

Culture and Communities Committee

10.00am, Thursday, 29 February 2024

Edinburgh Leisure Annual Report 2022/23

Executive/routine
Wards

1. Recommendations

- 1.1 The Culture and Communities Committee is asked to:
 - 1.1.1 Note the performance of Edinburgh Leisure during 2022/23; and
 - 1.1.2 Refer this report to the Governance, Risk and Best Value Committee for noting and scrutiny.

Paul Lawrence

Executive Director - Place

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Edinburgh Leisure Annual Report 2022/23

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).

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

Operational Performance

- 4.1 The 2022/23 financial year was the first full year since 2018/19 without any form of restrictions in place that have a direct impact on Edinburgh Leisure's business activity. Recovery from the impact of Covid was, however, still a factor and Edinburgh Leisure had budgeted a deficit of £3.87m.
- 4.2 The Council supported Edinburgh Leisure with an annual service payment of £8.035m and funding of £3m to manage Covid-related financial pressures – a total of £11.035m. The annual service payment of £8.035m to Edinburgh Leisure is stated before repayment of investment in prudentially-funded and Spend-to-Save projects and ground maintenance services provided by the Council. The net annual payment made by the Council after deduction for these costs was £10.013m. The actual performance for the year was a surplus £1.024m, £4.893m ahead of the budget deficit but including the additional support from the Council.
- 4.3 Total income was £32m, an increase of £4m (14%) against the previous year and expenditure was £31m, £0.961m (3%) lower than budget but £4.795m (18%) higher than 2021/22.
- 4.4 The improved financial position was a result of venue performance ahead of budget at several locations including the Royal Commonwealth Pool (£0.552m ahead of their income budget), Edinburgh International Climbing Arena (£0.373m ahead), Portobello Swim Centre (£0.2m) and Leith Victoria Swim Centre (£0.197m).
- 4.5 The majority of usage targets for the year were almost met in dry, swimming, coached activities, and golf (between 5% and 8% below target) with health and fitness exceeding their target by 14%. Total visits were 3.68m, 1% higher than target and 38% higher than the Covid-affected 2021/22.
- 4.6 Meadowbank Sports Centre opened to the public on 19 July 2022 (later than budgeted for by Edinburgh Leisure) and although scheduled to open in 2022/23, delays with the refurbishment of Warrender Swim Centre meant that the venue did not open during the financial year. Both delays had a negative impact on Edinburgh Leisure's financial position.
- 4.7 Over 2022/23 Edinburgh Leisure's staff sickness rate was 4.5%, a decrease of 0.5% from the 5.06% recorded in 21/22 although still 0.5% above their target of 4%.
- 4.8 Staff turnover for the full year was 30%, significantly higher than Edinburgh Leisure's target of 15% but consistent with 2021/22's level and an improvement of the position in September 2022 when it was tracking at 37%.

Customer experience

- 4.9 Throughout the year, 5400 customers took part in completing surveys either electronically or face-to-face. Customers are asked to rate their satisfaction on a scale of 1-10, with scores 7-10 contributing to overall satisfaction and scores of 9 or 10 categorised as high satisfaction scores. Overall satisfaction for 2022/23 was

91%, an increase of 3% from the previous year and high satisfaction increased by 6% to 67%.

Active Communities

- 4.10 Edinburgh Leisure's Active Communities service continues to provide vital support to those who face the greatest barriers to living an active life. In 2022/23 the programme saw a dramatic increase in the number of people supported, 10,111 compared to the previous year's figure 4,215 and in-line with the pre-Covid levels.
- 4.11 The Active Communities Team delivers 144 classes each week: 112 in EL venues, 19 in community venues, 11 outdoor and two online. From April 2022, Edinburgh Leisure received an average of 843 referrals per month to the various projects. As a comparison, Edinburgh Leisure received around 400 referrals per month pre-Covid.
- 4.12 Supporting those affected by poverty and inequalities is a key part of Active Communities with 8,714 people on low incomes supported through the Community Access Programme, Looked After and Active and the £10 Get Active Monthly Pass. This figure is significantly higher than the pre-Covid level of 5,150 and 3% above target. Edinburgh Leisure's ambition remains to support 25,000 people in the next three years.

Relocated People Access Programme

- 4.13 Edinburgh Leisure continue to work closely with the Council's Refugee and Migration Team and Welcome Hubs to provide information on accessing EL activities and being active. The average referral rate across 2022/23 was 270 per month and a significant increase from the previous monthly average of 25.

5. Next Steps

- 5.1 Following approval from Culture and Communities Committee, the report will be referred to Governance, Risk and Best Value Committee for noting and scrutiny.
- 5.2 Officers will work with Edinburgh Leisure to finalise the Services and Funding Agreement for 2024/25 with a report on the core grant payment presented to this committee.

6. Financial impact

- 6.1 The Council supported Edinburgh Leisure with an annual service payment of £8.035m and funding of £3m to manage Covid-related financial pressures – a total of £11.035m. The annual service payment of £8.035m to Edinburgh Leisure is stated before repayment of investment in prudentially-funded and Spend-to-Save projects and ground maintenance services provided by the Council. The net annual payment made by the Council after deduction for these costs was £10.013m.
- 6.2 Edinburgh Leisure also received a further payment from the Council of £0.165m towards capital improvements across the Council's sport and leisure facility estate.

7. Equality and Poverty Impact

- 7.1 As detailed in the report, Edinburgh Leisure continue to carry out vital work to address inequalities and poverty through their Active Communities Programme.

8. Climate and Nature Emergency Implications

- 8.1 Edinburgh Leisure, with support from the Council, have invested in their estate to maximise its energy efficiency and reduce running costs and carbon emissions.

9. Risk, policy, compliance, governance and community impact

- 9.1 The Council is undertaking a review of its ALEOs and the governance documentation supporting them.

10. Background reading/external references

- 10.1 [Edinburgh Leisure website](#)

11. Appendices

- 11.1 Edinburgh Leisure Financial Report and Statement of 2022/23.

Edinburgh Leisure

(a company limited by guarantee)

Report and financial statements

31 March 2023

Registered number SC 179259

Charity number SC 027450

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Strategic report

The old adage ‘change is the only constant in life’ has been particularly pertinent in recent years and, as we began 2022/23, there was certainly no sign of that abating. To recover and evolve from the impact of Covid-19 remained a strategic priority for the organisation and, whilst we did indeed have to deal with the long tail of Covid-19, there was much more to contend with. National and world events were also having an impact on the organisation, particularly rocketing energy costs, high levels of inflation and employee shortages. And once again the organisation found itself operating in a very challenging, uncertain and unpredictable environment. Knowing we had support from the City of Edinburgh Council (CEC) by way of additional Covid-19 funding was invaluable in helping to counteract such volatility, as was the constant focus on our mission: to transform lives and communities through physical activity.

It was difficult at times in the year to predict demand for some activities and services but, perhaps not surprisingly, where we consistently experienced high demand was for the specialist projects and services offered to people experiencing poverty and/or health inequalities. Through our partnership work, we were delighted to secure funding for three pilot projects to work with three cohorts whose health had been adversely affected by Covid-19: young people experiencing poor mental health, adults with learning disabilities who were socially isolated and adults requiring to ‘get fit’ to enable them to receive knee and hip replacement surgery. We have long recognised the importance of partnership work – it enables us to do more and ultimately improve the health and wellbeing of the City. Another great example of this is the work we did throughout the year with the City of Edinburgh Council to mobilise resources to help support, via our Relocated People Programme, the wellbeing of the large number of Ukrainian refugees in the City.

In April 2022 the transfer of responsibility for community access to the sports facilities at Wester Hailes High School and Leith Academy to Edinburgh Leisure meant that Edinburgh Leisure was now supporting the Council in its ambitions to improve access to the sports facilities in all twenty three of the City’s high schools. The catalyst for the transfer (which began in 2016) was to increase public access to Council spaces (outwith curricular and extra curricular time) and improve the financial return to the Council (the arrangements sees all direct costs incurred by Edinburgh Leisure being met from income with the net income being returned to the Council). The success of the community access project prompted a request from the Council, in May ’23, for Edinburgh Leisure to expand its role to include managing community access to the non sports facilities in the high schools. There are obvious synergies here with the work we carry out in the school sports estate and there was support from the Edinburgh Leisure Board for EL personnel to develop a proposal for submission to CEC to take on this work which would ultimately provide more places and spaces for people to come together.

Continuing with the themes of active spaces and places and partnership work – the new Meadowbank Sports Centre opened its doors to the public at 7am on 19th July 2022, around three and a half years after the doors closed on the ‘old’ Meadowbank. A number of Edinburgh Leisure personnel were involved in the project from concept stage, right through to preparing the building for opening and ultimately welcoming customers into the City’s new state of the art venue. It was a privilege to be involved in such a project and whilst there were the inevitable delays due to Covid-19 and other environmental factors, all involved were in agreement - it was worth the wait.

The old Meadowbank had been an important part of Edinburgh and Scotland’s sporting history for many years – the new Centre builds on this legacy. This new community and regional sport facility will support physical activity, sport and positive health for generations to come – it will enable Edinburgh Leisure to transform even more lives and communities through physical activity.

Net income for the year

The results for the year are shown on page 16. As we continued our recovery from Covid we went into the year to March 2023 knowing we would still need significant support from CEC to maintain liquidity. Since Covid struck, CEC have been approving levels of Covid support each year in their budget and the amount we have drawn down has been £3m in 2020/21 (of £6m approved) in the year when we also received £2.5m of Covid insurance income and £5m in 2021/22 (of £6m approved). The approved amount for 2022/23 was set at £3m and our projections showed that we may have to draw down that full amount of support. In what were still very uncertain times (as discussed in last year’s Strategic Report) our budget was based on what we believed to be prudent assumptions and those calculations derived a budgeted deficit of £3.9m before that Covid support. The increased level of reserves generated in 2021/22 had positioned sufficient cash to withstand this net £0.9m operating deficit, hence the budget was approved by EL’s Board on 7 March 2022.

From very early in the 2022/23 financial year it became apparent that the new Meadowbank Sport Centre would be impacted by more delays in its completion. Rather than being open for the whole year as assumed in the budget, the venue did not open until 19 July 2022. Together with continued delays in the completion of the refurbishment work at Warrender Swim Centre, these factors materially distorted comparisons of actual to budget throughout the year.

Regular meetings with CEC took place during the year with discussions on Edinburgh Leisure's financial performance and cash position and Covid support was transferred up to the £3m approved limit. The final payment of the year was agreed in February 2023 and by the end of March 2023 our cash position was positive which helped the Board in their consideration of the deficit budget of £736,000 which was being proposed for the 2023/24 financial year.

The deficit on unrestricted funds was £1,913,000 before actuarial gains as shown on page 16. 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.
- Expenditure on items which have previously been designated is included in the reported deficit on unrestricted funds, so the transfer from designated funds removes that cost from the underlying position.

Having adjusted for the above, the underlying surplus on a basis comparable to budget was £1,265,000 as shown in the table below.

	2023	2022
	£'000	£'000
Reported (deficit)/surplus on unrestricted funds	(1,913)	725
Interest (income)/cost in relation to pension liability	(152)	141
Pension service costs	2,087	1,024
Transfer to designated funds to create sinking fund	(187)	(75)
Windfall income transferred to designated funds	-	(1,250)
Transfer from designated funds	1,430	-
Underlying surplus	1,265	565

The underlying surplus noted above has afforded the ability to transfer £880,000 more into designated funds to bring the balance to £1,000,000 in respect of the outstanding contractual negotiations for the refurbishment of Warrender Swim Centre (see note 1n).

Key achievements

When there is so much uncertainty and volatility it is imperative that the organisation's purpose, vision and values remain front and foremost, whilst our strategic priorities inform what actions we take. Once again, as in previous years, due to the commitment, resilience and efforts of the Edinburgh Leisure 'people' we achieved a great deal, including the following:

- The gym at the Royal Commonwealth Pool was refurbished
- The artificial pitches at Saughton were resurfaced with support from the Scottish Football Association Grassroots Pitch & Facilities Fund
- Improvements were made to the air handling in the cycle studio at Ainslie Park Leisure Centre and on level 3 at EICA
- The pool hall at Gracemount Leisure Centre was refurbished including new air handling units, a new combined heat and power unit, tiling and decoration work
- A new irrigation system was installed at Craigentenny Golf Course
- The building management system at Tumbles was replaced
- The disabled platform lift to the climbing arena at the EICA was replaced and drainage repairs to the arena were undertaken
- The lift at Craiglockhart Tennis Centre was modernised
- We made a range of energy efficiency investments
- Aquadash was introduced to Ainslie Park Leisure Centre
- Café operations resumed at Drumbrae Leisure Centre and Ainslie Park, with the service being provided by UPMO an Edinburgh based charity providing support and opportunities for adults with learning disabilities and a local resident took over the café operation at Gracemount Leisure Centre
- Wester Hailes High School and Leith Academy transferred into our school portfolio
- We opened the new Meadowbank Sports Centre
- We secured £918,334 from external fundraising

- We worked with partners to introduce three new funded projects focusing on physical activity interventions to improve the health, wellbeing and quality of life of people disproportionately impacted by the pandemic i.e. young people experiencing mental health conditions, adults with learning difficulties, adults awaiting hip and knee surgery.
- We supported 3,240 Ukrainians to be active through our Relocated People Programme
- We supported around 1,000 people affected by health conditions, inequalities and poverty to be active every week (through our targeted projects) and a further 1,345 people every week were supported through our subsidised access programmes.

Pension reserve

The actuarial gain on The Lothian Pension Fund of £6,167,000 (2022: gain of £7,681,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities, nor does the accounting asset of £4,232,000 (2022: nil). The position at March 2022 was unusual in Edinburgh Leisure's recent history as the calculated position was a surplus of £6,994,000, although accounting standards required that such a surplus was not recorded as an asset in the accounts. In each of the ten preceding years the calculated balance was a deficit ranging from £1,700,000 at its lowest to £11,400,000 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 £1,000,000 of the average deficit for those periods. The position at March 2023 had improved further with a reported surplus of £38,212,000 and, under FRS102, the asset that can be recognised in the Balance Sheet is capped at £4,232,000.

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 actuarial evaluation which takes place every three years calculates the company contributions required to meet the likely liabilities when they arise, and the company uses that valuation to determine contribution rates for the following three years in discussion with the Lothian Pension Fund. For information, the latest triennial evaluation based on year end March 2023 and received in November 2023 projected Edinburgh Leisure's plan assets to be £94,435,000, 187% of the projected liabilities of £50,380,000 which is a very strong snapshot of the long-term funding position and has allowed Edinburgh Leisure's Board to agree a three year company contributions holiday with the Lothian Pension Fund. Such a holiday helps with the company's immediate financial challenges without risking the fund's ability to meet its future obligations. The company intends to return to a contributing position following the next triennial valuation.

Reserves policy

Total funds at March 2023 were £11,089,000 (2022: £6,995,000), of which £1,432,000 was restricted (2022: £1,575,000). Unrestricted reserves of £9,657,000 (2022: £5,420,000) include £4,232,000 in respect of the pension asset (2022: nil). £1,379,000 (2022: £2,014,000) is held in designated reserves as per Note 14 with the balance of unrestricted reserves being £4,046,000 (2022: £3,406,000) 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 both March 2022 and March 2023 were historically healthy (positive balances) these 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 is able to trade sustainably without the Covid support from CEC.

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 23 February 2023 CEC approved a new support package for Edinburgh Leisure for financial year to March 2024. This allows for additional contract payments of up to £2,000,000 a figure which supports the charity's liquidity based on detailed calculations within the budget approved by the Board on 27 February 2023. 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.

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.

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 have a Wellbeing Board which has representatives from across the organisation and a series of wellbeing initiatives were delivered throughout the year including: 'your health matters' - individual health & wellbeing consultations were offered to all employees, all employees were encouraged to set a 'wellbeing goal' and received supporting information around such, mental health awareness and refresher training was delivered to EL Managers and guidance was developed for line managers and employees on the menopause and a new policy created to encourage people to feel comfortable talking about the menopause, raise awareness of symptoms and put the right support in place into place for those impacted.

The workforce challenges experienced in Edinburgh Leisure and across the economy as the country emerged from Covid-19 remained a concern throughout the year with staff turnover at 30% (way above our historical target of 15%) and sickness absence 4.5% as compared to the 4% target with coronavirus related absences continuing to have an impact. As a result employees frequently worked additional hours to avoid disruption to services and/or closure of venues. 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 and, ultimately our customers. We were delighted that our customer satisfaction measures had improved on the previous years with customer satisfaction at 91% as compared to 89% the previous year and the customer experience score increasing from 8.4 (out of 10) in 2021/22 to 8.7 this year.

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. 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 2023	Target 2023	Actual 2022
Income from operating activities (£000's) *	32,161	28,169	28,103
Expenditure on operating activities (£000's) **	30,915	32,038	26,258
Fundraising	1,086	1,024	718
Customer visit numbers (000's)	3,689	3,637	2,758
Customer experience index	8.70	8.75	8.40
Customer accidents per hundred thousand visits	5.41	n/a	4.80
Staff absence levels	4.50 %	4.00 %	5.06 %

* includes Coronavirus Job Retention Scheme income of nil (2022: £434,000)

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

Principal risks and uncertainties

Effect of virus: The risk of a global pandemic has always existed, but as the world had not experienced anything on the magnitude of the Covid-19 pandemic since the Spanish ‘Flu of 1918-19 any such risks were largely discounted. However, looking through the lens of our recent lived experience the risks are very real, both immediately and in their long-term effects.

- There is a risk that facilities, or individual services within facilities, will be required to close or that restrictions could be introduced. 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.
- 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.

Management fee income: During the year to March 2023 CEC paid £8.0m (2022: £8m) in management fee to Edinburgh Leisure for the delivery of core services. The management fee for the year to March 2024 has been set at £8.0m and although additional funding of up to £2m 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 should the Council be required to make significant improvements to its budget position. Edinburgh Leisure is engaging in regular dialogue with the Council regarding the financial pressures whilst supporting the citizens of Edinburgh to enjoy active and healthy lives.

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, in particular historically high inflation and increased borrowing costs, is undoubtedly impacting on our customers and 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 whilst restructuring our pricing 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 before peaking at 11.1% in October 2022 and then slowly falling to its current level of 4.6%. Energy costs which increased significantly have validated 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. However, energy costs in the year to March 2024 are expected to be around £2m higher than they would have been had prices per kilowatt hour remained at pre-Covid levels. The mitigation for cost increases which cannot be absorbed by businesses is typically to increase prices paid by customers but the pressures on family budgets as noted above necessitates prices to customers being restricted to only modest increases with the sustainability of the charity in the medium term being reliant upon the letter of support from CEC as described in note 1a.

People attraction, retention and remuneration: 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, recently announced increases in both the legally mandated National Living Wage (NLW) and the Real Living Wage (RLW) are projected to add significant costs. We are in active discussion with CEC around their request for us to pay the RLW and particularly around how such a position could be funded.

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 concerns about the economic pressures on households 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

Each year it costs around one million pounds to run our Active Communities programme. Thanks to the generosity of our donors, fundraisers, corporate partners, grant funders and statutory partners, we're able to continue using sport and physical activity to empower people to improve their health, wellbeing and quality of life. We are so grateful to all our supporters, including the following partners:

- Baillie Gifford
- Cycling Scotland
- Edinburgh Health and Social Care Partnership
- Edinburgh Integrated Joint Board
- Landcare Solutions Scotland
- Nancy Roberts Charitable Trust
- NHS Lothian
- Scottish Children's Lottery
- **sportscotland**
- Scottish Football Association in partnership with the Department for Digital, Culture, Media & Sport
- Scottish Swimming
- Shared Care Scotland
- Souter Charitable Trust
- The City of Edinburgh Council
- The City of Edinburgh Council Communities and Families Large Grants

Plans for future periods

Looking ahead to 2023/24 the big issue to be addressed is the charity's financial health and how we respond to the significant financial pressures and safeguard the future of the organisation. The need to ensure sound financial health is a pre-requisite for the survival of any organisation however the scale of the financial challenges facing Edinburgh Leisure demand increased prominence. Cognisance must be taken of our financial backdrop when determining our priorities and the associated actions for 2023/24. The other key determinants of our work as referred to earlier continue to be our purpose, vision and values and how we support our partners the City of Edinburgh Council in the delivery of their three core priorities relating to: poverty, creating good places to live and work and becoming a net zero city.

Items we plan to deliver on in 2023/24 include the following:

- Re-open Warrender Swim Centre following its lifecycle works
- Refurbish the gyms at Glenogle Swim Centre, Leith Victoria Swim Centre and at Gracemount Leisure Centre
- Replace ageing grounds maintenance equipment
- Refurbishment of Drumbrae pool hall including replacement of major mechanical and electrical kit
- Implement the new software system in our Facilities Management department
- Implement Refer All - a new software system to support our health referrals to the Active Communities projects
- Complete the business case and source the necessary funds to progress with enhancing the bouldering offering at the EICA
- Complete the business case to inform the way forward for a new website
- Procure and appoint consultants to complete a pitch strategy for the City
- Complete and submit a proposal to the City Council for the transfer on non sports lets in high schools to Edinburgh Leisure
- Create a volunteer strategy
- Confirm a way forward for the Portobello Swim Centre lifecycle refurbishment project

Irrespective of the financial challenges, our commitment to deliver on our purpose: to make a positive difference by creating opportunities for everyone to get active, stay active and achieve more and our vision: inspiring Edinburgh to be a more active and healthy city, and our values: welcoming, caring, passionate and proud remains as strong as ever, perhaps more so when the need for, and the value of, our services are amplified due to the socio economic and health challenges the City and the entire Country continues to deal with.



June Peebles
Chief Executive

18 December 2023

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 2023.

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 L. Cameron 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
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 concerns, with 35% of Scottish adults and 31% of Scottish children (5-15 years) failing to meet the minimum physical activity guidelines according to the latest Scottish Health Survey conducted in 2022. Particularly as we live through the costs of living crisis and numerous other local and global stressors, Edinburgh Leisure has a vital role to play in getting more people in the city active to improve their health, wellbeing and quality of life.

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, re-appointed 4 May 2023)
Councillor C. Dijkstra-Downie	(appointed 8 July 2022)
Councillor C. Cowdy	(appointed 8 July 2022)
Councillor V. Walker	(appointed 8 July 2022, resigned 4 May 2023)
S. Haldane	
C. McMillan	(resigned 7 March 2023)
J. Moran	
Dr C. Mumford	
J. Taylor	
C. Parker	(resigned 9 May 2022)
L. Panglea	
R. Ducker	
J. Evans	
M. Paterson	
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.

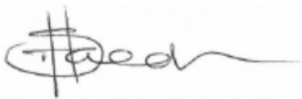
Disclosure of information to the Auditors

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.

A final reflection on the year saw the announcement by our Chief Executive, June Peebles, of her intention to retire in the New Year. June has been with Edinburgh Leisure since 1985, having joined its predecessor body within the Recreation Department of the City of Edinburgh District Council. June 'came through the ranks'; initially appointed as an Assistant Manager at the Jack Kane Centre; promoted to Manager of Craiglockhart and Saughton Recreation Centres in 1989; Leisure Manager (DSO) in 1991; then in 1997 June was seconded as a Head of Operations to assist the setup of Edinburgh Leisure, being appointed as Director of Operations in Edinburgh Leisure when it was created in 1998; becoming Director of Business Development in 2001; her role being redefined as Director of Strategic Services in 2011, before she became the Chief Executive in 2015.

On behalf of the Board, I would like to record our sincere gratitude for all that June has done for Edinburgh Leisure and the citizens of the City over the years. June can take great pride in the significant legacy she leaves behind. We wish her every health and happiness for a long and healthy retirement. We will be making an announcement about June's successor in the coming weeks.

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



Scott Haldane
Chairman

18 December 2023

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 2023 which comprise the statement of financial activities (incorporating the income and expenditure account), 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 2023, 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 and proper 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 11, 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.

We obtain and update our understanding of the charitable company, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the charitable company is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the charitable company that were contrary to applicable laws and regulations, 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:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- 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.

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

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.

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.

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.

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: 19 December 2023

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2023

	Note	Unrestricted Fund £'000	Restricted Fund £'000	Total 2023 £'000	Total 2022 £'000
Income					
Investment income	7	19	-	19	-
<i>Income from charitable activities</i>					
Provision of leisure facilities		21,126	2,979	24,105	16,960
Contract with City of Edinburgh Council		11,035	232	11,267	13,664
Total income	2	32,180	3,211	35,391	30,624
Expenditure					
Charitable activities					
Provision of leisure facilities	4	32,158	3,371	35,529	31,037
Interest (income)/cost in relation to pension liability	20	(152)	-	(152)	141
Pension service costs	20	2,087	-	2,087	1,024
Total expenditure		34,093	3,371	37,464	32,202
Net movement in funds for the year before other recognised gains and losses		(1,913)	(160)	(2,073)	(1,578)
Other recognised gains and losses					
Actuarial gain on Lothian Pension Fund	20	6,167	-	6,167	7,681
Net movement in funds (after actuarial gain on pension scheme)		4,254	(160)	4,094	6,103
Transfers between funds	15	(17)	17	-	-
Net movement in funds		4,237	(143)	4,094	6,103
Fund balances brought forward at 1 April 2022		5,420	1,575	6,995	892
Fund balances carried forward at 31 March 2023		9,657	1,432	11,089	6,995

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 23 to the accounts.

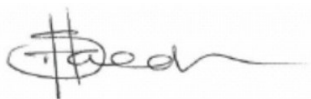
Balance Sheet

Company Number: SC179259
At 31 March 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Tangible assets	8		5,441		5,335
Investments	9		-		-
			<u>5,441</u>		<u>5,335</u>
Current assets					
Stocks	10	53		39	
Debtors	11	1,437		1,446	
Cash in hand		3,778		4,493	
		<u>5,268</u>		<u>5,978</u>	
Current liabilities					
Creditors: amounts falling due in one year	12	(3,838)		(4,183)	
Net current assets			<u>1,430</u>		<u>1,795</u>
Total assets less current liabilities			<u>6,871</u>		<u>7,130</u>
Long term liabilities					
Creditors : amounts falling due in more than one year	13		(14)		(135)
Net assets excluding pension asset			<u>6,857</u>		<u>6,995</u>
Pension asset	20		4,232		-
Net assets including pension asset			<u>11,089</u>		<u>6,995</u>
Funds					
Unrestricted funds	24	4,046		3,406	
Designated reserves	14	1,379		2,014	
Pension reserve	20	4,232		-	
			<u>9,657</u>		<u>5,420</u>
Restricted funds	15		1,432		1,575
Total funds			<u>11,089</u>		<u>6,995</u>

The notes at pages 19 to 39 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 18 December 2023 and signed on its behalf by:



Scott Haldane
Chairman

Cash flow statement
for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Net (expenditure)/income for the reporting period		(2,073)	(1,578)
Adjustments for:			
Depreciation charges	8	1,173	1,141
Pension adjustment		2,087	1,024
Interest paid		(152)	141
Interest received		(19)	-
Increase in stock		(14)	(11)
Decrease/(Increase) in debtors		9	(47)
(Decrease)/Increase in creditors		(256)	883
Gain on disposal of fixed assets		(24)	(42)
Net cash provided by operating activities		731	1,511
Cash flows from investing activities			
Interest received		19	-
Purchase of PPE		(1,282)	(1,524)
Finance lease interest paid		-	-
Proceeds from sale of fixed assets		27	57
Net cash used in investing activities		(1,236)	(1,467)
Cash flows from financing activities			
Repayment of finance leases		(149)	(149)
New loans entered into		-	-
Repayment of loans		(61)	(66)
Net cash used in financing activities		(210)	(215)
Change in cash and equivalents in the reporting period		(715)	(171)
Cash and cash equivalent at the beginning of the reporting period	22	4,493	4,664
Cash and cash equivalent at the end of reporting period	22	3,778	4,493

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 8. 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, the charity has traded close to the £736,000 deficit budget set for the 2023/24 financial year. When considering significant changes in the 2024/25 financial year, for example reduced Covid support from CEC, escalating pay costs arising from the increase in the National Living Wage and increased energy costs amongst others, the Directors recognise that these cannot all be funded through increased prices to customers at a time of severe economic pressures on households.

In the light of these challenges, the charity received a letter of support from CEC on 20 November 2023 stating the Council's intention to support Edinburgh Leisure throughout the 2024/25 financial year to ensure the charity's financial sustainability. In the months ahead the Board will also consider options to increase income and reduce costs.

Cashflow projections have been prepared for the remainder of 2023/24 and with the aforementioned letter the Directors of Edinburgh Leisure have concluded that this support will ensure the company's liquidity, thereby allowing the accounts to be 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 asset or 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 12%. Allocation of the expense in relation to the defined contribution scheme between restricted and unrestricted funds is done on an employee by employee basis where it will be classed as restricted if the employee is employed in relation to a restricted project. Otherwise it will be classed as an unrestricted expense.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

11 Cash at bank and in hand

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

1m Financial instruments

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

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

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

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

1n Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Other key sources of estimation uncertainty:

- Tangible fixed assets (see Note 8). Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Defined benefit pension scheme (see Note 20). The actuary values the pension scheme in line with assumptions subsequently reviewed 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.
- As of the date of approval of the accounts, the company has a potential contingent liability in respect of the refurbishment work that took place at Warrender Swim Centre between February 2021 and May 2023. A claim has been lodged by the contractor and negotiations on a final settlement have yet to commence. We therefore have no way to estimate the magnitude or validity of the claim. No cost estimate has been included in the statement of financial activities for the year to 31 March 2023, although a round sum designated reserve of £1,000,000 has been set aside at 31st March which the Board expect will provide sufficient cover.

Notes to the financial statements *(continued)*

2 Income

Income from investments was £19,000 (2022: £nil), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £24,105,000 (2022: £16,960,000), of which £21,126,000 (2022: £15,068,000) was unrestricted and £2,979,000 (2022: £1,892,000) was restricted. This included Coronavirus Job Retention Scheme income of £nil (2022: £454,000) of which £nil (2022: £434,000) was unrestricted and £nil (2022: £20,000) was restricted.

Income from the contract with City of Edinburgh Council was £11,267,000 (2022: £13,664,000), of which £11,035,000 (2022: £13,035,000) was unrestricted and £232,000 (2022: £629,000) was restricted.

3 Net result for the year

The net movement in funds is after charging the following:

	Unrestricted	Restricted	Total	Total
	Fund	Fund	2023	2022
	£'000	£'000	£'000	£'000
Depreciation	1,120	53	1,173	1,141
Audit fees	39	-	39	32
Non-audit fees	2	-	2	2
Rental charges under operating leases	15	-	15	12
(Gain)/loss on disposal of fixed assets	(24)	-	(24)	(42)
	1,152	53	1,205	1,145

Notes to the financial statements *(continued)*

4 Costs of providing service

	Unrestricted	Unrestricted	Unrestricted	Restricted	Total	Total
	Support	Operations	Total	Fund	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	4,006	11,702	15,708	2,114	17,822	14,782
Social security costs	405	792	1,197	139	1,336	1,088
Employer pension contributions	252	444	696	114	810	1,332
Payments to self-employed coaches	2	800	802	43	845	648
Property costs	2,628	3,942	6,570	432	7,002	6,774
Supplies and services	2,915	3,102	6,017	476	6,493	5,254
Rental charges under operating leases	15	-	15	-	15	12
Depreciation	118	1,002	1,120	53	1,173	1,141
Finance lease interest cost	-	-	-	-	-	-
Governance costs (note 5)	57	-	57	-	57	48
(Gain)/loss on disposal of fixed assets	(24)	-	(24)	-	(24)	(42)
	10,374	21,784	32,158	3,371	35,529	31,037

The costs of providing services during 2022 were comprised of £26,213,000 in relation to unrestricted funds and £4,824,000 in relation to restricted funds.

5 Governance costs

	2023	2022
	£'000	£'000
Audit fees	39	32
Non-audit fees	2	2
Directors and Officers Indemnity Insurance	16	14
	57	48

Notes to the financial statements *(continued)*

6 Staff numbers and costs

The remuneration and associated costs of the company were:

	2023	2022
	£'000	£'000
Wages and salaries	17,822	14,782
Social security costs	1,336	1,088
Pension costs	810	1,332
Pension adjustment	2,087	1,024
	22,055	18,226

Redundancy costs, included within staff costs were £nil (2022: £114,000). 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, no amounts were outstanding in either year.

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

	2023	2022
	Number	Number
£110,000 - £119,999	1	1
£70,000 - £79,999	5	2

The total contributions to defined benefit pension schemes for the staff within the above bands is £41,000 (2022: £44,000) and to defined contribution pension schemes is £7,000 (2022: £1,000).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance. Travel expenses were claimed by one Board member in the year to the value of £92 (2022: £nil).

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

	2023	2022
	Number	Number
Dry facilities	216	166
Wet centres	334	294
Golf courses	43	35
Administration and support	147	136
	740	631

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:

	2023	2022
	Number	Number
Dry facilities	307	251
Wet centres	488	426
Golf courses	47	37
Administration and support	162	148
	1,004	862

These numbers exclude seasonal workers.

7 Investment income

	2023	2022
	£'000	£'000
Bank and other interest	19	-
	19	-

8 Tangible fixed assets

	Freehold Buildings	Leasehold Impmt's	Plant & Equipt.	Motor Vehicles	Furniture & fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost</i>							
At beginning of year	539	5,234	5,609	597	701	1,207	13,887
Transfers	-	4	(4)	-	-	-	-
Additions	-	412	662	15	52	141	1,282
Disposals	-	(132)	(396)	(8)	-	(174)	(710)
At end of year	539	5,518	5,871	604	753	1,174	14,459
<i>Depreciation</i>							
At beginning of year	220	3,785	3,008	459	267	813	8,552
Transfers	-	-	-	-	-	-	-
Charge	10	382	552	22	63	144	1,173
Disposals	-	(132)	(392)	(8)	-	(175)	(707)
At end of year	230	4,035	3,168	473	330	782	9,018
<i>Net book value</i>							
At 31 March 2023	309	1,483	2,703	131	423	392	5,441
At 31 March 2022	319	1,449	2,601	138	434	394	5,335

The net book value of assets held under finance leases was £25,000 (2022: £199,000).

Notes to the financial statements (continued)

9 Fixed asset investments

	2023	2022
	£'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 (2022: £2). This company did not trade in the year.

10 Stocks

	2023	2022
	£'000	£'000
Stocks	53	39

11 Debtors

	2023	2022
	£'000	£'000
Trade debtors	557	509
City of Edinburgh Council	42	338
Other Debtors and accrued income	229	37
Prepayments	609	562
	1,437	1,446

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	612	919
Pension creditor – City of Edinburgh Council	57	53
Due to City of Edinburgh Council	168	201
Social security costs and other taxes	718	804
Other creditors and accruals	2,168	1,996
Finance leases	86	149
Other loans	29	61
	<u>3,838</u>	<u>4,183</u>

Included in finance leases above is £86,000 (2022: £149,000) due to the City of Edinburgh Council.

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

	2023	2022
	£'000	£'000
Balance at start of year	675	498
Transfers out	(675)	(498)
Transfers in	663	675
Balance at end of year	<u>663</u>	<u>675</u>

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

13 Creditors: amounts falling due after more than one year

	2023	2022
	£'000	£'000
Finance leases	-	86
Other creditors and accruals	-	6
Other loans	14	43
	<u>14</u>	<u>135</u>

Included in finance leases above is £nil (2022: £86,000) 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:

	2023	2022
	£'000	£'000
Within one year	86	149
Within one to two years	-	86
Within two to five years	-	-
	<u>86</u>	<u>235</u>

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

14 Designated reserve

	2023	2022
	£'000	£'000
Balance as at 1 April 2022 (1 April 2021)	2,014	419
Income	-	-
Expenditure	(1,430)	(30)
Transfer to Unrestricted Funds	(272)	-
Transfer from Unrestricted Funds	1,067	1,625
Balance at 31 March 2023 (31 March 2022)	<u>1,379</u>	<u>2,014</u>

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 Craighlockhart Tennis Centre, for replacement of the 3G pitches installed at Jack Kane Sports Centre and starting in the year to 31 March 2023, funds for replacement of the equipment fit out at Meadowbank Sports Centre.

In the year to 31 March 2021, £302,000 was designated for community-based projects of which there was £272,000 remaining as at 31 March 2023, which was transferred back to unrestricted funds.

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. During the year, £1,430,000 was spent in relation to these projects.

The transfer from Unrestricted Funds in the year is made up of a further £187,000 into sinking funds (£379,000 balance at March 2023) and £880,000 for Warrender designated reserves (£1,000,000 balance at March 2023).

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 2022	191	60	-	560	764	1,575
Income	232	-	1,992	-	987	3,211
Expenditure	(450)	-	(1,992)	(49)	(880)	(3,371)
Transfer from Unrestricted Funds	-	-	-	49	-	49
Transfer to Unrestricted Funds	-	(10)	-	(20)	(2)	(32)
Balance at 31 March 2023	(27)	50	-	540	869	1,432

The *Maintenance* reserve represents money paid from the City of Edinburgh Council (CEC) to Edinburgh Leisure specifically for the purpose of carrying out capital upgrading and lifecycle works. At the year end, CEC were due Edinburgh Leisure £27,000 in relation to these projects.

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.

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

Restricted funds (comparatives)

	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

Notes to the financial statements (continued)

15 Restricted funds (continued)

Restricted funds (comparatives)

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. Queensferry High Recreation Centre transfers to the schools restricted fund from 1 April 2022 where the requirement to fund deficits from Edinburgh Leisure unrestricted reserves no longer exists.

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

16 Analysis of net assets between funds

	Unrestricted	Restricted	Total	Total
	Fund	Fund	2023	2022
Fund balances at 31 March 2023 are represented by:	£'000	£'000	£'000	£'000
Tangible fixed assets	5,026	415	5,441	5,335
Current assets	4,251	1,017	5,268	5,978
Current liabilities	(3,838)	-	(3,838)	(4,183)
Long term liabilities	(14)	-	(14)	(135)
Pension asset	4,232	-	4,232	-
Total net assets	9,657	1,432	11,089	6,995

In the year ended March 2022, £524,000 of tangible fixed assets and £1,051,000 of current assets were restricted with all other amounts being unrestricted.

17 Agency arrangements

In the year ended 31 March 2023, Edinburgh Leisure received £668,000 (2022: £878,000) and incurred costs of £420,000 (2022: £1,173,000) on behalf of the City of Edinburgh Council as part of an agency arrangement. At 31 March 2023, there was £27,000 (2022: £269,000) included within amounts due from the City of Edinburgh Council in relation to this agency arrangement.

Notes to the financial statements (continued)

18 Commitments

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

	2023	2022
	Total	Total
	£'000	£'000
No later than 1 year	140	102
Later than 1 year and no later than 5 years	75	81
Total	215	183

19 Contingent liabilities and commitments

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

During the year to 31 March 2021 Edinburgh Leisure received a grant from the Salix Finance Limited recycling fund for £540,000 for the purchase of qualifying energy saving capital goods. On receipt of this, Edinburgh Leisure have committed to recycle 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 2023, Edinburgh Leisure have a commitment to spend recycled savings of £600,000 (2022: £598,000).

During the year to 31 March 2023 a claim has been lodged by the contractor of the refurbishment work that took place at Warrender Swim Centre between February 2021 and May 2023. Negotiations on a final settlement have yet to commence. We therefore have no way to estimate the magnitude or validity of the claim. No cost estimate has been included in the statement of financial activities for the year to 31 March 2023 however we have increased designated reserves by £1,000,000 to ensure there is cash available if it progresses.

Notes to the financial statements (continued)

20 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2023 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 £95,595,000 and that the actuarial value for these assets represents 167% 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 2023 was as follows:

Actuarial valuation

	2023	2022
	£'000	£'000
Present value of funded liabilities	(57,377)	(86,295)
Present value of unfunded liabilities	(6)	(7)
Fair value of employer assets	95,595	93,296
Unrecognised surplus	(33,980)	(6,994)
Net asset	<u>4,232</u>	<u>-</u>

Movement in present value of defined obligation

	2023	2022
	£'000	£'000
At start of year	86,302	90,711
Current service cost	1,913	2,052
Past service cost	-	78
Interest cost	2,384	1,823
Contribution by members	259	251
Actuarial (gains)/losses	(33,644)	(7,225)
Benefits paid	(1,626)	(1,387)
Unfunded benefits paid	(1)	(1)
Effect of business combinations and disposals	1,796	-
At end of year	<u>57,383</u>	<u>86,302</u>

Notes to the financial statements (continued)

20 Pension scheme (continued)

Movement in fair value of employer assets

	2023	2022
	£'000	£'000
At start of year	93,296	84,195
Interest income on plan assets	2,536	1,682
Contributions by members	259	251
Contributions by the employer	448	1,105
Contributions in respect of unfunded benefits	1	1
Return on assets excluding amounts included in net interest	(491)	7,450
Benefits paid	(1,626)	(1,387)
Unfunded benefits paid	(1)	(1)
Effect of business combinations and disposals	1,173	-
At end of year	95,595	93,296

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

	2023	2022
	£'000	£'000
Current service cost	(1,913)	(2,052)
Past service cost	-	(78)
Interest income/(cost)	152	(141)
Actuarial gain/(loss) on Lothian Pension Fund	33,153	14,675
Liabilities assumed in a business combination	(1,796)	-
Assets distributed in a business combination	1,173	-
Adjustment in respect of irrecoverable surplus	(26,986)	(6,994)
At end of year	3,783	5,410

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a gain of £6,167,000 (2022: £7,681,000 gain), calculated as follows:

	2023	2022
	£'000	£'000
Actuarial gain/(loss) on movement in present value of defined benefit obligation	33,644	7,225
Actuarial gain on movement in fair value of employer assets	(491)	7,450
Adjustment in respect of irrecoverable surplus	(26,986)	(6,994)
Actuarial gain/(loss) on Lothian Pension Fund during year	6,167	7,681

Notes to the financial statements (continued)

20 Pension scheme (continued)

Fair value of employer assets and return on those assets

	Value 2023 £'000	Value 2022 £'000
Equities	68,828	66,240
Bonds	14,339	12,128
Property	7,648	6,531
Cash	4,780	8,397
Company's share of scheme assets	<u>95,595</u>	<u>93,296</u>

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.

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

	2023 %	2022 %
Inflation/pension increase rate	2.95%	3.20%
Salary increase rate	3.45%	3.70%
Discount rate	4.75%	2.70%

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	19.9	22.9
Future pensioners	21.2	24.7

Notes to the financial statements (continued)

20 Pension scheme (continued)

History of the plan

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

	2023	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(57,383)	(86,302)	(90,711)	(75,962)	(80,033)	(71,845)
Fair value of employer assets	95,595	93,296	84,195	72,265	75,382	68,776
Adjustment in respect of irrecoverable surplus	(33,980)	(6,994)	-	-	-	-
Pension asset/(deficit)	4,232	-	(6,516)	(3,697)	(4,651)	(3,069)

The charity expects to contribute approximately £436,000 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 12%. The defined contribution pension cost charge amounted to £363,000 (2022: £313,000) and represents contributions payable by Edinburgh Leisure to the scheme. Included in other creditors at 31 March 2023 were outstanding pension contributions of £32,000 (2022: £55,000).

21 Analysis of changes in net debt

	At 1 Apr 2022	Cash flows	Other non-cash charges	At 31 Mar 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	4,493	(715)	-	3,778
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	4,493	(715)	-	3,778
Borrowings				
Debt due within one year	(210)	210	(115)	(115)
Debt due after one year	(129)	-	115	(14)
	(339)	210	-	(129)
	-	-	-	-
Total	4,154	(505)	-	3,649

Notes to the financial statements (continued)

22 Related party

Edinburgh Leisure is contracted to provide recreation and leisure services by the City of Edinburgh Council (CEC). In the year to 31 March 2023 CEC made payments totalling £11,035,000 (2022: £13,035,000) to the company and leased the facilities occupied by the company for a peppercorn rent. CEC also made a payment of £232,000 (2022: £629,000), restricted for capital upgrades. At 31 March 2023 CEC owed the company £42,000 (2022: £338,000) and the company owed CEC £311,000 (2022: £489,000) (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 2023, £86,000 (2022: £235,000) remains due to the City of Edinburgh Council which is included within the £311,000 (2022: £489,000) 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 £588,000 (2022: £480,000).

Notes to the financial statements (continued)

23 Statement of financial activities (comparatives)

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

Notes to the financial statements (continued)

24 Unrestricted funds

	2023	2022
	£'000	£'000
Balance as at 1 April 2022 (1 April 2021)	3,406	3,150
Unrestricted (deficit)/surplus	22	1,890
Designated reserve expenditure	1,430	-
Transfer to Unrestricted Funds	304	11
Transfer from Unrestricted Funds to Restricted Funds	(49)	-
Transfer from Unrestricted Funds to Designated Funds	(1,067)	(1,645)
Balance at 31 March 2023 (31 March 2022)	4,046	3,406

In 2022 £1,550,000 was transferred to designated reserves to cover the expected remaining costs of Warrender Swim Centre Refurbishment (see note below also), the designated reserve expenditure of £1,430,000 noted above, is the spend in 2023 in respect of that.

In both 2022 and 2023, the transfer to unrestricted funds contained a release from restricted reserves £10,000 (2022: £10,000) of grant funding from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena and also a release of a grant from SportsScotland £2,000 (2022: £1,000) for the purchase of a new slab wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant assets. In 2023 there is also a transfer to unrestricted reserves from the Salix fund £20,000 (2022: £nil) to true up the year end position in that fund. Finally, in 2023 there is a transfer to unrestricted reserves of £272,000 from designated reserves. This money had initially been designated for community based projects.

The transfer from unrestricted funds to restricted reserves in 2023 includes a transfer to the Salix Recycling fund of £49,000 and represents 100% of the predetermined savings generated from the energy saving capital goods on an annual basis.

The transfer from unrestricted funds to designated reserves in both years includes a transfer of £187,000 (2022: £75,000) as a sinking fund for future spend in respect of replacement of the playing surfaces of the outdoor tennis courts at Craiglockhart Tennis Centre, replacement of the 3G pitches installed at Jack Kane Sports Centre and for replacement of the kit out of Meadowbank Sports Centre.

In 2022, also included in the transfers from unrestricted funds was £1,550,000 to designated reserves 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.

The remaining transfer from unrestricted funds in 2022 was £20,000 to the Salix restricted fund.