

WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2019

Registered in Scotland: SC543017

Charity Number: SC027470

WEST LOTHIAN LEISURE

Directors' Report and Financial Statements

For the year ended 31 March 2019

Contents	Pages
Administrative information	1
Chair's Report	3
Board Report	5 – 14
Independent Auditor's Report to the Members	15 - 17
Statement of Financial Activities incorporating Income and Expenditure Account	18
Balance Sheet	19
Statement of Cash Flows	20
Notes to the Financial Statements	21 - 33

WEST LOTHIAN LEISURE

Administrative Information

For the year ended 31 March 2019

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

Robin Strang

Solicitors

Peter McFarlane & Co
Law House
Fairbairn Place
Livingston
EH54 6TN

Registered Office

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

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

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Key Management Personnel

Billy Key, Director of Operations (retired December 2018)
Eric Stafford, Director of HR (retired December 2018)
Mark Chambers, Director of Business Development
Andrew Heron, Head of Finance (previously Heather Duncan)

WEST LOTHIAN LEISURE

Administrative Information

For the year ended 31 March 2019

Board

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

Dr Cindy Brook	Chair
Harry Cartmill	Member
Beverley Greer	Secretary
Karen Anderson	Member
Tom Kerr	Member
Chris Horne	Member
Angela Doran	Member
Andrew Miller	Member
Robert Montgomery	Member (resigned 25 October 2018)
Tony Sharkey	Member (appointed 13 December 2018 and resigned 28 February 2019)
Tom Pollock-Carr	Member (appointed 13 December 2018)
Paul Williams	Treasurer (appointed 13 September 2018)

WEST Lothian LEISURE

Chair's Statement

For the year ended 31 March 2019

Chair's Statement

West Lothian Leisure had its most challenging year ever in 2018/19 as we commenced a widespread restructuring of the company to address our financial pressures, created by reduced public funding via West Lothian Council, increased cost pressures and the impact of private sector competition. However, despite this the number of attendances at our sites has increased, and we reached the year end with old members returning, new members joining and importantly in a better financial situation than we anticipated.

As a charity we have furthered our charitable aims (to improve the physical, mental health and social wellbeing of our communities) by providing a wide range of activities for all members of the community to accommodate individual interests, fitness levels, age group and ability to pay. The total number of visits to West Lothian Leisure venues and activities during the year was over 2.8 million, a 4% increase and the highest ever number of visits in one year that we have ever experienced. This was boosted by an increase in fitness memberships (7% growth) and attendances at group fitness classes (3% growth).

Of particular note was a 30% increase in health referrals and a 40% increase in attendance by people in receipt of benefits, two key target groups.

We are pleased to announce a trading surplus of £411,000 for the year which significantly helps our financial position and will be reinvested to improve facilities and services for the communities of West Lothian in the future.

Key to this success has been our well trained and dedicated team of people who have supported more people than ever to be active, and these customers have reported consistently high levels of satisfaction with the services they receive. In December 2018 we won gold in the UK Customer Experience Awards, the only leisure operator in Scotland to receive a gold award.

During the year we were nominated by Scottish Swimming as a finalist for the Scottish Water 'Learn to Swim' provider of the year. The nomination recognises the exceptional work and commitment of the team who deliver the programme and highlights the quality of delivery. Our 'Learn to Swim' programme is extensive with over 5,000 local children attending each week and over 300,000 visits to the programme each year.

Our three Xcite cafes were awarded the Healthy Living Award supported by the Scottish Government and NHS Health Scotland. This recognises our commitment to offering healthy food. Our next step is to aim for Healthy Living Plus status.

In addition to the other school services we operate, at the start of the 2018/19 academic year we were invited by the Council to operate the sports facilities at the new West Calder High School. These facilities are open for club and community use outside of school hours and will add to the impressive range of facilities we operate in partnership with West Lothian Council.

We have as yet to improve the services we can provide by the recent transfer to us of the management of Howden Park Arts Centre, Low Port Outdoor Centre and Polkemmet Park Golf Course and Driving Range. Unfortunately the cost constraints we have to accommodate in getting back into a strong financial position will mean that there will be changes in opening hours, but we anticipate improvement in these new services in the longer term.

During the year we developed a Three Year Financial Plan (2019/20 to 2021/22) to address reducing public funding and increasing cost pressures. The implementation of the plan, which will ensure the long term financial sustainability of the charity, started in January 2019 with the restructuring of head office and the management team. This restructure saw the retirement of the two longest serving senior managers, Billy Key and Eric Stafford. I'd like to thank them both for the considerable contribution they have made to the success of West Lothian Leisure and to the communities of West Lothian.

WEST LOTHIAN LEISURE

Chair's Statement

For the year ended 31 March 2019

Towards the end of the financial year our Chief Executive, Robin Strang announced his plans to retire in September 2019. His key focus before retiring has been to implement the wider restructuring programme, a key part of the Three-Year Financial Plan. I'd also like to take this opportunity to thank Robin for leading and developing the company over the last 10 years to become one of the best performing culture and leisure trusts in the country.

And finally, I'd like to thank the Board of Directors, who give up their time on a voluntary basis, for their advice and direction during the year.

Dr Cindy Brook
Chair
12 September 2019

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2019

The Board of Trustees (Non-Executive Directors) presents its report and audited financial statements for the year to 31 March 2019.

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. Surplus, other than reserves, if generated is 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 Fauldhouse Gym, Xcite Linlithgow Leisure Centre, Xcite Armadale Swimming Pool, Xcite Bathgate Swimming Pool, Xcite Broxburn Swimming Pool, Xcite Livingston Leisure Centre, Xcite Whitburn Leisure Centre. On 1st April 2017 the management of a number of other facilities transferred to West Lothian Leisure, namely Low Port Outdoor Activity Centre, Howden Park Arts Centre, as well as sports and cultural facilities at two community high schools and six high schools.

The Company is governed by the Articles of Association, Standing Orders, Operating Guidelines and Code of Conduct for West Lothian Leisure Limited and these documents were most recently updated in March 2017.

The Company's 15 strategic aims are:

1. To provide opportunities and easy access for inactive members of our communities to join in, get started, stay active and to set and reach their own personal goals;
2. To develop greater and speedier communication channels and access to our services and people through investment in on-line and social technology;
3. To continually improve, innovate and provide attractive programmes of activities for our customers
4. To regularly engage with our customers and other members of our communities so that we can ensure that we deliver what they need;
5. To promote our values, that we are a local charity and our unique selling points to our communities;
6. To provide attractive and affordable activities so that our children can be regularly active and encouraged to set and reach their own personal goals;
7. To have plans in place to ensure that our facilities are well maintained and developed to meet community needs;
8. To be recognised by our employees as an excellent organisation to work for;
9. To deliver and support sports development, active schools and community sports hub programmes;
10. To work with partner organisations to deliver (physical and mental) health improving activities and services;
11. To have in place attractive and affordable activities and services for older people;
12. To further build and maintain a successful business that meets and exceeds financial expectations;
13. To maximise opportunities that arise or are created to develop and grow the business;
14. To further reduce the impact our business has on the environment through good practices, education and measurement systems; and
15. To have in place processes that ensure that the principles of best value and continuous improvement are applied to all areas of the organisation.

WEST Lothian LEISURE

Board Report

For the year ended 31 March 2019

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.

Significant activities undertaken during the year included:

- On 31 March 2019 we closed the small gym at the Fauldhouse Partnership Centre as usage had dropped significantly. Customers were offered alternative facilities at nearby gyms;
- We invested in health and fitness facilities at Xcite Linlithgow, Xcite Broxburn Sports Centre and Xcite Armadale Pool, to improve the quality and range of services for customers;
- During the year we were invited by the Council to operate the sports facilities at the new West Calder High School. These facilities are open for community use outside of school hours.
- Key business processes were reviewed to streamline and simplify them which contributed to our aim of adopting the principles of best value and continuous improvement. A key part of this was transferring the finance and booking systems at the recently transferred sites to WLL systems; and
- We continued to develop our website, app and social media platforms to enable customers to access their online bookings and visit information as well as accessing their wellness programme.

Achievements and Performance

We furthered our charitable objects (to improve the physical and mental health and wellbeing of our communities) by increasing attendances at most of our activities, activities designed to improve health and wellbeing primarily through physical activity.

The number of customer visits to West Lothian Leisure venues and activities for the year was over 2.8 million, the highest number of annual visits that we have recorded. This was boosted by an increase in health and fitness memberships and attendances at group fitness classes.

Of particular note was a 30% increase in health referrals and a 40% increase in attendance by people in receipt of benefits, two key target groups. Also worthy of note was a 7% increase in learn to swim attendances.

Customer e-communication continues to grow with 6% more web visits than last year, and a 5% growth in Facebook followers. In 2018 we launched our Xcite App which is proving to be very popular with customers.

Our three Xcite cafes were awarded the Healthy Living Award supported by the Scottish Government and NHS Health Scotland, and in December 2018 WLL won Gold in the UK Customer Experience Awards, the only Scottish leisure operator to do so.

Employee turnover was 21%, and although it improved throughout the year it is above our target and is being closely monitored. Staff sickness absence remained low at 4.6%. Our Net Promoter Score (NPS), a measure of customer satisfaction, reached an all-time high of 68. This is well ahead of the UK average of 48 for Cultural and Leisure Trusts.

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2019

Financial Review

The Company has had another challenging year in terms of its trading due to strong local competition but has continued to invest in facilities and services to offer great value to the community. The financial statements for the year ending 31 March 2019 show a deficit of £945,846 (2018: deficit of £1,925,939). This is before an actuarial loss of £1,011,000 (2018: gain £1,205,000) resulting in an overall deficit of £1,956,846 (2018: deficit of £720,939). The overall net fund balance at 31 March 2019 is now a net liability balance of £6,579,736 compared to a liability balance of £4,622,890 for 31 March 2018.

There were a number of challenges along the way such as:

- Strong private sector competition for fitness memberships
- Continued cost pressures
- Restructuring the company to ensure its long term financial sustainability to a backdrop of reducing public funding

Despite the challenges, much was achieved and particular areas worthy of note are:

- Investment in facility improvements and new equipment
- Growth in fitness memberships after two years of falling sales
- The ongoing success of our health and wellbeing programmes and family, children's and over 60's memberships
- Modernising the structure of the organisation to meet future challenges (the Three Year Plan)

The FRS 102 pension valuation of the pension scheme has resulted in an increase in the pension deficit to £7,021,000 as at 31 March 2019. The increase of this liability is due to an actuarial loss of £1,011,000 arising from a change in the financial assumptions made by the actuaries, 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. Over time this will improve the pension fund deficit noted above.

West Lothian Leisure has in the past enjoyed high membership figures which have allowed the business to absorb increasing costs especially pay awards and increasing utility costs. West Lothian Leisure faces future financial challenges due to continued pressure on local authority finances and unprecedented competition from the private sector.

Income

Membership income continued to grow with income for 2018-19 finishing £556k ahead of the previous year. This is down to the continued hard work of all staff, successful marketing campaigns and the refurbishment of the Bathgate gym.

Income from Leisure Services finished £391k down on last year but this is primarily due to the treatment of the income from agency bookings at Howden Park. The income recorded for 2018-19 is the venue hire and commission as opposed to gross ticket sales.

The West Lothian Council Management Fee for the year includes £1.2m of additional one off funding.

Grants and Other Income was in line with prior years.

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2019

Expenditure

Salary costs increased by £156k on 2017/18 or a £289k increase if you ignore the pension adjustment, which represents a 3.8% increase. Salary costs include £334k for early retirement costs and a 3.5% pay award was made for 2018/19. In effect, if you remove the £334k, salary costs are down on last year despite a 3.5% pay award. Staff expenditure continues to be tightly controlled with new appointments being considered through discussions at weekly SMT meetings. Only business critical posts are being replaced.

Property costs are £220k up on prior years and this down to a combination of factors. There was a sharp increase in energy costs during the year. Waste Management and Cleaning costs have come in at £49k over budget. This reflects the rise in waste management charges and increased spend on pool chemicals and cleaning. Maintenance costs increased but an additional £60k of funding was received from WLC for upkeep of the Broxburn and Livingston pools.

Transport costs are down on the previous year due to the removal of several lease cars.

The VAT recovery for the year has been higher due to the advanced invoicing of the WLC management fee resulting in a significantly higher percentage of taxable sales. This led to a reduction in irrecoverable VAT.

As part of the three year plan it is the intention to replace gym equipment after 5 years as opposed to the current 3 for cardio and 6 for strength equipment. This change in policy as well as some assets now being fully written off has resulted in a significant reduction in the depreciation charge in the year.

Bank charges are up on budget due to the increased volume of transactions due to the newly transferred school facilities. Significantly less discounts to new members were granted during the year.

Investment for Growth

There were minor gym refurbishments at Xcite Armadale, Broxburn and Linlithgow during the year reflecting our new practice of extending the life of fitness equipment.

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. 18 strategic risks were identified in 2018/19. This included four additional risks:

- Stress from challenging demands and reduced staffing levels resulting in sickness absence
- Control and interference from external parties putting charitable status at risk
- Skills shortage from loss of experienced staff resulting in operational difficulties
- The challenging three year financial plan not delivering the required savings

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

Investment policy

West Lothian Leisure has the ability to use Council prudential borrowing for capital projects. This can be supplemented by lottery funding or other grant income for qualifying projects. 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 (if a loan is required) and a risk assessment.

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2019

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 2018 it established a new policy whereby the company should aim to retain a minimum of £300,000 of reserves.

Incoming resources for the year ended 31 March 2019 were £13,778,697 (2018: £12,379,417). Overall funds at 31 March 2019 were in deficit of £6,579,736 (2018: deficit of £4,622,890). The underlying surplus for the year (ignoring pension adjustments) has resulted in the unrestricted reserves increasing from £30k to £441k, which is in line with the new reserves policy.

West Lothian Leisure secured additional one off funding of £1.2m from West Lothian Council for 2018/19 to allow it to set a break even budget and has a three year financial plan in place from 2019/20 to deliver the required savings and increased income to set break even budgets without this additional funding.

In addition to carrying reserves WLL has a letter of support from West Lothian Council. West Lothian Leisure, 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.

Plans for future periods

We continue to work closely with West Lothian Council so that service delivery becomes more joined up and delivers excellent value for money. We will also continue to work closely with NHS Lothian and Sportscotland. Our annual business planning conference with partners allows us to ensure our vision is truly a shared one and that we are focussing on the right actions to ensure we contribute to the community planning partnership's outcomes.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2019

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

1. Increased Income:

- Fully integrate the transferred sites into the business.
- Increasing participation in key sports, leisure and health and fitness activities.
- Working in partnership with West Lothian Integration Joint Board (Health).
- Growing the number of and improving our retention figures for memberships.
- Increasing quality of key activities and services.
- Improving the way we market and promote the Xcite Brand and services.
- Growing our corporate membership scheme.
- Increasing participation by target groups.
- Use of flexible pricing to maximise participation and occupancy rates.
- Develop our cafe and vending sales.
- Improving customer care standards.
- Further engagement with customers to help shape future service delivery.

2. Managing Costs:

- Ongoing review of staffing structures to ensure that they match our business and service objectives.
- Managing the performance of employees.
- Maximising the performance of all support services.
- Maximising the performance of the physical resources.
- Ensuring we get excellent value from our suppliers.
- Investing in energy efficiency in partnership with the West Lothian Council.
- Contributing towards the Council's budget reduction plans.

3. Management Fee:

The management fee from the Council will reduce by £1 million over the next four years. WLL is implementing a plan to address these cuts whilst continuing to deliver valued services in the communities it serves. We understand the Council's need to reduce expenditure and we will do our bit to help. It is important, however, that we continue to engage 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 to achieve this.

- 4. Estate Strategy** – This remains a challenge with the older stock of buildings. With the Company now responsible for the management of all maintenance works for the properties and with limited funds available from West Lothian Council, this will require careful management to maintain standards.
- 5. Investment strategy** – The development of a longer term facility and agreed joint capital investment strategy between the Company and West Lothian Council is being planned.
- 6. Strategic Planning** – We have developed a Three Year Plan (2019/20 to 2021/22) that brings WLL back to a financially sustainable position and secures the future of the company. The plan takes into consideration increased costs of operating the business and the reducing management fee from the council. This plan includes the restructuring of management, head office and staffing at sites.

WEST LoTHIAN LEISURE

Board Report

For the year ended 31 March 2019

7. **Partnership working** – We have built on and extended our partnership working with key partners principally West Lothian Council, NHS Lothian and SportScotland and continue to be an active member of the West Lothian Community Planning Partnership and Integration Joint Board. West Lothian Leisure is also a founding partner of the Livingston Youth Foundation, a charity which seeks to improve the health and well-being of young people in West Lothian through football.
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 the targets in the single outcome agreement between West Lothian Council and the Scottish Government. The performance reporting to the Board has also been widened to include success measures described in the Business Plan.
9. **Organisational Culture** – Achieving EFQM committed to excellence Two Star standard continues to reinforce our view that our culture of service excellence and our Company values are correct for our service delivery.
10. **Environmental Policy** – We continue to ensure that the Company plays its part in achieving UK and EU targets for the environment. We have an energy conservation strategy, are ESOS (Energy Savings Opportunity Scheme) compliant and monitor and report energy usage to each Board meeting.

Structure, governance and management

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 HM Revenue and Customs in Scotland.

West Lothian Leisure was incorporated on 1 February 1998 (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

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2019

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.

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 2018/19 Audit and Finance Sub Committee Meetings

Attendance Record at A & F Sub Committees					
Trustees	May	Aug	Nov	Jan	Mar
Dr Cindy Brook	P	P	P	P	P
Beverley Greer	P	A	P	P	P
Cllr Tom Kerr	P	P	A	P	P
Robert Montgomery	P	P	R	R	R
Karen Anderson	P	P	A	A	A
Paul Williams	NYA	NYA	P	P	P

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

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

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2019

Trustees Attendance at 2018/19 Board Meetings

Attendance Record	Attendance at Board meetings					
Trustees	Apr	Jun	Sept + AGM	Oct	Dec	Feb
Dr Cindy Brook	P	P	P	P	P	P
Beverley Greer	P	P	P	P	P	P
Karen Anderson	P	P	A	P	P	P
Paul Williams	NYA	NYA	P	P	P	P *
Robert Montgomery	P	P	P	P	R	R
Tom Carr-Pollock	NYA	NYA	NYA	NYA	A	P
Cllr Angela Doran	P	P	P	A	P	P
Cllr Harry Cartmill	A	A	P	A	P	A
Cllr Tom Kerr	P	P	A	P	A	P
Cllr Chris Horne	P	P	A	P	A	P
Cllr Andrew Miller	P	P	P	A	A	P
Tony Sharkey	NYA	NYA	P	P	P	R

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

*dialled in for one agenda item

During 2018/19 in addition to the regular Board Meetings there were four Special General Meetings of the Board. There were arranged, primarily, to consider the Three Year Plan.

WEST LOTHIAN LEISURE

Board Report

For the year ended 31 March 2019

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 incoming resources and application of resources, including 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 the group and parent 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 Scott-Moncrieff, Chartered Accountants 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

12 September 2019



WEST LOTHIAN LEISURE

Independent Auditor's Report

For the year ended 31 March 2019

Opinion

We have audited the financial statements of West Lothian Leisure (the charitable company) for the year ended 31 March 2019 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 2019 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

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

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

WEST LOTHIAN LEISURE

Independent Auditor's Report

For the year ended 31 March 2019

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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

For the year ended 31 March 2019

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with 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.



Nick Bennett, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, 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: 12 September 2019

WEST LOTHIAN LEISURE

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

For the year ended 31 March 2019

	Notes	Total Unrestricted 2019 £	Total Unrestricted 2018 £
Income and endowments from:			
Donations and legacies		31,919	62,644
Charitable activities			
- Membership fees		5,261,087	4,704,908
- Leisure services		4,357,991	4,749,236
- Management service fee		3,677,568	2,456,503
Investments		6,971	2,317
Other			
- Financial income, refunds & fees		443,161	403,809
Total		13,778,697	12,379,417
Expenditure on:			
Charitable activities			
- Sports and leisure facilities	4	14,582,543	14,159,356
Other			
- Net finance cost on defined benefit pension scheme		142,000	146,000
Total		14,724,543	14,305,356
Net expenditure		(945,846)	(1,925,939)
Other recognised (losses)/gains:			
Actuarial (loss)/gain on defined benefit pension scheme	8	(1,011,000)	1,205,000
Net movement in funds		(1,956,846)	(720,939)
Reconciliation of funds:			
Total funds brought forward		(4,622,890)	(3,901,951)
Total funds carried forward		(6,579,736)	(4,622,890)

The notes on pages 21 to 33 form part of these financial statements

WEST LOTHIAN LEISURE

Balance Sheet

As at 31 March 2019

	Notes	2019	2018
		£	£
Fixed Assets			
Tangible fixed assets	9	1,492,983	1,282,424
<i>Total fixed assets</i>		<u>1,492,983</u>	<u>1,282,424</u>
Current assets			
Stock		26,933	26,702
Debtors	10	1,553,882	818,560
Cash at bank and in hand		1,133,782	861,216
<i>Total current assets</i>		<u>2,714,597</u>	<u>1,706,478</u>
Liabilities:			
Creditors: amounts falling due within one year	11	(3,315,784)	(2,400,605)
<i>Net current liabilities</i>		<u>(601,187)</u>	<u>(694,127)</u>
<i>Total assets less current liabilities</i>		<u>891,796</u>	<u>588,297</u>
Creditors: amounts falling due after more than one year	12	(450,532)	(558,187)
<i>Net assets excluding pensions liability</i>		<u>441,264</u>	<u>30,110</u>
Defined benefit pension liability	8	(7,021,000)	(4,653,000)
<i>Total net liabilities</i>		<u>(6,579,736)</u>	<u>(4,622,890)</u>
The unrestricted funds of the charity:			
General funds		441,264	30,110
Pension reserve		(7,021,000)	(4,653,000)
<i>Total charity funds</i>		<u>(6,579,736)</u>	<u>(4,622,890)</u>

The financial statements were approved and authorised for issue by the Board on 12 September 2019.

Dr Cindy Brook, Chair

Beverley Greer, Secretary

Registered in Scotland – SC543017

Charity Number – SC027470

The notes on pages 21 to 33 form part of these financial statements

WEST LOTHIAN LEISURE
Statement of Cash Flows
For year ended 31 March 2019

	Notes	2019	2018
		£	£
Cash flows from operating activities:			
<i>Net cash provided by operating activities</i>	16	1,179,569	1,135,666
Cash flows from investing activities:			
Interest received		6,971	2,317
Proceeds of sale of fixed assets		23,514	(369)
Purchase of property, plant and equipment:		(669,764)	(102,231)
<i>Net cash used in investing activities</i>		(639,279)	(100,283)
Cash flows from financing activities:			
Repayments of borrowing		(267,724)	(419,688)
<i>Net cash used in financing activities</i>		(267,724)	(419,688)
<i>Change in cash and cash equivalents in the reporting period</i>	17	272,566	615,695
Cash and cash equivalents at the beginning of the reporting period		861,216	245,521
<i>Cash and cash equivalents at the end of the reporting period</i>		1,133,782	861,216

The notes on pages 21 to 33 form part of these financial statements

WEST LoTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

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 2019.

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 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 2019

2. Accounting Policies (continued)

Going Concern

The financial statements have been prepared on the basis of 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 2020. West Lothian Leisure, 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 liabilities at 31 March 2019 of £6,579,736 (2018: £4,622,890). Excluding the deficit on the defined benefit retirement scheme of £7,021,000, the charitable company reported net assets of £441,264 (2018: £30,110). The charitable company has net current liabilities of £601,187 (2018: £694,127) and reported net expenditure for the year of £945,846 (2018: £1,925,939). The charitable company has secured additional funding for 2019/20 and taken steps to reduce costs.

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 in line with 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	3 - 6 years

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

2. Accounting Policies (continued)

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.

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.

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

2. Accounting Policies (continued)

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 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. 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.

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.

WEST LoTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

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, the depreciation rates which are deemed appropriate for the class of assets and the provision for bad debts based on the trustees' expectations of likely receipts after the year end.

4. Charitable activities expenditure – Sports and leisure facilities

	2019 £	2018 £
Employee costs (note 6)	9,016,075	8,345,314
Property costs	2,304,223	2,084,452
Transport costs	117,087	146,124
Supplies and services	2,397,420	2,333,641
Irrecoverable VAT	207,991	254,260
Depreciation	428,153	841,101
Bank charges	53,018	35,885
Discounts	18,232	80,144
Loss on disposal	7,541	9,612
Governance costs (note 5)	32,803	28,823
	14,582,543	14,159,356

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

	2019 £	2018 £
Audit and other accountancy fees	31,713	25,000
Trustee indemnity insurance	1,090	3,823
	32,803	28,823

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

6. Staff costs and numbers

	2019	2018
	£	£
Wages and salaries	6,631,682	6,494,666
Social security costs	444,603	448,590
Other pension costs	724,790	570,058
FRS 102 defined benefit pension scheme adjustment	1,215,000	832,000
	<u>9,016,075</u>	<u>8,345,314</u>

Due to a management restructure, the above amounts include £344,083 of redundancy and pension strain costs for the year (2018: £nil). These are included in the figures below. Funding of £270,000 was received in connection with the restructure (2018: £nil).

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

	2019	2018
	Number	Number
£60,000 - £69,999	-	3
£70,000 - £79,999	2	1
£80,000 - £89,999	1	-
£170,000 - £179,999	1	-
	<u>4</u>	<u>4</u>

The average monthly number of employees during the year was

2019	2018
Number	Number
466	477

One employee (2018: one), who was a member of the Board during the year, received remuneration including pension and employer national insurance contributions as follows:

	2019	2018
	£	£
K Anderson	<u>35,191</u>	<u>31,331</u>

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

£371 of travelling expenses were reimbursed to one director (2018: none).

In addition to the trustees, the key management personnel of the charitable company are deemed to be the Chief Executive, Director of Operations, Director of HR, Director of Business Development and Head of Finance. The total employee benefits received by key management personnel in the year was £708,296 (2018: £413,614).

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

7. Operating deficit

	2019 £	2018 £
The operating deficit is stated after charging		
Auditor's remuneration (including expenses) - audit	21,000	22,750
- VAT advice	-	1,500
- taxation services	-	750
Depreciation of tangible fixed assets	428,150	841,101
Loss on disposal of tangible fixed assets	7,541	9,612
Hire of equipment, plant and machinery	52,771	75,219

8. Pension costs

The total pension cost charged to net expenditure for the year amounted to £2,081,790 (2018: £1,548,058). Included within this figure is a FRS 102 adjustment of £1,215,000 (2018: £832,000) and finance costs of £142,000 (2018: £146,000).

A contingent asset of £224,000 relating to the defined benefit pension scheme liability arose in connection with an indemnity provided by West Lothian Council against any future pension funding payments arising as a result of the transfer of services to the charitable company on 1 April 2017. This contingent asset has not been recognised in these financial statements.

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 employers contributions to this scheme during the year amounted to £103,108 (2018: £62,405).

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 employers contributions to this scheme during the year amounted to £621,682 (2018: £507,563). 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 Projected Unit Method. The last actuarial valuation was at 31 March 2017. Employer contribution for the year to 31 March 2020 will be approximately £447,000.

In accordance with FRS 102 – Employee Benefits – a valuation of the fund was carried out at 31 March 2019, 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 2019 % per annum	31 March 2018 % per annum	31 March 2017 % per annum
Salary increases	4.1%	4.0%	4.4%
Pension increases	2.4%	2.3%	2.4%
Discount rate	2.5%	2.7%	2.7%

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

8. Pension costs (continued)

Mortality

Life expectancy is based on the Fund's Vita Curves, with improvements in line with the CMI 2016 Model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

The major categories of assets of the scheme were:

	2019	2018
Equities	74%	75%
Bonds	12%	11%
Property	7%	7%
Cash	7%	7%

The table below compares the present value of the scheme liabilities, based on the actuary's assumptions with the estimated employer assets.

	2019 £'000	2018 £'000
Fair value of employer assets	26,778	23,901
Present value of funded liabilities	(33,649)	(28,554)
Present value of unfunded liabilities	(150)	-
Net liability in balance sheet	(7,021)	(4,653)

Analysis of the amount charged to resources expended:

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Current service cost of the defined benefit scheme	(1,825)	(1,120)

Analysis of amount credited to other finance income:

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Expected return on employer assets	653	643
Interest on pension scheme liabilities	(795)	(789)
Net loss	(142)	(146)

Analysis of amounts included in other recognised gains and losses:

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Actual return less expected return on pension scheme assets	1,633	(855)
Changes in demographic assumptions	-	(134)
Other experience	(9)	722
Changes in financial assumptions underlying the present value of the scheme liabilities	(2,635)	1,472
Actuarial (loss)/gain recognised in net movement of funds	(1,011)	1,205

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

8. Pension costs (continued)

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

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Opening fair value of employer assets	23,901	18,858
Interest income on plan assets	653	643
Contributions by members	183	204
Contributions by the employer	597	512
Contributions in respect of unfunded benefits	13	-
Effect of business combinations and disposals	-	4,723
Actuarial gain/(loss)	1,633	(855)
Unfunded benefits paid	(13)	-
Benefits paid	(189)	(184)
Closing fair value of employer assets	26,778	23,901

Changes in the defined benefit obligation are as follows:

	Year to 31 March 2019 £'000	Year to 31 March 2018 £'000
Opening defined benefit obligation	28,554	23,738
Current service cost	1,116	1,110
Past service cost	709	10
Interest cost	795	789
Effect of business combinations and disposals	-	4,947
Contributions by members	183	204
Actuarial losses/(gains)	2,644	(2,060)
Estimated benefits paid	(202)	(184)
Closing defined benefit obligation	33,799	28,554

9. Tangible fixed assets

	Furniture & equipment £	Computer equipment £	Total £
Cost			
As at 1 April 2018	3,013,575	57,285	3,070,860
Additions	669,764	-	669,764
Disposals	(209,373)	-	(209,373)
As at 31 March 2019	3,473,966	57,285	3,531,251
Depreciation			
As at 1 April 2018	1,779,734	8,702	1,788,436
Charge for the year	414,703	13,447	428,150
Eliminated on disposal	(178,318)	-	(178,318)
As at 31 March 2019	2,016,119	22,149	2,038,268
Net book value			
As at 31 March 2019	1,457,847	35,136	1,492,983
As at 31 March 2018	1,233,841	48,583	1,282,424

The net book value of the assets held under finance lease agreements as at 31 March 2019 was £1,220,347 (2018: £918,475). The depreciation charged on these assets in the year to 31 March 2019 was £256,051 (2018: £600,210).

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

10. Debtors

	2019 £	2018 £
Trade debtors	809,096	500
Other debtors and prepayments	744,786	818,060
	1,553,882	818,560

Trade debtors includes £776,552 due from West Lothian Council (2018: £nil).

11. Creditors: Amounts falling due within one year

	2019 £	2018 £
Loan	9,892	55,933
Finance lease creditor	405,308	519,336
Tax and social security	89,785	106,910
Trade and other creditors	2,411,245	1,417,701
Accruals and deferred income	399,554	300,725
	3,315,784	2,400,605

Trade and other creditors includes £1,811,287 due to West Lothian Council (2018: £1,416,705).

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

12. Creditors: Amounts falling due after one year

	2019 £	2018 £
Loan	2,473	12,366
Finance lease	448,059	545,821
	450,532	558,187

Analysed as follows:

Repayable between 1 – 2 years	246,210	300,012
Repayable between 2 – 5 years	204,322	255,094
Repayable in more than 5 years	-	3,081
	450,532	558,187

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 2019

13. Financial assets and liabilities

	2019 £	2018 £
Financial assets at amortised cost	2,483,306	1,415,196
Financial liabilities at amortised cost	(3,632,206)	(2,851,882)
	<u>(1,148,900)</u>	<u>(1,436,686)</u>

Financial assets at amortised cost comprise of cash at bank and in hand, trade debtors and other debtors due within one year.

Financial liabilities comprise of trade creditors, finance lease creditors, bank loan, other creditors and accruals, all due within one year, as well as bank loan and finance lease creditors due in more than one year.

14. Share capital

The charitable company is limited by guarantees of £1 per member and has no share capital. At 31 March 2019 there was one member.

15. Designated pension reserve

2019	Balance at 1 April 2018 £'000	Income £'000	Expenditure £'000	Other losses £'000	Transfers to unrestricted funds £'000	Balance at 31 March 2019 £'000
Pension reserve	(4,653)	-	(1,357)	(1,011)	-	(7,021)
Total restricted funds	(4,653)	-	(1,357)	(1,011)	-	(7,021)
<hr/>						
2018	Balance at 1 April 2017 £'000	Income £'000	Expenditure £'000	Other losses £'000	Transfers to unrestricted funds £'000	Balance at 31 March 2018 £'000
Pension reserve	(4,880)	-	(978)	1,205	-	(4,653)
Total restricted funds	(4,880)	-	(978)	1,205	-	(4,653)
<hr/>						

WEST LOTHIAN LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

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

	2019 £	2018 £
Net expenditure for the reporting period	(945,846)	(1,925,939)
Depreciation	428,150	841,101
Interest received	(6,971)	(2,317)
FRS 102 pension adjustments	1,357,000	978,000
(Increase)/decrease in debtors	(735,322)	197,791
Increase in creditors	1,075,248	1,001,977
(Increase)/decrease in stock	(231)	35,441
Loss on disposal of fixed assets	7,541	9,612
Net cash provided by operating activities	1,179,569	1,135,666

17. Analysis of changes in net debt

	Brought forward £	Cash flow £	Non-Cash flow £	Carried forward £
Cash	861,216	272,566	-	1,133,782
Debt due within one year	(68,299)	55,934	-	(12,365)
Finance leases	(1,065,157)	211,790	-	(853,367)
	(272,240)	540,290	-	268,050

18. Operating lease commitments

At 31 March 2019 the charitable company had commitments under non-cancellable operating leases for equipment as set out below:-

	2019 £	2018 £
Payments falling due:		
Within one year	32,364	53,993
Within two to five years	16,510	25,165
Over five years	981	10,875
	49,855	90,033

WEST Lothian LEISURE

Notes to the Financial Statements

For year ended 31 March 2019

19. Members' interests

Due to the nature of the charitable company's operations and composition of its Board, being comprised of individual 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 Limited has an interest.

The charitable company works in partnership with the 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	Retired Clinical Director / GP	03/11/2005
Beverley Greer	Freelance	Sports Coach	27/06/2013
Harry Cartmill	West Lothian Council	Elected Member	28/06/2012
Karen Anderson	West Lothian Leisure	Assistant Facility Manager	11/09/2014
Tom Kerr	West Lothian Council	Elected Member	29/06/2017
Chris Horne	West Lothian Council	Elected Member	29/06/2017
Angela Doran	West Lothian Council	Elected Member	29/06/2017
Andrew Miller	West Lothian Council	Elected Member	29/06/2017
Robert Montgomery	West Lothian Council	Information Advice Officer	09/08/2017
Paul Williams	Quercus Alba Ltd	Company Director	13/09/2018
Tom Pollock-Carr	West Lothian Council	Union Branch Secretary	13/12/2018

20. 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, £1,721,013 (2018: £1,812,166) was received from West Lothian Council as a management fee, with a further £699,621 (2018: £644,337) in connection with new facilities taken on during the year and additional funding of £1,200,000 (2018: £nil). In addition to this, £128,000 (2018: £128,000) was received for free under 16s swimming, £120,830 (2018: £120,830) for free under 5s and over 60s swimming and £87,463 (2018: £87,463) for curricular swimming. In 2018, £218,807 of funding was received from West Lothian Council in connection with IT and other projects.

At the year-end there is a balance due to West Lothian Council of £1,811,287 (2018: £1,416,705) and £776,552 (2018: £nil) due from West Lothian Council.

21. Non audit services

In common with many other businesses of its size and nature, the charitable company uses its auditor to prepare its annual financial statements and for occasional Corporation Tax and Value Added Tax compliance advice.

