

XCITE

West Lothian Leisure

Directors' Report & Financial Statements

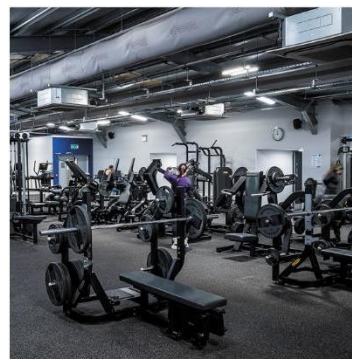
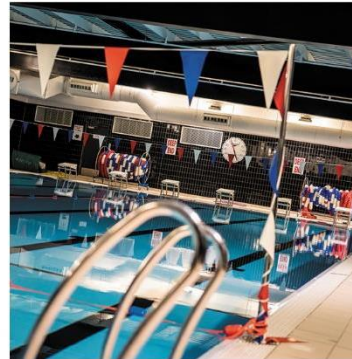
For the year ended 31 March 2023

Registered in Scotland: SC543017

Charity Number: SC027470

**YOUR CHARITY, INVESTING
EVERY PENNY YOU SPEND
BACK INTO A HEALTHIER AND
HAPPIER WEST LoTHIAN.**

www.westlothianleisure.com



PRINCIPAL
- A GIBSON Signed

WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2023

Registered in Scotland: SC543017
Charity Number: SC027470

WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2023

Contents	Pages
Administrative information	1 - 2
Chair's Report	3
Board Report	4 - 14
Independent Auditor's Report to the Member and Trustees	15 - 18
Statement of Financial Activities incorporating Income and Expenditure Account	19
Balance Sheet	20
Statement of Cash Flows	21
Notes to the Financial Statements	22 - 34

WEST LoTHIAN LEISURE

Administrative Information

For the year ended 31 March 2023

The Board Report incorporates the Trustee Report for the purposes of charity law and the Directors' Report and Strategic Report for the purposes of company law.

Reference and administrative details West Lothian Leisure

Company number: SC543017

Charity number: SC027470

Secretary

Beverley Greer

Chief Executive

Ben Lamb

Key Management Personnel

Mark Chambers, Head of Corporate Services
Andrew Heron, Head of Finance
Karen Wernham, Head of Operations

Registered Office

Xcite Bathgate Sports Centre
Balbardie Park
Torphichen Road
Bathgate
West Lothian
EH48 4LA

Solicitors

Lindsays LLP
Caledonian Exchange
19a Canning Street
Edinburgh
EH3 8HE

DWF LLP
No.2 Lochrin Square
96 Fountainbridge
Edinburgh
EH3 9QA

Bankers

The Bank of Scotland plc
Almondvale South
Livingston
EH54 6SN

Royal Bank of Scotland plc
Livingston Branch
4 Almondvale South
Livingston
EH54 6NB

Barclays
Quay 2
Fountainbridge
Edinburgh
EH3 9QG

Auditor

Azets Audit Services
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

WEST LOTHIAN LEISURE
Administrative Information
For the year ended 31 March 2023

Board

Trustees who held office to the date of signing are as follows:

Dr Cindy Brook	Chair (Resigned 23 rd March 2023)
Beverley Greer	Secretary
Karen Anderson	Member (Resigned 15 th September 2022)
Cllr. Chris Horne	Member (Resigned 30 th June 2022)
Cllr. Andrew Miller	Member (Resigned 30 th June 2022)
Sergio Tansini	Chair from 23 rd March 2023
Cllr. Tom Conn	Member
Gillian Hentges	Member
Suzanne McAdam	Member (Appointed 15 th September 2022)
Cllr Peter Heggie	Member (Appointed 30 th June 2022)
Cllr Daniel Logue	Member (Appointed 30 th June 2022)
Craig Campbell	Member (Appointed 23 rd March 2023)

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Chair's Statement

I am delighted to write my first annual statement as Chair having previously served as a Board member since 2019 and latterly as Chair of the Audit and Finance Committee.

I would like to take this opportunity to thank my predecessor Dr. Cindy Brook for her years of service as Chair. Her relentless passion and determination helped the charity create a West Lothian where everyone can live a healthier, happier and longer life.

2022/23 represents the first full year of trading without any significant government imposed covid-19 restrictions. It marks the conclusion of the 2021-23 Business Plan which prioritised business recovery.

2022/23 was another year of significant challenges for the charity. Our core management fee was reduced by a further £259k - the final year of a £1m four-year reduction. Energy costs increased by £406k (44%) up on the previous year. The cost of living increased sharply with inflation hitting a 41 year high of 11%.

Despite these challenges 2022/23 saw some excellent achievements as detailed in the Achievements and Performance section of the Board Report. None of this could have been achieved without the dedication, passion and commitment of our employees and Board members. I would like to take this opportunity to thank Tim Dent our former CEO, and Karen Anderson, Chris Horne and Andrew Miller who stepped down as Board Directors during the year. I would like to welcome Ben Lamb as our new CEO and also Suzanne McAdam, Craig Campbell, Cllr Peter Heggie and Cllr Danny Logue to the Board.

In October 2022 Ben Lamb was appointed as our new CEO. Ben brings over 20 years experience in the sport and leisure industry, most recently as Director of Operations with Live Borders.

Following the approval of the West Lothian Council budget in March a phased reduction in the Management Fee was proposed over the next five years, with the ultimate aim of WLL becoming self funded by 2027/28. A reduction in the management fee of £750k over the next three years has been confirmed which obviously has significant consequences for the charity. WLL will continue to work in conjunction with WLC to explore all options. This is a defining moment for WLL and significant intervention is required in order to overcome the various financial challenges being faced.

In order to address the future funding gap (£1.2m for 2023/24) West Lothian Leisure wrote to West Lothian Council seeking consent to implement the closure of four venues on 31st August 2023. On 20th June West Lothian Council approved the request to close three venues, with the fourth transferring to a third party. The four venues are Xcite Armadale, Xcite Broxburn Pool, Xcite Livingston and Howden Park Centre. It is anticipated that the closure of these four loss making venues will bridge the funding gap over the next three years.

We embark on the most challenging period in the 25 history of WLL, however there are many reasons to be optimistic, despite the challenges the company has a strong foundation from which to grow and drive change:

- Coaching participation and income have surpassed pre-pandemic levels with scope for further growth
- Our staff continue to be our strongest asset going above and beyond to deliver award winning services to our customers
- Opportunities exist to better utilise existing space and diversify income streams with various new initiatives already underway.
- Gen Z will have a greater impact on the global fitness market than any other generation before them according to a new report by Les Mills. According to the report more than 36% of gen Z exercise regularly, while 50% want to start. This represents a huge untapped market. WLL recently introduced a fitness factory programme allowing 12 to 15 year olds access our gyms.
- Between 2018 and 2028 the population of West Lothian is expected to increase by 5.9% much higher than the national average of 1.8%.

Finally on behalf of the Board thanks to everyone who has helped us, despite the challenges, to deliver our vision to create a West Lothian where everyone can live a healthier, happier and longer life.

Sergio Tansini, Chair, September 2023

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2023

The Board of Trustees (Non-Executive Directors) presents its report and audited financial statements for the year to 31 March 2023.

Objectives and Activities

West Lothian Leisure, which converted from a Community Benefit Society to a Company Limited by Guarantee on 17 August 2016, has charitable status granted by HM Revenue and Customs in Scotland.

West Lothian Leisure was incorporated on 1 February 1998 and provides sports, cultural, outdoor education and leisure facilities to the community of West Lothian. It operates as a not for profit distributing organisation. Any surplus generated in excess of necessary reserves are available to reinvest in the facilities to maintain and improve the service. The main facilities leased from West Lothian Council and managed by West Lothian Leisure are as follows:

Xcite Broxburn Sports Centre, Xcite Craigswood Sports Centre, Xcite East Calder Sports Centre, Xcite Linlithgow Leisure Centre, Xcite Armadale Swimming Pool, Xcite Bathgate Swimming Pool, Xcite Broxburn Swimming Pool, Xcite Livingston Leisure Centre, Xcite Whitburn Leisure Centre, Polkemmet Country Park Golf Course and Range, Howden Park Arts Centre, as well as sports and cultural facilities at two community high schools and six high schools. West Lothian Leisure also took on the management of the Winchburgh Sport and Wellbeing Hub during the year.

The Company is governed by the Articles of Association, Standing Orders, Operating Guidelines and Code of Conduct for West Lothian Leisure Limited.

STRATEGIC REPORT

Strategies for Achieving the Stated Aims

West Lothian Leisure's Business Plan sets out the vision and values of the organisation together with strategies to achieve the stated aims. This document is developed in partnership with West Lothian Council and other stakeholders and approved by the Board. At each Board meeting performance against the stated success criteria is reported and where performance is below target actions to get back on track are discussed and agreed.

The Business Plan is supported by Departmental Plans and Facility Plans which have more specific action plans that relate to the stated aims.

1. Improving lives and communities. We want to get more people more active to improve health and reduce health inequalities.
2. Improving the customer experience. We want to provide high quality and engaging activities and ensure customers feel valued and listened to.
3. Growing the business. We want to become a financially secure and sustainable business so we can invest more and do more, to improve lives.
4. Improving the business. We want to become a more efficient, more agile, and more effective organisation and a company our employees are proud to work for.
5. Improving our people. We want to improve how we work and be a company our employees are proud to work for.

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Achievements and Performance

The 31st March 2023 brings to a close the first full year of trading without any significant government imposed covid-19 restrictions. Throughout 2022/23 WLL continued to recover from the pandemic with 2.45 million visits across our venues and services (89% of pre-covid attendance). Membership grew by 11.5% in the year, achieving 97% of pre-covid figures.

West Lothian Leisure continues to battle against the significant challenges of a reducing management fee, high energy costs, unprecedented inflation, cost of living pressures and rising local competition. Despite these challenges, 2022/23 saw some excellent achievements & performance, including:

Our Communities

- 15% increase in participation across our award-winning coaching programme for the year. 6,577 children are now members of the programme, enjoying swimming, gymnastics, football, golf and hockey every week.

Our Awards

- Winners of the Scottish Water Learn to Swim provider of the year award.
- Broxburn Swimming Pool received the award for "Most Improved Swimming Pool".

Our Partnerships

- The brand-new Winchburgh Sport & Wellbeing Hub opened its doors for the community in October 2022, operated in partnership with West Lothian Council.
- Step into Leisure partnership launched with West Lothian College - offering short full-time courses giving students the opportunity to gain the skills to progress into employment with us whilst also enhancing their academic qualifications.

Our Business

- All nine gyms excluding Bathgate refurbished with £1m investment in brand-new Technogym equipment.

Our Health Programmes

- The Ageing Well Programme (a project promoting healthy lifestyles for adults over 50 in West Lothian) part-funded by NHS, West Lothian Leisure Xcite and West Lothian Council grew by 30% over the year.
- Groundbreaking Health and Social care partnership. Our Health & Wellbeing team completed 2,175 patient referrals in the year – a 40% increase on 2021-2022.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Financial Review

The financial statements for the year ending 31 March 2023 show a deficit of £340,873 (2022: deficit of £149,049). This is before an actuarial gain of £6,044,000 (2022: gain of £6,168,000) resulting in an overall gain of £5,703,127 (2022: gain of £6,018,951). The overall net fund balance at 31 March 2023 is now a net asset balance of £1,961,059 compared to a liability balance of £3,742,068 at 31 March 2022.

The 31st March 2023 brings to a close the first full year of trading without any significant government imposed covid-19 restrictions.

West Lothian Leisure had previously experienced significant growth in membership prior to the pandemic; however, it has faced a significant period of business recovery to build back membership and other income to pre-Covid-19 levels. This was made all the more difficult as a result of the cost of living crisis and global economic problems.

Despite the operational and financial challenges faced, we were able to mitigate these by:

- Moving to the Scottish Government contract for electricity and gas supplies.
- Investing time, energy and resource into staff training and development i.e. sales and retention.
- Carried out a comprehensive review of membership products, relaunching and migrating customers to new products and price points.
- Ongoing investment in technology to ensure effective and efficient home and remote working capability.

The FRS 102 pension valuation of the pension scheme has resulted in a surplus of £661k as at 31 March 2023. This is primarily due to an actuarial gain of £6,044k arising from a change in the financial assumptions made by the actuaries (primarily the increase in the discount rate), this being recognised in the Statement of Financial Activities. The balance on the pension fund will change annually according to economic conditions and the Board will keep the position under review. A defined contribution pension scheme was introduced in May 2014 into which all eligible new employees will be auto enrolled.

Income

Membership continued to recover post covid with membership numbers for March 2023 at 97% of membership numbers for March 2020. Membership income up £1,457k on the previous year having recovered quicker than budgeted for.

Leisure Service income (which includes pay per visit, club, room hire and NHS services) also recovered with usage at 119% of pre-pandemic levels by the year end. Room hire has not recovered to the same extent with a reduction in face-to-face meetings as a result of COVID.

The West Lothian Council management fee for the year was £3,691k (£3,659k 2021/22). This included £1,500k of additional funding to aid the recovery from the impact COVID had on income. It reflected a £259k reduction in core funding and a £669k reduction for previous capital funding and £132k for funding advanced to cover voluntary redundancy costs incurred in prior years. Also included is £187k (£183k 2021/22) of capital funding.

Expenditure

Salary costs increased by £813k in the year if you exclude redundancy related costs and the FRS102 pension adjustment. Salary costs include NIL (2022: £110k) for voluntary redundancy and early retirement costs. There were still some staff furloughed at the start of 2021/22. West Lothian Leisure continues its commitment to paying the real living wage (increase applied from 1st April - £9.78 per hour from £9.50). A 3% pay award was applied to all other staff from the 1st April 2022. Employer national Insurance contributions were temporarily increased by 1.25% for part of the year and the employer contribution to the Lothian Pension Fund increased by 0.5%.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Gym equipment is now replaced after five and eight years as opposed to the previous three for cardio and six years for strength equipment. This change in policy as well as delaying the replacement of some gym equipment resulted in a significant reduction in the depreciation charge in the year. The loss on sale was lower than budgeted as the value of the gym equipment was written down in 2021/22 to reflect the realisable value as opposed to the book value (20% of cost), this resulted in a £88k impairment charge arising in 2021/22, being written back in the year.

Maintenance spend increased significantly due to some large one-off items of repair. Irrecoverable VAT increased due to the irrecoverable VAT on the gym equipment and a lower recovery percentage than the prior year.

Investment for Growth

All the gym equipment with the exception of the Bathgate gym was replaced in the year and this helped membership income to reach record levels. Investment for growth continued to focus on implementing a digital transformation strategy and transforming the company website. Since the year end the Bathgate gym equipment has been replaced and we continue to diversify by investing in new products and activities, for example a new golf simulator at Bathgate and a new 'high-end' functional training studio at Bathgate. New 'Fitness Factory' gym access launched in May, providing gym access for 12–15-year-olds. The new cycle circuit opened at Linlithgow Leisure Centre at the end of May.

Strategic Risks

Each year a strategic risk register and associated risk assessments are presented to the Audit and Finance Sub Committee and to the Board. In 2021 the risk register was transferred to a cloud based, digital platform which enables real time monitoring of risks and better visibility and management of risk severity, control actions and audit trail.

The most severe risks have moved from those associated with the Covid pandemic to those related to the national and global, financial shockwaves affecting the UK economy and customer confidence. At the end of 2022/23, strategic risks were identified. The current high-level risks are:

- Unplanned or unexpected increase in operating costs and/or inflation
- Economic downturn, cost of living pressure or recession could threaten financial sustainability
- Further reduction in WLL's core management fee from WLC which threatens financial sustainability
- Lack of access to funding resulting in inability to invest in facilities
- Significant decrease in health and fitness membership income
- Another Covid-19 pandemic or other infectious disease could temporarily and significantly affect the ability of WLL to provide services and adversely impact its revenue - threatening financial sustainability
- Business Plan not delivering on business objectives/company goals
- Major plant failure could result in service disruption and facility(s) closure leading to loss of income
- Increased staff turnover or difficulties recruiting results in vacancies not being filled and potential disruption to services
- Supply chain disruption resulting in shortage of essential goods (e.g. pool chemicals) leading to temporary closures and loss of revenue.

The risk assessments associated with these risks identify existing controls and further actions for risk reduction.

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Investment Policy

A business case is presented to the Board for approval for any investment proposals and this includes an assessment of additional income generated (and/or costs saved), payback period and a risk assessment. Other private finance borrowing options are available; however, it should be noted that due to previous borrowing, current repayments to the Council are significant and any future borrowing requests should carefully consider the ability of WLL to take on more debt.

Principal Funding Sources

The majority of income comes from customer receipts - primarily membership income, pay and play income. Other principal income sources are West Lothian Council's management fee and partner funding from NHS Lothian for specific health and wellbeing programmes.

Reserves Policy

General Funds are unrestricted funds which are available for use at the discretion of the members of the Committee of Management in furtherance of the general objectives of the charitable company which have not been designated for any other purpose.

Designated Funds are unrestricted funds that have been set aside for a specific purpose, which will be utilised during the next and future years against specific expenditure for asset improvement.

Restricted Funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for particular purposes. The costs of raising and administering such funds are charged against the specific fund.

The Board has examined the Company's requirements for reserves in light of the main risks to the organisation. In 2019 it established a new policy whereby the company should aim to retain a minimum of at least £300,000 of reserves.

Incoming resources for the year ended 31 March 2023 were £13,655,616 (2022: £11,530,668). Overall funds at 31 March 2023 were in surplus of £1,961,059 (2022: deficit of £3,742,068). The underlying result for the year (ignoring pension adjustments) has resulted in the unrestricted reserves increasing from £1,017,932 to £1,300,059 which complies with the new reserves policy.

In addition to carrying reserves WLL has a letter of support from West Lothian Council. West Lothian Council, as sole member of the company, have indicated that they have a process in place which the company believes would lead to the provision of funding to cover a trading deficit in excess of available cash reserves, should one occur.

Risk Management

The Board has assessed and recorded the major risks to which the Company is exposed, in particular those relating to the operations and finances of the Company and is satisfied that systems are in place to mitigate these risks.

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Plans for future periods

We have prioritised collaborative working with West Lothian Council so that: we can better align our service delivery with Council strategic objectives; our services are better co-ordinated and integrated; we can deliver excellent value for money. We will also continue to work closely with the Health and Social Care Partnership, Sports Scotland, Creative Scotland and West Lothian College. Our business plan review allows us to ensure our vision is shared and that we are focusing on the right actions to ensure we contribute to our partners outcomes.

We will continue to focus our work in the following areas:

1. Increased Income:

- Strong focus on implementing and investing in the sales and retention process to grow and keep more members
- Identifying and accessing new sources of funding including donations and external funding for programmes from national agencies and charitable organisations
- Improving productivity by implementing a new, staff performance review framework
- Improving the way we market and promote the Xcite brand and services
- Building and launching a new website
- Improving customer service excellence and engagement with customers to help shape future service delivery

2. Managing Costs:

- Continuous review and management of all costs
- Ongoing review of staff structures to ensure that they match our business and service objectives
- Continuous review of the asset portfolio to identify potential rationalisation or replacement
- Maximising the performance and cost efficiency of all support services
- Support ongoing digital transformation projects
- Maximising the performance of our buildings and physical assets
- Ensuring we get excellent value from all our suppliers
- Implementing the Towards Net Zero policy and investing in energy efficiency in partnership with West Lothian Council
- Contributing towards the Council's budget reduction plans

3. Management Fee:

The core management fee from the Council will continue to reduce with a further £750k reduction by 2025/26. The sport and leisure trust sector continues to face unprecedented cost increases in particular energy costs. The cost of living crisis continues to cause a reduction in household discretionary spend resulting in decreased expenditure on leisure. Therefore, WLL continues to review all aspects of the business to identify efficiencies and opportunities for business growth, whilst at the same time continuing to deliver valued services in the communities it serves for those who need these services most.

It is more important than ever, that we continue to engage constructively with the Council so that a joint position on the type and level of service that the community needs is agreed together with the best delivery model and funding to achieve this.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

4. Estate Strategy:

This remains a challenge with the older stock of buildings. West Lothian Leisure is now responsible for the management and funding of all maintenance works for the properties with no capital funding available from West Lothian Council. The reduction in funding, on going maintenance costs and increased operating costs have caused WLL to request and have permission granted by WLC to cease to operate four venues on the 31st August 2023. The four venues are Howden Park, Xcite Armadale, Xcite Broxburn Pool and Xcite Livingston.

5. Investment Strategy:

The development of a longer-term facility and agreed joint capital investment strategy between the Company and West Lothian Council is required. Alternative sources of external funding may have to be sought for any large-scale investment.

6. Strategic Planning:

Our strategic and financial planning plan takes into consideration increased costs of operating the business and the reduction to the core management fee in future years.

We continue to monitor and manage projects aligned to the 2021-2023 Business Plan. A new Business Plan for 2024 -2027 is being developed based on the reduced number of facilities and reduced funding.

7. Partnership Working:

We have built on and extended our partnership working with key partners principally West Lothian Council, Health and Social Care Partnership, Sport Scotland, West Lothian College, Creative Scotland and Community Leisure UK and continue to be an active member of the West Lothian Community Planning Partnership and Health and Social Care Partnership Strategic Board.

WLL would like to extend its thanks again to West Lothian Council for the help and support measures provided to WLL during the Covid-19 pandemic.

8. Reporting:

We have maintained the quality of reporting of financial and performance information both to partners and the regulatory bodies. Our Annual Report seeks to highlight our achievements in meeting West Lothian Council's strategic objectives. The performance reporting to the Board has also been widened to include KPIs aligned to the success measures described in the Business Plan. Future reporting to the Board will also look at individual venue performance against budget.

9. Organisational Culture:

The roll out of the new performance review framework which will have the charity's core values at its heart, should ensure the workforce is more engaged and motivated.

We remain confident that the ongoing culture of service excellence as evidenced by our member experience, high NPS results and renewed focus on our charity values will continue.

10. Environmental Policy:

Following COP26 we launched our new environmental, sustainability and energy policy and implementation plans. 'Towards Net-Zero' sets stretching and ambitious targets to become carbon neutral by 2045. The policy seeks to ensure that addressing the climate change emergency becomes everyone's responsibility and sets out clear aims, objectives and actions.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Structure, Governance and Management

Structure

West Lothian Leisure is (from August 2016) a Company Limited by Guarantee with West Lothian Council as sole member. The Company also has charitable status granted by the Office of the Scottish Charity Regulator and is recognised by HM Revenue and Customs.

West Lothian Leisure was incorporated on 1 February 1998 (originally as an Industrial and Provident Society) and provides sports and leisure facilities to the community of West Lothian. It operates as a not for profit distributing organisation.

Corporate Governance

The Board (of Trustees or Non-Executive Directors) is committed to demonstrate good Corporate Governance and compliance with the Nolan recommendations in this respect. To this end it has established an Audit and Finance Sub Committee that works to a pre-determined Audit Plan based around these principles. The Audit and Finance Sub Committee monitors and considers the Company's compliance and records through the Audit and Finance Sub Committee Minutes, its findings that are then reported to the full Board of Trustees.

Induction and Training

Trustees are recruited to the Board after interview and approval at a Board meeting. They are selected for appointment if the Board believe their skills, knowledge and experience will benefit the Company. All Trustees receive an induction before joining the Board and additional training as necessary. If there are any areas where additional training is required this would be discussed at a Board meeting, or a one-to-one meeting with the Chair, and a solution identified.

Decision Making

The Standing Orders, Operating Guidelines, Code of Conduct and Articles of Association documents set out the decision-making powers of the Board, Sub Committees, Chief Executive and Senior Managers. This document is reviewed annually by the Board of Trustees.

The Board has a duty to keep a strategic overview of the organisation including the approval of the corporate strategy and monitoring performance against agreed targets. The Board focusses on strategic issues and through its policy setting lays out a framework within which the Chief Executive and Senior Management Team operate. Pay and remuneration policy is set by the Board, as is the Chief Executive's pay. The Chief Executive determines the grading of staff (within the policy and arrangements set by the Board) and determines staff duties and responsibilities.

Employee Engagement

WLL takes its responsibility to engage with and inform employees about matters relating to company performance and other matters of interest seriously. In 2021/22 hybrid working for head office staff became an established way of working. Engagement with outreach and venue staff incorporated many of the new methods developed during the pandemic and included:

- Entire workforce webinars - staff participated in sessions covering company updates and question and answer sessions with the Chief Executive and Leadership Team
- Regular email bulletins
- Continuing to develop Microsoft Teams as our new project work and communications app
- Re-established in-person, management team workshops
- Employee communications on new policies, procedures, and staff benefits
- Employee representative on the WLL Board of Directors
- Training and development for all staff on the new performance review framework
- Renewed focus on promoting WLL's core values via the performance framework training

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Directors also oversee the charity's duty of care to its workforce by reviewing and approving the company health and safety policy and regularly review the strategic risk register.

Third Party Indemnity Provision

As part of the overall insurance arrangements for the Company we have in place Trustees and Officers Liability insurance that provides qualifying third-party indemnity provision for the benefit of the Trustees of the Company. This was in force throughout the financial year.

Trustees Attendance at Audit and Finance Sub Committee Meetings

At each AGM six Trustees are appointed to sit on the Audit and Finance Sub Committee, although any Trustee can attend any Audit Sub Committee meeting.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Trustees Attendance at 2022/23 Audit and Finance Sub Committee Meetings

Attendance Record at A & F Sub Committees				
Trustees	Jun	Aug	Nov	Jan
Beverly Greer	P	P	P	P
Suzanne McAdam	NYA	NYA	P	P
Cindy Brook	P	P	P	P
Sergio Tansini	P	P	P	P
Gillian Hentges	P	P	P	P
Cllr Tom Conn	NP	P	P	P

Key	Code
Apologies	A
Resigned or n/a	R
Present	P
Cancelled	C
Not yet admitted	NYA
Note present	NP

At each AGM six Trustees are appointed to sit on the Audit and Finance Sub Committee, although any Trustee can attend any Audit Sub Committee meeting.

Trustees Attendance at 2022/23 Board Meetings

Attendance Record	Attendance at Board meetings						
	Apr	Jun	Aug	Sept	Dec	Feb	Mar
Cindy Brook	P	P	P	P	P	P	P
Beverly Greer	P	P	P	P	P	P	P
Suzanne McAdam	NYA	NYA	NYA	P	P	P	P
Craig Campbell	NYA	NYA	NYA	NYA	NYA	NYA	P
Sergio Tansini	P	P	P	P	P	P	P
Gillian Hentges	P	A	P	A	P	P	P
Cllr Peter Heggie	NYA	P	P	P	P	P	P
Cllr Danny Logue	NYA	A	A	P	A	P	P
Cllr Tom Conn	P	P	P	P	A	P	P
Cllr Andrew Miller	P	R	R	R	R	R	R
Cllr Chris Horne	P	R	R	R	R	R	R

Key	Code
Apologies	A
Resigned or n/a	R
Present	P
Cancelled	C
Not yet admitted	NYA
Not present	NP

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2023

Statement of Responsibilities of the Board

The trustees (who are also directors of West Lothian Leisure for the purpose of company law) are responsible for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that charitable company will continue.

The trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the articles of association, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company, for ensuring that the assets are properly applied in accordance with charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to the Auditor

To the knowledge and belief of each trustee, at the time the report is approved:

- So far as each trustee is aware, there is no relevant information of which the charitable company's auditor is unaware; and
- They have taken all steps that they ought to have taken as trustees to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of the information.

Auditor

A resolution to re-appoint Azets Audit Services as auditor will be put to the members at the Annual General Meeting.

In approving the Board Report, the Board of Trustees are also approving their Strategic Report in their capacity as company directors.

By order of the Board


Beverley Greer
Secretary

21 September 2023

WEST LOTHIAN LEISURE

Independent Auditor's Report to the Member and Trustees

For the year ended 31 March 2023

Opinion

We have audited the financial statements of West Lothian 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 Statement of Cash Flows 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 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 trustees' 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 trustees with respect to going concern are described in the relevant sections of this report.

WEST LOTHIAN LEISURE

Independent Auditor's Report to the Member and Trustees

For the year ended 31 March 2023

Other Information

The other information comprises the information included in the Board Report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Board Report, which includes the Directors' Report and the Strategic Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report included within the Board 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 Board Report (incorporating the Directors' Report and 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) require 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the trustees' responsibilities statement set out on page 14, the trustees (who are the directors for the purposes of company law and trustees 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 trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

WEST LOTHIAN LEISURE

Independent Auditor's Report to the Member and Trustees

For the year ended 31 March 2023

Responsibilities of the Trustees (continued)

In preparing the financial statements, the trustees 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 trustees 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

The 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 FRC'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, taxation legislation and data protection, anti-bribery, employment 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.

WEST LOTHIAN LEISURE

Independent Auditor's Report to the Member and Trustees

For the year ended 31 March 2023

The 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, relevant regulators 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 set out in note 3 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 trustees, 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 trustees, 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 trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Allison Gibson

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
Exchange Place 3
Sample Street
Edinburgh, EH3 8BL

Date: 21 September 2023

WEST LOTHIAN LEISURE

Statement of Financial Activities (Incorporating the Income and Expenditure Account)

For the year ended 31 March 2023

	Notes	Total Unrestricted 2023 £	Total Unrestricted 2022 £
Income and endowments from:			
Grants and donations		3,706	50
Charitable activities			
- Membership fees		5,645,884	4,188,440
- Leisure services		4,130,391	2,964,105
- Management service fee		3,690,870	3,658,881
Investments		50,356	3,869
Other			
- Financial income, refunds & fees		134,409	369,299
- CJRS Grant (Furlough income)		-	346,024
Total		13,655,616	11,530,668
Expenditure on:			
Charitable activities			
- Sports and leisure facilities	4	13,859,489	11,465,717
Other			
- Net finance cost on defined benefit pension scheme	8	137,000	214,000
Total		13,996,489	11,679,717
Net expenditure		(340,873)	(149,049)
Other recognised gains:			
Actuarial gain on defined benefit pension scheme	8	6,044,000	6,168,000
Net movement in funds		5,703,127	6,018,951
Reconciliation of funds:			
Total funds brought forward	14	(3,742,068)	(9,761,019)
Total funds carried forward		1,961,059	(3,742,068)

The notes on pages 22 to 34 form part of these financial statements

WEST LOTHIAN LEISURE

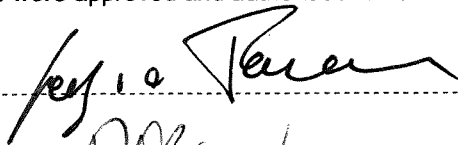
Balance Sheet

As at 31 March 2023

	Notes	2023		2022	
		£	£	£	£
Fixed Assets					
Tangible fixed assets	9		<u>1,615,198</u>		<u>716,234</u>
<i>Total fixed assets</i>			<u>1,615,198</u>		<u>716,234</u>
Current assets					
Stock		30,894		32,607	
Debtors	10	715,913		159,870	
Cash at bank and in hand		<u>2,677,792</u>		<u>2,454,496</u>	
<i>Total current assets</i>		<u>3,424,599</u>		<u>2,646,973</u>	
Liabilities:					
Creditors: amounts falling due within one year	11	<u>(2,693,696)</u>		<u>(2,317,794)</u>	
<i>Net current assets</i>			<u>730,903</u>		<u>329,179</u>
<i>Total assets less current liabilities</i>			<u>2,346,101</u>		<u>1,045,413</u>
Creditors: amounts falling due after more than one year	12		<u>(1,046,042)</u>		<u>(27,481)</u>
<i>Net assets excluding pension asset/(liability)</i>			<u>1,300,059</u>		<u>1,017,932</u>
Defined benefit pension asset/(liability)	8		<u>661,000</u>		<u>(4,760,000)</u>
<i>Total net assets/(liabilities)</i>			<u>1,961,059</u>		<u>(3,742,068)</u>
The unrestricted funds of the charity:					
General funds			1,300,059		1,017,932
Pension reserve			661,000		(4,760,000)
<i>Total charity funds</i>	14		<u>1,961,059</u>		<u>(3,742,068)</u>

The financial statements were approved and authorised for issue by the Board on 21 September 2023.

Sergio Tansini, Chair



Beverley Greer, Secretary



Registered in Scotland – SC543017
Charity Number – SC027470

The notes on pages 22 to 34 form part of these financial statements

WEST LOTHIAN LEISURE
Statement of Cash Flows
For year ended 31 March 2023

	Notes	2023		2022	
		£	£	£	£
Cash flows from operating activities:					
Net cash provided by operating activities	15		187,593		1,466,133
Cash flows from investing activities:					
Interest received		50,356		3,869	
Disposal proceeds of property, plant and equipment		223,988		-	
Purchase of property, plant and equipment		<u>(144,580)</u>		<u>(68,576)</u>	
Net cash provided by/(used in) investing activities			129,764		(64,708)
Cash flows from financing activities:					
Repayments of borrowing		<u>(94,061)</u>		<u>(130,168)</u>	
Net cash used in financing activities			<u>(94,061)</u>		<u>(130,168)</u>
Change in cash and cash equivalents in the reporting period	16		223,296		1,271,257
Cash and cash equivalents at the beginning of the reporting period			2,454,496		1,183,239
Cash and cash equivalents at the end of the reporting period			<u>2,677,792</u>		<u>2,454,496</u>

The notes on pages 22 to 34 form part of these financial statements

WEST LoTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2023

1. General information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable company's transactions are denominated. They comprise the financial statements of West Lothian Leisure for the year ended 31 March 2023.

The principal activity of West Lothian Leisure is the operation of sports and leisure facilities leased from West Lothian Council.

West Lothian Leisure is a private charitable company limited by guarantee incorporated in the United Kingdom and registered in Scotland. It is recognised as a charity for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC027470. In the event of the winding up of the charitable company a member is liable to contribute a sum not exceeding £1. Details of the registered office and company registration number can be found on page 1 of these financial statements.

As described in note 19, West Lothian Leisure is deemed to be a subsidiary undertaking of its ultimate parent, West Lothian Council.

2. Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

West Lothian Leisure meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charitable company's financial statements unless otherwise stated.

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2023

2. Accounting Policies (continued)

Going Concern

The financial statements have been prepared based on accounting policies that are consistent with the treatment of the charitable company as a going concern. In the Board's opinion, the charitable company will be able to continue to trade for the foreseeable future.

West Lothian Leisure has a rolling Service Agreement with West Lothian Council and the current funding agreement within this will fall due for renewal on 31 March 2024. West Lothian Council, as sole member of the company, have indicated that they have a process in place which the company believes would lead to the provision of funding to cover a trading deficit in excess of available cash reserves, should one occur.

The charitable company has net assets at 31 March 2023 of £1,961,059 (2022: net liability £3,742,068). Excluding the surplus on the defined benefit retirement scheme the charitable company reported net assets of £1,300,059 (2022 net assets: £1,017,932). The charitable company has net current assets of £730,903 (2022: £329,179) and reported net expenditure for the year of £340,873 (2022: £149,049).

The Covid-19 pandemic had a significant and unprecedented negative impact on WLL's financial position. During the course of 2020/21 WLL's lost income was in excess of £8m. The impact of the pandemic continued into 2021/22 as membership numbers and income generated from clubs, pay per visit and other sources continued to recover to post pandemic levels. Membership continued to recover post covid with membership numbers for March 2023 at 97% of membership numbers for March 2020.

WLC has provided a letter of comfort which means they will agree to meet WLL's everyday cash liabilities until the end of this financial year should WLL be unable to do so. WLC's Council Executive also agreed a financial reserve be made available to WLL, capped at £1.5m per annum for 2021-22 and 2022/23. This reserve provided greater certainty that WLL will be able to remain a going concern and recover to pre-Covid business activity levels. WLC also provided £370k of capital funding for 2021/22 and 2022/23.

To improve financial viability, WLL continues to review all aspects of its business to identify opportunities to reduce its cost base and grow income. Through a close working relationship with WLC officers, WLL continues to consider the best use of existing facilities as well as the expanding operations in community school facilities.

West Lothian Leisure's Board agreed a £1.185million budget deficit for 2023/24, subject to a programme of mitigating actions being developed and implemented to address the total budget pressure of £2.95 million over the period 2023/24 to 2027/28. Mitigations include a series of workstreams to inform a new long-term business plan, including a strategic review of the property portfolio.

West Lothian Leisure wrote to West Lothian Council seeking consent to implement the closure of four venues on 31st August 2023. On 20th June West Lothian Council approved the request to close three venues, with the fourth transferring to a third party. The four venues are Xcite Armadale, Xcite Broxburn Pool, Xcite Livingston and Howden Park Centre. It is anticipated that the closure of these four loss-making venues will bridge the funding gap over the next three years.

The most recent cash flow projections to 31st March 2026, which include assumptions based on the closure of the four venues, forecast that cash should not fall below £1.2m.

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2023

2. Accounting Policies (continued)

Income recognition

Income is recognised in the period in which the charitable company is entitled to receipt, receipt is probable, and the amount can be measured with reasonable certainty. Income is deferred only when the charitable company has to fulfil conditions before becoming entitled to it.

- Revenue grants are recognised in the period in which the charitable company is entitled to receipt, receipt is probable, and the amount can be measured with reasonable certainty.
- Membership income is recognised on a straight-line basis in line with the delivery of membership services and the membership agreement.
- Leisure services income is recognised when services are provided.
- Management fee income is recognised in the period to which it relates.
- Other income is recognised in the period to which it relates.
- Investment income is recognised in the period in which it is receivable.

Allocation of Expenditure

Expenditure is recognised when a legal or constructive obligation arises. Where possible, expenditure has been charged directly to charitable expenditure or governance cost. Where this is not possible the expenditure has been allocated on the basis of time spent by staff on each activity.

- Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities and services for its beneficiaries.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include the audit fees and costs linked to the strategic management of the charitable company.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any impairment.

Tangible fixed assets costing more than £2,500 are capitalised and included at cost. Depreciation is charged to write off the cost less the estimated residual value of fixed assets by equal instalments over their estimated useful lives as follows:

Computer equipment	4 years
Furniture and equipment	4 - 8 years

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

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. The charitable company did not hold any cash equivalents in the current year.

Stock

Stocks represent goods for resale and are valued at the lower of cost and net realisable value in the ordinary course of activities. Net realisable value is based on estimated selling price less any provision for slow moving or obsolete stock.

Creditors

Creditors are recognised where the charitable company has a present obligation resulting from a past event that will result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2023

2. Accounting Policies (continued)

Financial instruments

Financial instruments are recognised in the Balance Sheet when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for a similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Pensions

The charitable company operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

In accordance with FRS 102 Retirement Benefits, the Statement of Financial Activities includes: the cost of benefits accruing during the year in respect of current and past service (charged against net outgoing resources); the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time (shown as pensions finance charge); actuarial gain or loss recognised in the pension scheme (shown within net movement of funds). In accordance with FRS 102, the Balance Sheet includes the asset/deficit in the scheme taking assets at their year-end market values (current bid value) and liabilities at their actuarially calculated values discounted at year-end AA corporate bond interest rates. Recognition of an actuarial net asset position of the scheme is limited to the extent that the asset is recoverable, for example in the form of repayments from the scheme or reductions in minimum contributions payable for future service. Further details regarding the scheme are disclosed in note 8.

The charitable company also operates a defined contribution pension scheme. Contributions are recognised in the Income and Expenditure Account and Statement of Financial Activities in the period in which they become payable in accordance with the rules of the scheme.

VAT

The charitable company is partially exempt from VAT. Irrecoverable VAT is charged to the Income and Expenditure and Statement of Financial Activities as an expense.

Unrestricted Funds

Surplus revenue funds held within unrestricted funds are carried forward to meet the cost of future activities of both a capital and revenue nature.

Commitments for specific activities and needs in the future are dealt with by making allocations to designated funds.

Leases

Operating lease rentals are charged to the Income and Expenditure and Statement of Financial Activities on a straight-line basis over the term of the lease.

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2023

2. Accounting Policies (continued)

Leases which transfer substantially all of the risks and rewards of ownership to the charity are classed as finance leases. Assets held under finance leases are recognised as assets at the lower of the fair value of the asset at the date of acquisition and the present minimum lease payments. The related obligation to the lessor is included in the balance sheet as a finance lease obligation.

Finance costs, which represent the difference between the total leasing commitment and the fair value of the assets acquired, are charged to the Statement of Financial Activities over the lease term at a constant rate.

Taxation

The charitable company has charitable status and is therefore exempt from taxation under Sections 475-477 and Chapter 3 of the Corporation Taxes Act 2010.

3. Critical Judgements and Estimates

In preparing the financial statements trustees makes estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

There are no estimates or assumptions with a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Key sources of accounting estimation have been applied to the pension scheme assumptions and the depreciation rates which are deemed appropriate for the class of assets.

4. Charitable Activities Expenditure – Sports and Leisure Facilities

	2023 £	2022 £
Employee costs (note 6)	6,882,590	6,286,581
Property costs	3,414,630	2,605,955
Transport costs	76,995	69,051
Supplies and services	2,347,571	1,734,428
Irrecoverable VAT	692,186	321,480
Depreciation and impairment	211,826	320,498
Loss on disposal of fixed assets	87,180	-
Bank charges	87,975	65,915
Discounts	21,966	31,233
Governance costs (note 5)	36,570	30,576
	13,859,489	11,465,717

The above costs relate to the one activity of the charitable company, to deliver sports and leisure facilities to the community within West Lothian.

5. Governance Costs

	2023 £	2022 £
Audit and other accountancy fees	29,850	24,975
Trustee indemnity insurance	6,720	5,601
	36,570	30,576

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2023

6. Staff Costs and Numbers

	2023	2022
	£	£
Wages and salaries	5,596,297	4,963,383
Social security costs	389,233	321,414
Other pension costs	411,060	408,784
FRS 102 defined benefit pension scheme adjustment	486,000	593,000
	6,882,590	6,286,581

The above amounts for 2022 include redundancy and pension strain costs of £109,788 (2023: *£nil*). No funding was received in connection with these costs.

The aggregate number of employees whose emoluments exceeded £60,000 was as follows:

	2023	2022
	Number	Number
£60,000 - £69,999	2	-
£70,000 - £79,999	1	1
£80,000 - £89,999	-	1
	3	2

	2023	2022
	Number	Number
The average monthly number of employees during the year was	363	319

One employee is a member of the Board as staff representative. Remuneration including back pay, pension and employer national insurance contributions for their employee role whilst holding office was as follows:

	2023	2022
	£	£
K Anderson	22,576	45,426
S McAdam	26,767	-

One member of the board received remuneration for the role of group fitness instructor during the year:

	2023	2022
	£	£
G Hentges	300	-

None of the amounts above included any remuneration for being a director; all amounts were received for employment under employment contract.

No expenses were reimbursed to directors (2022: *£nil*).

In addition to the trustees, the key management personnel of the charitable company are deemed to be the Chief Executive, Head of Operations, Head of Corporate Services and Head of Finance. The total employee benefits received by key management personnel in the year was £331,102 (2022: £334,780).

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2023

7. Operating Deficit

	2023 £	2022 £
The operating deficit is stated after charging		
Auditor's remuneration – audit	29,850	24,975
Depreciation of tangible fixed assets	211,826	232,643
Impairment of tangible fixed assets	-	87,855
Reversal of impairment of tangible fixed assets	(87,855)	-
Loss on disposal of fixed assets	87,180	-
Hire of equipment, plant and machinery	15,549	13,373

8. Pension Costs

The total pension cost charged to net expenditure for the year amounted to £1,034,060 (2022: £1,215,784). Included within this figure is a FRS 102 adjustment of £486,000 (2022: £593,000) and finance costs of £137,000 (2022: £214,000).

Defined contribution pension scheme

In 2014 the charitable company introduced a defined contribution pension scheme. New employees are automatically enrolled into this scheme although they may choose to opt out if they wish. Total employer's contributions to this scheme during the year amounted to £141,663 (2022: £118,354).

Defined benefit superannuation scheme

The charitable company is an admitted body of the Lothian Pension Fund. The Superannuation Fund is a defined benefit scheme into which employees' and employer's contributions, and interest and dividends from investments are paid and from which pensions, lump sums and superannuation benefits are paid out. Total employer's contributions to this scheme during the year amounted to £259,768 (2022: £290,430). Employees' contributions are determined based on their salary, increasing the higher the salary and employer's basic contributions are assessed every three years by an actuary and are fixed to ensure the fund remains solvent and, in a position, to meet its future liabilities. The actuarial method used is known as the Projected Unit Method. The last actuarial valuation was at 31 March 2020. Employer contribution for the year to 31 March 2024 are forecast to be £268,000.

In accordance with FRS 102 – Employee Benefits – a valuation of the fund was carried out at 31 March 2023, by Hymans Robertson, independent actuaries, based on the last full triennial valuations and allowing for the changes in financial assumptions as prescribed under FRS 102.

The main assumptions used in the calculations are:

	31 March 2023 % per annum	31 March 2022 % per annum
Salary increases	3.45%	3.65%
Pension increases	2.95%	3.15%
Discount rate	4.75%	2.75%

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	19.9 years	22.9 years
Future pensioners	21.2 years	24.7 years

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2023

8. Pension Costs (continued)

The major categories of assets of the scheme were:

	2023	2022
Equities	72%	71%
Bonds	15%	13%
Property	8%	7%
Cash	5%	9%

The table below compares the estimated present value of the scheme liabilities with the employer assets:

	2023 £'000	2022 £'000
Fair value of employer assets	33,431	32,856
Present value of funded liabilities	(23,743)	(37,616)
Present value of unfunded liabilities	-	-
Net asset/(liability) per actuarial valuation	9,688	(4,760)
Net asset ceiling restriction	(9,027)	-
Net asset/(liability) in balance sheet	<u>661</u>	<u>(4,760)</u>

Analysis of the amount charged to resources expended:

	Year to 31 March 2023 £'000	Year to 31 March 2022 £'000
Past service cost of the defined benefit scheme	-	-
Current service cost of the defined benefit scheme	(756)	(957)
	<u>(756)</u>	<u>(957)</u>

Analysis of amount charged to other finance costs:

	Year to 31 March 2023 £'000	Year to 31 March 2022 £'000
Expected return on employer assets	901	607
Interest on pension scheme liabilities	(1,038)	(821)
Net interest cost	<u>(137)</u>	<u>(214)</u>

Analysis of amounts included in other recognised gains and losses:

	Year to 31 March 2023 £'000	Year to 31 March 2022 £'000
Actual return less expected return on pension scheme assets	(188)	2,609
Other experience	(1,999)	(105)
Net change in financial and demographic assumptions underlying the present value of the scheme liabilities	17,258	3,664
Loss on asset ceiling restriction	(9,027)	-
Actuarial gain recognised in net movement of funds	<u>6,044</u>	<u>6,168</u>

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2023

8. Pension Costs (continued)

Changes in fair value of the scheme assets are as follows:

	Year to 31 March 2023 £'000	Year to 31 March 2022 £'000
Opening fair value of employer assets	32,856	29,647
Interest income on plan assets	901	607
Contributions by members	101	114
Contributions by the employer	260	354
Contributions in respect of unfunded benefits	10	10
Actuarial (loss)/gain	(188)	2,609
Unfunded benefits paid	(10)	(10)
Benefits paid	(499)	(475)
Closing fair value of employer assets	<u>33,431</u>	<u>32,856</u>

Changes in the defined benefit obligation are as follows:

	Year to 31 March 2023 £'000	Year to 31 March 2022 £'000
Opening defined benefit obligation	37,616	39,768
Current service cost	756	957
Past service cost	-	-
Interest cost	1,038	821
Contributions by members	101	114
Actuarial (gain)	(15,259)	(3,559)
Estimated benefits paid	(499)	(475)
Estimated unfunded benefits paid	(10)	(10)
Closing defined benefit obligation	<u>23,743</u>	<u>37,616</u>

9. Tangible Fixed Assets

	Furniture & equipment £	Computer equipment £	Total £
Cost			
As at 1 April 2022	3,535,947	123,610	3,659,557
Additions	1,421,958	-	1,421,958
Disposals	(1,846,823)	(54,867)	(1,901,690)
As at 31 March 2023	<u>3,111,082</u>	<u>68,743</u>	<u>3,179,825</u>
Depreciation and impairment			
As at 1 April 2022	2,855,113	88,210	2,943,323
Charge for the year	194,480	17,346	211,826
Impairment written back on disposal	(87,855)	-	(87,855)
Eliminated on disposals	(1,447,800)	(54,867)	(1,502,667)
As at 31 March 2023	<u>1,513,938</u>	<u>50,689</u>	<u>1,564,627</u>
Net book value			
As at 31 March 2023	<u>1,597,144</u>	<u>18,054</u>	<u>1,615,198</u>
As at 31 March 2022	<u>680,834</u>	<u>35,400</u>	<u>716,234</u>

The net book value of the assets held under finance lease agreements as at 31 March 2023 was £1,373,371 (2022: £644,498). The depreciation charged on these assets in the year to 31 March 2023 was £150,023 (2022: £156,723).

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2023

10. Debtors

	2023	2022
	£	£
Trade debtors	285,144	21,733
Other debtors and prepayments	430,769	138,137
	715,913	159,870

11. Creditors: Amounts falling due within one year

	2023	2022
	£	£
Finance lease creditor	212,175	47,419
Tax and social security	31,075	56,469
Trade and other creditors	1,893,363	1,806,078
Accruals and deferred income	557,083	407,828
	2,693,696	2,317,794

Trade and other creditors include £1,620,792 due to West Lothian Council (2022: £1,482,243).

Finance lease creditors are secured over the assets to which they relate.

12. Creditors: Amounts falling due after one year

	2023	2022
	£	£
Finance lease creditor	1,046,042	27,481
	1,046,042	27,481
<i>Analysed as follows:</i>		
Repayable between 1 – 2 years	188,448	27,481
Repayable between 2 – 5 years	699,400	-
Repayable in more than 5 years	158,194	-
	1,046,042	27,481

Finance lease creditors are secured over the assets to which they relate.

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2023

13. Share Capital

The charitable company is limited by guarantee of £1 per member and has no share capital. At 31 March 2023 and 2022 there was one member.

14. Reserves

2023	Balance at 1 April 2022 £	Income £	Expenditure £	Other gains/ (losses) £	Balance at 31 March 2023 £
General funds	1,017,932	13,655,616	(13,373,489)	-	1,300,059
Pension reserve	(4,760,000)	-	(623,000)	6,044,000	661,000
Unrestricted funds	(3,742,068)	13,655,616	(13,996,489)	6,044,000	1,961,059
<hr/>					
2022	Balance at 1 April 2021 £	Income £	Expenditure £	Other gains/ (losses) £	Balance at 31 March 2022 £
General funds	359,981	11,530,668	(10,872,717)	-	1,017,932
Pension reserve	(10,121,000)	-	(807,000)	6,168,000	(4,760,000)
Unrestricted funds	(9,761,019)	11,530,668	(11,679,717)	6,168,000	(3,742,068)

15. Reconciliation of net expenditure to net cash flow from operating activities

	2023 £	2022 £
Net expenditure for the reporting period	(340,873)	(149,049)
Depreciation and impairment of fixed assets	211,826	320,498
Interest received	(50,356)	(3,869)
FRS 102 pension adjustments	623,000	807,000
(Increase)/decrease in debtors	(556,043)	307,628
Increase/(decrease) in creditors	211,146	205,924
Decrease/(increase) in stock	1,713	(21,999)
Loss on disposal of fixed assets	87,180	-
Net cash provided by operating activities	187,593	1,466,133

WEST LOTHIAN LEISURE
Notes to the Financial Statements
For year ended 31 March 2023

16. Analysis of Changes in Net Debt

	Brought forward £	Cash flow £	Non-Cash flow £	Carried forward £
Cash	2,454,496	223,296	-	2,677,792
Finance lease debt	(74,900)	94,061	(1,277,378)	(1,258,217)
	2,379,596	317,357	(1,277,378)	1,419,575

17. Operating Lease Commitments

At 31 March 2023 the charitable company had commitments under non-cancellable operating leases for equipment as set out below: -

	2023 £	2022 £
Payments falling due:		
Within one year	10,675	-
Within two to five years	20,220	-
	30,895	-

18. Members' Interests

Due to the nature of the charitable company's operations and composition of its Board, being comprised of individuals from public sector and commercial organisations, it is inevitable that transactions will take place with companies and organisations in which a member of West Lothian Leisure has an interest.

The charitable company works in partnership with West Lothian Council with which transactions have been undertaken during the year. The following is a list of members of the Board who held potentially connected positions during the year.

Table showing potential for Director's Connected Interests:

WLL Director	Company	Occupation	Date Joined
Dr Cindy Brook		Retired Clinical Director / GP	03/11/2005
Beverley Greer		Sports Coach	27/06/2013
Karen Anderson	West Lothian Leisure	Area Manager	11/09/2014
Chris Home	West Lothian Council	Elected Member	29/06/2017
Andrew Miller	West Lothian Council	Elected Member	29/06/2017
Tom Conn	West Lothian Council	Elected Member	12/03/2020
Peter Heggie	West Lothian Council	Elected Member	30/06/2022
Danny Logue	West Lothian Council	Elected Member	30/06/2022
Suzanne McAdam	West Lothian Leisure	Area Manager	15/09/2022
Craig Campbell		Consultant	23/03/2023
Sergio Tansini		Retired Company Director	04/10/2019
Gillian Hentges	Sainsbury's Bank	Chartered Accountant	26/10/2021

WEST Lothian LEISURE

Notes to the Financial Statements

For year ended 31 March 2023

19. Related Party Transactions

West Lothian Council is the sole member of the charitable company. West Lothian Council may appoint or remove any director from office, provided that the number of directors in office appointed by West Lothian Council at any time does not form a majority or exceed a maximum of 5. West Lothian Council may, by special resolution, direct the directors to take, or refrain from taking, specified action, and is entitled to make any decision of the company as if agreed by the company in a general meeting.

West Lothian Council also commissions the work of the charitable company by virtue of a services agreement, which provides a substantial portion of the charitable company's funding and use of the premises operated by the charitable company.

During the year, £1,002,950 (2022: £1,261,950) was received from West Lothian Council as a management fee, with a further £713,926 (2022: £713,926) in connection with new facilities taken on in April 2017, a further £287,000 for facilities taken on during 2022/23 (2022: £nil) and additional funding of £1,686,994 (2022: £1,683,006). In addition to this, £128,000 (2022: £128,000) was received for free under 16s swimming, £120,830 (2022: £120,830) for free under 5s and over 60s swimming, £7,000 (2022: nil) for ASN curricular swimming and £87,463 (2022: £87,463) for curricular swimming. A further £77,757 (2022: £48,160) was received in grants and other income during the year.

Payroll and expenses of £6,473,346 (2022: £5,881,011) were disbursed by West Lothian Council and reimbursed by West Lothian Leisure. Other expenditure invoiced during the year totalled £64,889 (2022: £51,780). At the year-end there is a balance due to West Lothian Council of £1,620,792 (2022: £1,482,243) and £7,322 (2022: £nil) due from West Lothian Council.

20. Subsequent events

West Lothian Council approved a five year budget strategy to 2027/28 and detailed three year revenue budget to 2025/26. This confirmed a further £750k reduction to the management fee by 2025/26. The ultimate aim being that West Lothian Leisure become fully self-funded, with no requirement for a management fee by the end of 2027/28 other than the landlord's maintenance funding.

This is clearly a challenging financial situation, threatening the long-term viability of the charity. In February 2023, West Lothian Leisure's Board agreed a £1.185 million budget deficit for 2023/24, subject to a programme of mitigating actions being developed and implemented to address the total budget pressure of £2.95 million over the period 2023/24 to 2027/28. Mitigations include a series of workstreams to inform a new long-term business plan, including a strategic review of the property portfolio.

On 1st May 2023, in accordance with the Services Agreement, West Lothian Leisure wrote to West Lothian Council seeking consent to implement the closure of four venues on 31st August 2023. On 20th June West Lothian Council approved the request to close three venues, with the fourth transferring to a third party. The four venues are Xcite Armadale, Xcite Broxburn Pool, Xcite Livingston and Howden Park Centre.