

# Governance, Risk and Best Value Committee

10am, Tuesday, 15 January 2019

## Edinburgh Leisure Annual Report

Item number	7.8
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive Summary

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Edinburgh Leisure's vision is '*inspiring Edinburgh to be a more active and healthy city*', the company's purpose; '*to make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more*'.

The Edinburgh Leisure team is passionate about the positive impact physical activity can have on peoples' physical, mental and social wellbeing. And, throughout the year the focus on: delivering the organisation's purpose, vision and values, protecting services and building a sustainable business model by increasing usage and income and managing expenditure, delivered some great results in 2017/18. Despite significant environmental challenges the organisation delivered a surplus of £477,000, £627,000 ahead of the budget £150,000 deficit.

Edinburgh Leisure is acutely aware of the barriers that can inhibit an active and healthy life and the Active Communities programme is the organisation's response to such. The programme is made up of a variety of projects that use physical activity and sport to improve, and in many cases transform, the lives of people affected by health conditions, disabilities, inequalities and poverty. Many of the projects are delivered in partnership with others and rely on effective co-working and external funding.

Edinburgh Leisure has long recognised the value of partnership work and values the strategic partnership with the City of Edinburgh Council. The organisation regards itself as custodians of Council assets i.e. the amazing range of venues throughout the city, and works with the Council to help make Edinburgh a great city to live and work in.

## Edinburgh Leisure Annual Report

### 1. Recommendations

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- 1.1 The Governance, Risk and Best Value Committee is asked to:
  - 1.1.1 Note the performance of Edinburgh Leisure (EL) during 2017/18, which went to the Culture and Communities Committee in September 2018.

### 2. Background

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- 2.1 The output of the robust budget process carried out with budget holders throughout EL was a £150,000 deficit budget for 2017/18. Setting a deficit budget is never desirable and the option to impose budget targets on managers / budget holders to achieve a break even position was considered. This option was, ultimately, not recommended to the Board of Edinburgh Leisure, rather assurance was given by the Strategic Leadership Team that there was buy in throughout the organisation to improve upon the deficit budget position. The Board approved the deficit budget in March 2017.
- 2.2 The net operating financial position for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 for the 'core' business was a surplus of £208,000. A good result appreciating the ongoing environmental challenges: increasing costs, the Edinburgh employment marketplace, competitive pressures and a reduction in the management fee from the City of Edinburgh Council. There was also the extreme winter weather conditions, in the form of the 'beast from the east', to contend with. The extreme weather resulted in the unprecedented step of closing venues for 2.5 days, which equated to a loss of circa £100,000 in income and 30,000 customer visits. The other significant 'happening' in 2017/18 was the closure of Meadowbank on 3<sup>rd</sup> December 2017. Please refer to Appendix 1 – Audited Accounts.
- 2.3 In anticipation of the lifecycle investment works at Dalry Swim Centre, EL's annual maintenance budget was underspent by £269,000. This, combined with the surplus in the core business, resulted in a year end surplus of £477,000; £627,000 ahead of the budgeted £150,000 deficit.

### 3. Main report

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#### 3.1 Investments

3.1.1 The strategy to invest to improve the organisation's long term sustainability continued in 2017/18, albeit on a reduced scale to the previous two years. Circa £1,200,000 was invested into assets across the city to maintain and develop welcoming places to meet the needs of communities and to improve the organisation's efficiency. These included:

- a refresh of the gym at Leith Victoria Swim Centre and additional gym equipment for the Royal Commonwealth Pool (RCP)
- refurbishment of the cycle studio at Ainslie Park
- install of an irrigation system at the Braids Golf Course
- re-tiling the pool and environs at Glenogle Swim Centre
- the introduction of 'Aquadash' at the RCP
- the replacement of diving boards at the RCP
- CCTV upgrades at Gracemount, Glenogle, Kirkliston, Leith Victoria and Portobello Leisure / Swim Centre(s)
- A variety of energy saving initiatives e.g. the replacement of four Building Management Systems

3.1.2 Throughout the year work also took place to progress a number of other investment projects for delivery in the current year (2018/19). The most significant of these being the Dalry Swim Centre lifecycle refurbishment project.

#### 3.2 Meadowbank Sports Centre (MSC)

3.2.1 EL personnel have been closely involved in the 'new' Meadowbank project and welcomed the Council's commitment to deliver a fabulous new sports centre for the people of Edinburgh.

3.2.2 The decision to close the venue in December 2017 was confirmed in June 2017 and from that point onwards a significant amount of work was undertaken in preparation for closing, especially with regard to the relocation of MSC's customers and the redeployment of employees. When the doors to the venue closed, after 50 years of sporting history, work commenced on emptying and decommissioning the building for handover to the Council January 2018.

#### 3.3 Inspiring Edinburgh To Be Active and Healthy

3.3.1 Physical inactivity remains one of Scotland's major public health risks, with a significant proportion of Scottish adults (37%) and young people (27%) failing to meet the minimum physical activity guidelines. Sedentary lifestyles increase the risk of developing multiple health conditions and, in Scotland, inactivity is estimated to be costing the NHS around £77million each year. Physical activity has a powerful and valuable role to play in the health and wellbeing of Edinburgh. EL is committed to and well placed to make even more of a difference to Edinburgh's health and wellbeing.

3.3.2 EL's Active Communities team use the power of physical activity and sport to help improve the lives of people affected by health conditions, disabilities and poverty. In 2017/18 the team delivered a range of projects that directly supported 7,984 people to be active (an increase of 2,784 on the previous year). Key highlights in 2017/18 included the following:

- 136,257 visits to Active Communities programmes
- 119 Active Communities classes delivered each week to inactive people
- 19 low-level **Get Active classes** delivered across 7 Edinburgh Leisure venues per week
- 3,073 **referrals** from Health & Social Care professionals
- 625 people with mild to moderate mental health issues received 1:1 support on the **Healthy Active Minds** project
- 518 people with Long Term Conditions active through the **Fit for Health project**
- 18 **Steady Steps** classes delivered per week and 535 older people supported to get active to reduce their risk of falling.
- 373 older adults active each month through the **Ageing Well** project
- Success in securing funding from the Life Changes Trust to support EL being **dementia friendly**
- 43 families supported to embrace healthier eating and being more active together through the **Get Going** project
- 52 staff trained in **Autism Awareness** and 14 staff supported to become Autism Champions
- 188 community groups supported to help people be more active through the **Community Access Programme**
- 472 people on **low incomes** active each week through the £10 monthly '**Get Active**' membership
- 185 Active Communities **volunteers** trained and assisting on projects to support people being active

3.3.3. A 'logic model' approach has been developed to aid the monitoring and evaluation of the various projects mentioned above. Appendix 2 offers a practical example of this approach as applied to the Steady Steps, falls prevention, project.

3.3.4 Partnership work, especially with the City of Edinburgh Council (CEC), NHS Lothian and the voluntary sector is critical to success in reaching individuals and communities that need support to be active and improve their health and wellbeing. Following discussions at the Governance, Risk and Best Value Committee in November 2017 Edinburgh Leisure representatives met with colleagues from the Edinburgh Access Panel (appendix 3 details the presentation shared at the meeting) and a number of action items were agreed. A meeting is planned for February 2019 to consult on Edinburgh Leisure's new Inclusive Access Policy.

3.3.5 Throughout the year EL explored opportunities to increase co-working with Health & Social Care: feedback was shared on Health & Social Care's new commissioning plans for Primary Care, Older People, Mental Health and Disabilities. EL personnel are involved in the Physical Activity Alliances established in each locality and information was shared with 18 Link Workers to facilitate referrals and signposting to EL services.

3.3.6 EL are involved in CEC's Community Learning & Development Strategic Partnership and are members of Edinburgh Children's Partnership and the following programmes have made a valuable contribution to CEC outcomes:

- the **Looked After & Active project** supported 653 Care Experienced Children to get active and healthy with Edinburgh Leisure.
- the **Positive Destinations and Young Ambassadors** projects have offered educational, employment, volunteering and personal development opportunities to **318 young people**.
- the Friday night activity programme **Open All Hours** welcomed approximately 250 young people every Friday.

3.3.7 The Active Communities Team relies on external funding to sustain and develop many of the projects. In 2017/18 £550,000 was secured in external funding (also £550,000 for 2018/19). Securing and retaining funding, in an increasingly busy fund raising space, relies on robust monitoring & evaluation activities to demonstrate the organisation's expertise and delivery of outcomes. Capturing the feedback from participants on the various projects contributes to EL's monitoring & evaluation activities and it is always heartening to hear from individuals on the positive impact a project has had on their life. An example of this is shared in Appendix 4.

#### 3.4 Project Schools

3.4.1 Work has been taking place since October 2015 to progress with the City Council's decision to transfer the management of the high school sport facilities, out-with curricular and extra-curricular time, to Edinburgh Leisure. The project management arrangements to support the transfer process include: a project board and supporting sub groups in: human resources, operations, facility management and finance. EL and CEC personnel are involved in all the groups.

3.4.2 The first schools to transfer were the new James Gillespies High School in September 2016 and Portobello High School in November 2016. The timing and phasing of the remaining schools has been re-visited on several occasions as the project has progressed due to a variety of factors e.g. PPP charges, CEC's Facility Management review, TUPE implications. During 2017/18 a further 12 high schools transferred to EL. The booking function for all high schools, with the exception of Wester Hailes Education Centre, transferred to EL in May 2017. And, in 2017/18 EL worked with circa 687 clubs and processed circa 1,216 extended lets / regular bookings in the high school estate.

3.4.3 A quarterly report is prepared by EL and shared with CEC on all aspects of performance for the school estate. The 2017/18 performance information include the following:

- operating income: £772,457
- operating expenses: £431,719
- surplus: £340,738 (remitted to CEC)
- surplus / (deficit) per user: £0.81
- income per user: £1.83
- total number of customer visits: 423,160
- children & young people visits: 292,199

### 3.5 People

- 3.5.1 EL employees play a critical role in determining the quality of service delivered to customers and partners and engaged employees are crucial to the organisation's ongoing success and development. A variety of actions were progressed throughout the year to nurture an engaged workforce including the delivery of a 'Your Health Matters' campaign to support EL employees to think about their own health and wellbeing. 404 employees attended a health and wellbeing consultation to learn about their glucose and cholesterol levels, blood pressure, cardiovascular fitness and receive motivational support and advice. Following these consultations health information was circulated monthly to employees through 'bitesize' updates, Quick Ello (internal newsletter) features and infographic posters for staff areas. Topics included; 'Understanding Cholesterol', 'Understanding Glucose', 'New Year, New You' and 'Healthy Heart, Healthy You'.
- 3.5.2 EL has participated in the "Best Companies" staff survey for each of the past seven years. This is a national survey that attracts almost 900 entries annually. The survey consists of a series of statements that staff rate their level of agreement or disagreement with. The survey is an important measurement of staff engagement. Completion rate in EL in 2017/18 was 56% (same as the previous year) and the organisation retained its 'one to watch status' (The accreditation levels go from: nothing, one to watch, 1 star, 2 stars and 3 stars).
- 3.5.3 EL are required to carry out Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The 2018 results are in Appendix 5. The report shows that Edinburgh Leisure has almost no pay gap (the median pay rates are identical for men and women, and the mean rates are 1% higher for women).

### 3.6 Risks & Uncertainties

- 3.6.1 In August 2017 the Barclay Review of Non Domestic rates was published and one of the recommendations was to remove the charity relief from non-domestic rates for arms length charities such as Edinburgh Leisure. This change would have added approximately £2M per year to EL's operating costs, placing a significant threat over the ability to continue to deliver services. The Chief Executive of EL and colleagues in Sporta (the body representing sport, leisure and cultural trusts throughout the UK) were active in lobbying against this recommendation; questioning the premise of the recommendation and highlighting the unintended consequences of applying the recommendation. After months of uncertainty, the Scottish Government's Finance Secretary confirmed in November 2017 that the Scottish Government would not be accepting this particular recommendation of the Barclay Review, however, the Finance Secretary also advised of the intention to mitigate against an increase in the number of arms length organisations being established by offsetting any further charity rate relief benefits to Councils.

### 3.7 Looking Ahead

- 3.7.1 During the year to March 2018 the City of Edinburgh Council provided £8,075,000 of funding to Edinburgh Leisure for the delivery of core services. This was a reduction of £233,000 on the previous year; however, there were no reductions to

services. Edinburgh Leisure is acutely aware of the funding challenges the Council faces now and in the future and, therefore, the risk of future funding reductions. In addition to the funding challenges, the company faces a range of other budgetary pressures; these are explored in regular dialogue with Council colleagues. There is recognition throughout EL that standing still is not an option, the company must continue in its quest to be **better** and continue to be a successful, thriving Edinburgh Leisure.

#### **4. Measures of success**

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- 4.1 The Directors of Edinburgh Leisure consider actual performance against target and previous years for various metrics. Regular performance reports are shared with the Board and the City of Edinburgh Council.
- 4.2 Key performance indicators are detailed in Appendix 6.
- 4.3 Edinburgh Leisure contributes effectively to the delivery of the Council's outcomes.

#### **5. Financial impact**

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- 5.1 Council funding to Edinburgh Leisure in 2017/18 was a funding payment of £8,075,000 and £165,000 for capital upgrade works.

#### **6. Risk, policy, compliance and governance impact**

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- 6.1 This report is required under the Council's governance arrangements for Council companies. There are no risk, policy or compliance implications arising from this report

#### **7. Equalities impact**

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- 7.1 There are no equalities implications arising from this report.

#### **8. Sustainability impact**

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- 8.1 There are no sustainability implications arising from this report

#### **9. Consultation and engagement**

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- 9.1 Edinburgh Leisure has worked with Council officers and external partners on a variety of projects.
- 9.2 Edinburgh Leisure engages with customers in a variety of ways to obtain feedback on services and to help inform services / product development

## 10. Background reading/external references

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### 10.1 Edinburgh Leisure website

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## 11. Appendices

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- 11.1 Appendix 1 Audited Accounts
- 11.2 Appendix 2 Steady Steps project – logic model
- 11.3 Appendix 3 Edinburgh Leisure presentation to Edinburgh Access Panel
- 11.4 Appendix 4 Feedback from participant on Healthy Active Minds project
- 11.5 Appendix 5 Gender Pay Gap Report
- 11.6 Appendix 6 Key performance indicators



**Edinburgh Leisure**  
(a company limited by guarantee)

## Report and financial statements

31 March 2018

Registered number SC 179259

Charity number SC 027450

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## Strategic report

**"Great things in business are never done by one person; they're done by a team of people."**

**Steve Jobs**

For the last couple of years this Strategic Report has noted "Thanks to our supporters" just before the closing summary, in order to round off the report with acknowledgement of the agencies, businesses, trusts and foundations who helped make the excellent results we have delivered possible. The prominence of the recognition of our external partners and funders throughout this year's report reflects our extreme gratitude for their continued, and often growing, support during the year to March 2018 and beyond. The following partner organisations and funders are instrumental in helping us to deliver our vision *to inspire Edinburgh to be a more active and healthy city*, especially our strategic partner and main funder; the City of Edinburgh Council:

Bidvest	Braid Hills Driving Range	Black & Lizars	CALA Homes	Carrick Neill
EAE	Edinburgh Wellbeing Public Social Partnership	Edinburgh Health and Social Care Partnership	ESPC	EventScotland
EVOC	Froneri	Glasgow 2018 European Championships	GSI events	John Kirkhope Young Endowment Fund
Landmarc	Lothian Region Swimming Committee	Macmillan Cancer Support	Nancy Roberts Charitable Trust	NHS Lothian
Optimal Health Chiropractic	Paths for All	Pongoose	Salix Finance Ltd	Scottish Swimming
Speedo	SASA East District	Souter Charitable Trust	Spirit of 2012	State Street Foundation
StreetGames	Swimathon Foundation	Tennis Scotland	The Anton Jurgens Charitable Trust	The City of Edinburgh Council
The Cruden Foundation	The Life Changes Trust	The Maple Trust	<b>sportscotland</b>	Volvo Cars Edinburgh

In the Strategic Report for the year ended March 2017 we reflected on the improved performance of the organisation over the most recent three years, with a particular emphasis on the breadth of significant investments which that improved performance had made possible. Investments which in turn helped to further improve the business results and so to continue to feed the cycle. We talked about further investments planned for the year to March 2018 and the variety of collaborative opportunities in progress and in the pipeline.

As we now look back on the last year we can report some completed projects and strong progress on others. We can also report some very pleasing developments on large scale infrastructure projects which have been made possible only through collaboration with some of the key partners acknowledged above.

### A new Meadowbank

After many years of evaluation and deliberation, the decision was taken in 2017 to close the old Meadowbank in preparation for the creation of a brand new, state of the art facility on the same site. On Sunday 3 December 2017, Meadowbank Sports Centre closed its doors for the final time after almost 50 years of sporting excellence in the heart of Edinburgh. Together with our partners at City of Edinburgh Council we have created plans for the design of the new Meadowbank and over the next couple of years we will be refining the fit-out requirements to ensure that the new facility

can continue the legacy created by its predecessor, providing countless opportunities for generations of people to participate in sport and physical activity.

### Gym refurbishment programme

Edinburgh Leisure operate fourteen gyms across the city in order to provide a wide range of geographical access points to this incredibly popular form of physical activity. In October 2015, Drumbrae Leisure Centre gym kit was replaced with new state of the art equipment to make the gym experience more engaging and enjoyable for the users of that facility. Since that Drumbrae gym refurbishment we have undertaken a programme of gym refreshes across our entire gym estate and in July 2018 the final three Edinburgh Leisure gyms will receive their upgrades. In addition to this gym refurbishment activity, over the same three years we have refurbished all six of our RPM cycle offerings and created significant additional fitness studio space in two of our facilities. In this ultra-competitive element of our business, the Board consider this investment programme to be a vital component of Edinburgh Leisure's value proposition to our discerning users.

### Other significant investments in the last year

In last year's Strategic Report, we made mention of our intention to install an automated irrigation system in our premier golf course at Braid Hills. With the new system having been commissioned in Spring 2018, just in advance of the unseasonably dry spell of weather the country has experienced since mid April, the investment is already making a visible improvement to the playing conditions.

In summer 2017 we undertook a project to replace the tiling in the pool area at Glenogle Swim Centre. The project also afforded the opportunity to replace and upgrade the sauna and steam room to larger, more modern designs. The substantial increase in usage of the "steamier" steam room since the refurbishment bears testimony to the positive impact that well targeted investments can have on customers' appetite to visit their local Edinburgh Leisure facility.

### Net income for the year

We entered the year to March 2018 with a deficit budget of £150,000 having been approved by the Board in March 2017. Reductions in the management fee from City of Edinburgh Council coupled with increasing costs and ongoing competitive pressures had resulted in a position where we could only have balanced the budget by imposing budget targets on managers; an option which we chose not to take. The budgeting process enacted in recent years has been to review and challenge departmental draft budgets in detail and through this process, to arrive at a budget which each departmental manager believes is deliverable. With their buy-in assured from the start of the year, managers across the business have driven actions to beat budget year after year. The year to March 2018 followed the same pattern as the previous three years with a strong outperformance against budget.

The core operational segment of the business achieved a surplus for the year to March 2018 of £218,000 and with Glenogle tiling being the only major lifecycle refurbishment activity during the year, the maintenance element of the business underspent their budget by £269,000 thereby increasing reserves by a total of £487,000.

The results for the year are shown on page 16. The deficit on unrestricted funds was £738,000. This however included non-cash accounting costs arising from the difference between the revenue account pension charge when calculated under FRS102 and the actual employer cash contributions made to the pension fund during the year. In addition, a transfer of £10,000 from restricted to unrestricted funds was also made in the year. As such, the underlying result for the year to 31 March 2018 was a surplus on unrestricted funds of £487,000 as noted above. A summary of this is shown in the table below:

	2018	2017
	£'000	£'000
Reported Deficit on Unrestricted Funds	<b>(738)</b>	(818)
Interest cost in relation to pension liability	<b>308</b>	96
Pension service costs	<b>907</b>	404
Transfer from unrestricted funds	<b>10</b>	10
Transfer from designated funds	-	750
Underlying Surplus	<b>487</b>	442

The actuarial gain on The Lothian Pension Fund of £9,530,000 (2017: loss of £8,351,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities.

It is important to note that this large year to year movement arising from the accounting treatment of the pension assets and liabilities is a result of the sizeable swing in the actuarial position which can fluctuate significantly in the short term and does not, in itself, impact on the company's contributions to the plan. The FRS102 valuation is based on a calculation of future net liabilities by applying bond yields to the plan assets, thereby calculating conservatively low asset values and hence high deficit levels. This valuation methodology gives rise to significantly fluctuating statutory deficits on a year to year basis but does not affect the long-term funding status of the scheme. The fund is actually invested across a number of asset classes and so actual returns are greater over the long term, reducing the liability to manageable levels. The actuarial evaluation which takes place every three years calculates the company contributions required to meet the likely liabilities when they arise, and the company continues to invest these recommended contribution rates into the pension scheme. For information, the latest triennial evaluation based on year end March 2017 recommended company contributions of 20.8% from 1st April 2018 and the current year's budget has been built on that basis.

As noted in last year's Strategic Report, during the year to March 2017 we began to operate the City of Edinburgh Council's high schools sporting estate outside of curricular and extra-curricular hours. In the year to March 2018 the phased handover to Edinburgh Leisure's management continued, including Edinburgh Leisure taking over the bookings in May 2017 for 22 of the 23 schools; with Wester Hailes Education Centre (WHEC) continuing to manage its own bookings whilst all other schools transfer. The agreement with the Council has been structured such that Edinburgh Leisure return all net financial gains to the Council and the accounts to March 2018 include recognition that the net schools surplus of £341,000 will be passed to the Council post year end. The "schools project" has been particularly challenging for Edinburgh Leisure staff as we implement new systems and working practices. With no financial benefit accruing to Edinburgh Leisure from this activity, the Board are cognisant that our investment in time and energy supports the Council's objectives of improving efficiency and growing participation in the extensive high school estate.

Against a backdrop of the schools project, the upheaval of the Meadowbank closure and the impact of the "Beast from the East" closing venues for 2½ days, the financial performance reported in these financial statements is considered by the Board to be very pleasing.

### Reserves policy

Total funds at March 2018 were £209,000, of which £433,000 was restricted. Unrestricted negative reserves of £224,000 include a negative reserve of £3,069,000 in respect of the pension deficit. £745,000 has been designated for use in lifecycle works as per Note 13 with the balance of unrestricted reserves being £2,100,000 which is not a free reserve as it is backed up by long term assets rather than exclusively cash reserves.

It is the intention of the Board to accumulate a reserve fund to allow the company some protection against future adverse events. The long-term strategy of the Board is to improve the sustainability of the business by reducing the reliance on the annual management fee, recognising the financial challenges experienced by our largest external funder, the City of Edinburgh Council. As such the operating performance of the business over recent years has generated funds which have been utilised in the investment of fixed assets which are net income generating. It is the opinion of the Board that, all other things being equal, this strategy will move net current assets in a positive direction over the long term. Over the most recent four years, one can see from the table below that net current liabilities at March 2018 improved by £844,000 from March 2014 and in the same timeframe the net book value of our tangible fixed assets has improved by £1m, allowing us greater ability to drive year on year operational performance improvements.

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Unrestricted current assets	2,039	1,576	1,667	1,688	958
Current liabilities	(3,848)	(4,127)	(3,488)	(3,574)	(3,611)
Net unrestricted current liabilities	(1,809)	(2,551)	(1,821)	(1,886)	(2,653)
Unrestricted tangible fixed assets	4,924	5,329	4,844	4,199	3,902

The liquidity of the business is positive throughout the year due to the timing of cash flows, reducing as we approach each financial year end. Recent history has shown that significant adverse events can impact the business to a value of up to £500,000, particularly during the winter months. The reserves policy agreed by the Board is therefore to maintain free cash balances in excess of £500,000 throughout the year, with the ability to utilise those cash balances towards the end of

March as the risk of significant adverse conditions diminishes. This minimum cash holding was met for the year to March 2018 with a year-end cash balance of £1,266,000. The reserves policy is reviewed by the Board annually.

## Employees

The company maintains a policy of regularly providing all employees and, where represented, trade unions (via the Joint Negotiations & Consultative Committee) with information on the company's performance.

It is the company's policy to give full consideration to applications for employment from people with disabilities. All disabled persons employed by the company have the opportunity for training, development and career progression.

## Key performance indicators

In reviewing the performance of the business, the Directors consider the actual performance against target and history for various metrics including those identified below. Regular performance updates are communicated to the Board, the City of Edinburgh Council and published on the Edinburgh Leisure website (<https://www.edinburghleisure.co.uk/freedom-of-information/published-information>).

	Actual	Target	Actual
	2018	2018	2017
Income from operating activities (£000's)	21,546	22,044	21,065
Expenditure on operating activities (£000's)	29,156	30,279	29,725
Income received for the delivery of special projects	635	690	597
Customer visit numbers (000's)	4,472	4,688	4,627
Customer experience index	8.70	8.75	8.63
Customer accidents per hundred thousand visits	9	n/a	8
Staff absence levels	3.60 %	4.00 %	3.17 %

## Principal risks and uncertainties

**Management fee income:** During the year to March 2018 the City of Edinburgh Council paid £8.1m (2017: £8.3m) in management fee to Edinburgh Leisure for the delivery of core services. The management fee for the year to March 2019 has been set at £7.9m with further reductions likely for 2019/20 and beyond as the Council continues to strive for improvements to its budget position. Edinburgh Leisure is engaging in regular dialogue with the Council regarding the potential impact of these future reductions.

**Political:** In August 2017, the Barclay Review of Non-Domestic Rates was published, with one recommendation being to remove the charity relief from non-domestic rates for arms-length leisure charities such as Edinburgh Leisure. Such a change would have added over £2m per year to Edinburgh Leisure's operating costs, placing a significant threat over our ability to continue to deliver vital services. After months of uncertainty, the Scottish Government's Finance Secretary confirmed in late November 2017 that the Scottish Government would not be accepting the recommendation of the Barclay Review to end this benefit. Whilst this news was most welcome, the exercise serves as a salutary reminder that politically motivated changes are not necessarily in the best interests of our charitable objectives. On the plus side, it is reassuring that the Scottish Government recognises the role that Edinburgh Leisure and similar organisations have to play in the health prevention agenda. It is well documented that physical activity is a key enabler to improving health and social outcomes, as is the immense pressure experienced within the National Health Service and Health & Social Care Services at a local and national level. Over recent years the Scottish and UK political landscape has been ever changing. During 2018/19 there will be a period of relative stability with no Scottish or UK elections scheduled until 2021 and 2022 respectively. With uncertainty remaining over the impact of the UK's departure from the EU on 29 March 2019, the political focus nationally is likely to remain on Brexit rather than a significant shift in public health policy. In the meantime, we continue to work with our partners at the Council to develop their preventative agenda. The Directors remain focused on improving the core sustainability of the Edinburgh Leisure business model and if subsequent political changes result in greater focus on physical activity and the transformational health benefits it delivers, our business will be well placed to respond.

**Economic:** The Bank of England's most recent Quarterly Inflation Report, published in May 2018, highlighted four key drivers of economic policy: the fall in the pound has led to higher prices, the world economy is growing robustly, the

squeeze in living standards is easing and inflation is falling back towards BoE's 2% target. With household investment in physical activity tending to be viewed as discretionary, these macro-economic shifts should improve our income position. Edinburgh Leisure is positioned as an affordable, professional, good quality choice for customers across our service offerings such as fitness, aquatics, golf and sports coaching. As such the Directors believe the business is well placed to attract additional customers who wish to utilise their improving finances for a value for money, quality service.

**People attraction and retention:** As the economy continues to improve in Edinburgh it is becoming increasingly difficult to attract and retain quality staff at current remuneration packages. To quote again from the BoE Quarterly Inflation Report mentioned above "In the UK, the share of people without a job is at its lowest level for over 40 years, and businesses are finding it hard to recruit people." The Directors review salary increases annually to balance the need to control wage costs with the need to retain and attract quality staff in the Edinburgh job market. The business continues to invest in developing a great 'employee experience' and in learning and development opportunities for staff. Whilst the positive working environment and career development remains a strong incentive for quality people to work for Edinburgh Leisure, we cannot be complacent with regards to our rewards package.

**Competition:** We continue to operate in a very competitive city and sophisticated market, particularly in respect of our fitness offerings, but also in other activities such as golf and sports coaching. To quantify the competitors in the fitness market: Edinburgh currently has around 14 low cost gym operators, 10 mid to premium priced national chains, 17 hotels with fitness offerings and in excess of 20 stand-alone/boutique businesses plus innumerable outdoor operators. By investing in our facilities, developing our products and constantly tracking competitor activity and our own usage, membership and income metrics, we remain equipped to adjust our products and services to continue our success.

### **Budget for the year ahead**

In March 2018 the Board approved a deficit budget of £300,000 for the year to March 2019. Whilst this headline number is in itself at the higher end of where we, as a business, prefer to set our budget, the history of beating budget as described earlier in this report gives some reason to expect a better actual outcome. However, the Board are well aware that realising at least a break-even performance from a £300,000 deficit budget will not happen by accident. In order to deliver a more positive actual result, we will continue our focus on improvements and investments across the business to continue to enhance our charity's ongoing sustainability.

### **Investments for future periods**

Following a detailed review of our service offering at the EICA, a tender process was undertaken to procure a new soft play frame to fit with an expanded soft play and café offering. At the time of writing, the installation work is expected to be completed by the end of summer 2018.

In a further major investment at EICA we have created a connection from the facility to the main sewage network. This connection removes the need for the emptying of a septic tank multiple times each day, with obvious significant cost and environmental benefits accruing immediately on commissioning, expected in summer 2018. The scale of this investment is something which we could not have made without the help of City of Edinburgh Council who have provided funding for the project which will be repaid over the next five years.

Another major infrastructure investment during 2018 is currently underway at Craiglockhart Leisure and Tennis Centre. For many years the six acrylic indoor tennis courts have been augmented with eight outdoor courts surfaced with American clay, five at the entrance to the site and three to the side of the tennis centre. Whilst that clay surface can provide excellent playing conditions, it requires significant upkeep and weather conditions not often prevalent in Scotland. Between April and August 2018, the five outdoor American clay courts at the entrance to the site are being converted into six all weather clay courts with floodlights. This investment is one which we could not have undertaken without significant partnership support and the Board would like to publicly acknowledge our thanks to Tennis Scotland for the grant funding they have provided, to sportscotland for their support of the project and to City of Edinburgh Council for the loan funding of the balance of the investment. The relatively low cost to play on these courts coupled with their more weather resistant surface and floodlights will undoubtedly encourage a greater uptake of tennis in a broader cross section of the population for many years to come.

As mentioned in last year's Strategic Report, there exists an appetite to invest in the area around the Jack Kane Centre. We believe that the City of Edinburgh Council's investment in 3G pitches is likely to progress this year with other investment options still being evaluated. We will continue to work with our partners at City of Edinburgh Council to bring much needed investment to the site.

During 2018/19 we will make greater use of the interest free loan funding available from Salix Finance Ltd for energy efficiency investments. In late 2016 we received funding from Salix to install combined heat and power units in three of our swimming pools. Salix have already approved loan funding of £144,000 for this current year and with a host of other energy efficiency projects in the pipeline, Salix have intimated their willingness to support the funding of additional initiatives to improve our environmental footprint.

The largest investment activity in 2018/19 is expected to be the lifecycle refurbishment of the Dalry Swim Centre. Dalry Public Baths were built in 1893 and were last refurbished in 1992. Surveys of the building, fixtures and fittings and mechanical and electrical equipment have confirmed that extensive investment in excess of £1m is necessary. At the time of writing, the bill of works has been tendered and the exact scope of activity is currently being determined from the tender submissions with reference to the financial challenges inherent in a £300,000 deficit budget for the company. We remain committed to refurbishing Dalry Swim Centre and will determine the optimum affordable investment package in the weeks ahead. An amount of £745,000 has been designated in the March 2018 accounts in support of that investment.

### **Other plans for future periods**

In addition to the investment opportunities discussed above, during the year to March 2019 we will review a variety of systems and processes to improve our overall business efficiency. Whilst most venues have performed well in recent years, there have been challenges at two particular venues and operations management are working through detailed improvement plans for those venues. We are currently reviewing our membership products portfolio to ensure it evolves to meet the changing needs of our customers, whilst we continue to improve our member retention practices. A review of our administrative and customer enquiry functions and continual development of our web portal will allow us to improve the efficiency of our working practices in the face of ongoing financial pressures.

During the year to March 2019 it is intended that the remaining secondary schools not under Edinburgh Leisure management will transfer with the handover of WHEC intended to complete the transfer programme in Autumn 2018.

### **Our Active Communities programme**

At Edinburgh Leisure, we are passionate about the positive impact physical activity has on people's physical, mental and social wellbeing, which is why we, as a charity, are dedicated to creating opportunities to inspire everyone in Edinburgh to lead more active, healthy lives.

Physical inactivity remains one of Scotland's major public health risks, with a significant proportion of Scottish adults (37%) and young people (27%) failing to meet the minimum physical activity guidelines. Sedentary lifestyles increase the risk of developing multiple health conditions and one in six deaths are caused by inactivity. In Scotland, inactivity is costing the NHS around £77 million each year, and this is expected to rise. However, it is preventable, and Edinburgh Leisure has a vital role to play in getting more people in the city active.

Our Active Communities Team use the power of physical activity and sport to help those in need improve their health and wellbeing. We focus on providing help and support to groups and communities who face the greatest barriers and are typically much less active – such as women and girls, people living with health conditions, disabled people, older adults, minority ethnic groups and those from low income and disadvantaged backgrounds.

Critical to our success is working with our partners (including: NHS Lothian, City of Edinburgh Council and Voluntary Sector) to reach the most vulnerable individuals and communities who need help to get active and improve their health and wellbeing. With the support of a host of committed external funders we provide projects such as:

#### Movement for Memories

Edinburgh Leisure are set to launch a new project called 'Movement for Memories', to support people living with dementia to get active. This work is supported with funding from the Life Changes Trust. The trust is funded by the Big Lottery Fund.

It is estimated that there are currently around 8,000 people living with a dementia diagnosis in Edinburgh and this is likely to increase by 68% over the next 20 years, with 1 in 3 people expected to develop the condition. Whilst there is no cure for dementia, studies show that physical activity may improve memory and slow down mental decline – therefore through our Movement for Memories project we use physical activity to support the independence and wellbeing of people living with dementia.



Movement for Memories will be offering dementia friendly activities to community organisations and groups, as well as at Edinburgh Leisure venues - including swimming, gym, golf, tennis, and fitness classes. We will also be introducing a Dementia Friendly Buddy Service, where volunteers will provide support to enable people with dementia and their carers to confidently access Edinburgh Leisure activities. Anyone living with dementia or caring for someone with dementia can make a self-referral to the Movement for Memories project or be referred by a health professional, dementia link worker or social worker.

### Ageing Well

The Ageing Well project delivers a range of city-wide activities across Edinburgh, which support older adults to become, and remain, active in later life. The emphasis is on making physical activity accessible and enjoyable and supporting participants to meet new people. All activities are led, or supported, by volunteers, all of whom are older adults themselves. Ageing Well is a partnership with NHS Lothian, Edinburgh Leisure and Pilmeny Development Project and is part of the UK Ageing Well network, which aims to increase the expectation of good health in later life. It was with immense pride that we learned this month that our team of Ageing Well volunteers have been recognised through The Queen's Award for Voluntary Service 2018, the highest award given to UK volunteer groups. This award reflects the tremendous contribution of our Ageing Well volunteers and the positive difference they make to the lives of our Ageing Well participants.

### Healthy Active Minds

Healthy Active Minds is funded by the Edinburgh Wellbeing Public Social Partnership. It uses physical activity to help improve mental wellbeing in adults who are currently inactive and living with mild to moderate stress, anxiety, depression or low mood. Over the last 12 months Healthy Active Minds have supported 625 adults living with a mental health condition to become active by making a total of 8,082 visits to Edinburgh Leisure activities.

### Move More Edinburgh

Macmillan have confirmed funding for the Move More Edinburgh project to March 2019 to embed appropriate physical activity opportunities for people living with cancer within Edinburgh Leisure.

We continue to deliver 8 Move More Edinburgh sessions each week across the city including gardening, walking, gentle movement and circuits and giving people with cancer the support they need to get active.

### Steady Steps

Edinburgh Leisure's falls prevention project, Steady Steps receives a grant from the Prevention Innovation Fund through Edinburgh Voluntary Organisation Council. In the last year we supported 535 older adults to get active and reduce their risk of falling.

### Child Healthy Lifestyle

Edinburgh Leisure's Get Going project is funded by NHS Lothian and helps around 45 children and their families each year to get active, eat well and achieve a healthy weight.

In closing, the Board would like to thank our partners acknowledged throughout this report and our dedicated colleagues across Edinburgh Leisure for their energy, commitment and professionalism in fulfilling our purpose to *make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more*. Working together, we can achieve great things.



**Kevin J Johnston FCMA**  
Company Secretary

25 June 2018

## Directors' report

The Directors of the company are pleased to present their annual report and the audited financial statements for the year ended 31 March 2018.

### Reference and administration information

The Directors who currently hold office are as follows:

<b>Directors</b>	D. Milne (Chair)	
	Councillor G. Bruce	(appointed 25 May 2017)
	Councillor D. Dixon	(appointed 14 December 2017)
	Councillor H. Osler	(appointed 29 June 2017)
	Councillor A. Staniforth	(appointed 25 May 2017)
	Councillor D. Wilson	(appointed 29 June 2017)
	J. Davies	
	K. Goodlad	
	S. Haldane	
	D. McKenzie	
	C. McMillan	
J. Moran		
Dr C. Mumford		
J. Taylor	(appointed 24 May 2017)	
C. Parker	(appointed 14 May 2018)	
<b>Chief Executive</b>	J. Peebles	
<b>Secretary</b>	K. Johnston	
<b>Registered office</b>	Vantage Point 3 Cultins Road Edinburgh EH11 4DF	
<b>Auditor</b>	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD	
<b>Solicitors</b>	Harper Macleod LLP 65 Haymarket Terrace Edinburgh EH12 5HD	
<b>Bankers</b>	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB	Barclays Quay 2, Fountainbridge Edinburgh EH3 9QG
<b>Charity number</b>	SC027450	
<b>Company number</b>	SC179259	

## Edinburgh Leisure's purpose

Edinburgh Leisure exists to make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more. Arguably, physical inactivity is one of the biggest problems we face in modern society due to its negative impact on health and wellbeing. Exercise can reduce risk of major illnesses, such as heart disease, stroke, diabetes and cancer by up to 50% and lower risk of early death by up to 30%. This means that if exercise were a pill it would be one of the most cost-effective drugs ever invented. Edinburgh Leisure is committed to a vision of inspiring Edinburgh to be a more active and healthy City.

## Structure, Governance and Management

### Charitable status

Edinburgh Leisure is a company limited by guarantee, governed by its memorandum and articles of association, and does not have a share capital. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up. The company has charitable status under Section 505 of the Income and Corporation Taxes Act 1988 and the Scottish Charity Number is SC 027450.

### Directors

Edinburgh Leisure's Board comprises a maximum of fifteen Directors. Seven are co-opted from business, the leisure industry, and the professions. One is nominated from ClubSportEdinburgh, one is a nominated union representative and five are nominated elected members of the City of Edinburgh Council. There is also one Director specifically appointed to represent users. The seven co-opted members and the one user representative are appointed for a period of three years.

The following Directors served during the year:

Councillor J. Balfour	(resigned 18 April 2017)
Councillor C. Booth	(resigned 25 May 2017)
Councillor R. Cairns	(resigned 3 May 2017)
Councillor C. Campbell	(resigned 24 August 2017)
Councillor I. Campbell	(appointed 24 August 2007, resigned 14 December 2017)
Councillor K. Doran	(resigned 29 June 2017)
Councillor R. Lewis	(resigned 3 May 2017)
A. Petkevicius	(resigned 25 May 2017)
D. Milne	
Councillor G. Bruce	(appointed 25 May 2017)
Councillor D. Dixon	(appointed 14 December 2017)
Councillor H. Osler	(appointed 29 June 2017)
Councillor A. Staniforth	(appointed 25 May 2017)
Councillor D. Wilson	(appointed 29 June 2017)
J. Davies	
K. Goodlad	
S. Haldane	
D. McKenzie	
C. McMillan	
J. Moran	
Dr C. Mumford	
J. Taylor	(appointed 24 May 2017)

### Policies and procedures for induction and training of Directors

An induction process is in place for new Directors. This covers the strategic and operational issues affecting the company. Processes are in place to provide feedback to Directors on their contributions and to identify on-going training needs. Actions are taken as required.

### Pay and remuneration of the charity's key management personnel

At least every three years, an external consultant is engaged to benchmark salaries against other leisure trusts, similar sized organisations in Edinburgh and UK wide charities, their findings and recommendations then being presented to Edinburgh Leisure's Remuneration Committee. To aid their determination, the Remuneration Committee have available the pay recommendations for the rest of the company and may choose to mirror the wider company award, although flexibility exists to implement differing pay awards if deemed necessary. The Remuneration Committee present their recommendations for discussion to the Board with key management not permitted to be present for these discussions.

## **Organisation Structure**

The Board of Directors meets every two months with Directors and senior management present. Decisions are taken to set the overall strategy for the business as well as to monitor its activities. Senior management are charged with the task of implementing these decisions.

## **Objectives and activities**

### **Principal activity**

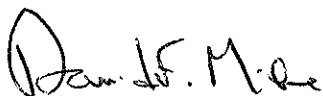
The principal activity of the company is the provision of recreation and leisure facilities on behalf of The City of Edinburgh Council in accordance with the following charitable objectives to:

- Provide or assist in the provision of facilities for recreation or other leisure time occupation in the interests of social welfare for the general public and in particular in connection with the local authority area of The City of Edinburgh as defined in the Local Government etc. (Scotland) Act 1994 with the object of improving the conditions of life for the Community;
- Provide facilities for persons who by reason of their youth, infirmity or disability, poverty or social and economic circumstances may need special facilities; and
- Promote good health among the Community through health education directed to the part which healthy eating and standards of nutrition together with exercise play in the maintenance of good health.

### **Disclosure of information to the Auditors**

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken the appropriate steps as a Director to make themselves aware of such information and to establish that the auditors are aware of it.

**Approved by the Board of Directors and signed on its behalf by:**



**David Milne**  
Chairman

25 June 2018

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors report and the financial statements in accordance with applicable law and regulations.

Company law and Charity law requires the Directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law and charity law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and 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 Companies Act 2006. 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.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **Independent auditor's report to the Members and Directors of Edinburgh Leisure**

### **Opinion**

We have audited the financial statements of Edinburgh Leisure ("the Charitable Company") for the year ended 31 March 2018, which comprise the statement of financial activities, the balance sheet, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2018 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions related to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises the Strategic Report and the Directors' Report. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements

or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report included within the Directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion;

- proper and adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement, the Directors (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's Directors, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charitable Company's members and Directors 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 Charitable Company, the Charitable Company's members as a body and the Charitable Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO LLP*

Martin Gill (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Edinburgh, UK

Date *26 JUN 2018*

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



## Statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses)

For the year ended 31 March 2018

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2018 £'000	Total 2017 £'000
<b>Income</b>					
Investment income	6	12	-	12	34
<i>Income from charitable activities</i>					
Provision of leisure facilities		21,546	1,408	22,954	21,760
Contract with City of Edinburgh Council		8,075	105	8,180	8,473
<b>Total income</b>	2	29,633	1,513	31,146	30,267
<b>Expenditure</b>					
Charitable activities					
Provision of leisure facilities	3	29,156	1,458	30,614	30,711
Interest cost in relation to pension liability	18	308	-	308	96
Pension service costs	18	907	-	907	404
<b>Total expenditure</b>		30,371	1,458	31,829	31,211
Net movement in funds for the year before other recognised gains and losses		(738)	55	(683)	(944)
<b>Other recognised gains and losses</b>					
Actuarial gain/(loss) on Lothian Pension Fund	18	9,530	-	9,530	(8,351)
<b>Net movement in funds (after actuarial loss on pension scheme)</b>		8,792	55	8,847	(9,295)
Transfers between funds	14	10	(10)	-	-
<b>Net movement in funds</b>		8,802	45	8,847	(9,295)
<b>Fund balances brought forward at 1 April 2017</b>		(9,026)	388	(8,638)	657
<b>Fund balances carried forward at 31 March 2018</b>		(224)	433	209	(8,638)

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

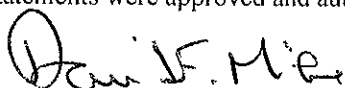
## Balance Sheet

Company Number: SC179259  
At 31 March 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
<b>Fixed assets</b>					
Tangible assets	7		5,024		5,439
Investments	8		-		-
			<u>5,024</u>		<u>5,439</u>
<b>Current assets</b>					
Stocks	9	116		116	
Debtors	10	990		873	
Cash in hand		1,266		865	
		<u>2,372</u>		<u>1,854</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due in one year	11	(3,848)		(4,127)	
<b>Net current liabilities</b>			<u>(1,476)</u>		<u>(2,273)</u>
<b>Total assets less current liabilities</b>			<u>3,548</u>		<u>3,166</u>
<b>Long term liabilities</b>					
Creditors : amounts falling due in more than one year	12		(270)		(420)
<b>Net assets excluding pension deficit</b>			<u>3,278</u>		<u>2,746</u>
Pension deficit	18		(3,069)		(11,384)
<b>Net assets/(liabilities) including pension deficit</b>			<u>209</u>		<u>(8,638)</u>
<b>Funds</b>					
Unrestricted funds		2,100		2,108	
Designated reserves	13	745		250	
Pension reserve	18	(3,069)		(11,384)	
			<u>(224)</u>		<u>(9,026)</u>
Restricted funds	14		433		388
<b>Total funds</b>			<u>209</u>		<u>(8,638)</u>

The notes at pages 19 to 33 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 25 June 2018 and signed on its behalf by:



**David Milne**  
Chairman

**Cash flow statement**  
*for the year ended 31 March 2018*

	2018	2017
	£'000	£'000
<b>Net expenditure for the reporting period</b>	<b>(683)</b>	<b>(944)</b>
<b>Adjustments for:</b>		
Depreciation charges	1,117	1,106
Pension adjustment	907	404
Interest paid	314	111
Interest received	(12)	(34)
Decrease/(increase) in stock	-	(20)
Increase in debtors	(117)	(258)
(Decrease)/increase in creditors	(296)	496
Loss/(gain) on disposal of fixed assets	17	(27)
<b>Net cash provided by operating activities</b>	<b>1,247</b>	<b>834</b>
 <b>Cash flows from investing activities</b>		
Interest received	12	34
Purchase of PPE	(721)	(1,434)
Finance lease interest paid	(6)	(15)
Proceeds from sale of fixed assets	19	50
<b>Net cash used in investing activities</b>	<b>(696)</b>	<b>(1,365)</b>
 <b>Cash flows from financing activities</b>		
Repayment of finance leases	(78)	(151)
New loans entered into	-	221
Repayment of loans	(72)	(34)
<b>Net cash (used in)/provided by financing activities</b>	<b>(150)</b>	<b>36</b>
 <b>Change in cash and equivalents in the reporting period</b>	<b>401</b>	<b>(495)</b>
 <b>Cash and cash equivalent at the beginning of the reporting period</b>	<b>865</b>	<b>1,360</b>
 <b>Cash and cash equivalent at the end of reporting period</b>	<b>1,266</b>	<b>865</b>

## Notes to the financial statements

(forming part of the financial statements)

### 1 Accounting policies

Edinburgh Leisure is a company incorporated in Scotland under the Companies Act. The address of the registered office is on page 9. Edinburgh Leisure constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with FRS102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of the financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the Charity to exercise judgment in applying the entity accounting policies (see Note 1m).

#### 1a Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards. The financial statements are set out so as to comply with the Statement of Recommended Practice: Accounting and Reporting by Charities approved by the Accounting Standards Board in 2015, the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006.

The company's functional and presentational currency is GBP. Figures are presented rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis. Edinburgh Leisure has a contract to manage leisure facilities on behalf of the City of Edinburgh Council; although the contract is on-going, the financial terms relating to the contract are settled annually in conjunction with the Council's budgeting process. A six month notice period applies to the contract. In the opinion of the Directors there is no risk that funding will be withdrawn in the foreseeable future and as such the financial statements are prepared on a going concern basis.

These financial statements present information about the company as an individual undertaking, and not about its group, by virtue of s402 of the Companies Act 2006.

#### 1b Funds

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

*Restricted funds* are funds subject to specific trusts, which may be declared by the donor or with their authority. Some are restricted income funds expendable at the discretion of the Board in furtherance of a particular activity, such as funds raised for particular client groups or activities. Others are capital funds where the assets are required to be invested for long term use.

*Unrestricted funds* are expendable at the discretion of the Board in furtherance of the objectives of Edinburgh Leisure. If part of the unrestricted funds is earmarked at the discretion of the Board for a particular project it is designated as a separate fund. This designation has an administrative purpose only, and does not legally restrict the Board's discretion to apply the fund.

#### 1c Income

*Activities for generating income* are accounted for on an accruals basis.

*Income from the City of Edinburgh Council* is accounted for on an accruals basis and is agreed in advance based on the level of service provided.

*Investment Income* is accounted for on an accruals basis.

*Capital Grants received* are accounted for on an accruals basis. If a functional fixed asset is acquired in full or in part from the proceeds of a grant it is included in the balance sheet at its full acquisition cost, with the relevant grant being recognised as income and held in restricted funds. Depreciation is then allocated to this fund over the useful life of the related asset.

## Notes to the financial statements *(continued)*

### **1 Accounting policies *(continued)***

#### ***1d Expenditure***

All expenditure is accounted for on an accruals basis. Governance costs are included in the costs of providing service and relate to the expenditure on the Directors including meetings, if any, and for the company's obligation for audit as a charity. Support costs are included within the costs of providing service in note 3.

#### ***1e Leased assets: lessee***

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of leasing payments is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding.

#### ***1f Holiday pay accrual***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward for future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### ***1g Stocks***

Stocks of materials and consumables are stated at the lower of cost and net realisable value in the ordinary course of operating.

#### ***1h Tangible fixed assets***

Assets are held at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, generally as follows:

Freehold land and buildings	up to 50 years
Leasehold improvements	5 years – 25 years
Plant and equipment	3 to 10 years
Motor vehicles	4 years
Furniture and fittings	5 years
Computer equipment	3 to 5 years
Finance Leases	over the term of the lease

The assets are reviewed annually for impairment. Assets purchased during the year with a value of £1,000 or more are reviewed for capitalisation.

#### ***1i Taxation***

As a charity, the group is exempt from income tax by virtue of Section 505(1) Income and Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### 1j Pensions

Edinburgh Leisure is a member of the Lothian Pension Fund, a Local Government Pension Scheme, which provides benefits based on final salary for periods before 1<sup>st</sup> April 2015 and career average salary after that date. The scheme closed to new entrants as at 1<sup>st</sup> April 2008.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Activities. These amounts together with the return on plan assets are disclosed as 'Actuarial gain/(loss) on Lothian Pension Fund'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Financial Activities as 'Interest cost in relation to pension liability'.

All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%.

#### 1k Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## Notes to the financial statements *(continued)*

### **I Accounting policies *(continued)***

#### **II Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **III Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing the financial statements the Directors have made the following judgements:

- Determining whether there are indicators of impairment of the charity's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determining whether the assumptions set by the Directors over the defined benefit pension scheme are reasonable.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see Note 7). Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Defined benefit pension scheme (see Note 18). The actuary values the pension scheme in line with assumptions set by the Directors. The actual performance is unlikely to be in line with the actuarial valuation as a result of the valuation being based upon assumptions on future unpredictable events such as return on assets and mortality rates.

## Notes to the financial statements *(continued)*

### 2 Income

Income from investments was £12,000 (2017: £34,000), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £22,954,000 (2017: £21,760,000), of which £21,546,000 (2017: £21,065,000) was unrestricted and £1,408,000 (2017: £695,000) was restricted.

Income from the contract with City of Edinburgh Council was £8,180,000 (2017: £8,473,000), of which £8,075,000 (2017: £8,308,000) was unrestricted and £105,000 (2017: £165,000) was restricted.

### 3 Costs of providing service

	Unrestricted	Restricted	Total	Total
	Fund	Fund	2018	2017
	£'000	£'000	£'000	£'000
Wages and salaries	14,643	734	15,377	15,087
Social security costs	1,114	52	1,166	1,078
Employer pension contributions	1,099	36	1,135	1,077
Payments to self-employed coaches	1,043	30	1,073	1,145
Property costs	4,268	107	4,375	5,342
Supplies and services	5,478	498	5,976	5,655
Rental charges under operating leases	344	-	344	207
Depreciation	1,117	1	1,118	1,106
Finance lease costs	6	-	6	15
Governance costs	27	-	27	26
Gain on disposal of fixed assets	17	-	17	(27)
	<b>29,156</b>	<b>1,458</b>	<b>30,614</b>	<b>30,711</b>

The costs of providing services during 2017 were comprised of £29,725,000 in relation to unrestricted funds and £986,000 in relation to restricted funds.

### 4 Governance costs

	2018	2017
	£'000	£'000
Audit fees	22	21
Directors and Officers Indemnity Insurance	5	5
	<b>27</b>	<b>26</b>



## Notes to the financial statements *(continued)*

### 5 Staff numbers and costs

The remuneration and associated costs of the company were:

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Wages and salaries	<b>15,377</b>	15,087
Social security costs	<b>1,166</b>	1,078
Pension costs	<b>1,135</b>	1,077
Pension adjustment	<b>907</b>	404
	<b>18,585</b>	17,646

Included within staff costs was £107,000 for redundancy costs (2017: £322). Costs for any redundancies are recognised when the liability is confirmed and communicated to the relevant parties creating a constructive obligation. There were no balances outstanding this year, or last year, as at the Balance Sheet date.

Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the following bands:

	<b>2018</b>	2017
	<b>Number</b>	Number
£90,000 - £100,000	<b>1</b>	1
£60,000 - £70,000	<b>2</b>	3

The total contributions to defined benefit pension schemes for the staff within the above bands is £29,293 (2017: £27,797) and to defined contribution pension schemes is £391 (2017: £5,351).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance and travel expenses claimed by one Board member of £1,957 (2017: £1,176).

The average monthly full-time equivalent number of employees of the company during the year was:

	<b>2018</b>	2017
	<b>Number</b>	Number
Dry facilities	<b>205</b>	221
Wet centres	<b>328</b>	323
Golf courses	<b>43</b>	43
Administration and support	<b>129</b>	131
	<b>705</b>	718

## Notes to the financial statements *(continued)*

### 5 Staff numbers and costs *(continued)*

The average monthly headcount number of employees of the company during the year was:

	2018	2017
	Number	Number
Dry facilities	316	323
Wet centres	485	460
Golf courses	47	47
Administration and support	142	144
	<b>990</b>	<b>974</b>

### 6 Investment income

	2018	2017
	£'000	£'000
Bank and other interest	12	34
	<b>12</b>	<b>34</b>

### 7 Tangible fixed assets

	Freehold Buildings	Leasehold Impmt's	Plant & Equipmt.	Motor Vehicle	Furniture & fittings	Computer Equipment	Finance Leases	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>								
At beginning of year	539	6,766	3,351	172	546	950	869	13,193
Additions	-	290	323	25	-	83	17	738
Disposals	-	(779)	(240)	-	(117)	(19)	(226)	(1,381)
<b>At end of year</b>	<b>539</b>	<b>6,277</b>	<b>3,434</b>	<b>197</b>	<b>429</b>	<b>1,014</b>	<b>660</b>	<b>12,550</b>
<i>Depreciation</i>								
At beginning of year	163	4,340	1,503	156	380	497	715	7,754
Charge	13	357	497	6	34	136	74	1,117
Disposals	-	(756)	(234)	-	(115)	(18)	(222)	(1,345)
<b>At end of year</b>	<b>176</b>	<b>3,941</b>	<b>1,766</b>	<b>162</b>	<b>299</b>	<b>615</b>	<b>567</b>	<b>7,526</b>
<i>Net book value</i>								
<b>At 31 March 2018</b>	<b>363</b>	<b>2,336</b>	<b>1,668</b>	<b>35</b>	<b>130</b>	<b>399</b>	<b>93</b>	<b>5,024</b>
At 31 March 2017	376	2,426	1,848	16	166	453	154	5,439

## Notes to the financial statements (continued)

### 8 Fixed asset investments

	2018	2017
	£'000	£'000
Investment in subsidiary undertaking	-	-
	-	-

The company owns 100% of the ordinary share capital of Edinburgh Leisure Two Limited, a company registered in Scotland. The value of the investment is £2 (2017: £2). This company did not trade in the year.

### 9 Stocks

	2018	2017
	£'000	£'000
Stocks	116	116
	116	116

### 10 Debtors

	2018	2017
	£'000	£'000
Trade debtors	445	265
City of Edinburgh Council	71	188
Other Debtors	202	14
Prepayments and accrued income	272	406
	990	873

### 11 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	500	629
Pension creditor – City of Edinburgh Council	95	99
Due to City of Edinburgh Council	883	484
Social security costs and other taxes	349	336
Other creditors and accruals	1,869	2,438
Finance leases	48	74
Other loans	104	67
	3,848	4,127

## Notes to the financial statements (continued)

### 11 Creditors: amounts falling due within one year (continued)

Included in other creditors and accruals above are amounts of deferred income as follows:

	2018	2017
	£'000	£'000
Balance at start of year	1,081	981
Transfers out	(1,081)	(981)
Transfers in	505	1,081
<b>Balance at end of year</b>	<b>505</b>	<b>1,081</b>

### 12 Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Finance leases	46	81
Other creditors and accruals	63	69
Other loans	161	270
	<b>270</b>	<b>420</b>

The maturity of obligations under finance leases is as follows:

	2018	2017
	£'000	£'000
Within one year	48	74
Within one to two years	28	43
Within two to five years	18	38
	<b>94</b>	<b>155</b>

The obligations under finance leases are secured over the assets to which they relate.

## Notes to the financial statements (continued)

### 13 Designated reserve

	<b>Total</b> <b>£'000</b>
Balance as at 1 April 2017	250
Income	-
Expenditure	-
Transfer from Unrestricted Funds	495
<b>Balance at 31 March 2018</b>	<b>745</b>

The designated reserve has been created in order to ringfence funding towards lifecycle refurbishment activity expected to take place before 2019.

### 14 Restricted funds

	<b>Maintenance</b>	<b>Other</b>	<b>EICA</b>	<b>Schools</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April 2017	-	278	110	-	388
Income	105	635	-	773	1,513
Expenditure	(105)	(581)	-	(772)	(1,458)
Transfer to Unrestricted Funds	-	-	(10)	-	(10)
<b>Balance at 31 March 2018</b>	<b>-</b>	<b>332</b>	<b>100</b>	<b>1</b>	<b>433</b>

The *Maintenance* reserve represents money paid from the City of Edinburgh Council to Edinburgh Leisure specifically for the purpose of carrying out capital upgrading works.

The *Other* reserve represents a number of funds received from external organisations for specific purposes.

The *EICA* reserve represents grant funding received from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant asset.

During the previous year, the company began a phased process to take over the operation of the secondary school sporting estate of City of Edinburgh Council (CEC) outside of core school hours. All income and expenditure is restricted with any surpluses being returned to CEC and any deficits being refunded by CEC.

A requirement exists to ring fence any surplus made from the operation of Queensferry High Recreation Centre. Any deficits are funded by Edinburgh Leisure from unrestricted reserves. To date the facility has generated a net deficit of £141,000 (2017: £154,000).

Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

## Notes to the financial statements (continued)

### 15 Analysis of net assets between funds

	Unrestricted Fund £'000	Restricted Fund £'000	Total 2018 £'000	Total 2017 £'000
<b>Fund balances at 31 March 2018 are represented by:</b>				
Tangible fixed assets	4,924	100	5,024	5,439
Current assets	2,039	333	2,372	1,854
Current liabilities	(3,848)	-	(3,848)	(4,127)
Long term liabilities	(270)	-	(270)	(420)
Pension deficit	(3,069)	-	(3,069)	(11,384)
<b>Total net assets</b>	<b>(224)</b>	<b>433</b>	<b>209</b>	<b>(8,638)</b>

In the year ended March 2017, £110,000 of tangible fixed assets and £278,000 of current assets were restricted with all other amounts being unrestricted.

### 16 Financial instruments

	2018 £'000	2017 £'000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>1,984</b>	1,332
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>3,264</b>	3,130

Financial assets that are debt instruments measured at amortised cost include trade debtors, cash in hand, amounts due from City of Edinburgh Council and other debtors.

Financial liabilities measured at amortised cost include trade creditors, amounts due to City of Edinburgh Council, accruals, finance lease creditor, other loans and other creditors.

## Notes to the financial statements (continued)

### 17 Commitments

*Total commitments under non-cancellable operating leases are as follows:*

	2018	2017
	<b>Total</b>	Total
	<b>£'000</b>	£'000
No later than 1 year	356	334
Later than 1 year and no later than 5 years	211	516
Total	567	850

The company had no capital commitments as at 31 March 2018 (2017: £5,200).

### 18 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2018 the employer contribution rate was 18.5%. The most recent actuarial valuation (31 March 2018) showed that the market value of Edinburgh Leisure's notional share of the scheme's assets was £68,766,000 and that the actuarial value for these assets represents 96% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the Directors on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS 102, section 28: Employee Benefits. The value of the fund at 31 March 2018 was as follows:

*Actuarial valuation*

	2018	2017
	<b>£'000</b>	£'000
Present value of funded liabilities	(71,836)	(80,899)
Present value of unfunded liabilities	(9)	(10)
Fair value of employer assets	68,776	69,525
Net liability	(3,069)	(11,384)

## Notes to the financial statements (continued)

### 18 Pension Scheme (continued)

*Movement in present value of defined obligation*

	2018	2017
	£'000	£'000
At start of year	80,909	59,215
Current service cost	1,817	1,338
Past service cost	-	-
Interest cost	2,114	2,079
Contribution by members	292	314
Actuarial (gains)/losses	(12,070)	19,180
Losses on curtailments	19	-
Benefits paid	(1,235)	(1,216)
Unfunded benefits paid	(1)	(1)
<b>At end of year</b>	<b>71,845</b>	<b>80,909</b>

*Movement in fair value of employer assets*

	2018	2017
	£'000	£'000
At start of year	69,525	56,682
Interest income on plan assets	1,806	1,983
Contributions by members	292	314
Contributions by the employer	928	933
Contributions in respect of unfunded benefits	1	1
Return on assets excluding amounts included in net interest	(2,540)	10,829
Benefits paid	(1,235)	(1,216)
Unfunded benefits paid	(1)	(1)
<b>At end of year</b>	<b>68,776</b>	<b>69,525</b>



## Notes to the financial statements (continued)

### 18 Pension Scheme (continued)

*Income / (expense) recognised in the statement of financial activities*

	2018	2017
	£'000	£'000
Current service cost	(1,817)	(1,338)
Past service cost	(19)	-
Interest cost	(308)	(96)
Actuarial gain/(loss) on Lothian Pension Fund	9,530	(8,351)
<b>At end of year</b>	<b>7,386</b>	<b>(9,785)</b>

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a gain of £9,530,000 (2017: £8,351,000 loss), calculated as follows:

	2018	2017
	£'000	£'000
Actuarial gain/(loss) on movement in present value of defined benefit obligation	12,070	(19,180)
Actuarial (loss)/gain on movement in fair value of employer assets	(2,540)	10,829
<b>Actuarial gain/(loss) on Lothian Pension Fund during year</b>	<b>9,530</b>	<b>(8,351)</b>

*Fair value of employer assets and return on those assets*

	Value	Value
	2018	2017
	£'000	£'000
Equities	51,583	46,581
Bonds	7,565	13,906
Property	4,814	6,257
Cash	4,814	2,781
Company's share of scheme assets	<b>68,776</b>	<b>69,525</b>

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the Plan's investment portfolio.

## Notes to the financial statements (continued)

### 18 Pension Scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2018	2017
	%	%
Inflation/pension increase rate	2.3%	2.4%
Salary increase rate	4.0%	4.4%
Discount rate	2.7%	2.6%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date as based on standard actuarial marketing tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males	Females
Current pensioners	21.7	24.3
Future pensioners	24.7	27.5

#### History of the Plan

The history of the plan for the current and prior periods is as follows:

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(71,845)	(80,909)	(59,215)	(64,011)	(53,447)
Fair value of employer assets	68,776	69,525	56,682	53,920	46,938
Deficit	(3,069)	(11,384)	(2,533)	(10,091)	(6,509)

The charity expects to contribute approximately £1,015,000 to its defined benefit scheme in the next financial year.

On 1<sup>st</sup> April 2008 Edinburgh Leisure closed its defined benefit scheme to new members. All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%

### 19 Related Party

Edinburgh Leisure is contracted to provide recreation and leisure by the City of Edinburgh Council ("CEC"). In the year to 31 March 2018 CEC made a payment of £8,075,000 (2017: £8,308,000) to the company and leased the facilities occupied by the company for a peppercorn rent. At 31 March 2018 CEC owed the company £71,000 (2017: £188,000) and the company owed CEC £978,000 (2017: £583,000) (including amounts due to the Lothian Pension Fund) in relation to normal trading activities.

Key management personnel include all directors and a number of senior staff who together have responsibility for planning, directing and controlling the activities of the company. The total compensation paid for key management for services provided to the company in the year was £365,000 (2017: £354,000).

NEED	SOLUTION	ACTIVITIES	OUTCOMES		
			SHORT TERM Initial intervention/up to 16 wks	MEDIUM TERM Post intervention / 16 wks. – 1 yr	LONG TERM Over 1 yr
<p>20% of Edinburgh’s population are over the age of 60 and around one third will experience a fall. Even the most minor falls have a detrimental effect on an individual’s physical and mental wellbeing, affecting their ability to manage everyday life.</p> <p>Those who have had a fall or those at greatest risk of having a fall need help and support to improve their health and wellbeing.</p>	<p>Deliver an evidence based physical activity and education programme (16-weeks) aimed at older people who have had a fall or are most at risk of having a fall.</p>	<ul style="list-style-type: none"> <li>Deliver 60-minute falls prevention sessions, to build strength, flexibility and balance confidence.</li> <li>Provide participants with access to Steady Steps classes at the cost of £1 per session and discounts to Edinburgh Leisure facilities (gym, swim and fitness classes) before 4pm for 12 months</li> <li>Facilitate a 30-minute informal education session on how to prevent future falls</li> <li>Encourage peer-led support amongst participants</li> <li>Provide guidance and support to reassure and motivate participants to complete the programme.</li> <li>Recruit and train volunteers to provide person centred support in activity sessions.</li> <li>Ensure Specialist Health Instructors have PSI qualification</li> <li>Conduct Pre and post physical function tests</li> <li>Offer support to complete Pre and post questionnaires</li> <li>Develop relationships with Health Professionals and voluntary sector to improve understanding of physical activity benefits and ensure quality referrals</li> <li>Monitor and evaluate the impact of activities</li> <li>Signpost participants to the right activity at the right time to keep them active</li> <li>Undertake a post 6-month follow-up to ascertain activity levels and fall incidents</li> </ul>	<ul style="list-style-type: none"> <li>People get more active</li> <li><b>People Improve their balance confidence</b></li> <li>People Improve their physical function</li> <li><b>People can maintain or improve their independence (Fit and able to perform essential tasks like shopping, cleaning, personal care and daily living)</b></li> <li>People increase their strength and endurance</li> <li>People have improved knowledge about how to prevent and cope with falls</li> <li>People feel have more social interaction</li> <li>Carers have more respite time</li> <li>Volunteers gain more experience on how to work with older adults</li> </ul>	<ul style="list-style-type: none"> <li>People remain regularly active</li> <li><b>People feel less isolated</b></li> <li>Carers feel less isolated</li> <li>Carers have more confidence in participants abilities</li> <li>Volunteers feel more confident in supporting older adults</li> <li><b>People are less likely to fall</b></li> <li><b>People reduce the severity of falls</b></li> <li>People can recover from ill-health quicker.</li> </ul>	<ul style="list-style-type: none"> <li>People stay physically active</li> <li><b>Older Adults experience less falls</b></li> <li>People maintain a good quality of life</li> <li>Reduce risk of ill health and premature death</li> <li>Reduce cost and future burden on health and social care</li> <li>Develop a more skilled workforce working with older adults</li> </ul>
BENEFICIARIES	RESOURCES				
<ul style="list-style-type: none"> <li>Older adults who have had a fall or are at greatest risk of having a fall.</li> <li>Carers/unpaid Carers</li> <li>Families</li> <li>Health Professionals i.e. Physiotherapist (reduce their waitlist/workload as they can refer patients to our service)</li> <li>Volunteers (gain skills and experience within falls prevention setting).</li> </ul>	<ul style="list-style-type: none"> <li>Development Officer</li> <li>Active Communities Leadership Team</li> <li>Specialist Health Instructors/Service Providers (Postural Stability Instructor Qualified)</li> <li>Volunteers</li> <li>Edinburgh Leisure Venues and Teams</li> <li>Equipment</li> <li>Marketing materials</li> <li>Course materials</li> <li>Delivery Partners &amp; Referrers</li> <li>Funding (Prevention Innovation Fund)</li> <li>Project partners</li> <li>NHS Falls Coordinator</li> <li>Later Life Training/researchers</li> </ul>				

**THE ASSUMPTIONS**

- Research confirms that regular physical activity helps prevent over 40 chronic health conditions and premature death.
- 83% of older adults in Scotland do not meet the national physical activity guidelines and they need more support to enable them to get and stay active
- Health Professional are referring people at the right time and people understand why they are being referred
- Participants are doing the home-based programme
- Evidence demonstrates that this 16 week programme will help people to improve their health and wellbeing.
- There are a number of reasons why people may not complete our programmes (e.g. *health condition, readiness for change, life circumstances*).
- Edinburgh Leisure are experts at developing and delivering physical activity and sports programmes to support people effected by health conditions, poverty, inequalities and disabilities.

**EXTERNAL FACTORS**

- Partnerships and Health Professionals
- Funding
- Edinburgh is a growing city with an ageing population
- Locality working
- Other agencies doing what we do
- Health and Social Care not yet focusing on prevention
- Barriers that prevent people attending (e.g. health conditions, weather, travel, family/support network)

## Appendix 3 - EDINBURGH LEISURE



- **We are ‘The Biggest Club in Town’,** running 30 leisure and sports venues across the city
- We are proud to receive over 5 million customer visits each year
- We help 5,200 people each year affected by health conditions, poverty, inequalities and disabilities to get active, stay active and lead healthier lives

# Edinburgh Leisure

## OUR PURPOSE

To make a positive difference to communities by creating opportunities for everyone to get active, stay active and achieve more

## OUR VISION

Inspiring Edinburgh to be a more active and health city

We will protect services and build a sustainable business model by growing usage and income and managing expenditure



We enable the inactive to be active and the active to stay active throughout life



We support and develop wellbeing in individuals and communities through physical activity and sport



We provide opportunities and support to participate, progress and achieve in sport

We will deliver our service promise to customers

We welcome everyone

We provide activities and expertise in a safe, clean and fit for purpose environment at value for money prices

We deliver enjoyable experiences; customers leave feeling happy

## OUR ENABLERS TO GROWTH AND SUCCESS



People



Partners



Places



Technology



Funding



Systems



## OUR VALUES UNDERPIN EVERYTHING WE DO

Welcoming, caring, passionate and proud

# Physical Activity and Health: Wonder drug?

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## MIRACLE CURE!



The potential benefits of physical activity to health are huge. If a medication existed which had a similar effect, it would be regarded as a 'wonder drug' or 'miracle cure' (CMO Annual Report 2009)

# Active Communities – helping people get active

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Our Active Communities team use the power of sport and physical activity to help those in need improve their health and wellbeing

**Edinburgh Leisure**

The Biggest Club in Town

# What we do

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We deliver a large number of physical activity and sport projects that focus on:





# How we are helping people get active

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- **5200** helped to get active last year
- **1405** helped to improve health & wellbeing each week
- **190** community groups helped to access leisure centres
- **400** Older Adults active each month through Ageing Well
- **798** Children & YP in care supported to be more active
- **118** Active Communities classes delivered each week
- **65** families & **163** adults supported to loose weight

# Supporting people with disabilities to be active

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- Community Development Officer (Disabilities)
- Edinburgh Leisure becoming autism friendly
- Edinburgh Leisure becoming dementia friendly
- Activ8 Multi activity programme
- Broad range of junior SEN coached activities
  - Boccia, Swimming, Football, Tennis, Diving, Trampolining
- ASN Soft Play sessions
- Open All Hours – Fully inclusive Friday Night youth club

# Supporting people with disabilities to be active

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- Broad range of adult activities
  - Wheelchair tennis, cardio tennis, swimming, boccia
- 650 people accessing supported gym sessions per month
- 857 people accessing a range of Disability memberships
- Carer go free policy
- Euan's Guide
- Involved in the city's British Sign Language Plan
- Edinburgh International Climbing Centre

# Questions, Hopes and Opportunities to do more



**Edinburgh Leisure**  
The Biggest Club in Town

#### **Appendix 4: Feedback from participant on Healthy Active Minds project**

'I've suffered with depression on and off for over twenty years, but recently I had one of the worst bouts I can remember. I was very low - I'd find myself dwelling on bad memories, blaming myself for everything, and losing sleep due to worry and stress. I didn't want to see anyone.

When I heard about Healthy Active Minds, I asked my GP to refer me. A few weeks later, I met my instructor at the gym, and he made me feel at ease right away. We had a chat about my goals, set out an exercise programme, and now we meet once a week – that gives me something to focus on. Between appointments, I feel confident knowing that I can come on my own and ask any of the staff for pointers. In the past I found gyms stressful when I was unwell, but Edinburgh Leisure is different – I know I'll get a friendly smile here.

Since beginning Healthy Active Minds, I've been able to reduce my medication – I don't feel that I need it anymore. I don't pretend that everything is rosy, I still get bad days, but they're not as frequent as they were. When I do feel my symptoms increasing, I focus on the positive things I'm doing for myself.

I'm already having to wear my belt a little tighter, I feel fitter, and people have said that I'm looking better too. These things brighten me up and encourage me to work harder because I know it's making a difference! I'm looking forward to feeling fit enough to play five-a-side with my pals again – they keep asking me and soon I'll be saying "yes"! For me, feeling sociable again is really important. I have goals that I know I can achieve, and people to support me'.

## Appendix 5



### Gender pay gap data for Edinburgh Leisure 2018

Edinburgh Leisure are publishing the following information in accordance with government regulations. As we employ more than 250 people we are required to publish the following data to show the difference between the average male salary to the average female salary.

In Edinburgh Leisure, as at 5<sup>th</sup> April 2018:

Our Mean hourly rate for females is

**1.0%**

**HIGHER**

Than for Males

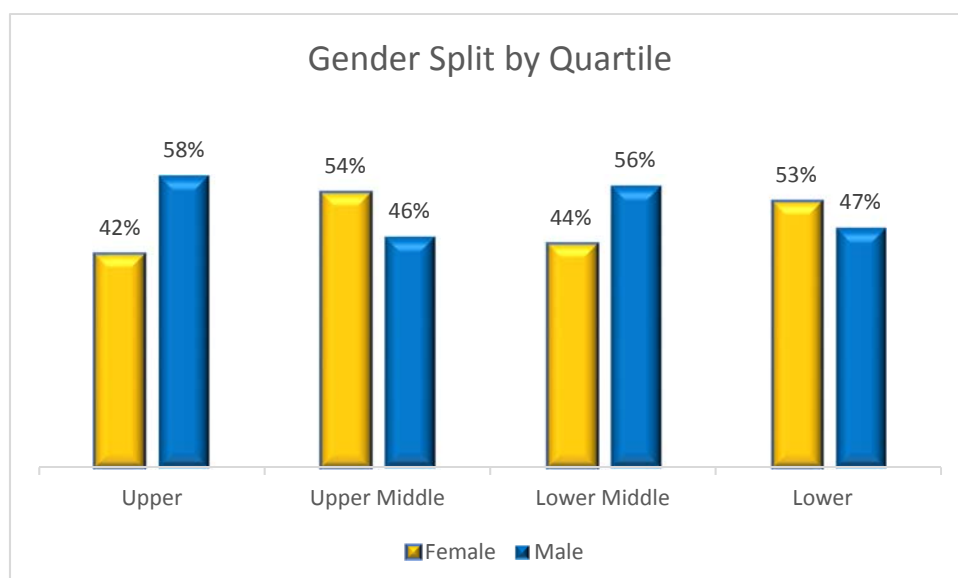
Our Median hourly rates are

**Identical**

For Males and Females

Edinburgh Leisure don't pay any bonus pay, meaning that the questions regarding differences in bonus pay are not applicable.

**Pay Quartiles:** The following graph shows how many men and women are in each quarter of Edinburgh Leisure's payroll.



## Appendix 6: Key Performance Indicators

Key Performance Indicator	2017/18 target	2017/18 actual	Commentary
Operating income	£22,054,000	£21,558,000	£496,000 (2%) income shortfall is attributed to the closure of Meadowbank in December 2017 and the loss of income due to extreme winter weather closures
Management fee from CEC	£8,075,000	£8,075,000	
Operating costs	£30,279,000	£29,156,000	4% positive variance
Net income / deficit	£150,000 deficit	£477,000 surplus	
Recovery rate	73%	74%	
Subsidy per user	£1.75	£1.70	
Income per user	£4.70	£4.82	
Total customer visits	4,687,000	4,472,000	5% behind target. Meadowbank closure accounts for a loss of 194,000 visits & extreme weather 30,000
Children & young people visits	1,799,000	1,743,000	Ref above
Older adult visits	362,000	365,200	
Active Communities projects	5,200+ people	7,984 people	
Customer experience index score	8.75	8.70	Customer feedback is also measured using: net promoter score achieved 53 versus industry average of 47 & mystery visit score , achieved target of 90%

<b>Customer accidents</b>		9 per 100,000 visits	Increase from 8 in previous year
<b>Staff accidents</b>		49	Decrease from 62 in previous year
<b>Staff absence</b>	4%	3.6%	
<b>External funding</b>	£819,000	£786,000	4% shortfall against target but £861,000 secured for 2018/19