

Culture & Communities Committee

10.00am, Tuesday, 1 February 2022

Council Companies - Edinburgh Leisure Annual Report 2020/21

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 The Culture and Communities Committee is asked to:
 - 1.1.1 Note the performance of Edinburgh Leisure during 2020/21.

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Report

Council Companies – Edinburgh Leisure Annual Report 2020/21

2. Executive Summary

- 2.1 This is the annual performance report of Edinburgh Leisure, prepared as a requirement of the Services and Funding Agreement and the Council's policy on Arm's Length External Organisations (ALEOs).
- 2.2 This report covers the unprecedented period of the Covid-19 global pandemic and details the measures taken by Edinburgh Leisure and the Council to ensure the company was able to remain afloat and continue to provide services for communities across Edinburgh.

3. Background

- 3.1 As part of the Services and Funding Agreement process between the City of Edinburgh Council and Edinburgh Leisure adopted in 2013/14, a report has been presented to this Committee (and its predecessors) on an annual basis.

4. Main report

- 4.1 On 24 March 2020, Scotland was placed into a full-lockdown and most customer-facing services and businesses, particularly leisure and hospitality industries, were told by the UK and Scottish Governments to close their operation until further notice.
- 4.2 The vast majority of Edinburgh Leisure's workforce were subsequently furloughed on 80% of their salary, and Edinburgh Leisure were able to make use of the UK Government's Coronavirus Job Retention Scheme (CJRS) to help cover costs.
- 4.3 The Scottish Government's route map out of the first lockdown allowed non-contact outdoor activities such as golf to resume from 29 May 2020, with all other leisure services re-opening on an incremental basis through remaining phases of the route map but with mitigation measures in place such as social distancing, enhanced cleaning and one-way systems. Throughout the lock down period Edinburgh Leisure offered a variety of web-based activities and wellbeing information under the banner headline of 'Find Your Feel Good at Home'.

- 4.4 Edinburgh Leisure had approximately three months of business (mid-September to Christmas eve) with all their centres opening on an incremental basis before Scotland then entered a second lockdown on the 27th December 2020, resulting again in all Edinburgh Leisure services closing (except golf and outdoor tennis), staff returning to furlough arrangements and business significantly impacted. The lockdown remained in place for the remainder of the financial year.
- 4.5 The respective lockdowns had an unprecedented impact on Edinburgh Leisure's finances. Operating income (£4.2M) was 82% less than budget (£23.3M) and 80% less than the previous year (£21M). In order to manage their finances through this most challenging of periods, Edinburgh Leisure had access to three areas of financial support; the CJRS (£6.7M), Insurance income of £2.5M and additional funding from the Council of up to £6M, £3M of which was utilised.
- 4.6 Edinburgh Leisure highlighted that there would be an ongoing impact on their financial position in 2021/22 due to the COVID-19 pandemic. The Council made provision within the 2021/22 approved budget for further additional contract payments of up to £6m and payments totalling £2M have been made to date. The position will be assessed on an ongoing basis throughout the remainder of the year, taking account of all relevant factors and other financial support available to Edinburgh Leisure, with any additional payments being made as required.
- 4.7 The total number of customer visits to Edinburgh Leisure managed venues (excluding secondary schools) in 2020/21 was of course impacted by the pandemic. Total visits were 675k against a target of 4.5M, this represents an 85% reduction (84% compared to previous year).
- 4.8 The importance of physical and mental health and the benefits of leading an active and healthy lifestyle has received increased attention through the course of the pandemic and Edinburgh Leisure's Active Communities programme plays a significant role in supporting some of the most vulnerable people in our city to improve their levels of activity and in turn reduce the impact on health and social care services. The programme was suspended from 19th March to 26th October 2020, but once returned was able to adapt its delivery to support those in need. Adaptations included:
- 4.8.1 providing online classes for people with health conditions (Long term conditions, mental health, weigh management, falls prevention);
 - 4.8.2 live streamed low-level 'active dance', 'active sit', 'strength and balance' and 'strength and cardio' classes;
 - 4.8.3 motivational one to ones via Zoom for people with physical and mental health conditions and;
 - 4.8.4 wellbeing phone calls to people at risk of inactivity and isolation; using motivational interviewing and behaviour change techniques to encourage physical activity and social connectedness
- 4.9 Key highlights from the Active Communities programme for 2020/21 (for the period 26th October – 31st March 2021) are:

- 4.9.1 3,210 people helped to get active;
 - 4.9.2 450 people supported each week;
 - 4.9.3 27 online Active Communities classes being delivered each week;
 - 4.9.4 3,024 wellbeing phone calls to people at risk of inactivity and isolation;
 - 4.9.5 807 online one to ones and wellbeing phone calls to people with mental health conditions;
 - 4.9.6 52 weight management sessions delivered supporting people to achieve a healthier weight.
- 4.10 Active Communities programmes attracted £620,047 of external funding in 2020/21.
- 4.11 Edinburgh Leisure were able to continue their asset management works programme through 2020/21. Re-tiling of the diving pool at the Royal Commonwealth Pool was completed in 20/21 at a cost of £42,123 as well as balconies and front façade upgrade at Portobello Swim Centre at a cost of £247,585. Both projects were fully funded by the Council. The refurbishment of Warrender Swim Centre commenced in 20/21 with the Council contributing £270,415 through this period. The Warrender project is still on-going and detail of further financial contributions from the Council and Edinburgh Leisure will be confirmed in future reports to this committee.
- 4.12 Edinburgh Leisure officers also played an active role in the progression of the new Meadowbank Sports Centre project, which is now expected to open in the first quarter of 2022. EL's Chief Executive is a member of the project's Investment Steering Group (ISG) and Meadowbank Sports Centre's management team attend regular progress meetings and lead the planning required to ensure the building is ready for public use once the construction is completed and handed over to the Council. The funding package for Meadowbank Sports Centre was reported to Finance and Resources Committee on 11th October 2018, a link to this report is detailed in section 8.

5. Next Steps

- 5.1 The Council would like Edinburgh Leisure to provide a report on the impact of the Active Communities team and in particular the actions required to sustain programmes beyond the funding timelines and inform the Council of the strategies in place to sustain the work of the Active Communities Team in the event of external funding being removed.
- 5.2 Edinburgh Leisure will be asked to provide biannual reports to Culture and Communities committee with an agreed focus for each of these reports e.g. the first of these would be the report on Edinburgh Leisure's contribution to the City's Child Poverty plan.
- 5.3 Edinburgh Leisure should provide a specific report on the actions that it will take to address the operational deficits of some of the sports facilities it manages.

- 5.4 Edinburgh Leisure will be asked to work with Council officers to agree the action required to address the impact of financial pressures faced by the Council and resultant levels of service payment.
- 5.5 Council officers will work with Edinburgh Leisure over the course of the new financial year (22/23) to produce a Service Level Agreement (SLA). The SLA will capture the governance arrangements that will help the partnership to continue to deliver on the shared ambition of both organisations but also introduce a more specific set of performance measures that are aligned with CEC priorities on reducing poverty, becoming sustainable (net zero) and enhanced wellbeing and equalities.

6. Financial impact

- 6.1 Council core grant funding to Edinburgh Leisure in 2020/21 was £7,107,661. The Council also provided additional contract payments totalling £3m for COVID-19 related financial assistance.
- 6.2 Edinburgh Leisure also received a further payment from the Council of £165,000 towards capital improvements across the Council's sport and leisure facility estate.
- 6.3 Council also funded £560,124 towards asset management works across the sport and leisure facility estate managed by Edinburgh Leisure in 2020/21.

7. Stakeholder/Community Impact

- 7.1 Edinburgh Leisure has worked with Council officers and a range of stakeholders and communities to develop projects and deliver programmes.

8. Background reading/external references

- 8.1 [Edinburgh Leisure website](#)
- 8.2 [Meadowbank Sports Centre – Finance and Resources Committee – October 2018](#)
- 8.3 [Asset Management Works Programme – 2020/21 – Finance and Resources Committee – August 2021](#)

9. Appendices

- 9.1 Appendix 1 Edinburgh Leisure Report and financial statements – 31 March 2021

Edinburgh Leisure

(a company limited by guarantee)

Report and financial statements

31 March 2021

Registered number SC 179259

Charity number SC 027450

Contents

Strategic report	2
Directors' report	10
Statement of Directors' responsibilities	13
Independent auditor's report to the Directors and Members of Edinburgh Leisure	14
Statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses)	17
Balance Sheet	18
Cash flow statement	19
Notes to the financial statements	20

Strategic report

“Life is a journey, not a destination.” The words of Ralph Waldo Emerson the 19th century American philosopher seem very appropriate as we walk the long road through Covid-19 to an unknown destination. Nobody has walked this road before and there are no accounts of the land of milk and honey or streets paved with gold. How long will we walk before we reach something vaguely familiar in the “new normal”? Will the world and our place in it ever again look like it did before 2020? We can’t know what lies ahead and we can’t know when we will get there. What we can do is to prepare as best we can for the journey, learn and adapt as we go, report at checkpoints along the way and keep making sure that we’re heading in the right direction.

As noted in last year’s Strategic report all operations were mandated to close on 19 March 2020 and we took the early steps into the unknown. We were allowed to reopen (with numerous changes in place to comply with Scottish Government guidance) approximately six months later but required to close for a second time at Christmas. When the Scottish Government allowed our leisure centres to reopen on 26 April 2021 we had been closed for approximately ten out of the previous thirteen months, with only golf and tennis allowed to continue from June 2020. Few would have predicted a suspension of activities of anything like that duration, but through a combination of swift action, a successful insurance claim, the government Coronavirus Job Support Scheme (“furlough”) and support from our partners at the City of Edinburgh Council (CEC) we remained solvent throughout the year.

Budgeting through the unknown

On 1 March 2020, before the impacts of the emerging novel coronavirus could have been anticipated, the Board approved a budget of £200,000 deficit for 2020/21 a level which, if achieved, would have held unrestricted reserves at around £2m before accounting for Covid. Within weeks our business was forced to close and the country went into what would become the first lockdown. As noted in last year’s Strategic report we assessed that Covid had affected our March 2020 one month performance by £650,000 and therefore the approved budget quickly became nothing more than a measure against which to gauge the overall quantum of the Covid impact. As we went through 2020/21 we prepared updated financial calculations as circumstances evolved with ever changing restrictions, timescales and conditions of the furlough scheme, insurance status, reopening and second lockdown being only some elements of an impossible to predict environment. On 15 October 2020, CEC approved additional contract payments of up to £6,000,000 in 2020/21 to enable Edinburgh Leisure to continue to operate and re-open venues and services which contribute to the health and well-being of Edinburgh’s citizens. When we went into the second lockdown after Christmas Eve 2020 we did so knowing that the support of the Council would see us through to the end of the financial year and a time when we would hope to look forward to a brighter outlook in 2021/22.

Net income for the year

The results for the year are shown on page 16. These figures represent a checkpoint along the “Covid road” and they must be viewed in that context. The strong results shown are a direct result of the external cash support received, not the trading performance of the charity. That cash support and its bolstering of reserves will help the charity navigate the next portion of the road to recovery and our ultimate success in that journey can only be assessed whenever we approach something that feels like the end. The surplus on unrestricted funds was £1,390,000 before actuarial gains. 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. The £1,390,000 figure shown on page 16 also included expenditure on various facility related projects, £90,000 of which had been designated in reserves at March 2020. Our pre-Covid operational budget of £200,000 deficit included costs for certain future expenditure described in note 14 which were not included within the £1,390,000 figure, but which have been set aside in designated reserves. When adjusting for the above, the underlying surplus on a basis comparable to a normalised budget was £1,524,000 as shown in the table below.

	2021	2020
	£'000	£'000
Reported surplus/(deficit) on unrestricted funds	1,390	(2,875)
Interest cost in relation to pension liability	90	126
Pension service costs	391	1,988
Transfer from designated funds	90	254
Transfer to designated funds to create sinking fund	(377)	(132)
Underlying surplus/(deficit) before transfer to/from restricted funds	<u>1,584</u>	<u>(639)</u>
Transfer from restricted funds	(60)	15
Underlying surplus/(deficit)	<u><u>1,524</u></u>	<u><u>(624)</u></u>

With the constantly changing environment our Board met approximately every two weeks throughout 2020/21 and regular discussions were had with CEC to ensure necessary liquidity as our cash position deteriorated. This governance structure served us well throughout the last year and now that we have reopened, the aforementioned meetings are taking place broadly monthly to discuss the evolving situation.

The meetings with CEC, which took place every month in the run up to year end, considered reports on our operating performance, service restrictions and cash flow projections for the month ahead. These meetings facilitated discussion on levels of immediate financial support required to guarantee liquidity until the next month's meeting and resulted in the release of tranches of additional contract payments from the £6,000,000 ringfenced amount. By their nature therefore the cash flow projections underpinning these conversations were conservative by design. This ensured that even if variable cash inflows did not happen and variable expenditures did all happen, with further CEC support drawdown we would have positive cash balances by the time of the next monthly meeting. As the 31st March year end date approached we were completing a large number of facilities related projects in preparation for venues reopening (which was scheduled for 26th April). The March cash projection assumed the great majority of these projects to be completed and paid for in advance of 31st March and cash support was transferred accordingly. A direct consequence of this was increased income reported as "Contract with City of Edinburgh Council" and therefore an enhanced surplus for the year. By the year end date payments for many of these projects had not yet been made but the early positioning of cash to cover 100% of restricted funds plus other unrestricted commitments affords an increased level of confidence in the strength of the Balance Sheet going into the new financial year. The total level of additional contract payments received from CEC in the year to March 2021 was £3,000,000.

Key achievements

While the results for the year, as noted above, should not be considered a reflection of the performance of the company due to the timing of support payments, there is much to reflect on with pride. Despite venue closures for ten out of thirteen months, the business did not stand still with a host of initiatives having been completed to streamline our cost base, simplify processes and improve the customer experience, all with a view to improving our sustainability for the long term. Some examples are as follows:

- Headquarters staff moved out of our rented office in preparation for moving into the new Meadowbank
- Remote working capabilities stress tested and found to be suitable for longer term deployment
- Introduced booking for all activities initially in response to Covid requirements
- Changed to cashless operation across our portfolio
- Rolled out our easy access system across more venues
- Created a 'Find your Feel Good at Home' hub on the website to help support people to remain active throughout lockdown and to stay connected to EL
- Introduced an online fitness class service
- Adapted our delivery model to support our Active Communities customers e.g. wellbeing phone calls, online 121 sessions
- Enhanced our online learning and development library for colleagues
- Adapted our delivery models initially due to Covid restrictions (some will remain as enhanced offerings)
- Restructured staffing resources in line with new processes
- Installed low energy lighting in multiple venues
- Installed new combined heat and power units at two of our swimming pool venues
- Refurbishments across the state, particularly of various car parks and changing areas

- Extensive repairs to stop long standing leaks at two locations
- Replacements and upgrades to various building management systems
- Completed the major lifecycle refurbishment of Leith Victoria Swim Centre
- Commenced the major lifecycle refurbishment of Warrender Swim Centre
- Advanced our planning for the major lifecycle of Portobello Swim Centre

Pension reserve

The actuarial loss on The Lothian Pension Fund of £2,338,000 (2020: gain of £3,068,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities, nor does the accounting deficit of £6,516,000 (2020: £3,697,000).

It is important to note that this large deficit and consequent volatile gains or losses arise only from the accounting treatment of the pension assets and liabilities and do not, in themselves, impact on the company's contributions to the plan. The annual 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. The fund is actually invested across a number of asset classes typically resulting in greater returns 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 2020 recommended company contributions of 10.5% from 1 April 2021 which is a significant reduction from the 25.5% figure from the previous triennial valuation. In order to help mitigate the risk of adverse future movements the Board have agreed that the current year's budget incorporates the same 25.5% contribution as in the previous year with payments being made monthly at 10.5% and a further 15% accrued with a view to paying that balance into the fund in March 2022 should financial conditions allow. This latest triennial evaluation projected Edinburgh Leisure's plan assets to be £72,477,000, 121% of the projected liabilities of £60,032,000, a long-term funding position which the Board consider to be appropriate.

Reserves policy

Total funds at March 2021 were £892,000 (2020: negative £1,223,000), of which £3,839,000 was restricted (2020: £716,000). Unrestricted negative reserves of £2,947,000 (2020: £1,939,000) include a negative reserve of £6,516,000 in respect of the pension deficit (2020: £3,397,000). £419,000 (2020: £132,000) is held in designated reserves as per Note 14 with the balance of unrestricted reserves being £3,150,000 (2020: £1,626,000) 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 and partner, 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. Whilst the position at March 2021 was historically healthy (24% of the net current liability average from the previous six years) this was bolstered by temporarily high cash balances and so it would be disingenuous to claim this as proof of the success of the long term strategy. The shape of net current liabilities can only be meaningfully assessed once the charity has stabilised in the post lockdowns environment.

Building reserves affords an element of protection for events which one might categorise as "bumps in the road", but for events of the rarity, severity and longevity of Covid-19 the response cannot be expected to be found in reserves, but rather in building resilience, flexibility and a mindset to constantly innovate. In "normal" times 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. Our experience in recent pre-Covid years had 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.

On 27 May 2021 CEC approved a new support package for Edinburgh Leisure for the current financial year. This allows for additional contract payments of up to £6m, a figure based on initial headline budget estimates prepared in February and reconfirmed through detailed, prudent calculations in the last few days. The reserves policy is reviewed by the Board annually and this support package affords the Board the opportunity to retain the underlying reserves policy noted above at this time.

Employees

The charity regularly provides all employees and, where represented, trade unions (via the Joint Negotiations & Consultative Committee) with information on the charity's performance. We are committed to ensuring that our employment policies and practices are fair, transparent and free from discrimination. We recruit using competency-based selection processes to ensure that employment decisions are based on a person's ability to do the job. Edinburgh Leisure's vision is to inspire Edinburgh to be a more active and healthy city and we include our employees in this vision. We offer a series of wellbeing initiatives, including individual consultations, throughout the year to encourage and support our employees to be active and healthy. Our commitment to the wellbeing of our employees is recognised through the Gold Healthy Working Lives award from NHS Health Scotland.

This last fifteen months or so have been the toughest in our history for our colleagues, a huge proportion of whom were furloughed for many months on end with great uncertainty around the longevity of their employment due to the severe impact of two Covid lockdowns. For those colleagues who continued to work during the lockdown periods the work was intense and unfamiliar. There were numerous challenges in swiftly adapting to new ways of working and in navigating situations through which there was no well charted route. Structural staffing changes as we streamline our processes have resulted in some colleagues being redeployed into other roles, whilst forty three others opted for redundancy. The Board would like to pay tribute to all of these staffing cohorts for their contributions before and during the pandemic. We all recognise that our colleagues are our greatest asset and we are extremely grateful for their ongoing commitment to Edinburgh Leisure and our users.

Key performance indicators

In reviewing the performance of the charity, the Directors consider the actual performance against target and history for various metrics including those identified below, recognising that the targets were set during pre-Covid operating conditions and so, for the year in question, bear no meaningful comparison to actual results. 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 2021	Target 2021	Actual 2020
Income from operating activities (£000's)	13,642	23,324	21,018
Expenditure on operating activities (£000's) *	22,728	31,655	29,212
Fundraising	1,117	777	1,006
Customer visit numbers (000's)	746	4,527	4,148
Customer experience index	n/a	8.75	8.88
Customer accidents per hundred thousand visits	5.36	n/a	6.93
Staff absence levels	1.85 %	4.00 %	3.97 %

* excluding expenditure which had been designated as part of prior year reserves

Principal risks and uncertainties

Covid-19: The risk of a global pandemic has always existed, but as the world had not experienced anything on the magnitude of the current Covid-19 pandemic since the Spanish 'Flu of 1918-19 any such risks were largely discounted. However, looking through the lens of today's lived experience the risks are very real, both immediately and in their long-term effects. The forthcoming commentary relates specifically to Covid-19 rather than to the risks of a different pandemic, but our responses to the evolving situation are resulting in structural changes which will enhance our resilience against other pandemics which may manifest in the coming years.

- There is a risk that facilities, or individual services within facilities, will be required to close again. The impact on Edinburgh Leisure should this risk crystallise is a matter of conjecture with the duration of closure and availability of external funding support meaning that the outcome could fall anywhere on the spectrum of non-material through to dissolution of the company. However, with the new £6m support package in place from CEC

through March 2022 and the vaccination roll out progressing very well, the risk of a material impact on the company's finances in the current financial year is considered by the Board to be very low.

- There is a risk that home working will result in less people using our facilities for example on their way to or from work, or during their lunch breaks. Similarly, changes in consumer behaviour and activity habits also pose a risk to usage levels. It remains to be seen whether other service offerings aligned to changes in consumer habits can be developed to redress these income pressures.
- There is a risk that income levels, currently suppressed by a combination of reduced demand (through for example consumer nervousness, poorer (albeit safe) user experience, loss of daily routines etc, etc), prohibited services, physical distancing capacity constraints and a variety of other factors may not recover in the medium term. The success of efficiency improvements, alternative service offerings and customer advocacy will be key determinants on the impact any such reduced demand has on our organisation's sustainability.

Since the initial closure of the Edinburgh Leisure venues in March 2020 the Board were meeting approximately every two weeks and since June 2021 monthly, to discuss the developing situation. Risks of a more immediate nature than those referenced above are signalled to the Board at each of these meetings and appropriate actions implemented.

Management fee income: During the year to March 2021 CEC paid £8.1m (2020: £7.9m) in management fee to Edinburgh Leisure for the delivery of core services. The management fee for the year to March 2022 has been set at £8.0m and although additional funding of up to £6m has been made available in the current year to help mitigate the impacts of Covid-19, further reductions in the core management fee are still possible in future as the Council is required to make significant improvements to its budget position. Edinburgh Leisure is engaging in regular dialogue with the Council regarding the potential impact of any future reductions although in the spirit of partnership the focus of those discussions is very much in assisting our emergence from the impacts of Covid whilst supporting the citizens of Edinburgh to enjoy active and healthy lives.

Political: Due to the emergence of Covid-19 the importance of physical activity on health has never been so widely and frequently emphasised. Whether governmental momentum builds behind a preventative agenda either at Holyrood or Westminster remains to be seen, with ministerial energies understandably directed towards the immediate management of the virus at the current time. In the meantime, we continue to work with various partners to develop tangible plans for Edinburgh Leisure's involvement in improving societal health for the long term. 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 organisation will be well placed to respond.

Economic: With household investment in physical activity tending to be viewed as discretionary, any negative macro-economic shift could have a detrimental impact our income position. However, previous projections of mass unemployment arising from the Covid-19 pandemic have now receded with most expert commentators now expecting a strong economic recovery as the country continues to reopen and as the vaccination programme is now reaching the younger age groups. 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 and we would expect this positioning to largely mitigate this risk as it is currently framed. However, we are also aware of the disproportionate impact the pandemic has had on some (i.e. the increase in health inequalities) and we continue to work to target additional support to those most in need.

People attraction and retention: 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. Since the start of the pandemic vacancies have arisen for all the usual reasons and now that we have largely reopened we have been recruiting to fill these vacancies. The UK's exit from the European Union is demonstrably impacting on the resource pool and our recent experience is that the job market in Edinburgh is buoyant and we are having to move quickly to secure candidates before they accept alternative assignments. A consequence is that we are currently carrying more vacancies than would be the case in normal times, although this is not significantly impacting service delivery at this time. We are continuing to monitor recruitment and retention and will conduct a salary benchmarking exercise this year to determine if further changes are necessary to our rewards package.

Competition: The impact of Covid-19 on the competitive environment could force some competitors out of business whilst others may be forced to chase market share more aggressively than ever to survive. How this plays out in practice remains to be seen and anecdotal feedback is that customer visits are significantly down across the industry which puts extreme pressure on the sustainability of the sector as a whole. For now, our assessment is that 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. 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 to meet the demands of our customer base.

Keeping people active and well. Always!

Edinburgh Leisure is a charity on a mission to help people in Edinburgh lead more active, healthier and happier lives. We are committed to creating opportunities for EVERYONE to get active and stay active and run over 50 sport, leisure, and school facilities across the city.

Physical activity is proven to have a positive impact on our physical health, mental wellbeing and quality of life. Our Active Communities programme uses the power of physical activity and sport to combat the effects of inactivity and tackle inequalities. Each year it supports over 10,000 people affected by health conditions, disabilities, inequalities, and poverty to improve and protect their health and wellbeing. We are uniquely placed to do this work and make a positive difference to local lives by supporting people to be physically active to:

- Improve their physical health
- Improve their mental wellbeing
- Increase their confidence
- Maintain independence
- Reduce social isolation and loneliness
- Improve attainment
- Improve self-esteem
- Improve sleep quality
- Reduce risk of falls
- Feel part of a community
- Learn new skills
- Maintain a healthy weight
- Have fun!

The Covid-19 pandemic, lockdown and prolonged social distancing have been particularly challenging for the individuals and communities that our Active Communities programme supports. Factors such as a sudden loss of routine, an abrupt end to the support networks that they rely on, financial instability, increased social isolation and being stuck at home have exacerbated many of the problems they already faced. With such significant consequences for disadvantaged and vulnerable people across the city, our Active Communities programme has never been more important.

Sarah and Lorraine's Story

One of our Active Communities projects is Movement for Memories, which supports people with dementia to be physically active to improve their health, wellbeing and quality of life. Over lockdown, while our sports and leisure facilities were closed, the Movement for Memories team provided support through virtual sessions, outdoor activities with the support of a buddy, and signposting to Edinburgh Leisure's programme of live streamed exercise classes that people could do from home.

Lorraine, aged 86, has dementia. She usually lives in Stockbridge but has moved to stay with her daughter, Sarah, in Sutherland over lockdown.

"Mum was becoming increasingly muddled living on her own in Edinburgh over lockdown. She was confused by face masks and social distancing and her confidence took such a hit that she was too frightened to even walk across the road to the local shops."

Sarah found out that Lorraine was part of Movement for Memories through Rowan, her mum's Alzheimer Scotland Dementia Link Worker, not long after she moved in with her.

"I knew Movement for Memories would be good for her as she has always been active and used to be a regular at buddy swimming sessions at Glenogle Swim Centre. She has enjoyed the live streamed classes, particularly Active Sit, over the last few months. One of the benefits of the online support is that even though she is miles away in Sutherland, she can take part in the same classes as everyone at home and still feel part of the Edinburgh Leisure community.

"I've noticed a big difference in mum since she started the classes. I love to see her smile and laugh during the classes and I've noticed how much they boost her mood, make her more alert and give her something positive to talk about. Her short-term memory is poor but she seems to be able to remember the exercises she does in class and enjoys showing them off to me afterwards!"

Thank you to our supporters

Each year it costs around one million pounds to run our Active Communities programme. Much of this work is only possible thanks to the generosity of our donors, fundraisers, corporate partners, grant funders and statutory partners who contribute to our vital work and enable us to empower people to get active to improve and protect their health and wellbeing. In 2020/21 we raised £620,000 for our Active Communities Programme and £158,000 for our wider work. We are so grateful to all our supporters, including the following partners:

- Baillie Gifford
- Cole AD
- Edinburgh Health and Social Care Partnership
- Edinburgh Wellbeing Public Social Partnership
- Edinburgh Integrated Joint Board
- ESPC
- JK Young Endowment Fund
- Landmark Press
- Lothian Region Swimming Committee
- Macmillan Cancer Support
- NHS Lothian
- Parabola
- SASA East District
- Scottish Swimming
- Shared Care Scotland
- Speedo
- Swim England
- The City of Edinburgh Council
- The City of Edinburgh Council Communities and Families Large Grants
- The Life Changes Trust

This year we would also like to say a huge thank you to the 1,608 members who chose to support Edinburgh Leisure while our venues were closed by unfreezing their monthly memberships during lockdown and donating a total of £339,000. These funds have been and will continue to be used to provide greater opportunities for our fellow citizens to access the myriad benefits of exercise to improve their lives.

The societal impact of Covid-19

At the time of the first lockdown people could often be heard asserting that Covid was impacting us all. That we were all in the same boat. However, it quickly became clear that the impacts on individuals varied dramatically and whilst one could say we are all in the same storm we are very much not in the same boat. Indeed, to extend that metaphor, whilst many have been battered by the raging tempest and thousands have failed to survive the journey, others have watched from the relative safety of their sturdy homes on the shore. As the storm passes its impact on many will fade quickly, but for countless others the terrible legacy of the Covid storm will be felt for years to come.

So, what part can Edinburgh Leisure play to rebuild the lives of those affected by Covid? Firstly, and most obviously, we provide the places where people can come to be active (and enjoy the many forementioned health benefits), to reconnect socially and to establish positive routines. Physical activity has long been known to improve mental health which has been badly affected across society by the pandemic and whilst this sits comfortably within our core service offering, we also have our Healthy Active Minds specialist project for those with more acute needs. Long covid has emerged as a major debilitating outcome of Covid infection in large numbers of the population and we are currently working with partners to develop recuperation strategies and to evolve our service offering in support of those affected by long Covid.

Physical, mental and social wellbeing have always been at the heart of why our charity exists and our teams are working tirelessly to play our part in the recovery of our friends, neighbours and fellow citizens in the months and years ahead.

Plans for future periods

With all venues now open the operational focus for the near term is on the future of restrictions, for example reopening soft play when restrictions allow and responding to any changes in physical distancing, contact tracing or other government requirements. We are not in control of these events but we do have plans ready for implementation at the appropriate times.

Beyond the day-to-day operational elements we are also advancing various other significant projects such as:

- Implementation of a new HR and payroll system
- Transformational improvements to our customer membership and booking capability
- Implementation of new Facilities Management structure and systems
- Further review of staffing structures
- Opening the brand new Meadowbank Sport Centre
- Extensive refurbishment of Ainslie Park pool hall
- Reopening Warrender Swim Centre after its refurbishment
- Closing Portobello Swim Centre for refurbishment

Throughout this year we will keep our partners at City of Edinburgh Council fully informed of the developing operational performance and of our view on the financial support required as the year progresses. On behalf of EL's management, our colleagues and the many thousands of users across Edinburgh, the Board thank the Council wholeheartedly for their continued support. We cannot know how long this road will be and we can't be sure of what lies ahead, but if life truly is a journey and not a destination then we will continue to do our utmost to enjoy that journey and provide life changing help to all we meet along the way.



Kevin J Johnston FCMA
Company Secretary

23 June 2021

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 2021.

Reference and administration information

The Directors who currently hold office are as follows:

Directors	S. Haldane (Chair) Councillor G. Bruce Councillor D. Dixon Councillor H. Osler Councillor A. Staniforth Councillor L. Cameron C. McMillan J. Moran Dr C. Mumford J. Taylor C. Parker C. Hall L. Panglea	
Chief Executive	J. Peebles	
Secretary	K. Johnston	
Registered office	Craiglockhart Leisure & Tennis Centre 177 Colinton Road Edinburgh EH14 1BZ	
Auditor	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD	
Solicitors	Harper Macleod LLP 65 Haymarket Terrace Edinburgh EH12 5HD	
Bankers	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB	Barclays Quay 2, Fountainbridge Edinburgh EH3 9QG
Charity number	SC027450	
Company number	SC179259	

Edinburgh Leisure's purpose

At Edinburgh Leisure, we are passionate about the positive impact physical activity has on people's physical, mental and social wellbeing. Which is why as a charity we are on a mission to inspire everyone in Edinburgh to be active.

Physical inactivity remains one of Scotland's major public health risks, with a majority of Scottish adults (54%) failing to meet the minimum physical activity guidelines according to the latest Scottish Health Survey conducted in 2020. Edinburgh Leisure has a vital role to play in getting more people in the city active, arguably never more so as we hopefully emerge from the coronavirus pandemic.

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 employee 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:

D. Milne	(resigned 4 January 2021)
Councillor G. Bruce	
Councillor D. Dixon	
Councillor H. Osler	
Councillor A. Staniforth	
Councillor L. Cameron	
S. Haldane	
J. Davies	(resigned 22 February 2021)
C. McMillan	
J. Moran	
Dr C. Mumford	
J. Taylor	
C. Parker	
C. Hall	
L. Panglea	

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:



Scott Haldane
Chairman

23 June 2021

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 and the Charities and Trustee Investment (Scotland) Act 2005. 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 on the financial statements

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 2021 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.

We have audited the financial statements of Edinburgh Leisure ("the Charitable Company") for the year ended 31 March 2021 which comprise the statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses), the balance sheet, 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).

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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charitable Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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. 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.

Other Companies Act 2006 reporting

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.

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 Statement of Directors' Responsibilities, the Directors (who are also the trustees of the charitable company for the purposes of charity 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 determine 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- reading minutes of meetings of those charged with governance; reviewing correspondence with regulatory bodies and from legal advisors to identify indications of non-compliance with laws and regulations;
- assessing the design and implementation of the control environment to identify areas of material weakness to focus the design of our audit testing;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with 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) and the Statement of Recommended Practice for Charities
- identifying whether there are instances of potential bias in areas with significant degrees of judgement such as the application of assumptions for the defined benefit pension liability;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 March 2021; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 trustees, 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 trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company, the Charitable Company's members as a body and the Charitable Company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Martin Gill

B6F16A8EF9FB4ED
Martin Gill (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Edinburgh, UK

Date 24 June 2021

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 2021

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2021 £'000	Total 2020 £'000
Income					
Investment income	7	1	-	1	32
<i>Income from charitable activities</i>					
Provision of leisure facilities		13,642	2,044	15,686	22,912
Contract with City of Edinburgh Council		11,046	3,017	14,063	8,993
Total income	2	24,689	5,061	29,750	31,937
Expenditure					
Charitable activities					
Provision of leisure facilities	4	22,818	1,998	24,816	34,724
Interest cost in relation to pension liability	20	90	-	90	126
Pension service costs	20	391	-	391	1,988
Total expenditure		23,299	1,998	25,297	36,838
Net movement in funds for the year before other recognised gains and losses		1,390	3,063	4,453	(4,901)
Other recognised gains and losses					
Actuarial (loss)/gain on Lothian Pension Fund	20	(2,338)	-	(2,338)	3,068
Net movement in funds (after actuarial (loss)/gain on pension scheme)		(948)	3,063	2,115	(1,833)
Transfers between funds	15	(60)	60	-	-
Net movement in funds		(1,008)	3,123	2,115	(1,833)
Fund balance brought forward at 1 April 2019	24	(2,147)	2,757	610	209
Net movement in funds year ended 31 March 2020	24	208	(2,041)	(1,833)	401
Fund balance carried forward at 31 March 2021	24	(1,939)	716	(1,223)	610
Fund balances brought forward at 1 April 2020		(1,939)	716	(1,223)	610
Fund balances carried forward at 31 March 2021		(2,947)	3,839	892	(1,223)

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above. A full year comparative is included in note 24 to the accounts.

Balance Sheet

Company Number: SC179259
At 31 March 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Tangible assets	8		4,967		4,913
Investments	9		-		-
			4,967		4,913
Current assets					
Stocks	10	28		115	
Debtors	11	1,399		885	
Cash in hand		4,664		300	
		6,091		1,300	
Current liabilities					
Creditors: amounts falling due in one year	12	(3,292)		(3,159)	
Net current assets/(liabilities)			2,799		(1,859)
Total assets less current liabilities			7,766		3,054
Long term liabilities					
Creditors : amounts falling due in more than one year	13		(358)		(580)
Net assets excluding pension deficit			7,408		2,474
Pension deficit	20		(6,516)		(3,697)
Net assets/(liabilities) including pension deficit			892		(1,223)
Funds					
Unrestricted funds		3,150		1,626	
Designated reserves	14	419		132	
Pension reserve	20	(6,516)		(3,697)	
			(2,947)		(1,939)
Restricted funds	15		3,839		716
Total funds			892		(1,223)

The notes at pages 20 to 38 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 23 June 2021 and signed on its behalf by:



Scott Haldane
Chairman

Cash flow statement
for the year ended 31 March 2021

	Note	2021	2020
		£'000	£'000
Net income/(expenditure) for the reporting period		4,453	(4,901)
Adjustments for:			
Depreciation charges		1,169	1,276
Pension adjustment		391	1,988
Interest paid		91	128
Interest received		(1)	(32)
Decrease in stock		87	19
(Increase)/decrease in debtors		(514)	1,348
Increase/(decrease) in creditors		152	(191)
Loss on disposal of fixed assets		1	17
Net cash provided by operating activities		5,829	(348)
 Cash flows from investing activities			
Interest received		1	32
Purchase of PPE		(1,233)	(800)
Finance lease interest paid		(1)	(2)
Proceeds from sale of fixed assets		9	6
Net cash used in investing activities		(1,224)	(764)
 Cash flows from financing activities			
Repayment of finance leases		(168)	(181)
New loans entered into		-	-
Repayment of loans		(73)	(56)
Net cash used in financing activities		(241)	(237)
 Change in cash and equivalents in the reporting period		4,364	(1,349)
 Cash and cash equivalent at the beginning of the reporting period	21	300	1,649
 Cash and cash equivalent at the end of reporting period	21	4,664	300

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

Edinburgh Leisure is a private company, limited by guarantee, 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 FRS102. 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 judgement in applying the entity accounting policies (see Note 1n).

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 2019, the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006.

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.

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

Edinburgh Leisure's contract to manage leisure facilities on behalf of the City of Edinburgh Council (CEC); although 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.

The financial statements have been prepared on a going concern basis. In the period since the balance sheet date, we have largely reopened following the second Covid lockdown however usage and income numbers are far below their pre-Covid levels and this is having a material effect on Edinburgh Leisure's financial position. On the 27th May, CEC voted in favour of additional contract payments to Edinburgh Leisure of up to £6,000,000 in 2021/22.

Cashflow projections have been prepared beyond twelve months from the date of signing of these financial statements and, due to the uncertainty of future restrictions and consumer behaviour, these calculations have prudently assumed no income growth from current levels. These projections indicate that the company will be able to maintain liquidity through the next twelve months by drawing down on the aforementioned CEC support and a series of options have been developed to further augment cash holdings should circumstances demand it.

After considering the above along with the internal measures the Directors of Edinburgh Leisure are taking to secure their future, the accounts have been prepared on a going concern basis.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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.

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, insurance and for the company's obligation for audit as a charity. Support costs are identified as such at the time of purchase and are allocated in the financial accounting system to support departments, they are included within the costs of providing service in note 4.

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 Leased assets: lessor

Rental Income is credited to the income and expenditure account on a straight line basis over the period of the lease.

1g 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.

1h Stocks

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

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1i 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 25 years
Motor vehicles	4 years
Furniture and fittings	5 years
Computer equipment	3 to 5 years
Finance Leases	over the term of the lease, if shorter than useful life

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

1j 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.

1k 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 1st April 2015 and career average salary after that date. The scheme closed to new entrants as at 1st 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 FRS102 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%. Allocation of the expense in relation to the defined contribution scheme between restricted and unrestricted funds is done on an employee by employee basis where it will be classed as restricted if the employee is employed in relation to a restricted project. Otherwise it will be classed as an unrestricted expense.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

11 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.

1m 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.

1n 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 8). 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 20). 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 £1,000 (2020: £32,000), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £15,686,000 (2020: £22,912,000), of which £13,642,000 (2020: £21,018,000) was unrestricted and £2,044,000 (2020: £1,894,000) was restricted. This included Coronavirus Job Retention Scheme income of £7,449,000 (2020: nil) of which £6,897,000 (2020: nil) was unrestricted and £552,000 (2020: nil) was restricted.

Income from the contract with City of Edinburgh Council was £14,063,000 (2020: £8,993,000), of which £11,046,000 (2020: £7,905,000) was unrestricted and £3,017,000 (2020: £1,088,000) was restricted.

3 Net result for the year

The net movement in funds is after charging the following:

	Unrestricted	Restricted	Total	Total
	Fund	Fund	2021	2020
	£'000	£'000	£'000	£'000
Depreciation	1,157	12	1,169	1,276
Audit fees	27	-	27	22
Non-audit fees	2	-	2	2
Rental charges under operating leases	260	-	260	231
Loss on disposal of fixed assets	1	-	1	17
	1,447	12	1,459	1,548

Notes to the financial statements *(continued)*

4 Costs of providing service

	Unrestricted	Unrestricted	Unrestricted	Restricted	Total	Total
	Support	Operations	Fund	Fund	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	3,048	9,839	12,887	964	13,851	16,394
Social security costs	274	580	854	53	907	1,230
Employer pension contributions	372	856	1,228	64	1,292	1,353
Payments to self-employed coaches	18	57	75	8	83	1,101
Property costs	816	2,608	3,424	630	4,054	6,978
Supplies and services	1,530	1,365	2,895	267	3,162	6,111
Rental charges under operating leases	249	11	260	-	260	231
Depreciation	97	1,060	1,157	12	1,169	1,276
Finance lease interest cost	-	1	1	-	1	2
Governance costs	36	-	36	-	36	31
Loss on disposal of fixed assets	-	1	1	-	1	17
	6,440	16,378	22,818	1,998	24,816	34,724

The costs of providing services during 2020 were comprised of £29,716,000 in relation to unrestricted funds and £5,008,000 in relation to restricted funds.

5 Governance costs

	2021	2020
	£'000	£'000
Audit fees	27	22
Non-audit fees	2	2
Directors and Officers Indemnity Insurance	7	7
	36	31

Notes to the financial statements *(continued)*

6 Staff numbers and costs

The remuneration and associated costs of the company were:

	2021	2020
	£'000	£'000
Wages and salaries	13,851	16,394
Social security costs	907	1,230
Pension costs	1,292	1,353
Pension adjustment	391	1,988
	16,441	20,965
	16,441	20,965

There were £322,000 redundancy costs included within staff costs (2020: £79,000). Costs for any redundancies are recognised when the liability is confirmed and communicated to the relevant parties creating a constructive obligation. As at the balance sheet date, £10,000 (2020: nil) was outstanding.

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

	2021	2020
	Number	Number
£100,000 - £109,999	1	1
£90,000 - £99,999	0	1
£70,000 - £79,999	1	1
£60,000 - £69,999	2	1

The total contributions to defined benefit pension schemes for the staff within the above bands is £59,438 (2020: £37,724) and to defined contribution pension schemes is £1,313 (2020: £5,848).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance and travel expenses claimed by one Board member of £300 (2020: £1,301).

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

	2021	2020
	Number	Number
Dry facilities	166	184
Wet centres	332	352
Golf courses	32	29
Administration and support	141	141
	671	706
	671	706

Notes to the financial statements (continued)

6 Staff numbers and costs (continued)

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

	2021	2020
	Number	Number
Dry facilities	276	304
Wet centres	489	525
Golf courses	35	32
Administration and support	159	160
	959	1,021

7 Investment income

	2021	2020
	£'000	£'000
Bank and other interest	1	32
	1	32

8 Tangible fixed assets

	Freehold Buildings	Leasehold Impmt's	Plant & Equipt.	Motor Vehicles	Furniture & fittings	Computer Equipment	Finance Leases	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>								
At beginning of year	539	5,767	3,851	310	305	1,076	520	12,368
Transfers	-	4	72	-	-	(76)	-	-
Additions	-	-	833	-	315	85	-	1,233
Disposals	-	(590)	(124)	-	(22)	(21)	(82)	(839)
At end of year	539	5,181	4,632	310	598	1,064	438	12,762
<i>Depreciation</i>								
At beginning of year	199	3,537	2,218	193	218	588	502	7,455
Transfers	-	-	-	-	-	-	-	-
Charge	10	434	523	21	36	127	18	1,169
Disposals	-	(590)	(114)	-	(22)	(21)	(82)	(829)
At end of year	209	3,381	2,627	214	232	694	438	7,795
<i>Net book value</i>								
At 31 March 2021	330	1,800	2,005	96	366	370	-	4,967
At 31 March 2020	340	2,230	1,633	117	87	488	18	4,913

The net book value of assets held under finance leases was £290,000 (2020: £457,000).

Notes to the financial statements (continued)

9 Fixed asset investments

	2021	2020
	£'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 registered office is; Craiglockhart Leisure & Tennis Centre, 177 Colinton Road, Edinburgh, EH14 1BZ. The value of the investment is at cost which is £2 (2020: £2). This company did not trade in the year.

10 Stocks

	2021	2020
	£'000	£'000
Stocks	28	115
	28	115

11 Debtors

	2021	2020
	£'000	£'000
Trade debtors	41	341
City of Edinburgh Council	69	62
Other Debtors and accrued income	923	153
Prepayments	366	329
	1,399	885

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	664	316
Pension creditor – City of Edinburgh Council	102	104
Due to City of Edinburgh Council	6	81
Social security costs and other taxes	687	326
Other creditors and accruals	1,618	2,086
Finance leases	149	168
Other loans	66	78
	3,292	3,159
	3,292	3,159

Included in finance leases above is £149,000 (2020: £150,000) due to the City of Edinburgh Council.

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

	2021	2020
	£'000	£'000
Balance at start of year	800	627
Transfers out	(793)	(627)
Transfers in	491	800
Balance at end of year	498	800
	498	800

Income is deferred where it is received in advance of the service delivery.

13 Creditors: amounts falling due after more than one year

	2021	2020
	£'000	£'000
Finance leases	235	384
Other creditors and accruals	19	31
Other loans	104	165
	358	580
	358	580

Included in finance leases above is £235,000 (2020: £384,000) due to the City of Edinburgh Council.

Notes to the financial statements (continued)

13 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases is as follows:

	2021	2020
	£'000	£'000
Within one year	149	168
Within one to two years	149	149
Within two to five years	86	235
	384	552

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

14 Designated reserve

	2021	2020
	£'000	£'000
Balance as at 1 April 2020 (1 April 2019)	132	504
Income	-	-
Expenditure	(90)	(254)
Transfer to Unrestricted Funds	-	(250)
Transfer from Unrestricted Funds	377	132
Balance at 31 March 2021 (31 March 2020)	419	132

Designated reserves in the current and prior year include a *Sinking Fund* which is transfers from unrestricted funds, designated for future spend in respect of replacement of the playing surfaces of the outdoor tennis courts at Craiglockhart Tennis Centre, for replacement of the 3G pitches installed at Jack Kane Sports Centre and for dilapidation costs arising on the termination of an office lease which expired on 31 March 2021.

In the year to 31 March 2021, £302,000 was designated for community-based projects.

Notes to the financial statements (continued)

15 Restricted funds

	Maintenance	EICA	Schools	Salix	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	195	80	-	-	441	716
Income	2,932	-	619	540	970	5,061
Expenditure	(828)	-	(619)	(11)	(540)	(1,998)
Transfer from Unrestricted Funds	-	-	-	70	-	70
Transfer to Unrestricted Funds	-	(10)	-	-	-	(10)
Balance at 31 March 2021	2,299	70	-	599	871	3,839

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

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.

The company has taken over the operation of substantially all of the secondary school sporting estate of City of Edinburgh Council (CEC) outside of curricular and extra-curricular school hours. All income and expenditure is restricted in the Schools reserve with any surpluses being returned to CEC and any deficits being refunded by CEC.

The *Salix* reserve represents grants received from Salix Finance Limited and transfers from unrestricted reserves to be used for the purchase of qualifying energy saving capital goods. The depreciation of such capital goods is set against this reserve over the life of the assets. The transfers from unrestricted reserves represent 75% of the predetermined savings generated from the energy saving capital goods on an annual basis together with the 10% contribution to the fund.

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

A requirement existed to ring fence any surplus made from the operation of Queensferry High Recreation Centre. Any deficits are funded by Edinburgh Leisure from unrestricted reserves and to 31 March 2020 the facility had generated a net deficit of £132,000. Since 1st April 2020, Queensferry High Recreation Centre is reporting into schools restricted fund where the surpluses or losses will automatically be ringfenced and returned or made good by the City of Edinburgh Council.

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

Notes to the financial statements (continued)

16 Analysis of net assets between funds

	Unrestricted Fund	Restricted Fund	Total 2021	Total 2020
	£'000	£'000	£'000	£'000
Fund balances at 31 March 2021 are represented by:				
Tangible fixed assets	4,423	544	4,967	4,913
Current assets	2,796	3,295	6,091	1,300
Current liabilities	(3,292)	-	(3,292)	(3,159)
Long term liabilities	(358)	-	(358)	(580)
Pension deficit	(6,516)	-	(6,516)	(3,697)
Total net assets	(2,947)	3,839	892	(1,223)

In the year ended March 2020, £80,000 of tangible fixed assets and £636,000 of current assets were restricted with all other amounts being unrestricted.

17 Financial instruments

	2021	2020
	£'000	£'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	5,697	856
Financial liabilities		
Financial liabilities measured at amortised cost	2,465	2,613

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)

18 Commitments

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

	2021	2020
	Total	Total
	£'000	£'000
No later than 1 year	134	407
Later than 1 year and no later than 5 years	147	105
Total	281	512

At the balance sheet date, the company had capital commitments to the value of £2,057,000 (2020: £458,000).

19 Contingent liabilities and commitments

During the year to 31 March 2019 Edinburgh Leisure received a grant from Tennis Scotland for £150,000 by way of contribution towards the build of new tennis courts at Craiglockhart Tennis Centre. Edinburgh Leisure are required to repay this loan, should the courts not be maintained adequately or cease to be operated as such, in the following 21 years from the date of the grant.

During the year to 31 March 2021 Edinburgh Leisure received a grant from the Salix Finance Limited recycling fund for £540,000 for the purchase of qualifying energy saving capital goods. On receipt of this, Edinburgh Leisure have committed to recycle 75% of the savings from these projects into further energy saving capital goods. Should Edinburgh Leisure decide not to continue to invest in energy saving capital goods in the future, this grant becomes repayable. At 31 March 2021, Edinburgh Leisure have a commitment to spend recycled savings of £474,000.

20 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2021 the employer contribution rate was 23.2%. The most recent actuarial valuation (31 March 2021) showed that the market value of Edinburgh Leisure's notional share of the scheme's assets was £84,195,000 and that the actuarial value for these assets represents 93% 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 FRS102, section 28: Employee Benefits. The value of the fund at 31 March 2021 was as follows:

Actuarial valuation

	2021	2020
	£'000	£'000
Present value of funded liabilities	(90,704)	(75,954)
Present value of unfunded liabilities	(7)	(8)
Fair value of employer assets	84,195	72,265
Net liability	(6,516)	(3,697)

Notes to the financial statements (continued)

20 Pension scheme (continued)

Movement in present value of defined obligation

	2021	2020
	£'000	£'000
At start of year	75,962	80,033
Current service cost	1,452	1,827
Past service cost	35	1,201
Interest cost	1,749	2,011
Contribution by members	247	271
Actuarial losses/(gains)	12,745	(8,109)
Benefits paid	(1,478)	(1,271)
Unfunded benefits paid	(1)	(1)
At end of year	90,711	75,962

Movement in fair value of employer assets

	2021	2020
	£'000	£'000
At start of year	72,265	75,382
Interest income on plan assets	1,659	1,885
Contributions by members	247	271
Contributions by the employer	1,095	1,039
Contributions in respect of unfunded benefits	1	1
Return on assets excluding amounts included in net interest	10,407	(5,041)
Benefits paid	(1,478)	(1,271)
Unfunded benefits paid	(1)	(1)
At end of year	84,195	72,265

Notes to the financial statements (continued)

20 Pension scheme (continued)

(Expense) / income recognised in the statement of financial activities

	2021	2020
	£'000	£'000
Current service cost	(1,452)	(1,827)
Past service cost	(35)	(1,201)
Interest cost	(90)	(126)
Actuarial (loss)/gain on Lothian Pension Fund	(2,338)	3,068
At end of year	(3,915)	(86)

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a loss of £2,338,000 (2020: £3,068,000 gain), calculated as follows:

	2021	2020
	£'000	£'000
Actuarial (loss)/gain on movement in present value of defined benefit obligation	(12,745)	8,109
Actuarial gain/(loss) on movement in fair value of employer assets	10,407	(5,041)
Actuarial (loss)/gain on Lothian Pension Fund during year	(2,338)	3,068

Fair value of employer assets and return on those assets

	Value	Value
	2021	2020
	£'000	£'000
Equities	61,462	54,199
Bonds	10,103	7,949
Property	5,894	5,781
Cash	6,736	4,336
Company's share of scheme assets	84,195	72,265

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)

20 Pension scheme (continued)

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

	2021	2020
	%	%
Inflation/pension increase rate	2.85%	1.80%
Salary increase rate	3.35%	3.40%
Discount rate	2.00%	2.30%

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	20.5	23.3
Future pensioners	21.9	25.2

History of the plan

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

	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(90,711)	(75,962)	(80,033)	(71,845)	(80,909)
Fair value of employer assets	84,195	72,265	75,382	68,776	69,525
Deficit	<u>(6,516)</u>	<u>(3,697)</u>	<u>(4,651)</u>	<u>(3,069)</u>	<u>(11,384)</u>

The charity expects to contribute approximately £419,000 to its defined benefit scheme in the next financial year.

On 1st 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%. The defined contribution pension cost charge amounted to £274,724 (2020: £316,406) and represents contributions payable by Edinburgh Leisure to the scheme. Included in other creditors at 31 March 2021 were outstanding pension contributions of £43,274 (2020: £53,156).

Notes to the financial statements (continued)

21 Analysis of changes in net debt

	At 1 Apr 2020	Cash flows	Other non-cash charges	At 31 Mar 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	300	4,364	-	4,664
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	300	4,364	-	4,664
Borrowings				
Debt due within one year	(246)	241	(210)	(215)
Debt due after one year	(549)	-	210	(339)
	(795)	241	-	(554)
	-	-	-	-
Total	(495)	4,605	-	4,110

22 Related party

Edinburgh Leisure is contracted to provide recreation and leisure by the City of Edinburgh Council (CEC). In the year to 31 March 2021 CEC made payments totalling £11,046,000 (2020: £7,905,000) to the company and leased the facilities occupied by the company for a peppercorn rent. CEC also made a payment of £2,932,000 (2020: £1,088,000), restricted for capital upgrade. At 31 March 2021 CEC owed the company £69,000 (2020: £62,000) and the company owed CEC £490,000 (2020: £719,000) (including amounts due to the Lothian Pension Fund) in relation to normal trading activities. During 2019, CEC loaned to the company, £687,000 on an interest free basis, for the installation of tennis courts at Craiglockhart and a new sewage pipe at the EICA. At 31 March 2021, £384,000 (2020: £534,000) remains due to the City of Edinburgh Council which is included within the £490,000 (2020: £719,000) balance owed to CEC as disclosed above.

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 £402,000 (2020: £425,000).

23 Post balance sheet events

On 27 May 2021, the City of Edinburgh Council voted in favour of additional contract payments for Edinburgh Leisure up to the sum of £6,000,000 in 2021/22 to help address the continuing impacts of Covid.

Notes to the financial statements (continued)

24 Statement of financial activities (comparatives)

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2020 £'000
Income				
Investment income	7	32	-	32
<i>Income from charitable activities</i>				
Provision of leisure facilities		21,018	1,894	22,912
Contract with City of Edinburgh Council		7,905	1,088	8,993
Total income	2	28,955	2,982	31,937
Expenditure				
Charitable activities				
Provision of leisure facilities	4	29,716	5,008	34,724
Interest cost in relation to pension liability	20	126	-	126
Pension service costs	20	1,988	-	1,988
Total expenditure		31,830	5,008	36,838
Net movement in funds for the year before other recognised gains and losses		(2,875)	(2,026)	(4,901)
Other recognised gains and losses				
Actuarial gain/(loss) on Lothian Pension Fund	20	3,068	-	3,068
Net movement in funds (after actuarial gain/loss on pension scheme)		193	(2,026)	(1,833)
Transfers between funds	15	15	(15)	-
Net movement in funds		208	(2,041)	(1,833)
Fund balances brought forward at 1 April 2019		(2,147)	2,757	610
Fund balances carried forward at 31 March 2020		(1,939)	716	(1,223)