a number of years for business to return to what it was pre-covid. Any reduction in the management fee must be proportionate to the challenges we face while embedding 'commercialisation' into the organisation.

The Trust's financial savings for 2022/23 are being met from an organisational review that will result in a period of significant and cultural change throughout the period 2022-25. These changes will challenge how we operate as an organisation and there will be a requirement for investment in our staff through training and development.

Taking account of all the challenges outlined above, the Trust's future savings targets must be fully considered, ensuring that they are both forward thinking and affordable.

A Financial saving of £162,000 has been confirmed for 2022/23. From 2023-26, annual savings targets will be reviewed and agreed with East Ayrshire Council, in conjunction with our annual profiling; and we envisage this will be approximately 3% of our Management Fee.