Governance, Risk and Best Value Committee

10.00am, Tuesday 2 May 2023

Edinburgh Leisure Annual Report 2021/22 – referral from the Culture and Communities Committee

Executive/routine	
Wards	
Council Commitments	

1. For Decision/Action

1.1 The Governance, Risk and Best Value Committee is asked to note the annual report for 2021/22 and scrutinise the financial performance of the organisation and any risks impacting the Council or Edinburgh Leisure.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Lesley Birrell, Committee Services
Legal and Assurance Division, Corporate Services
Email: lesley.birrell@edinburgh.gov.uk

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Referral Report

Edinburgh Leisure Annual Report 2021/22

2. Terms of Referral

2.1 On 7 March 2023, the Culture and Communities Committee considered the Edinburgh Leisure Annual Report for 2021/22. The annual report detailed the performance of Edinburgh Leisure as it began the process of recovering its business following the second Covid-19 lockdown in January 2021.

2.2 The Committee agreed:

2.2.1 To note the positive performance of Edinburgh Leisure during 2020/21.

2.2.2 To refer the report to the Governance, Risk and Best Value Committee for noting and scrutiny of the financial performance of the organisations and any risks impacting the Council or Edinburgh Leisure.

3. Background Reading/ External References

3.1 Webcast of the Culture and Communities Committee of 7 March 2023

4. Appendices

4.1 Appendix – report by the Executive Director of Place

Appendix

Culture and Communities Committee

10.00am, Tuesday, 7 March 2023

Edinburgh Leisure Annual Report 2021/22

Executive/routine	**Routine**
Wards	**All**
Council Commitments	

1. Recommendations

1.1 The Culture and Communities Committee is asked to:

1.1.1 Note the performance of Edinburgh Leisure during 2021/22; and

1.1.2 Refer this report to the Governance, Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.4).

Paul Lawrence

Executive Director of Place

Contact: Evelyn Kilmurry, Head of Libraries, Sport and Wellbeing

E-mail: evelyn.kilmurry@edinburgh.gov.uk | Tel: 0131 529 7894

Report

Edinburgh Leisure Annual Report 2021/22

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 governance arrangements for scrutiny of Arm's Length External Organisations (ALEOs).

2.2 This report covers 2021/22, which followed a second COVID-19 lockdown and associated restrictions and details the performance of Edinburgh Leisure as it begins the process of recovering its business.

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.

3.2 The last performance update for Edinburgh Leisure was presented to Committee on 1 February 2022.

Governance of ALEOs

3.3 An update on the reporting on the Council's Arm's Length External Organisations was approved by Policy and Sustainability Committee on 25 February 2020. This report confirmed that the responsibilities of Executive Committees and Governance, Risk and Best Value Committee were as follows:

3.3.1 Executive Committees – should scrutinise the future direction of the ALEO, performance of service delivery, progress against any agreements such as Service Level Agreements, and any emerging issues; and

3.3.2 Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.

3.4 Therefore, it is recommended that this report be referred to Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting Edinburgh Leisure.

4. Main report

Impact of COVID-19

4.1 On 24 March 2020 Scotland was placed into a full-lockdown due to the Coronavirus (COVID-19) pandemic 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 Restrictions varied throughout 2020 and the country was again placed into a full lockdown in January 2021. The stay-at-home order was only lifted in April 2021, with restrictions removed on a gradual basis until the bulk of pandemic restrictions were lifted on 9 August 2021.

4.3 Given the impact on Edinburgh Leisure and its ability to deliver services, the company forecasted a budget deficit of £5.602m. In the year to March 2022 Edinburgh Leisure's operating income was circa £6.4m lower than the pre-pandemic year to March 2019. Whilst some cost savings were able to be realised, the loss in income could only be partially offset, hence the need for COVID support from the Council.

4.4 To support Edinburgh Leisure through this challenging period, the Council made provision for COVID support payments of up to £6m (£5m of which was paid) in addition to the annual service payment of £7.013m.

4.5 However, the year-end position was a deficit of £3.167m due to building project delays as a result of the pandemic. The COVID support payment allowed the positioning of reserves at March 2022 to conclude various (COVID) affected projects, such as improvements to ventilation to meet COVID guidelines in a number of leisure centres and the conclusion of the Warrender Swim Centre lifecycle refurbishment which had been delayed due to the pandemic. By the date of the final 2021/22 COVID support payment, Edinburgh Leisure's budgeting process for 2022/23 was concluded and showed the need for the full £3m approved COVID support package for that year.

4.6 The level of COVID-19 support required is expected to reduce in future years, with a total of £3m provided for 2022/23. The Council has budgeted for further COVID-19 support related payments of up to £2m in 2023/24.

Operational Performance

4.7 In 2021/22, the number of visits and income achieved improved on the previous (pandemic affected) financial year but was still significantly lower than before the pandemic.

4.8 Total income (not including support from the Coronavirus Job Retention Scheme) was £14.6m, an increase of £7.8m (115%) from 2020/21 but £6.4m (30%) lower than the last full financial year (2018/19) without restrictions.

4.9 Total visits for 2021/22 were 2.68m, 6% higher than target and 297% higher than the previous year. The total visits in 2018/19, by comparison, was 4.34m.

Active Communities

4.10 As reported to Committee in December 2022, Edinburgh Leisure's Active Communities Team continued to support individuals affected by health conditions, inequalities, and poverty.

4.11 In 2021/22, the team supported 4,215 people, significantly lower than the pre-pandemic levels when around 10,000 people per annum were supported. However, with the removal of Coronavirus restrictions Edinburgh Leisure is seeing a steady growth in participants returning to activities and projects.

4.12 Online classes, developed through the pandemic, have been retained as participant's confidence to return to venue-based classes has been mixed; some participants have been eager to return whilst others are more cautious. Online delivery has several benefits, including:

4.12.1 Enabling Active Communities to continue to give participants the support they need while recognising the impact of the pandemic on people's lives;

4.12.2 Providing an option for people who are required to self-isolate or have chosen to, to protect their health;

4.12.3 Supporting people on wellbeing project waiting lists to increase their activity levels and get to know our instructors and classes; and

4.12.4 Providing people with more options / classes, in addition to their in-person class (e.g. Steady Steps).

4.13 The Active Communities Team have also secured funding to deliver three new projects from April 2022:

4.13.1 Get Fit for Surgery: £150,000 over two years to support 200 people awaiting hip and knee elective surgery. This programme supports people to increase their physical activity, to improve their health and mental wellbeing in preparation for, and recovery from, surgery;

4.13.2 Fit and Active: £80,000 over two years to support 200 adults with learning disabilities to be active and socially connected; and

4.13.3 £49,876 from City of Edinburgh Council's Education and Children's Services to deliver a new Adolescent Mental Health Project. The 18-month pilot will use the power of physical activity to support young people in Edinburgh aged 12-18 who are experiencing mild to moderate mental health conditions. The project aims to create system change by enabling parents and guardians to refer directly to Edinburgh Leisure to support young people early before their mental health reaches crisis point. Edinburgh Leisure will work with circa 100 young people in the South-East locality of the city, to improve their health, wellbeing, and quality of life.

Relocated People Access Programme

4.14 Edinburgh Leisure also continue to support the Council's Relocated People Access programme, which supports relocated people (refugees, asylum seekers and migrants) in Edinburgh to be active in support of their health and wellbeing. The initial programme provided adults (over 16 years of age) with free access to gyms, swimming pools and fitness classes for six months. From February 2022, Edinburgh Leisure have been supporting children and young people (16 years and under) with free access to swimming pools and NRG Zone (gym accreditation programme for young people from S1 up to 15 years) gym sessions. Children and young people can also access free coached activities in a wide range of sports including tennis, gymnastics, climbing, trampolining, and diving. This programme has also supported Ukrainian people relocating to Edinburgh over the last 12 months.

Meadowbank Sports Centre

4.15 The completion and opening of Meadowbank Sports Centre was a significant achievement given the challenges created navigating the COVID-19 pandemic, and Edinburgh Leisure played a key role in the delivery of this project. The new sports centre was handed over to the Council by the main contractor, GRAHAM Construction, in May 2022 and Edinburgh Leisure managed the commissioning and mobilisation period to prepare the building for public use. The centre opened its doors to customers on 19 July 2022 and was officially opened by Councillor Cammy Day on 4 November 2022.

5. Next Steps

5.1 Officers from the Council and Edinburgh Leisure have been meeting to progress and update the Services and Funding Agreement which forms the contract between the two organisations. A revised agreement will be in place for the 2023/24 financial year and work to further develop the agreement will continue throughout 2023. As agreed at Culture and Communities Committee 1 February 2022, the aim is to produce an agreement which will capture the governance arrangements that will help the partnership to continue to deliver on the shared ambition of both organisations.

5.2 Following on from the additional Active Communities Programme Update report that Edinburgh Leisure provided at the Culture and Communities Committee meeting on 13 December 2022, it is planned to provide further focussed reports on a biannual basis to Committee.

5.3 Officers from both organisations will continue to meet on a monthly basis to manage the partnership and relationship.

5.4 Edinburgh Leisure will also continue to contribute to key projects being progressed across Council service areas.

6. Financial impact

6.1 The Council service payment to Edinburgh Leisure in 2021/22 was £7.013m. The Council also provided additional payments totalling £5m for COVID-19 related financial assistance. Further COVID-19 related payments of £3m have been made in 2022/23.

6.2 In 2021/22 Edinburgh Leisure also received a payment from the Council of £165,000 towards capital improvements across the Council's sport and leisure facility estate.

7. Background reading/external references

7.1 Edinburgh Leisure website

8. Appendices

8.1 Appendix 1 Edinburgh Leisure Report and financial statements – 31 March 2022

Edinburgh Leisure

(a company limited by guarantee)

Report and financial statements
31 March 2022

Registered number SC 179259

Charity number SC 027450

Contents

Strategic report

Benjamin Franklin is often quoted as saying "...in this world, nothing is certain except death and taxes". Perhaps we should extend the consideration to "...nothing is certain except death and taxes and uncertainty".

Over the last few years, in the "Principal risks and uncertainties" section of this report, we have noted the Scottish independence referendum, the EU membership referendum, elections at UK, Scottish and local government levels and geopolitical upheaval. Locally, we have spoken about increasing competition for customers, the challenges of recruiting and retaining staff in a buoyant Edinburgh job market and the pressures on our management fee from City of Edinburgh Council (CEC). In our March 2018 report we quoted from the Bank of England's Quarterly Inflation Report which stated "In the UK, the share of people without a job is at its lowest level for over 40 years, and businesses are finding it hard to recruit people." However, these risks and uncertainties reduce in magnitude when compared to the global and local impact of the first pandemic in a century.

And then when we thought that we were on the road to recovery and embracing the much anticipated "new normal" we encountered supply chain issues due to economies reopening and demand far exceeded supply and bore witness to Russia's invasion of Ukraine; the biggest, most catastrophic war in Europe since 1945.

On 3rd August 2022 the UK economic outlook foresaw inflation reaching 11%. On 4th August the Bank of England projected 13% inflation and with it a lengthy recession. On 5th August tensions escalated in the South China Sea around Taiwan. Within a handful of days of this report being approved we will know the new leader of the Conservative Party in the UK with the choices for the party members being starkly categorised between one aspiring Prime Minister who would cut taxes in the hope of stimulating growth and another who believes such a move would be inflationary and who therefore positions himself as the Prime Minister who would take hard measures now in the belief that doing so would reduce the pain in the future.

The preceding examples illustrate the absolute certainty of the persistence of uncertainty to Edinburgh Leisure on a scale hitherto unknown. The magnitude of the crises enveloping the world in this moment make yesteryear's challenges pale into relative insignificance. Our response to our uncertain operating environment is to remain focused on our purpose, vision and values, to adapt to our ever-changing world, to identify and grasp opportunities and seek out new possibilities.

Caring for our people, our city, our planet

Edinburgh Leisure is on a mission to help people lead more active and healthy lives. We use physical activity to transform lives and communities. We care about the wellbeing of our people i.e. our employees, our volunteers, our service providers, our partners and our customers but, more than that, we care about the wellbeing of our city and of our planet. Our work, what we do and how we do it, reflects this.

With regards the wellbeing of the planet: in September 2021 the Edinburgh Leisure Board supported the recommendation that we share CEC's ambitions to be net-zero by 2030. In addition to the organisation's specialist Energy & Sustainability posts, a corporate working group has been established to drive forward the net-zero action plan. This group, ably supported by site specific "Green Teams', are working to engage all EL employees in the net-zero target and embed net-zero considerations in all aspects of our decision making.

Net income for the year

The results for the year are shown on page 17. 2021/22 financial performance was never going to be predictable. We started the year knowing that venues were scheduled to reopen on 26 April 2021 from the second lockdown but with many restrictions still in place we had no way of confidently estimating what our revenue streams would look like after reopening, nor did we have confirmation of the level of Covid support that would be forthcoming from CEC. With the aforementioned in mind, we decided to defer our annual budget approval process until June 2021, knowing by that time we would have confirmation of CEC's Covid support (£6m confirmed on 27th May) and we would have sight of early income levels in our centres. The purpose of the budgeting process, recognising the uncertainties, was to gain comfort that the £6m Covid support package would be sufficient to ensure liquidity to allow the accounts to be signed off on a going concern basis. The budget was therefore prepared on a prudent basis assuming no income growth from those levels experienced in early June 2021 and the resulting £5.6m deficit budget (before the CEC Covid support) was approved by the Board on 23rd June. We were clear throughout the year that this budget was not a target, but merely a baseline against which to measure whether we were trading well enough to remain solvent through the year.

Monthly meetings with CEC took place throughout the year with discussions on the evolution of Covid restrictions and Edinburgh Leisure's financial performance setting the backdrop for the transfers of Covid support as required.

As we progressed through the year revenue increased from the June 2021 baseline and we finished the year just over £1.5m ahead of our income budget. With expenditure also better than budget (a little over £1m below) we did not need to call on the full £6m of CEC support. However, this improvement in our performance through the year did open up the opportunity to draw down £1.25m of additional funds in March and the total Covid support from CEC by year end was £5m.

The surplus on unrestricted funds was £725,000 before actuarial gains as shown on page 17. This however included certain items which must be adjusted before comparing the performance for the year against budget, namely:

- 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 creation of sinking funds which is budgeted as a cost but is reflected in the accounts purely as a transfer to designated funds.
- The above noted £1.25m which was not anticipated in the budget and relates to future project expenditure and as such has been transferred to designated funds.
- Expenditure on items which have previously been designated is included in the reported surplus on designated funds, so the transfer from designated funds will augment the reported surplus back to a performance comparable to budget

Having adjusted for the above, the underlying surplus on a basis comparable to budget was £565,000 as shown in the table below.

	2022	2021
	£'000	£'000
Reported surplus on unrestricted funds	**725**	1,390
Interest cost in relation to pension liability	**141**	90
Pension service costs	**1,024**	391
Transfer to designated funds to create sinking fund	**(75)**	(75)
Windfall income transferred to designated funds	**(1,250)**	(302)
Transfer from designated funds	**-**	90
Underlying surplus	**565**	1,584

This underlying surplus has afforded the ability to transfer £300,000 more than the £1.25m received in March into designated funds. The refurbishment of Warrender Swim Centre which was due to be completed in September 2021 is still ongoing. CEC provided funding for the original budgeted project cost, but latest indications are that overspends could be in excess of £1m and with the refurbishment of the Armoury building at Warriston Playing Fields also under consideration £1.55m has been transferred to designated funds.

Key achievements

Given all of the uncertainties present as we entered 2021/22 it would seem reasonable to assume that most of our energies were expended on keeping the company going through the year. However, there are many achievements which we reflect on with great satisfaction, for example:

- We reopened all venues and almost all services as soon as restrictions were lifted
- We replaced the air handling system at Ainslie Park and refurbished the pool hall, investing over £800,000 in total
- We refurbished the gyms at Drumbrae and Craiglockhart
- We installed easy access systems for customers at Gracemount and Ainslie Park
- We continued our investments in energy efficiency with LED lighting at Ainslie Park, EICA and Gracemount
- We replaced the soft play frame at the Royal Commonwealth Pool
- We installed a new climbing wall at the EICA
- We implemented the first phase of a new HR system
- We improved ventilation in some gyms and fitness studios
- The schools portfolio generated a very strong surplus of £489,000 which was remitted back to CEC
- We finalised preparations for the transfer of the sporting facilities at Wester Hailes High School and Leith Academy to our management outside of curricular and extra-curricular hours, thus on 1 April 2022 completing the transfers which began in 2016

Pension reserve

The actuarial gain on The Lothian Pension Fund of £7,681,000 (2021: loss of £2,338,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities, nor does the accounting balance of nil (2020: deficit of £6,516,000). The position at March 2022 is unusual in Edinburgh Leisure's recent history as the calculated position was a surplus of £6,994,000, although accounting standards require that a surplus is not recorded as an asset in the accounts. In each of the ten preceding years the calculated balance was a deficit ranging from £1.7m at its lowest to £11.4m at the other extreme. By way of demonstrating the volatility of these calculations, the calculated deficit in any of those ten years was only once within £1m of the average deficit for those periods.

It is important to note that the 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 agreed that budgets during this three-year period incorporate 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 as a lump sum in March should financial conditions allow. A lump sum payment of £600,000 was made in March 2022. The aforementioned 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 2022 were £6,995,000 (2021: £892,000), of which £1,575,000 was restricted (2021: £3,839,000). Unrestricted reserves of £5,420,000 (2021: negative £2,947,000) include nil in respect of the pension deficit (2021: negative £6,516,000). £2,014,000 (2021: £419,000) is held in designated reserves as per Note 14 with the balance of unrestricted reserves being £3,406,000 (2021: £3,150,000) 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 financial performance of the business to counter the many economic challenges we face. 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 of unrestricted net current assets at March 2022 was historically healthy (a positive balance) 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 Covid 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 24 February 2022 CEC approved a new support package for Edinburgh Leisure for the current financial year. This allows for additional contract payments of up to £3m, a figure which supports the charity's liquidity based on initial headline budget estimates prepared in February and reconfirmed through recent detailed, prudent calculations. 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.

Workforce resourcing challenges across the economy since the Covid lockdowns have been well publicised. Edinburgh Leisure has felt their impacts with colleagues frequently working increased hours to cover vacancies which have taken much longer to fill than we have historically experienced. The commitment and dedication of our colleagues in keeping our services running for the people of Edinburgh has been hugely appreciated by Edinburgh Leisure's management and Board.

The Charity gives full consideration to employment applications from disabled persons, where the requirements of the job can be adequately filled by a disabled person. If existing employees become disabled, it is the Charity's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities wherever appropriate.

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. However, the impact of Covid over the last two years has distorted any meaningful review of these usual KPIs. Regular performance updates taking account of the prevailing environment are communicated to the Board and CEC and are published on the Edinburgh Leisure website (https://www.edinburghleisure.co.uk/freedom-of-information/published-information).

	Actual	Target	Actual
	2022	2022	2021
Income from operating activities (£000's) *	**28,103**	21,743	24,688
Expenditure on operating activities (£000's) **	**26,213**	27,348	22,818
Fundraising	**718**	690	1,117
Customer visit numbers (000's)	**2,758**	2,729	676
Customer experience index	**8.40**	8.75	n/a
Customer accidents per hundred thousand visits	**4.80**	n/a	5.36
Staff absence levels	**5.06 %**	4.00 %	1.85 %

* Including Coronavirus Job Retention Scheme income

** 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 since March 20020 will enhance our resilience against other pandemics which may manifest in the coming years. The £3m Covid support package that CEC have approved for the year to March 2023 will cushion the impact of these risks in the near term, but fundamentally the effect on our charity of these risks may be difficult to discern from other non-Covid related causes as we look to improve income levels in the months and years ahead.

- There is a risk that facilities, or individual services within facilities, will be required to close again or that restrictions could be reintroduced. 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. It is impossible to predict whether a new severe and immunity evading variant will emerge so we have to remain alert to the possibility of this risk materialising.
- There is a risk that hybrid 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, particularly when Covid infection levels in Scotland remain relatively high and the narrative of caution has been emphasised since the start of the pandemic and could therefore persist in its effect on people's willingness to participate in many group activities. It remains to be seen whether other service offerings aligned to changes in consumer habits can be developed to redress these income pressures.

Management fee income: During the year to March 2022 CEC paid £8.0m (2021: £8.1m) 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 £3m 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: During the emergence of Covid-19 the importance of physical activity on health was never so widely and frequently emphasised, although in the last year political energies in the UK have been focussed on the cost of living crisis, the war in Ukraine and extensively on matters of a political nature at Westminster. Whether governmental momentum builds behind a preventative agenda either at Holyrood or Westminster remains to be seen. 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 (income effect): With household investment in physical activity tending to be viewed as discretionary, any negative macro-economic shift could have a detrimental impact on our income position. The cost of living crisis will undoubtedly impact on our customers and with inflation predicted to reach 13% and a recession looming we must hope that we can continue to attract new customers to offset those who will be forced to leave. 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. If we can successfully leverage this positioning during the forthcoming recession then the long term prognosis as economic conditions improve could be very healthy. We are also aware that the aforementioned factors will increase health inequalities and we continue to work to target additional support to those most in need.

Economic (cost effect): The UK had not seen double digit inflation since the early 1980s and indeed inflation was below 5% for thirty years. Increasing energy costs are validating the investments we have made in energy efficiency over the years and we continue to reduce consumption through a combination of investments and process changes. The latest cashflow calculation has incorporated an increase in energy costs and this does not in itself present a material problem in the near term, however careful monitoring of all costs over the next year will be necessary to determine the impact more broadly of such a high inflation rate. The mitigation for cost increases which cannot be absorbed by businesses is to increase prices paid by customers and we will remain vigilant to the potential necessity for this course of action.

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 charity 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 have experienced difficulties in retaining and attracting people since reopening from the second Covid lockdown. This is very much a structural problem in the labour market across the entire country and on a practical level it is currently restricting our ability to provide enough services to meet customer demand, particularly in our coaching lessons. We have recently created new posts to focus on coaching workforce development and recruitment more broadly and will continue to monitor salary levels to determine if further changes are necessary to our rewards package.

Competition: The fitness industry is operating in extremely challenging times. Recruitment difficulties, increasing costs particularly for energy, the rebuild of customer bases post Covid and now the spectre of a long and deep recession all play into serious concerns about the health of our sector. How our competitors respond to these challenges is beyond our control, so we continue to invest in our facilities, develop our products and track competitor activity and our own usage, membership and income metrics. In so doing we remain equipped to adjust our products and services to continue to meet the demands of our customers.

Thank you to our supporters

As a charity Edinburgh Leisure is on a mission to keep people active and well. We do this by running over 50 sports, leisure, and school facilities across the city and are committed to creating opportunities for EVERYONE to get active and stay active. Our Active Communities programme uses physical activity and sport to combat the effects of inactivity and tackle inequalities.

Much of this work is only possible thanks to the generosity of our supporters – donors, fundraisers, trusts, corporate partners, and statutory partners who helped raise £717,988 in 2021-22 to enable us to reach more people in need of our help and support. Thank you to all our supporters, including the following major funding partners:

- Arnold Clark Community Fund
- Baillie Gifford
- CCG (Scotland) Limited
- Cycling Scotland
- Edinburgh Health and Social Care Partnership
- Edinburgh Integration Joint Board
- ESPC
- Landcare Solutions Scotland
- Landmark Press
- Life Changes Trust
- Morrison Construction
- NHS Lothian
- Scottish Football Association in partnership with the Department for Digital, Media, Culture & Sport
- Scottish Swimming
- Shared Care Scotland
- Souter Charitable Trust
- Speedo
- **sport**scotland
- The City of Edinburgh Council
- The City of Edinburgh Council's Communities and Families Large Grants

How funding and support helps keep people active and well

Each year our Active Communities team uses their expertise to provide help and support to around 10,000 people, who face the greatest barriers to being active.

Offering over 20 different projects we work across all ages and stages, including some of the most disadvantaged and vulnerable groups in our communities. We offer them the specialist support required to successfully incorporate physical activity into their lives and enable them to live well in their communities. Our expert team of qualified staff and trained volunteers are critical to the success of these projects that give people the confidence and motivation required to change behaviour and take ownership of their health, wellbeing, and quality of life.

This work is made possible thanks to the funds raised by supporters and external funding partners, who are key to ensuring that our Active Communities Team can ensure:

- People with health conditions improve their quality of life
- Those experiencing mental health issues can recover and thrive
- People affected by poverty and inequalities can protect their health and wellbeing
- Older adults can stay connected and independent
- Care experienced children and young people can enjoy an active childhood.

Helping people like Taylor

You Can is one of our Active Communities projects that aims to support around 75 care experienced young people each year to improve their health and mental wellbeing.

Someone who has benefitted from getting active through You Can is 15-year-old Taylor, who goes to the gym at Leith Victoria Swim Centre with her Instructor Gemma. Before starting the project, she struggled with poor mental health, low confidence, and difficult relationships with family members. Her attendance at school was low and she spent a lot of time by herself in her bedroom at home.

"I hadn't done much physical activity since I started high school. Now I go to the gym with Gemma every Monday morning and I've tried lots of activities, from yoga to weights machines to circuits with medicine balls. It's something I look forward to and even if I'm not feeling 100%, I'll never miss a gym session. My Gran, who I live with sometimes, always reminds me of the rush of 'feel good' endorphins I get when I exercise!
Getting active with Gemma hasn't just improved my fitness and boosted my mood. Going to the gym on a Monday morning also gets my week off to a good start, helps me to feel more motivated to get things done and even makes me far more likely to go to school."

Plans for future periods

We plan to complete many significant projects by March 2023, for example:

- Refurbishment of Gracemount pool hall including replacement of major mechanical and electrical kit
- Refurbishment of the gym at the Royal Commonwealth Pool
- Installation of a new automated irrigation system at Craigentinny Golf Course
- Replacement of ageing grounds maintenance equipment
- Replacement of the artificial pitch surface and lighting at Saughton Sports Centre
- Installation of new air handling equipment at EICA
- New systems implementation in our Facilities Management department
- Second phase of the HR system with the deployment of rostering capabilities
- The reopening of Warrender Swim Centre, the refurbishment of which is now in its final stages
- The relaunch of our Green Plan in support of our net-zero ambitions

On Sunday 3 December 2017, Meadowbank Sports Centre closed its doors for the final time after almost 50 years of sporting excellence in the heart of Edinburgh. It hosted two Commonwealth Games along the way in 1970 and 1986 – the first venue to host the Games twice - as well as hosting many different types of other sporting and large-scale music events, the last one being Elton John in 2016. On Tuesday 19 July 2022 the fantastic new Meadowbank Sports Centre opened to the public. Meadowbank has always been at the heart of the local community and its commitment to the health and well-being of the city has never changed. Building our user base and delivering on the potential of this new state of the art venue is a key focus for 2022/23.

We live in uncertain times. That's an old phrase and at any point in our history most of us would have agreed with the relevance of that statement. We had hoped for a steady recovery post Covid, but those hopes have been tempered by the many factors outlined in the opening paragraphs of this report. It's the nature of life that we cannot know what lies ahead and we cannot know whether a year down the road we will feel less uncertain than we feel in this moment. All we can do is to be vigilant to the changing world, evolve and adapt as we go and keep taking bold decisions to invest in the future. Edinburgh Leisure remains committed to the people of Edinburgh and together we will take the actions today to bring a more active and healthier tomorrow.

Kevin J Johnston FCMA
Company Secretary

1 September 2022

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 2022.

Reference and administration information

The Directors who currently hold office are as follows:

Directors	S. Haldane (Chair) Councillor D. Dixon Councillor A. Staniforth Councillor C. Dijkstra-Downie Councillor C. Cowdy Councillor V. Walker C. McMillan J. Moran Dr C. Mumford J. Taylor L. Panglea R. Ducker J. Evans M. Paterson J. Munn	
Chief Executive	J. Peebles	
Secretary	K. Johnston	
Registered office	Meadowbank Sports Centre 139 London Road Edinburgh EH7 6AE	
Auditor	Azets Audit Services Exchange Place 3 Semple Street Edinburgh EH3 8BL	
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 continue to 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 and to the date of this report:

Councillor D. Dixon	
Councillor A. Staniforth	
Councillor G. Bruce	(resigned 8 July 2022)
Councillor H. Osler	(resigned 8 July 2022)
Councillor L. Cameron	(resigned 8 July 2022)
Councillor C. Dijkstra-Downie	(appointed 8 July 2022)
Councillor C. Cowdy	(appointed 8 July 2022)
Councillor V. Walker	(appointed 8 July 2022)
S. Haldane	
C. McMillan	
J. Moran	
Dr C. Mumford	
J. Taylor	
C. Parker	(resigned 9 May 2022)
C. Hall	(resigned 26 August 2021)
L. Panglea	
R. Ducker	(appointed 13 December 2021)
J. Evans	(appointed 13 December 2021)
M. Paterson	(appointed 13 December 2021)
J. Munn	(appointed 9 May 2022)

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

1 September 2022

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;
- observe the methods and principles in the Charities SORP (FRS 102);
- 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, the Charities Accounts (Scotland) Regulations 2006 (as amended) 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

We have audited the financial statements of Edinburgh Leisure (the 'Charitable Company') for the year ended 31 March 2022 which comprise the statement of financial activities (incorporating the income and expenditure account and statement of recognised gains and losses), the balance sheet, the cash flow statement and the 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2022, and of its income and expenditure 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 (as amended).

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 that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our 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 audit opinion.

Conclusions relating 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report (incorporating the Strategic report), for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report (incorporating the Strategic report) have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report (incorporating the Strategic 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 (as amended) requires us to report to you if, in our opinion:

- 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 set out on page 12, the Directors (who are the Directors for the purposes of company law and 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.

Responsibilities of Directors (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered 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 and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the Charitable Company through discussions with management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Charitable Company, including the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Charitable Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the Charitable Company's legal advisors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the Charitable Company's Directors as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Azets Audit Services

Allison Gibson (Senior Statutory Auditor)
for and on behalf of Azets Audit Services, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:2 September 2022

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

For the year ended 31 March 2022

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2022 £'000	Total 2021 £'000
Income					
Investment income	7	-	-	-	1
Income from charitable activities					
Provision of leisure facilities		15,068	1,892	**16,960**	15,686
Contract with City of Edinburgh Council		13,035	629	**13,664**	14,063
Total income	2	28,103	2,521	**30,624**	29,750
Expenditure					
Charitable activities					
Provision of leisure facilities	4	26,213	4,824	**31,037**	24,816
Interest cost in relation to pension liability	21	141	-	**141**	90
Pension service costs	21	1,024	-	**1,024**	391
Total expenditure		27,378	4,824	**32,202**	25,297
Net movement in funds for the year before other recognised gains and losses		725	(2,303)	**(1,578)**	4,453
Other recognised gains and losses					
Actuarial gain/(loss) on Lothian Pension Fund	21	7,681	-	**7,681**	(2,338)
Net movement in funds (after actuarial gain/(loss) on pension scheme)		8,406	(2,303)	**6,103**	2,115
Transfers between funds	15	(39)	39	-	-
Net movement in funds		8,367	(2,264)	**6,103**	2,115
Fund balances brought forward at 1 April 2021		(2,947)	3,839	**892**	(1,223)
Fund balances carried forward at 31 March 2022		5,420	1,575	**6,995**	892

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 25 to the accounts.

Balance Sheet

Company Number: SC179259
At 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Tangible assets	8		5,335		4,967
Investments	9		-		-
			5,335		4,967
Current assets					
Stocks	10	39		28	
Debtors	11	1,446		1,399	
Cash in hand		4,493		4,664	
		5,978		6,091	
Current liabilities					
Creditors: amounts falling due in one year	12	(4,183)		(3,292)	
Net current assets			1,795		2,799
Total assets less current liabilities			7,130		7,766
Long term liabilities					
Creditors : amounts falling due in more than one year	13		(135)		(358)
Net assets excluding pension deficit			6,995		7,408
Pension deficit	21		-		(6,516)
Net assets including pension deficit			6,995		892
Funds					
Unrestricted funds	26	3,406		3,150	
Designated reserves	14	2,014		419	
Pension reserve	21	-		(6,516)	
			5,420		(2,947)
Restricted funds	15		1,575		3,839
Total funds			6,995		892

The notes at pages 20 to 40 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 1 September 2022 and signed on its behalf by:

Scott Haldane
Chairman

Cash flow statement
for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Net (expenditure)/income for the reporting period		**(1,578)**	4,453
Adjustments for:			
Depreciation charges		**1,141**	1,169
Pension adjustment		**1,024**	391
Interest paid		**141**	91
Interest received		**-**	(1)
(Increase)/decrease in stock		**(11)**	87
Increase in debtors		**(47)**	(514)
Increase in creditors		**883**	152
(Gain)/Loss on disposal of fixed assets		**(42)**	1
Net cash provided by operating activities		**1,511**	5,829
Cash flows from investing activities			
Interest received		**-**	1
Purchase of PPE		**(1,524)**	(1,233)
Finance lease interest paid		**-**	(1)
Proceeds from sale of fixed assets		**57**	9
Net cash used in investing activities		**(1,467)**	(1,224)
Cash flows from financing activities			
Repayment of finance leases		**(149)**	(168)
New loans entered into		**-**	-
Repayment of loans		**(66)**	(73)
Net cash used in financing activities		**(215)**	(241)
Change in cash and equivalents in the reporting period		**(171)**	4,364
Cash and cash equivalent at the beginning of the reporting period	22	**4,664**	300
Cash and cash equivalent at the end of reporting period	22	**4,493**	4,664

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 10. 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, the Charities Accounts (Scotland) Regulations 2006 (as amended) 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 continued to recover our income and usage back towards to pre-covid levels. To help with this, on the 24th February, CEC voted in favour of additional contract payments to Edinburgh Leisure of up to £3,000,000 in 2022/23.

Cashflow projections have been prepared beyond twelve months from the date of signing of these financial statements and, due to the unpredictability of income growth 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.

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 resale goods 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)*

1l 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 21). 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 £nil (2021: £1,000), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £16,960,000 (2021: £15,686,000), of which £15,068,000 (2021: £13,642,000) was unrestricted and £1,892,000 (2021: £2,044,000) was restricted. This included Coronavirus Job Retention Scheme income of £454,000 (2021: £7,449,000) of which £434,000 (2021: £6,897,000) was unrestricted and £20,000 (2021: £552,000) was restricted.

Income from the contract with City of Edinburgh Council was £13,664,000 (2021: £14,063,000), of which £13,035,000 (2021: £11,046,000) was unrestricted and £629,000 (2021: £3,017,000) was restricted.

3 Net result for the year

The net movement in funds is after charging the following:

	Unrestricted Fund	**Restricted Fund**	**Total 2022**	Total 2021
	£'000	**£'000**	**£'000**	£'000
Depreciation	**1,081**	**60**	**1,141**	1,169
Audit fees	**32**	**-**	**32**	27
Non-audit fees	**2**	**-**	**2**	2
Rental charges under operating leases	**12**	**-**	**12**	260
(Gain)/loss on disposal of fixed assets	**(42)**	**-**	**(42)**	1
	1,085	**60**	**1,145**	1,459

Notes to the financial statements *(continued)*

4 Costs of providing service

	Unrestricted	Unrestricted	Unrestricted Total	Restricted	Total	Total
	Support	Operations	Fund	Fund	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	3,645	9,977	13,622	1,160	14,782	13,851
Social security costs	364	651	1,015	73	1,088	907
Employer pension contributions	483	766	1,249	83	1,332	1,292
Payments to self-employed coaches	17	615	632	16	648	83
Property costs	1,477	2,555	4,032	2,742	6,774	4,054
Supplies and services	2,747	1,817	4,564	690	5,254	3,162
Rental charges under operating leases	12	-	12	-	12	260
Depreciation	88	993	1,081	60	1,141	1,169
Finance lease interest cost	-	-	-	-	-	1
Governance costs	48	-	48	-	48	36
(Gain)/loss on disposal of fixed assets	(42)	-	(42)	-	(42)	1
	8,839	17,374	26,213	4,824	31,037	24,816

The costs of providing services during 2021 were comprised of £22,818,000 in relation to unrestricted funds and £1,998,000 in relation to restricted funds.

5 Governance costs

	2022	2021
	£'000	£'000
Audit fees	32	27
Non-audit fees	2	2
Directors and Officers Indemnity Insurance	14	7
	48	36

Notes to the financial statements *(continued)*

6 Staff numbers and costs

The remuneration and associated costs of the company were:

	2022	2021
	£'000	£'000
Wages and salaries	**14,782**	13,851
Social security costs	**1,088**	907
Pension costs	**1,332**	1,292
Pension adjustment	**1,024**	391
	18,226	16,441

There were £114,000 redundancy costs included within staff costs (2021: £322,000). 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, £nil (2021: £10,000) was outstanding.

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

	2022	2021
	Number	Number
£110,000 - £119,999	**1**	0
£100,000 - £109,999	**0**	1
£90,000 - £99,999	**0**	0
£70,000 - £79,999	**2**	1
£60,000 - £69,999	**0**	2

The total contributions to defined benefit pension schemes for the staff within the above bands is £44,381 (2021: £59,438) and to defined contribution pension schemes is £1,321 (2021: £1,313).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance and no travel expenses were claimed by Board members in the year (2021: £300, one board member).

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

	2022	2021
	Number	Number
Dry facilities	**166**	166
Wet centres	**294**	332
Golf courses	**35**	32
Administration and support	**136**	141
	631	671

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:

	2022	2021
	Number	Number
Dry facilities	**251**	276
Wet centres	**426**	489
Golf courses	**37**	35
Administration and support	**148**	159
	862	959

These numbers exclude seasonal workers.

7 Investment income

	2022	2021
	£'000	£'000
Bank and other interest	-	1
	-	1

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
Cost								
At beginning of year	539	5,181	4,632	310	598	1,064	438	12,762
Transfers	-	(4)	4	-	-	-	-	-
Additions	-	74	1,117	58	118	157	-	1,524
Disposals	-	(17)	(290)	(6)	(15)	(14)	(58)	(400)
At end of year	**539**	**5,234**	**5,463**	**362**	**701**	**1,207**	**380**	**13,886**
Depreciation								
At beginning of year	209	3,381	2,627	214	232	694	438	7,795
Transfers	-	-	-	-	-	-	-	-
Charge	11	421	523	16	50	120	-	1,141
Disposals	-	(17)	(288)	(6)	(15)	(1)	(58)	(385)
At end of year	**220**	**3,785**	**2,862**	**224**	**267**	**813**	**380**	**8,551**
Net book value								
At 31 March 2022	**319**	**1,449**	**2,601**	**138**	**434**	**394**	**-**	**5,335**
At 31 March 2021	330	1,800	2,005	96	366	370	-	4,967

The net book value of assets held under finance leases was £140,000 (2021: £290,000).

Notes to the financial statements (continued)

9 Fixed asset investments

	2022	2021
	£'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; Meadowbank Sports Centre, 139 London Road, Edinburgh, EH7 6AE. The value of the investment is at cost which is £2 (2021: £2). This company did not trade in the year.

10 Stocks

	2022	2021
	£'000	£'000
Stocks	39	28

11 Debtors

	2022	2021
	£'000	£'000
Trade debtors	509	41
City of Edinburgh Council	338	69
Other Debtors and accrued income	37	923
Prepayments	562	366
	1,446	1,399

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Trade creditors	**919**	664
Pension creditor – City of Edinburgh Council	**53**	102
Due to City of Edinburgh Council	**201**	6
Social security costs and other taxes	**804**	687
Other creditors and accruals	**1,996**	1,618
Finance leases	**149**	149
Other loans	**61**	66
	4,183	3,292

Included in finance leases above is £149,000 (2021: £149,000) due to the City of Edinburgh Council.

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

	2022	2021
	£'000	£'000
Balance at start of year	498	800
Transfers out	(498)	(793)
Transfers in	675	491
Balance at end of year	675	498

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

13 Creditors: amounts falling due after more than one year

	2022	2021
	£'000	£'000
Finance leases	**86**	235
Other creditors and accruals	**6**	19
Other loans	**43**	104
	135	358

Included in finance leases above is £86,000 (2021: £235,000) 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:

	2022	2021
	£'000	£'000
Within one year	**149**	149
Within one to two years	**86**	149
Within two to five years	**-**	86
	235	384

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

14 Designated reserves

	2022	**2021**
	£'000	**£'000**
Balance as at 1 April 2021 (1 April 2020)	419	132
Income	-	-
Expenditure	(30)	(90)
Transfer to Unrestricted Funds	-	-
Transfer from Unrestricted Funds	1,625	377
Balance at 31 March 2022 (31 March 2021)	**2,014**	**419**

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 and for replacement of the 3G pitches installed at Jack Kane Sports Centre.

In the year to 31 March 2021, £302,000 was designated for community-based projects of which there is £272,000 remaining as at 31 March 2022.

In the year to 31 March 2022, £1,550,000 was designated to cover the expected remaining cost of Warrender Swim Centre refurbishment which was ongoing at the year end and for work required at Warriston Playing Fields.

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 2021	2,299	70	-	599	871	3,839
Income	628	-	1,334	-	559	2,521
Expenditure	(2,736)	-	(1,334)	(59)	(695)	(4,824)
Transfer from Unrestricted Funds	-	-	-	20	30	50
Transfer to Unrestricted Funds	-	(10)	-	-	(1)	(11)
Balance at 31 March 2022	**191**	**60**	-	**560**	**764**	**1,575**

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.

Edinburgh Leisure has taken over the operation of 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 100% 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 2022 the facility had generated a net deficit of £46,000.

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

Notes to the financial statements (continued)

15 Restricted funds (continued)

Restricted funds (comparatives)

	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 2022	Total 2021
Fund balances at 31 March 2022 are represented by:	**£'000**	**£'000**	**£'000**	£'000
Tangible fixed assets	4,811	524	5,335	4,967
Current assets	4,927	1,051	5,978	6,091
Current liabilities	(4,183)	-	(4,183)	(3,292)
Long term liabilities	(135)	-	(135)	(358)
Pension deficit	-	-	-	(6,516)
Total net assets	**5,420**	**1,575**	**6,995**	892

In the year ended March 2021, £544,000 of tangible fixed assets and £3,295,000 of current assets were restricted with all other amounts being unrestricted.

17 Financial instruments

	2022	2021
	£'000	£'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**5,377**	5,697
Financial liabilities		
Financial liabilities measured at amortised cost	**2,839**	2,465

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.

18 Agency arrangements

In the year ended 31 March 2022, Edinburgh Leisure received £878,000 (2021: £nil) and incurred costs of £1,173,000 (2021: £64,000) on behalf of the City of Edinburgh Council as part of an agency arrangement. At 31 March 2022, there was £269,000 (2021: £64,000) included within amounts due from the City of Edinburgh Council in relation to this agency arrangement.

Notes to the financial statements (continued)

19 Commitments

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

	2022	2021
	Total	Total
	£'000	£'000
No later than 1 year	**102**	134
Later than 1 year and no later than 5 years	**81**	147
Total	**183**	281

At the balance sheet date, the company had no capital commitments (2021: £2,057,000).

20 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 100% of the savings from these projects, throughout the payback period of the assets, 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 2022, Edinburgh Leisure have a commitment to spend recycled savings of £598,000.

21 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2022 the employer contribution rate was 10.5%. The most recent actuarial valuation (31 March 2022) showed that the market value of Edinburgh Leisure's notional share of the scheme's assets was £93,296,000 and that the actuarial value for these assets represents 108% 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 2022 was as follows:

Actuarial valuation

	2022	2021
	£'000	£'000
Present value of funded liabilities	**(86,295)**	(90,704)
Present value of unfunded liabilities	**(7)**	(7)
Fair value of employer assets	**93,296**	84,195
Unrecognised surplus	**(6,994)**	-
Net liability	**-**	(6,516)

Notes to the financial statements (continued)

21 Pension scheme (continued)

Movement in present value of defined obligation

	2022	2021
	£'000	£'000
At start of year	**90,711**	75,962
Current service cost	**2,052**	1,452
Past service cost	**78**	35
Interest cost	**1,823**	1,749
Contribution by members	**251**	247
Actuarial (gains)/losses	**(7,225)**	12,745
Benefits paid	**(1,387)**	(1,478)
Unfunded benefits paid	**(1)**	(1)
At end of year	**86,302**	90,711

Movement in fair value of employer assets

	2022	2021
	£'000	£'000
At start of year	**84,195**	72,265
Interest income on plan assets	**1,682**	1,659
Contributions by members	**251**	247
Contributions by the employer	**1,105**	1,095
Contributions in respect of unfunded benefits	**1**	1
Return on assets excluding amounts included in net interest	**7,450**	10,407
Benefits paid	**(1,387)**	(1,478)
Unfunded benefits paid	**(1)**	(1)
At end of year	**93,296**	84,195

Notes to the financial statements (continued)

21 Pension scheme (continued)

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

	2022	2021
	£'000	£'000
Current service cost	(2,052)	(1,452)
Past service cost	(78)	(35)
Interest cost	(141)	(90)
Actuarial gain/(loss) on Lothian Pension Fund	14,675	(2,338)
Adjustment in respect of irrecoverable surplus	(6,994)	-
At end of year	5,410	(3,915)

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a gain of £7,681,000 (2021: £2,338,000 loss), calculated as follows:

	2022	2021
	£'000	£'000
Actuarial gain/(loss) on movement in present value of defined benefit obligation	7,225	(12,745)
Actuarial gain on movement in fair value of employer assets	7,450	10,407
Adjustment in respect of irrecoverable surplus	(6,994)	-
Actuarial gain/(loss) on Lothian Pension Fund during year	7,681	(2,338)

Fair value of employer assets and return on those assets

	Value 2022 £'000	Value 2021 £'000
Equities	66,240	61,462
Bonds	12,128	10,103
Property	6,531	5,894
Cash	8,397	6,736
Company's share of scheme assets	93,296	84,195

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)

21 Pension scheme (continued)

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

	2022	2021
	%	%
Inflation/pension increase rate	**3.20%**	2.85%
Salary increase rate	**3.70%**	3.35%
Discount rate	**2.70%**	2.00%

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	20.3	23.1
Future pensioners	21.6	25

History of the plan

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

	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(86,302)	(90,711)	(75,962)	(80,033)	(71,845)
Fair value of employer assets	93,296	84,195	72,265	75,382	68,776
Adjustment in respect of irrecoverable surplus	(6,994)	-	-	-	-
Deficit	-	(6,516)	(3,697)	(4,651)	(3,069)

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 £313,000 (2021: £275,000) and represents contributions payable by Edinburgh Leisure to the scheme. Included in other creditors at 31 March 2022 were outstanding pension contributions of £55,000 (2021: £43,000).

Notes to the financial statements (continued)

22 Analysis of changes in net debt

	At 1 Apr 2021	Cash flows	Other non-cash charges	At 31 Mar 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	4,664	(171)	-	4,493
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	4,664	(171)	-	4,493
Borrowings				
Debt due within one year	(215)	215	(210)	(210)
Debt due after one year	(339)	-	210	(129)
	(554)	215	-	(339)
	-	-	-	-
Total	4,110	44	-	4,154

23 Related party

Edinburgh Leisure is contracted to provide recreation and leisure by the City of Edinburgh Council (CEC). In the year to 31 March 2022 CEC made payments totalling £13,035,000 (2021: £11,046,000) to the company and leased the facilities occupied by the company for a peppercorn rent. CEC also made a payment of £629,000 (2021: £3,017,000), restricted for capital upgrade. At 31 March 2022 CEC owed the company £338,000 (2021: £69,000) and the company owed CEC £489,000 (2021: £492,000) (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 2022, £235,000 (2021: £384,000) remains due to the City of Edinburgh Council which is included within the £489,000 (2021: £492,000) balance owed to CEC as disclosed above.

Key management personnel includes 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 £480,000 (2021: £402,000).

Notes to the financial statements (continued)

25 Statement of financial activities (comparatives)

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2021 £'000	Total 2020 £'000
Income					
Investment income	7	1	-	**1**	32
Income from charitable activities					
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	21	90	-	**90**	126
Pension service costs	21	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 on Lothian Pension Fund	21	(2,338)	-	**(2,338)**	3,068
Net movement in funds (after actuarial loss on pension scheme)		(948)	3,063	**2,115**	(1,833)
Transfers between funds		(60)	60	-	-
Net movement in funds		(1,008)	3,123	**2,115**	(1,833)
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)

Notes to the financial statements (continued)

26 Unrestricted funds

	2022	2021
	£'000	£'000
Balance as at 1 April 2021 (1 April 2020)	3,150	1,626
Unrestricted surplus	1,890	1,871
Transfer to Unrestricted Funds	11	10
Transfer from Unrestricted Funds	(1,645)	(357)
Balance at 31 March 2022 (31 March 2021)	**3,406**	**3,150**

In both 2021 and 2022, the transfer to unrestricted funds was the release from restricted reserves of grant funding 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 transfers from unrestricted funds in 2021 were £287,000 to designated reserves which is the net of a transfer in of £377,000 which was £302,000 designated for community based projects and £75,000 designated as a sinking fund for future spend in respect of replacement of the playing surfaces of the outdoor tennis courts at Craiglockhart Tennis Centre and for replacement of the 3G pitches installed at Jack Kane Sports Centre, set against a release of £90,000 for dilapidations work carried out, designated in a prior year.

The remaining transfer from unrestricted funds in 2021 was £70,000 to the Salix restricted fund. The transfers from unrestricted reserves represent 100% of the predetermined savings generated from the energy saving capital goods on an annual basis together with the 10% contribution to the fund.

The transfers from unrestricted funds in 2022 were £1,625,000 to designated reserves which includes £1,550,000 to cover the expected remaining cost of Warrender Swim Centre refurbishment which was ongoing at the year end and for work required at Warriston Playing Fields and also £75,000 designated as a sinking fund for Craiglockhart Tennis Centre and Jack Kane Sports Centre as noted above.

The remaining transfer from unrestricted funds was £20,000 to the Salix restricted fund as noted above.