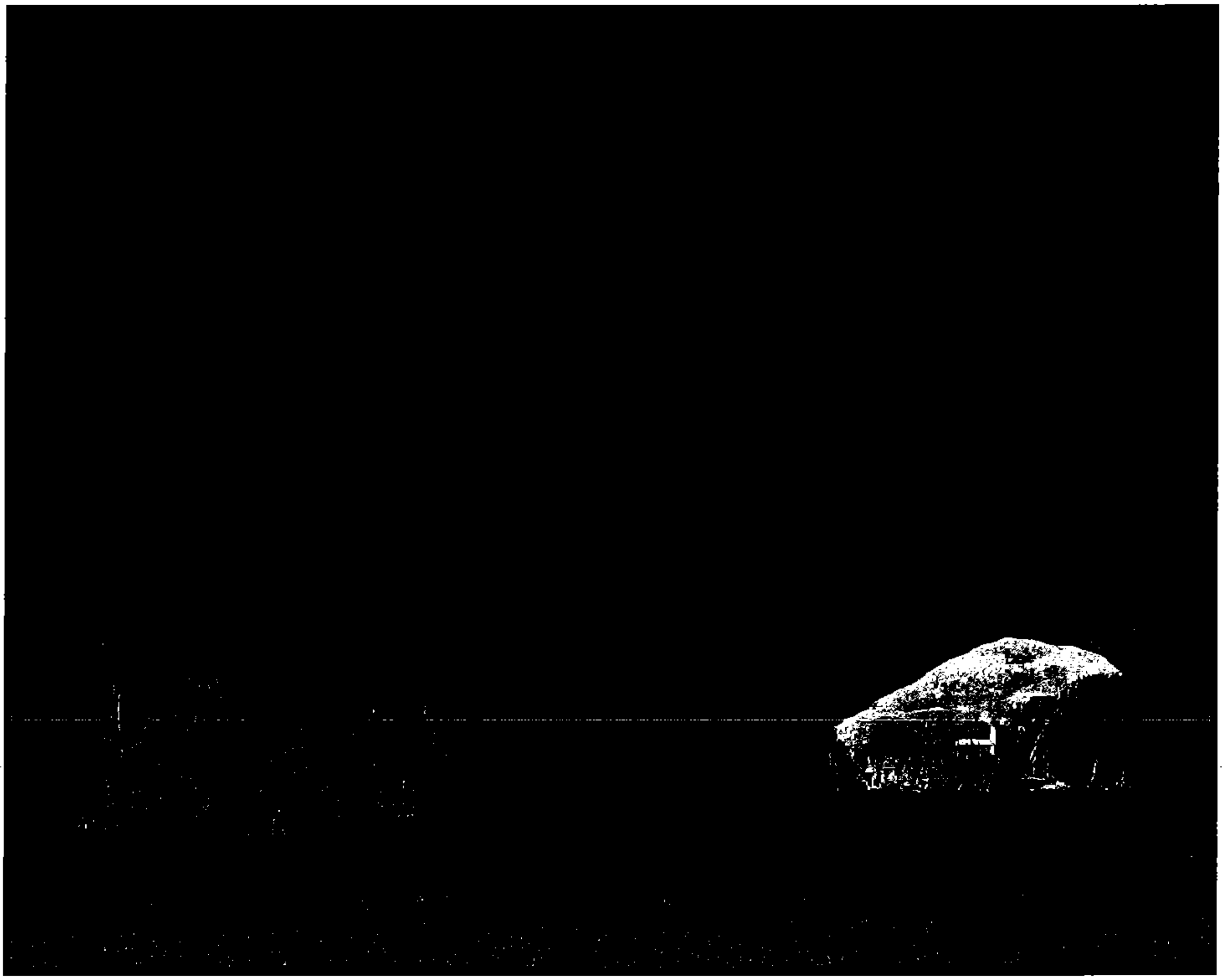


East Lothian Council

Annual Accounts
2015/16

Contents

Independent auditor's report to the members of East Lothian Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements of East Lothian Council and its group for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Council Tax Income Accounts, and the Non-Domestic Rate Income Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Andrew Shaw

Andrew Shaw, (for and on behalf of KPMG LLP)
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

30 September 2016

Management Commentary

East Lothian Council

With a population of just over 100,000, East Lothian covers some 270 square miles and includes some 43 miles of coastline. It extends from Musselburgh, its largest town, eastwards to Dunbar and beyond to its boundary with Scottish Borders. Other principal towns in East Lothian are Haddington, Tranent, North Berwick and Prestonpans.

East Lothian Council is made up of 23 elected members who were elected in May 2012. The political make up of the Council includes: 10 Labour, 8 SNP, 3 Conservative, 1 Independent, 1 Independent Nationalist.

East Lothian Council - Political Structure

23 elected members - elected in May 2012

Scottish Labour

10 Elected Members

John McNeil
Ward: 01 Musselburgh West

Andrew Forrest
Ward: 02 Musselburgh East and Carberry

Willie Innes
Ward: 03 Preston/Seton/Gosford

Margaret Libberton
Ward: 03 Preston/Seton/Gosford

Shamin Akhtar
Ward: 04 Fa'side

Jim Gillies
Ward: 04 Fa'side

Donald Grant
Ward: 04 Fa'side

Jim Goodfellow
Ward: 05 North Berwick Coastal

John McMillan
Ward: 06 Haddington and Lammermuir

Norman Hampshire
Ward: 07 Dunbar and East Linton

SNP

8 Elected Members

John Williamson
Ward: 01 Musselburgh West

Fraser McAllister
Ward: 01 Musselburgh West

Stuart Currie
Ward: 02 Musselburgh East and Carberry

Steven Brown
Ward: 03 Preston/Seton/Gosford

Peter MacKenzie
Ward: 03 Preston/Seton/Gosford

Kenny McLeod
Ward: 04 Fa'side

Tom Trotter
Ward: 06 Haddington and Lammermuir

Paul McLennan
Ward: 07 Dunbar and East Linton

Scottish Conservatives

3 Elected Members

Tim Day
Ward: 05 North Berwick Coastal

Ludovic Broun-Lindsay
Ward: 06 Haddington and Lammermuir

Michael Veitch
Ward: 07 Dunbar and East Linton

Independent

1 Elected Member

John Caldwell
Ward: 02 Musselburgh East and Carberry

Independent Nationalist

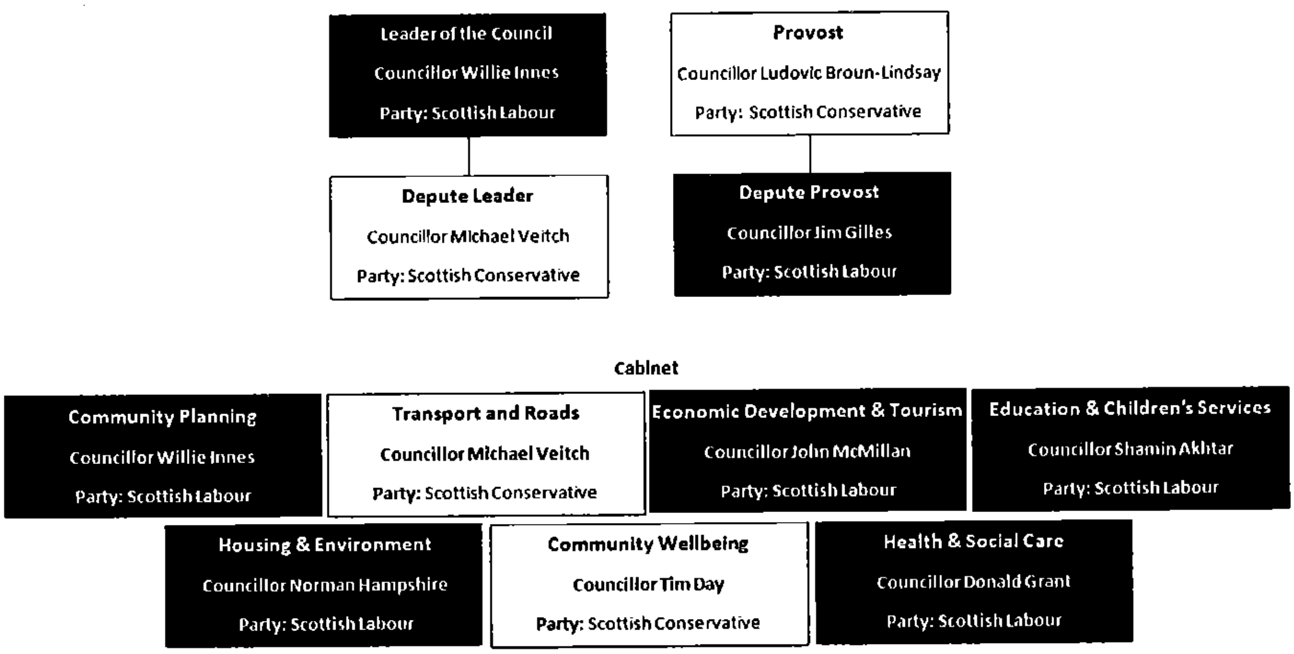
1 Elected Member

David Berry
Ward: 05 North Berwick Coastal

Political Administration

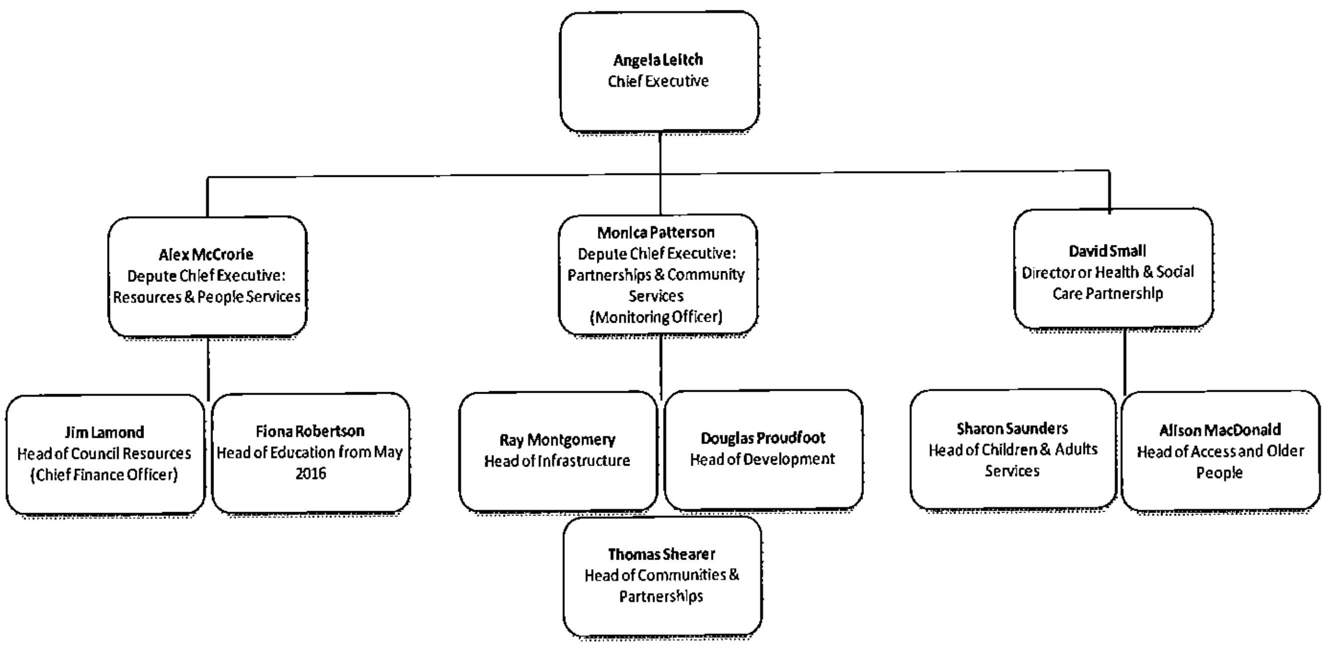
The political leadership and administration for the Council is set out below:

Political Leaders chosen by the Administration



The Council's Management Team

East Lothian Council - Administrative Structure



Decision Making in the Council

The Scheme of Administration sets out the Council's governance arrangements. These include:

- Full Council meetings, which involve all 23 elected members, take place every two months and are the focus for local democracy and carrying out the Council's statutory requirements.
- Cabinet meets every month and makes decisions on areas such as; policy; strategy, financial reporting and partnership working.
- Two other service committees remain within the Council – Education and Planning Committee.

Scrutiny of performance, decisions and plans of the Council is carried out by elected members who are not part of the Cabinet through the Council's Audit & Governance Committee and Policy and Performance Review Committee. In addition the Council has a Police, Fire & Rescue and Community Safety Scrutiny Committee which scrutinises the performance of Police Scotland and the Scottish Fire & Rescue Service in East Lothian.

Furthermore, scrutiny and inspection is carried out by external bodies including the Council's External Auditors, Audit Scotland and national inspection agencies such as Education Scotland, the Scottish Housing Regulator, and the Care Inspectorate.

The Council has adopted a Code of Corporate Good Governance based on the six principles of good governance and the self-evaluation model outlined in the CIPFA/ SOLACE *Guidance on Delivering Good Governance in Local Government.* The results of the annual Corporate Governance self-evaluation are reported to the Audit & Governance Committee and form the basis of the Annual Governance Statement.

Strategy and Objectives

The East Lothian Council Plan 2012-2017 is an ambitious and aspirational statement setting out what the Council wants to achieve over that period.

The Plan has been influenced by the 2020 Vision for East Lothian, the Single Outcome Agreement 2013-23 (East Lothian Community Planning Partnership's plan for the future of East Lothian), and the Council Administration's manifestos, adopted as Council policy in May 2012. It puts these aspirations and commitments into one strategic document that sets the framework and priorities through which the Council will work towards achieving its ambition for East Lothian.

East Lothian is currently thriving with high levels of public satisfaction, both with our natural environment and with the way in which Council Services are being delivered. Our rapidly growing population provides great opportunity but also poses significant challenge. Having endured a period of prolonged austerity that will most likely continue for at least another 5 years, the Council must work hard to satisfy increased public expectations and meet the growing demand for services that will flow from the rising population.

Our primary focus is to respond to these challenges to enable East Lothian to continue to move towards achieving the ambition as set out in the 2020 Vision, the Single Outcome Agreement and the Administration's manifestos.

~~East Lothian Council is committed to supporting the East Lothian Partnership's Single Outcome Agreement 2013-23.~~

The Council's aim is to create a prosperous, safe and sustainable East Lothian that will allow our people and communities to flourish. To achieve this, our Council Plan has four objectives:

- *Growing our Economy – to increase sustainable economic growth as the basis for a more prosperous East Lothian*
- *Growing our Communities – to give people a real say in the decisions that matter most and provide communities with the housing, transport links, community facilities and environment that will allow them to flourish*
- *Growing our People – to give our children the best start in life and protect vulnerable and older people*
- *Growing the capacity of our Council – to deliver excellent services as effectively and efficiently as possible within our limited resources.*

The Council Plan provides clear direction for Council services and staff to allow the delivery of these key priorities. The detail about what our services are doing, or plan to do, to support the strategic aims and priorities of the Council Plan and the Single Outcome Agreement outcomes is set out in Service Plans and other strategic documents such as the Integrated Children's Services Plan and the Local Housing Strategy.

A review of the Council Plan carried out in Autumn 2014 concluded that, given the continuing financial and other challenges faced the Council Plan's four objectives remain valid as the key drivers of the wider Council policy. However, given the evidence of significant levels of inequality across East Lothian, a further priority *To reduce inequalities across and within our communities,* has been included within the Plan, emphasising the continued commitment and priority placed upon early intervention and tackling inequalities over the remaining three years of the Plan.

In order to make significant progress in meeting this enhanced priority the Council agreed to prioritise the following areas of activity:

- Reducing unemployment, particularly youth unemployment and improving positive outcomes for school leavers, principally through the initiatives developed and supported by East Lothian works.
- Raising attainment in schools, particularly for pupils from more economically 'deprived' areas, and providing a broader work based education experience through working with Edinburgh College and Queen Margaret University on initiatives such as the Academies.

- Reducing inequalities and ensuring the most disadvantaged groups and communities, have access to services that maximise opportunities to break the cycle of poverty or mitigate the impact of deprivation; e.g. Children's early years initiatives and improving health and wellbeing for all age groups.

- Supporting the capacity of communities and voluntary organisations to show community resilience and maximise social capital from community and social networks.

The annual monitoring report shows substantial progress has been made against almost all the commitments contained in the Council Plan. Key achievements over the last year include:

- Reduction in unemployment, particularly youth unemployment – the percentage of the population claiming Job Seekers Allowance fell from 2.6% in March 2014 to 1.9% in March 2015 and the percentage of 18-24 year olds claiming Job Seekers Allowance fell from 5.6% to 3.7% (below the Scottish average of 3.8%)

- Improvements in positive outcomes for school leavers – the proportion of school leavers in positive destinations increased from 89.9% in 2012/13 to 92.2% in 2013/14, although it fell back slightly to 92% in 2014/15.

- Improvement in school attainment – the 2015 National Qualification results show an improvement over previous year's results at most levels, for example:

    - Pass rates for National Qualifications 2 to 4 are consistently at 100% in East Lothian in 2015.
    - Pass rates at National 5 remain relatively static in East Lothian in 2015 with a slight drop of 0.26% on the previous year
    - Pass rates at SCQF Level 6 or above (Higher) in 2015 are up by 3.5% on the previous year
    - Pass rates at SCQF Level 7 or above (Advanced Higher) in 2015 are up by 2.75% on the previous year
    - The percentage of Fifth Year pupils gaining three or more awards at SCQF Level 6 or above (Higher) increased by 6.08% in 2015 and shows an improving trend in East Lothian over the last four years
    - The percentage of Sixth Year pupils gaining 1 or more awards at SCQF Level 7 or above (Advanced Higher) decreased by 1.87% in 2015 and shows an overall improved trend in East Lothian over the last four years.

- The Council reached agreement with Edinburgh College to establish a Future Technologies Centre – Construction Academy – with a focus on the construction sector and promoting Science, Technology, Engineering and Maths in with capital funding being provided by the Scottish Futures Trust. The Construction Academy, which will be based in Musselburgh is due to open in autumn 2016.

- The Musselburgh Total Place pilot is being taken forward with a focus developing new models of service delivery around early intervention for the most vulnerable families.

- The Health and Social Care Partnership has been working actively to address the problem of delayed discharge through early intervention measures such as the establishment of the Hospital at Home service which has expanded into a responsive 7 days a week service, and establishing ELSIE (East Lothian Service for Integrated care for the Elderly) to improve our capacity to prevent admissions to hospital.

- The Council established the East Lothian Poverty Commission in January 2016 to take a strategic overview of the scale, scope and nature of poverty in East Lothian and to make recommendations to the East Lothian Partnership and the Council for a strategic and coordinated approach to tackling poverty and breaking the cycle of deprivation.

- The six Area Partnerships established in 2014/15 have continued to develop. In 2014/15 the Partnerships were responsible for £1.25m of devolved funding.

However, it is recognised that many commitments are ongoing and will need continuous monitoring and that further progress needs to be made on several commitments to ensure that they are fully achieved within the lifespan of the Council Plan.

Financial Strategy

The Council's Financial Strategy forms the basis of the Council's stewardship over taxpayer's funds. It covers a rolling 3 year period and is updated and approved each year by Council as part of the annual budget setting process, with the most recent strategy covering the period of 2016/17 to 2018/19 approved by Council on 9 February 2016. The Strategy is developed taking into consideration the main opportunities, risks and constraints facing the Council over the medium to longer term and seeks to enable the Council to deliver a sustainable level of service provision within a structured budgetary framework. The strategy aims to reduce any future reliance on reserves, and takes into consideration forecasts around the financial environment which the Council is currently and is likely to be operating within over the medium to longer term. The approved financial strategy focuses on:

- Delivering an enhanced Change Programme that will achieve significant efficiency savings across all areas and all inputs such as staffing and supplies;

- Constraining cost growth – through effective demand management, good financial control by managers and by effective negotiation with suppliers;

- Generating additional income and ensuring that, where the Council has decided to charge, there is full cost recovery;

- Progressing partnership working where there are proven efficiency and or service gains; and

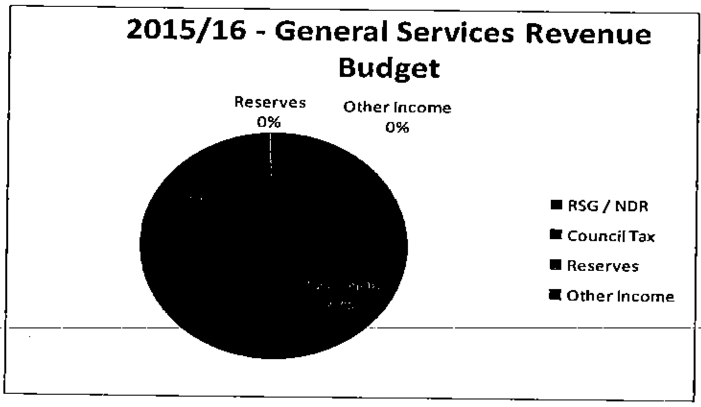
- Continuing to manage the General Services Loans Fund balance ensuring affordability across the three years of the Strategy, and sustainability in the longer term. It is important to recognise that capital investment decisions taken now have long term borrowing and revenue implications which have the potential to place undue burden on future tax payers.

Financial Performance

Budget and Financial Strategy 2015/16

The Budget and Financial strategy covering the financial year's 2015-2018 was approved by Council on 10 February 2015. This covers both the General Services and Housing Revenue Account revenue and capital budgets. A summary of the main elements of the approved budgets were set out below:

- Total planned General Service revenue expenditure of £222.498m, the financing of which is set out in the graph below.



- Total planned General Services Gross Capital expenditure of £31.009m

- HRA Capital Programme of £25.4m which delivers a programme of modernising existing housing stock as well as providing new affordable housing for the residents of East Lothian.

The results and prospects for the General Services and Housing Revenue Accounts are quite different and are therefore considered separately in the sections below.

General Services

During the year, and in order to inform 2016/17 budget planning, the Council had revised its budgetary forecast as part of the review of in year financial monitoring and management of service budgets, and had estimated that an additional £3 million would be contributed to reserves at the year end. The actual 2015/16 outturn has delivered an increase in General Service usable reserves of £4.798 million. This has been achieved through a combination of factors including a number of favourable movements, some of which are one-off in nature and therefore non-recurring. Additionally, there have been a number of service specific movements during the year relative to approved budget. Some of these favourable movements are set out below:

- Service reductions and delivery of a wide range of efficiencies including the continued application of efficient workforce management controls and a continued reduction in expenditure on supplies and services;

- Additional income achieved through increased Building and Planning Warrant activity;

- Reduction in anticipated debt charges resulting from a combination of lower than planned capital expenditure alongside a wider review of the Council's Loans Fund.

In keeping with recent years, the Council has continued to reduce its overall cost base through the delivery of efficiencies, including a significant programme of service reviews and Efficient Workforce Management targets. During 2015/16, savings of £1.8 million were identified in order to balance the costs of delivering services within the available resources. These savings are in addition to efficiency savings of around £19 million which have delivered since 2012, with a further requirement to deliver an enhanced programme of efficiencies amounting to £11.5 million planned until 2019. The delivery of efficiencies is monitored and reviewed as part of the quarterly monitoring reports which are presented to Cabinet. In addition, a Budget Review Group chaired by the Chief Executive has been established and this group reviews spending across all service areas during the year against approved budget.

Capital Infrastructure

Key to delivering our outcomes is investment in assets including our schools, housing and wider infrastructure to support the wider economy. In 2015/16 the Council budgeted for capital investment of £31 million in General Fund and £25.4 million of HRA, with actual expenditure in both programmes of £27.2 million (General Services) and £22.02 million (HRA) respectively, and financing of both programmes set out in the table below.

	General Services £'M	HRA £'M
Grants	13.617	3.760
Asset Sales	1.022	1.323
Other	3.233	1.260
Borrowing	9.368	15.677
TOTAL	**27.240**	**22.020**

In relation to the General Services, most of the reported underspend relates to slippage in a number of capital projects alongside additional income of £1 million which had not been budgeted for. In relation to the HRA and similar to General Services, most of the underspend relates to slippage on planned expenditure on a number of key sites included within the New Affordable Housing Programme, with higher than anticipated asset sales therefore reducing the need to borrow.

During the year, as a result of continued review of the Council's Loans Fund and treasury management investment decisions, the General Service Loan Charges budget achieved significant reductions of over £1 million in the cost of financing capital for the Council, with a further £0.4 million reduction in planned HRA loan charges. These savings have, as part of the latest budget development process already been built into future year's budgets, the resultant flexibility having been used to support wider service budget pressures.

The Council continues to postpone some of its borrowing requirement by calling upon cash reserves and when necessary, taking advantage of cheaper short term borrowing to manage its cash flows. This is particularly attractive when investment returns are so modest. We have therefore used £47 million of reserves and working capital instead of borrowing.

Housing Revenue Account

In 2015/16 the Housing Revenue Account delivered an increase in reserves of £0.623m. Despite an increase in rental income of over £1.1 million from 2014/15, overall rental income was below budgeted levels. During 2015/16 this was offset by savings relative to planned budget on most operational service expenditure areas including staffing and overall running costs. Despite very testing market conditions, there has been a slight improvement in rent income collection performance during 2015/16 resulting in a slight decrease in the total outstanding rent debt to £2.932 million (£2.959 million in 2014/15). Similar to Council Tax, the Council provides for a level of bad debt and whilst the overall provision has continued to increase, this was around £0.015million less than had been anticipated, based on previous performance trends.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost of providing services rather than the cost of services which requires to be funded by taxation.

Net Cost of Services

The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the quarterly management reports in order to comply with the Code of Practice for Local Authority Accounting in the United Kingdom 2015/16 (the Code).

These accounting adjustments include depreciation, impairments and Loan Charges. This results in the (statutory accounting) adjusted net cost of services of £235.9 million compared with the reported departmental net cost of services of £232.2 million, as set out in Note 11.

Further statutory adjustments are then made to the Comprehensive Income and Expenditure to include: net gains / losses on the disposal of assets, interest payable and receivable and adjustments for pension costs. These accounting adjustments result in an overall deficit on the Provision of Services of £20.052 million (compared to a surplus of £6.272 million in 14/15) – largely as a result of impairment charges and a significant upwards revaluation of the Council's operational assets as at 31 March 2016.

The net cost of service is then adjusted to take into consideration the reported surplus on the revaluation of assets of £116.5 million, and gain on Pension Assets / Liabilities of £67.5 million. Taking this into consideration the Council reported a surplus on total Comprehensive Income and Expenditure of £164.9 million (2015/16 – deficit of £21.6 million).

Reserves

The Council maintains two types of reserves – usable and unusable – the movement in these is set out in the Movement in Reserves Statement.

- Usable Reserves – result from the Council's activities and can be spent in the future
- Unusable Reserves – result from accounting adjustments and cannot be spent

Within a very challenging operating environment, the Council has delivered stronger than anticipated results for the year, with an overall increase in usable reserves of £5.748m. This is split between; an increase in General Services usable reserves of £4.798m, an increase in the Council's Insurance Fund of £0.328m, and an increase in Housing Revenue Account (HRA) reserves of £0.622m. In broad terms, this is a result of stringent monitoring and management of finance by all budget holders and such discipline will stand us in good stead for any future reductions to public service expenditure.

The Council's General Service usable reserve is maintained to support a number of potential commitments including:

- A working balance to help support future budgets
- A contingency to cushion the impact of unexpected events or emergencies
- Insurance Fund to meet estimated future liabilities arising from insurance claims
- Earmarked balances – including Devolved School Management (DSM) balances
- Balances to help support future pressures arising from the need to transform and redesign services and reduce future cost base
- Balances to support future capital investment decisions

As at 31 March 2016, the total General Services reserve balance (including Insurance Fund) was £23.172 million (£18.048 million as at 31 March 2015). The total Housing Revenue Account reserves balance was £7.252 million (£6.630 million as at 31 March 2015). The HRA balance includes both the general Housing Revenue Account and Housing Capital Fund which is used flexibly to support the wider Housing Capital Programme by financing capital expenditure enabling the Council to maintain control of its outstanding debt in accordance with the Financial Strategy.

Future Financial Implications

In line with the Financial Strategy, the Council has continued to develop a sustainable budget that removes any dependency on reserves by 2018/19. Despite the improved results for 2015/16, the Council, in common with other public bodies, continues to face significant financial challenges with further reductions in public sector funding levels expected to continue until at least 2020/21. It is therefore unlikely that future Government Grant levels will be sufficient to support unavoidable cost and demand pressures and further work will be required to identify additional cost efficiencies and increased income. The planned use of reserves will need to be carefully considered in line with the Council's Financial Strategy.

Integration of Health and Social Care

In line with statutory requirements, during 2015/16 the East Lothian Integrated Joint Board (IJB) was established and held its first meeting on 1 July 2015. The IJB has responsibility for considering and agreeing a Strategic Plan which sets out the wider strategic direction as to how health and social care services for adults will be delivered over the coming years, and importantly when the Strategic Plan will be adopted, including associated budgets. The Strategic Plan was formally adopted from 1 April 2016, with resources delegated from this date by the Council to the IJB to deliver the approved functions which are set out within the approved Scheme of Integration. Subsequently, from 1 April 2016 the IJB has issued formal Directions to both the Council and NHS to deliver the functions which have been delegated to the IJB as set out in the Strategic Plan. Given the IJB was formally established in 2015/16, IJB annual accounts have been prepared for this financial year by the IJB Chief Financial Officer.

Given the Strategic Plan has now been adopted from 1 April 2016, there will be a need to review the financial planning process for all partner bodies (IJB, NHS and Council) to ensure that there is a clear understanding of future resource requirements and associated risks.

Highways Network Asset

Within the 2015/16 accounts, infrastructure assets such as highways, bridges, footways, cycleways and street lighting etc are included within the Property, Plant & Equipment category on the Balance Sheet. During 2016/17, the Authority will need to recognise a new asset category on the Balance Sheet which will be the Highways Network Asset. This will be a single asset as all elements exist for a single purpose which will be disclosed as a separate line on the Balance Sheet and separately in the notes to the accounts.

This change comes as a result of changes to the 2016/17 Code of Practice which will require all Local Authorities to value their Highways Network Asset using a Depreciated Replacement Cost basis rather than the current valuation basis of Depreciated Historical Cost. It is anticipated that this accounting policy change will result in a significant increase in the value of these assets and therefore would normally require retrospective restatement of the Authority's Balance Sheet from 1st April 2015. However, CIPFA/LASAAC has introduced transitional arrangements so that this will be applied from 1st April 2016 with no requirement to restate the information in the prior year.

The Authority is reviewing its transport infrastructure systems and considering the data which will be used to calculate the asset value to ensure that it can meet the reporting requirements from 1st April 2016.

Performance

From Improvement to Excellence is the Improvement Framework through which East Lothian Council will continue to strive for best value and move from being an improving Council to an excellent Council.

One of the four focus areas in the Council Plan is *Growing the Capacity of our Council* to ensure it delivers excellent, effective and efficient services. The Council has put delivery of excellent services to the people and communities of East Lothian at the heart of what we do. We recognise that there is always more we could do to improve services, make them more effective and deliver them more efficiently – balancing quality of service with value for money. We are on a journey from delivering improving services to delivering real excellence.

The Council's commitment to continuous improvement and its Improvement Framework are centred on the belief that we have to be self-aware of both our strengths and weaknesses, we need to be more proactive about identifying improvement opportunities and managing our performance and be critically honest in our evaluation of our own performance. Inspections, audits and accreditation support the process by providing independent and external assessment of how we are doing and what can be improved.

The Improvement Framework consists of five inter-related elements by which the Council will move from Improvement to Excellence:

- Setting clear outcomes and priorities – what we need to do to achieve our vision and ambitions
- Self-evaluation – measuring how are we doing and what do we need to improve
- Service and improvement planning and management – setting out how are we going deliver and manage services and improvement
- Performance management, monitoring and reporting – monitoring how we are doing
- External assessment and accreditation – how others see us and gaining external validation.

In practice, delivering the Improvement Framework involves four areas of activity: planning, delivering, monitoring and reviewing.

Activity	Council wide	Service/ Business Unit
Planning what we need to do	Council Plan Single Outcome Agreement (SOA) Council Improvement Plan	Service Plans Unit/ Business Plans
Delivering what we have planned	Delivering services	Delivering services
Monitoring or checking how we are delivering	Performance reports: • East Lothian Performs • Your Council Performs • SOA Annual Report	Performance reports, including: • Quarterly Performance Reports • Services Plan Monitoring Reports
Reviewing what we do to make it more successful	Annual review of Council Plan Monitoring of SOA and How Good is Our Partnership? Corporate Governance self-evaluation	How Good is Our Council? Performance improvement tools; for example, Lean Thinking

Employee engagement is a vitally important aspect of the Council's approach to improvement, in particular in relation to the Review element of the improvement framework.

The Council's 2016 Employee Engagement Survey (carried out in February-March 2016) achieved a 58% response rate across all services (compared to 51% in the previous year). The survey showed an overall positive engagement (Strongly Agree and Agree responses across all 21 questions) of 77%. The survey results continue to provide evidence that East Lothian Council has a committed workforce. Highlights from this year's survey include:

- 92% of the workforce stated their work is interesting and uses their skills and capabilities
- 90% know how their job/ individual objectives contribute to the Council's objectives
- 88% feel trusted to make decisions in their role.

Council staff at all levels are involved in the annual Self-Evaluation for Improvement to Excellence exercise undertaken using the How Good is our Council framework.

The Council publishes an Annual Performance Report in September of each year outlining its performance for the previous financial year. The Council also publishes up-to-date performance results via its performance website, which draws performance information directly from Aspireview (the Council's management information system).

The annual Performance Report will be reported to Council in October 2016 with some of the key financial results set out below:

- The Council continues to deliver improvements in the level of Council Tax which was due to be collected by 31 March 2016 with an in year collection rate of 96.64%, in comparison with 96.5% in 2014/15.
- Despite multiple adverse pressures, there has been a slight improvement the amount of rent which is collected as a % of rent due where 99.81% has been collected in 2015/16 (99.57% in 2014/15).

Risks

In keeping with the Council's Risk Management Strategy, the Corporate Risk Register is reviewed annually and reported to the Cabinet.

The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position
- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place
- Medium risk is tolerable with control measures that are cost effective
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

In accordance with the Risk Management Strategy 'Very High' and 'High Risks' identified in the Corporate Risk Register will be subject to closer scrutiny by the Council Management Team, the Cabinet and the Audit and Governance Committee.

The 2016 Corporate Risk Register includes one Very High risk, ten High risks and five Medium risks.

The Very High Risk relates to the 'Financial Pressure' and financial operating environment, as significant uncertainty in the longer term financial projections remain. The current financial strategy covers the medium term planning period of the next three financial years. However this is likely to be extended to ensure that the Council is well placed to meet the future challenges if current forecasts emerge.

The Council is managing this risk through well developed short to medium term financial planning arrangements, including:

- three year General Services revenue budgets
- six year General Services capital plan budgets
- ten year Housing Revenue Account revenue and capital budgets.

In addition, it has cost control and financial management arrangements for managing in year budget performance; both of which provide mitigating controls in terms of the immediate financial risk and pressures the Council is faced with.

The Council Management Team and senior managers continue to follow the financial strategy i.e. cost control/ cost minimisation to ensure delivery of agreed savings. This is also being monitored closely through the continued operation of the Chief Executive's Budget Review Group.

The Workforce Development Plan is a key part of the Council's response to increasing financial pressures. It aims to support transformational change, build and sustain leadership and management capacity, sustain a skilled, flexible and motivated workforce and develop the workforce for the future.

The ten High Risks identified in the Corporate Risk Register are:

- Welfare Reform
- Information security and data protection
- Flooding and coastal erosion

- Public sector reform
- Local Development Plan
- Failure to maintain a highly skilled workforce
- Duty of care to public and public protection
- Duty of care to Council staff
- Corporate events management
- Contest (delivering the Government's anti-terrorism strategy)

Each of these high risks is managed through existing mitigating actions and planned additional control measures aimed at mitigating and reducing the risk.

Key Developments for the Next Year

The review of the Council Plan carried out in Autumn 2015 highlighted the progress that has been made in achieving the priorities established by the Plan and identified key priorities for action for the remaining two years of the Plan

As is highlighted in the Council's Financial Strategy 2015/16 to 2017/18, the Council will need to continue its programme of focussed work to maximise the efficiency and effectiveness of services provided to the public within the financial constraints faced by the Council. In order to ensure that progress is made in the key elements of the drive for further improvement and Best Value a defined Transformation Programme is being put in place with appropriate resources identified via the Cost Reduction Fund to ensure the capacity to achieve the programme.

The Transformation Programme will include on-going Council wide initiatives such as efficient workforce management and further enhancements in procurement, as well as major 'short-life' project including:

- Review of Council accommodation requirements
- Best Value Reviews and service review and re-design with options appraisal around alternative service delivery models
- The Unified Business Support service review
- Electronic Data Retrieval Management System (EDRMS)/ Records Management Plan
- IT / Digital Strategy, Channel Shift and the redevelopment of the Council's website
- Strategic Partnerships with other Councils and partners.

The Transformation programme will be supported by a Transformation programme Manager and Project Managers who will report into to a sub-group of the Council Management Team.

2015/16 has again been an important year for the Council, with the continued application of a financial strategy which has focussed on cost reduction and cost avoidance ensuring that services continue to be delivered in the most efficient way possible. Despite the ever tightening financial environment within which we operate, the Council is in a relatively good position to address the many challenges we face. Strong financial performance during the year has helped provide a timely boost to our reserves, the future use of which must be wisely managed.

Given the future financial prospects with falling levels of expected Government Grant, the Financial Strategy must ensure the delivery and long term sustainability of services by securing further reductions in the base operating costs. This will include reviewing the way in which we deliver services such as the formal integration of Health and Social Care services. Further planned efficiencies have already been planned for 2016/17 and beyond, and this will continue to be a critical focus of our attention.

Angela Leitch
Chief Executive
28 September 2016

Willie Innes
Council Leader
28th September 2016

Jim Lamond (CPFA)
Head of Council Resources
28 September 2016

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Council Resources, who is the designated Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts and lay the audited accounts to a meeting of the Council within two months of receipt of the audit certificate.

The Chief Finance Officer's responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the Code of Practice.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Finance Officer's Certification

I certify that the Statement of Accounts present a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

Jim Lamond (CPFA)
Head of Council Resources
26 September 2016

Willie Innes
Council Leader
28th September 2016

Annual Governance Statement

East Lothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council also has a duty under the Local Government (Scotland) Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In addition there is a duty on the Council to conduct, at least annually, a review of the effectiveness of the system of internal controls.

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

East Lothian Council carries out these duties in a number of ways as set out below.

Annual self-evaluation of Corporate Governance

In 2015/16 the whole Council Management Team has undertaken an annual self-evaluation of corporate governance.

The team considers the extent to which the Council meets the principles and requirements of the local Code of Corporate Good Governance which was adopted by the Council in May 2010, by reviewing the documentary evidence and practice of each of the supporting principals and requirements of the corporate governance code. The findings of the 2015/16 review were reported to the Council's Audit & Governance Committee in May 2016.

The group reviewed progress made against the improvement points identified in the 2015 self-evaluation and considered documentary evidence and practice around each of the supporting principles and code requirements as detailed in the local code.

As with the previous self-evaluations the 2015/16 self-evaluation has found that East Lothian Council continues to have good governance and control arrangements in place across the six principles. The self-evaluation has identified a number of areas of development and improvement, which build on existing good practice and improvement action already being implemented to ensure the Council's progress through continuous improvement.

Declaration of Assurance

All Chief Officers are asked to sign a Declaration of Assurance which either confirms that internal financial controls are operating satisfactorily in their service or provides details of issues which they wish to highlight.

The results of these assurances were that;

All Chief Officers provided assurance that, to the best of their knowledge and understanding, the Internal Financial Controls in their areas operated satisfactorily, subject to some minor improvements.

Internal Audit Review

ELC's Internal Audit team carries out reviews of service areas throughout the year and report its findings to the Council's Audit and Governance Committee. The agenda and minutes of this meeting can be accessed on the Council's website at;

http://www.eastlothian.gov.uk/meetings/meeting/5710/audit_and_governance_committee

All internal audit reports into service areas include recommendations, agreed actions and an implementation date.

The Internal Audit manager also gives an assurance statement on the effectiveness of the system of internal controls within the Council. This was reported to the May 2016 meeting of the Audit & Governance Committee. For 2015/16, the Internal Audit Manager concluded that, subject to some weaknesses outlined in the report, reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year to 31 March 2016.

Statement on the role of the Chief Finance Officer

In 2010 the Chartered Institute of Public Finance & Accountancy (CIPFA) issued a statement on the role of the Chief Finance Officer (CFO) in public service organisations. The statement sets out the principles that define the core activities and behaviours that are key to the role of the CFO in public sector organisations. For each principle the statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Council is able to confirm that, in all major regards, it conforms with the governance arrangements of the CIPFA statement.

Results

It is our opinion that reasonable assurance can be placed on the governance and control arrangements within East Lothian Council and its Group during 2015/16.

Angela Leitch
Chief Executive
28 September 2016

Willie Innes
Council Leader
28th September 2016

Jim Lamond (CPFA)
Head of Council Resources
26 September 2016

Remuneration Report

Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These regulations require Local Authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. The following information in this Remuneration Report has been audited by KPMG LLP.

- Senior Councillor Remuneration at Page 19
- Senior Officer Remuneration at Page 19
- Pay Bandings information on Page 20
- Pension Benefits information for Senior Councillors and Officers from Page 22

The other sections of the Remuneration Report were reviewed by KPMG LLP to ensure that they were consistent with the financial statements.

Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183).

The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors.

The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration, allowances and expenses afforded to local authority councillors, Scottish Ministers previously looked to the Scottish Local Authority Remuneration Committee (SLARC), for guidance based on its analysis and recommendations. Since 2011, SLARC has not functioned in this role and today the dialogue on this issue is a matter between the Scottish Government and COSLA.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2015/16 the salary for the Leader of East Lothian Council is £27,878. The Regulations also permit the Council to remunerate one Civic Head or Provost. The regulations set out the maximum salary that may be paid to that Civic Head. Council policy is to pay at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have.

The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors (excluding the Leader and Civic Head/Provost) shall not exceed £169,355.

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council's policy is to set these within the national maximum limits as set out above.

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members.
In addition to the Senior Councillors of the Council the Regulations also set out the remuneration payable to councillors with the responsibility of a Convenor or a Vice-Convenor of a Joint Board such as a Police Joint Board. The Regulations require the remuneration to be paid by the Council of which the convenor or vice-convenor (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the convenor or vice-convenor being a member of the Local Government Pension Scheme.

The Council is reimbursed by the Joint Board for any additional remuneration paid to the member from being a convenor or vice convenor of a Joint Board.

Senior Councillor's Remuneration

Office Held as at 31st March 2016		Salary, fees and Allowances 2014/15 (£)	Taxable Expenses 2014/15 (£)	Total 2014/15 (£)	Annualised Salary 2014/15 (£)	Salary, fees and Allowances 2015/16 (£)	Taxable Expenses 2015/16 (£)	Total 2015/16 (£)	Annualised Salary 2015/16 (£)
Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning	27,602	0	27,602	27,602	27,878	1,116	28,994	27,878
Ludovic Broun-Lindsay	Provost	20,702	989	21,691	20,702	20,909	1,045	21,954	20,909
Jim Gillies	Depute Provost	20,702	1,796	22,498	20,702	20,909	1,719	22,628	20,909
Michael Veitch	Depute Leader and Cabinet Spokesman Transport and Roads	20,702	830	21,532	20,702	20,909	613	21,522	20,909
Shamin Akhtar	Cabinet Spokesman for Education and Children's Wellbeing	20,702	198	20,900	20,702	20,909	735	21,644	20,909
Tim Day	Cabinet Spokesman for Community Wellbeing	20,702	2,352	23,054	20,702	20,909	1,905	22,814	20,909
Donald Grant	Cabinet Spokesman for Health and Social Care	20,702	593	21,295	20,702	20,909	286	21,195	20,909
Norman Hampshire	Cabinet Spokesman for Housing & Environment	21,702	0	21,702	20,702	21,909	0	21,909	20,909
John McMillan	Cabinet Spokesman for Economic Development and Tourism	20,702	0	20,702	20,702	20,909	0	20,909	20,909
Stuart Currie	Leader of the Opposition	20,702	2,971	23,673	20,702	20,909	3,352	24,261	20,909
		214,920	9,729	224,649	213,920	217,059	10,771	227,830	216,059

Total Councillor's Remuneration

Type of Remuneration	2014/15 (£)	2015/16 (£)
Salaries	429,200	433,497
Allowances	1,000	1,000
Expenses	34,138	34,185
Total	464,338	468,682

An allowance of £1,000 was paid to Norman Hampshire in his capacity as APSE Regional Advisory Group Chair.

The annual return of Councillors salaries and expenses for 2015/16 is available to view on the Council's website at:
http://www.eastlothian.gov.uk/downloads/file/11160/01_april_2015-31_march_2016

Senior Officer Remuneration

The Regulations require disclosure of remuneration information for 'relevant' persons, These include senior officers i.e. those senior employees who meet one or more of the following criteria;

- Has responsibility for the management of the local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.
- Holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989.
- Annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities.

A formal review of the Chief Officer structure was last carried out in February 2012, although there have been minor variations approved since then.

During 2015/16 the Council paid the following amounts to senior employees

Name	Post Title	Salary, fees and allowances 2014/15 (£)	Taxable expenses 2014/15 (£)	Compensation for loss of office 2014/15 (£)	Total 2014/15 (£)	Salary, fees and allowances 2015/16 (£)	Taxable expenses 2015/16 (£)	Total 2015/16 (£)
Angela Leitch	Chief Executive	117,427	526	-	117,953	115,728	438	116,166
Monica Patterson	Depute Chief Executive-Partnership & Services for Communities	96,783	337	-	97,120	97,962	339	98,301
Alex McCrorie	Depute Chief Executive-Resources & People Services	96,243	513	-	96,756	97,962	566	98,528
Murray Leys	Head of Adult Wellbeing (until 28th February 2015)	88,172	465	17,500	106,137	-	-	-
David Heaney	Head of Adult Wellbeing (from 18th August to 16th November 2014)	20,825		-	20,825	-	-	-
Jim Lamond	Head of Council Resources	88,432	321	-	88,753	87,552	-	87,552
Richard Jennings	Head of Development (until 31st August 2014)	45,022		49,279	94,301	-	-	-
Douglas Proudfoot	Head of Development (Acting Head from 21st July 2014 to 21st June 2015)	59,241	-	-	59,241	85,502	77	85,579
Raymond Montgomery	Head of Infrastructure	84,242	207	-	84,449	85,502	-	85,502
Thomas Shearer	Head of Communities & Partnerships	84,507	761	-	85,268	85,502	818	86,320
Sharon Saunders	Head of Children's Wellbeing	83,967	1,499	-	85,466	85,502	1,028	86,530
Darrin Nightingale	Head of Education (until 1st November 2015)	84,242	786	-	85,028	48,944	484	49,428
		949,103	5,415	66,779	1,021,297	790,156	3,750	793,906

The salary, fees and allowances for senior officers includes any payments made in respect of election roles. During 2015/16 the Heads of Service were all paid £85,227 (full time equivalent).

At its meeting of 25th June 2013, the Council agreed to a share of the Director of East Lothian Health and Social Care Partnership post from August 2013.

The costs are shared on a 50/50 basis with NHS Lothian. All payroll and pension arrangements for this post are administered by NHS Lothian. During 2015/16, the Council was invoiced a total of £63,892 as a shared cost of this post.

Fiona Robertson was appointed Head of Education on 29/3/16 on a 1 year secondment from Education Scotland. No 2015/16 invoice was received so no costs have been incurred to date.

The Council's employees receiving more than £50,000 remuneration for the year, excluding pension contributions, were paid the following amounts.

	2014/15	2015/16
£50,000 - £54,999	47	42
£55,000 - £59,999	19	30
£60,000 - £64,999	2	3
£65,000 - £69,999	8	3
£70,000 - £74,999	1	4
£75,000 - £79,999	1	1
£80,000 - £84,999	2	1
£85,000 - £89,999	4	5
£90,000 - £94,999	1	-
£95,000 - £99,999	2	2
£100,000 - £104,999	-	-
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
	89	92

Subsidiary Bodies

Separate disclosure of the remuneration and pension benefits of senior posts held in the Council subsidiary companies, where appropriate is outlined in the table below. The remuneration arrangements for these respective subsidiaries are determined solely by the subsidiary bodies.

The General Manager for Musselburgh racecourse is not a member of the Council's defined benefit pension scheme.

No Councillor receives remuneration from any of the Council's subsidiary bodies.

Name	Post Title	Salary 2014/15	Bonuses 2014/15	Expenses & Allowances 2014/15	Total 2014/15	Salary 2015/16	Bonuses 2015/16	Expenses & Allowances 2015/16	Total 2015/16
		(£)	(£)	(£)	(£)	(£)		(£)	(£)
William Farnsworth	General Manager Musselburgh Racecourse	89,995	8,780	14,467	113,242	92,723	200	14,000	106,923

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends.

The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

From 1 April 2015 the LGPS for local government employees transferred to a career average scheme. This means that pension benefits are built up each year based on your pensionable pay for that year. This is then added to your pension account. At the end of each year the amount in your pension account will be adjusted in line with the cost of living -currently the rate of the Consumer Price Index -to ensure it keeps its value.

~~The scheme's normal retirement age for both councillors and employees is 65.~~

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This was intended to strengthen the relationship between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

Whole Time Pay	Range 2014/15	Rate 2014/15	Range 2015/16	Rate 2015/16
On earnings up to and including	£20,933	5.50%	£21,102	5.50%
On earnings above	£20,934 and up to £25,151	5.60%-5.80%	£21,103 and up to £25,330	5.60%-5.80%
On earnings above	£25,152 and up to £34,152	5.90%-6.50%	£25,331 and up to £34,415	5.90%-6.50%
On earnings above	£34,153 and up to £46,071	6.60%-7.30%	£34,416 and up to £46,456	6.60%-7.30%
On earnings above	£46,072	7.40%-11.20%	£46,457	7.40%-11.20%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2009. Between 1 April 2009 and 31 March 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to this the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80ths of final pensionable salary and years of pensionable service. From 1 April 2015 the accrual rate guarantees a pension based on 1/49th of a final pensionable salary and years of pensionable service.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The estimated pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment. These are based on information available to the Council. The Lothian Pension Fund administers these pensions and holds information that is not available to the Council at the date of this statement. Should this information become available to the Council, updated figures will be published.

Pension Benefits -Senior Councillors

The estimated pension entitlements for Senior Councillors for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council during the year.

		Pension Contributions		Accrued Pension Benefits			
	Office Held as at 31st March 2016	For Year to 31st March 2015	For Year to 31st March 2016	As at 31st March 2016		Difference from 31st March 2015	
		(£)	(£)	Pension £000's	Lump Sum £000's	Pension £000's	Lump Sum £000's
Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning	5,893	5,938	4	2	1	-
Ludovic Broun-Lindsay	Provost	4,410	4,454	3	1	1	-
Jim Gillies	Depute Provost	4,410	4,454	3	2	-	1
Michael Veitch	Depute Leader and Cabinet Spokesman Transport and Roads	4,410	4,454	1	-	-	-
John McMillan	Cabinet Spokesman for Economic Development and Tourism	4,410	4,454	1	-	-	-
Shamin Akhtar	Cabinet Spokesman for Education and Children's Wellbeing	4,410	4,454	1	-	-	-
Norman Hampshire	Cabinet Spokesman for Housing & Environment	4,622	4,667	3	1	1	-
Donald Grant	Cabinet Spokesman for Health and Social Care	4,410	4,454	3	2	1	1
Total		36,975	37,329	19	8	4	2

Pension Benefits -Senior Employees

The estimated pension entitlements for Senior employees for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council during the year.

Office Held as at 31st March 2016		Pension Contributions		Accrued Pension Benefits			
		For Year to 31st March 2015	For Year to 31st March 2016	As at 31st March 2016		Difference from 31st March 2015	
		(£)	(£)	Pension £000's	Lump Sum £000's	Pension £000's	Lump Sum £000's
Angela Leitch	Chief Executive	23,744	23,990	48	105	3	1
Angela Leitch	Returning Officer	628	660	-	-	-	-
Monica Patterson	Depute Chief Executive-Partnership & Services for Communities	20,499	20,807	44	97	3	1
Alex McCrorie (*)	Depute Chief Executive-Resources & People Services	15,375	-	-	-	-	-
Murray Leys	Head of Adults Wellbeing (to 28/2/15)	16,395	-	-	-	-	-
David Heaney	Head of Adults Wellbeing (from 18/8/14 to 16/11/14)	13,276	-	-	-	-	-
Sharon Saunders	Head of Children's Wellbeing	17,885	18,153	29	57	2	1
Darrin Nightingale	Head of Education (until 1/11/15)	17,885	10,589	4	-	1	-
Richard Jennings	Head of Development (to 31/8/14)	7,452	-	-	-	-	-
Douglas Proudfoot	Head of Development (Acting head from 21/7/14 to 21/6/15)	15,965	18,153	29	70	5	8
Ray Montgomery	Head of Infrastructure	17,885	18,153	34	73	2	1
Thomas Shearer	Head of Communities & Partnerships	17,885	18,153	43	98	2	1
Jim Lamond	Head of Council Resources	17,885	18,153	33	69	2	1
Total		202,759	146,811	264	569	20	14

(*) This member has transferred out of the Pension scheme

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below for 2015/16, with comparative figures for 2014/15.

Comparative Exit Packages 2014/15

Cost Banding	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages
				£000's
£0 - £20,000	2	-	2	39
£20,001 - £40,000	2	1	3	67
£40,001 - £60,000	-	1	1	56
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	1	-	1	86
£100,001 - £150,000	-	-	-	-
£150,001-£200,000	1	-	1	160
Total	6	2	8	408

Exit Packages 2015/16

Cost Banding	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages
				£000's
£0 - £20,000	4	2	6	48
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001-£200,000	-	-	-	-
Total	4	2	6	48

Angela Leitch
Chief Executive
28 September 2016

Willie Innes
Council Leader
28th September 2016

Jim Lamond (CPFA)
Head of Council Resources
28 September 2016

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed between usable reserves i.e. those that can be applied to fund expenditure or reduce local taxation and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown on the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The Net Increase or Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

For the year ended 31 March 2015

	General Fund Balance	Capital Receipts Reserve	Insurance Fund	Housing Revenue Account	Housing Capital Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2014 carried forward	(9,187)	-	(1,520)	(2,056)	(2,589)	(15,352)	(236,873)	(252,225)
Movement in reserves during 2014/15								
Surplus on provision of services	(2,986)	-	-	(3,286)	-	(6,272)	-	(6,272)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	27,906	27,906
Total Comprehensive Expenditure and Income	(2,986)	-	-	(3,286)	-	(6,272)	27,906	21,634
Adjustments between accounting basis & funding basis under regulations (Note 5)	(1,745)	(1,615)	-	2,752	(2,446)	(3,054)	3,054	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(4,731)	(1,615)	-	(534)	(2,446)	(9,326)	30,960	21,634
Transfers to/from Earmarked Reserves	(2,735)	1,615	125	(1,451)	2,446	-	-	-
Housing Revenue Account	(995)	-	-	995	-	-	-	-
Capital Funds	(1,615)	1,615	-	(2,446)	2,446	-	-	-
Insurance Fund	(125)	-	125	-	-	-	-	-
(Increase)/Decrease in Year	(7,466)	-	125	(1,985)	-	(9,326)	30,960	21,634
Balance at 31 March 2015 carried forward	(16,653)	-	(1,395)	(4,041)	(2,589)	(24,678)	(205,913)	(230,591)

For the year ended 31 March 2016

	General Fund Balance	Capital Receipts Reserve	Insurance Fund	Housing Revenue Account	Housing Capital Fund	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2015 carried forward	(16,653)	-	(1,395)	(4,041)	(2,589)	(24,678)	(205,913)	- (230,591)
Movement in reserves during 2015/16								
Deficit on provision of services	17,798	-	-	2,254	-	20,052	-	20,052
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	(185,026)	(185,026)
Total Comprehensive Expenditure and Income	17,798	-	-	2,254	-	20,052	(185,026)	(164,974)
Adjustments between accounting basis & funding basis under regulations (Note 5)	(21,929)	-	-	(3,872)	-	(25,801)	25,801	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	(4,131)	-	-	(1,618)	-	(5,749)	(159,225)	(164,974)
Transfers to/from Earmarked Reserves	(667)	-	(328)	995	-	-	-	-
Housing Revenue Account	(995)	-	-	995	-	-	-	-
Insurance Fund	328	-	(328)	-	-	-	-	-
(Increase)/Decrease in Year	(4,798)	-	(328)	(623)	-	(5,749)	(159,225)	(164,974)
Balance at 31 March 2016 carried forward	(21,451)	-	(1,723)	(4,664)	(2,589)	(30,427)	(365,138)	(395,565)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statute and regulations. This may be different from accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15					2015/16		
Gross Spend £000's	Gross Income £000's	Net Spend £000's		Note	Gross Spend £000's	Gross Income £000's	Net Spend £000's
9,807	(4,513)	5,294	Central Services		7,959	(4,580)	3,379
22,942	(1,829)	21,113	Cultural and Related Services		27,894	(2,153)	25,741
95,528	(4,286)	91,242	Education Services		106,460	(4,007)	102,453
12,772	(698)	12,074	Environmental Services		12,080	(877)	11,203
34,047	(29,623)	4,424	Housing Services (non-HRA)		34,650	(30,141)	4,509
674	-	674	Joint Board Requisitions		669	-	669
23,577	(24,359)	(782)	Local Authority Housing (HRA)		25,461	(25,594)	(133)
5,080	(2,233)	2,847	Planning and Development Services		5,393	(2,127)	3,266
9,858	(325)	9,533	Roads and Transport Services		11,089	(535)	10,554
71,285	(9,954)	61,331	Social Work Services		81,067	(10,025)	71,042
1,439	-	1,439	Corporate and Democratic Core		1,876	-	1,876
197	-	197	Non-Distributed Costs		1,385	-	1,385
287,206	**(77,820)**	**209,386**	**Cost of Services**		**315,983**	**(80,039)**	**235,944**
		(1,425)	(Gains)/Losses on the Disposal of Non Current Assets				(547)
		15,819	Interest Payable and Similar charges				16,487
		(462)	Interest Receivable and Similar Income				(507)
		5,564	Interest Expense on Pension Defined Benefit Obligation				5,582
		(235,154)	Taxation and Non Specific Grant Income	6			(236,907)
		(6,272)	**(Surplus) / Deficit on Provision of Services**				**20,052**
		(9,009)	(Surplus) or Deficit on Revaluation of Non-Current Assets				(116,543)
		610	(Surplus) or Deficit on Revaluation of Available for Sale Financial Instruments				(1,005)
		36,305	Actuarial (Gain) or Loss on Pension Assets/Liabilities				(67,478)
		27,906	**Other Comprehensive Income and Expenditure**				**(185,026)**
		21,634	**Total Comprehensive Income and Expenditure**				**(164,974)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves i.e . those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second categories of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold. It also includes reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

31 March 2015 £000's		Note	**31 March 2016 £000's**
785,423	Property, Plant & Equipment	12	899,749
605	Heritage Assets	14	801
2,765	Long Term Investments	20	3,770
8,479	Long Term Debtors	21	11,454
797,272	**Long Term Assets**		**915,774**
5	Short Term Investments		2
2,269	Assets Held for Sale	15	898
520	Inventories		622
26,858	Short Term Debtors	22	27,434
(11,415)	Bad & Doubtful Debt Provision	22	(12,026)
8,650	Cash and Cash Equivalents		5,881
26,887	**Current Assets**		**22,811**
(16,052)	Short Term Borrowing	23	(14,658)
(23,026)	Short Term Creditors	24	(28,200)
(39,078)	**Current Liabilities**		**(42,858)**
(3,957)	Provisions	25	(4,306)
(328,038)	Long Term Borrowing	23	(325,119)
(222,376)	Other Long Term Liabilities	26	(170,657)
(119)	Capital Grants Receipts in Advance	32	(80)
(554,490)	**Long Term Liabilities**		**(500,162)**
230,591	**Net Assets**		**395,565**
(24,678)	Usable Reserves	28	(30,427)
(205,913)	Unusable Reserves	29	(365,138)
(230,591)	**Total Reserves**		**(395,565)**

The unaudited accounts were issued on 30th June 2016 and were authorised for issue on 15 September 2016.

Jim Lamond (CPFA)
Head of Council Resources
15 September 2016

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

2014/15 £000's		2015/16 £000's
(6,272)	Net deficit/(surplus) on the provision of services	20,052
(42,283)	Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 33)	(63,129)
23,640	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 34)	24,539
(24,915)	Net Cash flow from Operating Activities	(18,538)
	Investing Activities	
39,188	Purchase of property, plant and equipment	50,486
(359)	Proceeds from short term investments	(439)
(20,319)	Other receipts from investing activities	(26,912)
(2,962)	Proceeds from the sale of property, plant and equipment	(3,682)
15,548	Net cash flows from investing activities	19,453
	Financing Activities	
(89,079)	Cash receipts of short and long term borrowing	(21,916)
1,184	Cash payments for the reduction of the outstanding liability relating to finance lease and on-Balance Sheet PFI contracts	1,060
93,492	Repayments of short and long term borrowing	19,310
-	New loans made	3,400
5,597	Net cash flow from financing activities	1,854
(3,770)	Net decrease or (increase) in cash and cash equivalents	2,769
(4,880)	Cash and cash equivalents at the beginning of the reporting period	(8,650)
(8,650)	Cash and cash equivalents at the end of the reporting period	(5,881)

NOTES TO THE ACCOUNTS

Note 1 General Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be in accordance with proper accounting practice. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice (SeRCOP) 2015/16 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

In particular:

Revenues from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Revenues from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefit or service potential associated with the transaction will flow to the Authority.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

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 or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

Depreciation attributable to the assets used by the relevant service

Revaluation and impairment losses attributable on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluations and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

v. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time of in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructure.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by the Scottish Public Pensions Agency (SPPA).
The Local Government Pensions Scheme, administered by the Lothian Pension Fund operated by the City of Edinburgh Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The education service line in the Comprehensive Income and Expenditure Account is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Lothian Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method -i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings of current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.5%

The assets of the Lothian Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value :

- Quoted securities -current bid price
- Unquoted securities -professional estimate
- Unitised securities -current bid price
- Property -market value.

The change in the net pension liability is analysed into the following components:

Service cost comprising:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- Past service cost – the increase in liabilities is a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- Net Interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

Remeasurements comprising:

- The return on plan assets – excluding amounts included in the net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Lothian Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant Accounting Standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vi. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) ; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. This can lead to a difference in the amounts charged to the Comprehensive Income and Expenditure Statement compared to the net charge required against the General Fund Balance. This difference is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

vii. Financial Assets

Financial assets are classified into two types:

Loans and receivables -assets that have fixed or determinable payments but are not quoted in an active market

Available-for-sale assets -assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

If assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to either the relevant service for receivables specific to that service or to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original interest rate.

Any gains and losses that arise on derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Financial Assets

These assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial Instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income e.g. dividends is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- Instruments with quoted market prices – market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

The inputs to the measurements techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available For Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available For Sale Reserve.

If assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses previously recognised in the Available For Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost less any impairment losses.

viii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is a reasonable assurance that the Authority will comply with the conditions attached to the payments and grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out in the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

ix. Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

x. Inventories

Inventories are included in the Balance Sheet at a value based on latest purchase price. The difference between this practice and that recommended has no significant or material effect on the financial statements.

xi. leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised in the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception or the present value of the minimum lease payments if lower. The asset recognised is matched by a liability for the obligation to pay the lessor. Lease payments are apportioned between:

A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and

A finance charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement In Reserves Statement for the difference between the two.

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a rent-free period at the commencement of the lease).

The Authority as lessor

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation

Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held For Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Cost of Services.

xiii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of services, for rental to others, or for administrative purposes and that are expected to be used during more than one year are classified as Property, Plant and Equipment.

Recognition

Expenditure of over £6,000 on the acquisition, creation or enhancement of any Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets and community assets – depreciated historical cost.
- Council Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Other Land & Buildings – current value, determined as the amount that would be paid for the asset in existing use (Existing Use Value – EUV)
- Vehicles, Plant, Furniture and Equipment – depreciated historical cost.
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets, that have short useful lives or low values (or both), depreciated historical cost basis is used a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from the current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified as part of this review or as a result of a valuation exercise, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gain.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed it is credited to the relevant service line in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by systematic allocation of depreciable amount over their useful lives. An exception is made for assets without a determinable finite useful life (Land and certain Community Assets) and assets that are not yet available for use (Assets under Construction).

Deprecation is calculated on the following bases:

- Dwellings and Other Buildings – straight-line allocation over the life of the property as estimated by the valuer
- Vehicles, plant and equipment – straight-line allocation over the life of the asset as advised by a suitably qualified officer
- Infrastructure – straight-line allocation
- Community assets – straight-line allocation over the life of the asset as advised by a suitably qualified officer.

The estimated useful lives are as follows.

Council Dwellings	10-60 years
Other Land and Buildings	5-70 years
Vehicles, Plant, Furniture & Equipment	1-50 years
Infrastructure	5-35 years
Community Assets	5-60 years

Assets under Construction are not depreciated.

Where an item of Property, Plant and Equipment asset has major components, whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets held for Sale

When it becomes probable that the carrying value of an asset will be recovered principally through a sale transaction rather than its continuing use, it is reclassified as an asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Gains/Losses on the disposal of non-current assets line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals are credited to Gains/Losses on the disposal of non-current assets line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All capital receipts are credited to the Capital Receipts Reserve. They can then be used for new capital investment or to meet the cost of debt repayments. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets are fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xiv. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the Private Finance Initiative (PFI) contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the non-current assets will pass to the Council at the end of the contract for no additional charge, the Council carries the non-current assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value based on the cost to purchase the property, plant and equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability to the PFI operator.
- Lifecycle replacement costs – a proportion of the amount payable to the PFI operator is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xv. Provisions

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

xvi. Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non –current assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

xvii. VAT

VAT is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs. VAT receivable is excluded from income.

xviii. Heritage Assets

The aim of the Council's museums service is to preserve and present the Council's Cultural & Heritage assets and to enable communities and individuals to engage with these assets as a resource for enjoyment, education and information. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Council's collection of oil paintings is reported in the Balance Sheet at insurance valuation which is based on market values. Valuations are obtained every five years. The paintings are deemed to have indeterminate lives and a high residual value: hence the Council does not considerate appropriate to charge depreciation. The remainder of the Council's collection relates to generic social history, which is not believed to be of any material value. All of the collections are relatively static and acquisitions are rare. Where they do occur they are initially recognised at cost.

xviv. Fair Value Measurement

The authority measures some of its non financial assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or;
b) In the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of observable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability

Note 2 Accounting Standards Not Yet Adopted

The following IFRSs have been issued but have not yet been applied in these Financial Statements. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

- IFRS 9 – Financial Instruments. This standard has been issued by the IASB with an effective date of 1st January 2018. It is therefore currently anticipated to be adopted in the 2018/19 code subject to EU adoption of the Standard by the effective date for that Code. This Standard is unlikely to have a financial impact on the Council as we do not hold investments which would fall within the available-for-sale class of financial assets.

- IFRS 15 – Revenue from Contracts with Customers. This Standard is effective from 1st January 2018 and is therefore expected to apply to Local Authorities from 2018/19 (subject to EU adoption in time for the 2018/19 Code). This Standard is unlikely to have a financial impact on the Council as for many contracts the accounting for revenue will remain unchanged. IFRS 15 will however introduce substantial new disclosure requirements for material transactions.

- IFRS 16 – Leases. This standard has an effective date of 1st January 2019 which means that, subject to CIPFA/LASAAC's considerations of the applicability to local authorities (and EU adoption), it will be adopted in the Code in the 2019/20 financial year. The Standard establishes a new accounting model for lessees in which all leases for substantial assets for more than 12 months will be accounted for by recognising a "right to use" asset on the Balance Sheet, together with a liability for the present value of the unavoidable lease payments. In overall terms, this means that leases currently accounted for as operating leases would be treated similarly to finance leases, but recognising only a proportion of the asset's overall value.

- Transport infrastructure assets will be recognised as a separate class of property, plant and equipment and measured at depreciated replacement cost for the first time in the 2016/17 financial statements, in accordance with the CIPFA Code of Practice on Transport Infrastructure Assets and the recognition, measurement and disclosure requirements of the CIPFA Code of Practice on Local Authority Accounting. The value of the highways infrastructure assets at depreciated replacement cost used in the 2014/15 Whole of Government Accounts was £1,298m. The carrying amount of assets within the 2015/16 Financial Statements which are expected to be reclassified as transport infrastructure assets is £61.6m.

Note 3 Critical Judgements Applied

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The inclusion of the PFI contract for the refurbishment and facilities management of the six secondary schools as a finance lease within the Council's accounts. The accounting policies for PFI schemes have been applied to the arrangement and the asset and liability associated with this have been recognised on the Council's Balance Sheet as the Council considers that it has the majority of the risks and rewards of ownership.

- There is a degree of uncertainty about future levels of funding for local government in Scotland. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4 Future Assumptions

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows;

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements including the discount rate chosen, the rate of salary increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. The actual figure has proved to be variable over time and more detail regarding this has been referred to in Note 27.	If actual results are different from assumptions there is the potential for a significant change – either increasing or decreasing the potential liability.
Property, Plant and Equipment	Assets are valued and depreciated over their useful lives in line with advice taken from external and internal valuers. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls.
Debtors	At 31 March 2016 the Council had balances of £8.9 million relating to Council Tax debt and £2.6 million relating to Council House rent debt. The Council believes it has provided for the potential of doubtful debts. However, it is possible that future economic conditions could have a detrimental impact on collection rates.	If collection rates were to deteriorate then there would be deterioration in cash inflows and the potential that income would not be realisable.
Fair Value Measurements	When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. valuers). Further information on fair value measurement is disclosed in Note 1.	The authority uses quoted prices for similar assets or liabilities in active markets to measure the fair value of some of its non-financial assets. If the authority had to refer to unobservable inputs to measure fair value, any significant changes to these unobservable inputs would result in a significantly lower or higher fair value measurement.

Note 5 Adjustments between Accounting and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being made available to the Council to meet future capital and revenue expenditure.

2014/15	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Insurance Fund £000's	Capital Fund £000's	**Movement In Usable Reserves £000's**
Depreciation (charged to the Surplus or Deficit on the Provision of Services) of non-current assets	(19,205)	(9,308)	-	-	-	**(28,513)**
Impairment and revaluation losses (charged to the Surplus or Deficit on the Provision of Services) of non-current assets	(1,409)	-	-	-	-	**(1,409)**
Capital grant and contributions applied	13,076	7,243	-	-	-	**20,319**
Differences re finance leases,stepped loans, premiums and discounts	311	-	-	-	-	**311**
Profit on sale of non-current assets	1,047	377	(1,615)	-	(1,346)	**(1,537)**
Statutory Provision relating to PPP	1,307	-	-	-	-	**1,307**
Net retirement benefits per IAS19	(20,889)	(135)	-	-	-	**(21,024)**
Employee - Statutory Adjustments	(155)	-	-	-	-	**(155)**
Items not debited or credited to the Comprehensive Income & Expenditure Statement	(36)	-	-	-	(1,100)	**(1,136)**
Loans Fund principal repayments and statutory premia	10,299	2,432	-	-	-	**12,731**
Employer's contributions payable to the Lothian Pension Fund	13,743	343	-	-	-	**14,086**
Capital expenditure charged against the General Fund and HRA balances	166	1,800	-	-	-	**1,966**
Total Adjustments	(1,745)	2,752	(1,615)	-	(2,446)	**(3,054)**

2015/16	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Insurance Fund £000's	Capital Fund £000's	**Movement In Usable Reserves £000's**
Depreciation (charged to the Surplus or Deficit on the Provision of Services) of non-current assets	(22,388)	(9,723)	-	-	-	**(32,111)**
Impairment and revaluation losses (charged to the Surplus or Deficit on the Provision of Services) of non-current assets	(18,137)	-	-	-	-	**(18,137)**
Capital grant and contributions applied	16,658	3,760	-	-	-	**20,418**
Differences re finance leases,stepped loans, premiums and discounts	309	-	-	-	-	**309**
Profit on sale of non-current assets	821	(274)	-	-	-	**547**
Statutory Provision relating to PPP	457	-	-	-	-	**457**
Net retirement benefits per IAS19	(23,811)	(770)	-	-	-	**(24,581)**
Employee - Statutory Adjustments	129	-	-	-	-	**129**
Items not debited or credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	**-**
Loans Fund principal repayments and statutory premia	10,276	2,666	-	-	-	**12,942**
Employer's contributions payable to the Lothian Pension Fund	13,667	469	-	-	-	**14,136**
Capital expenditure charged against the General Fund and HRA balances	90	-	-	-	-	**90**
Total Adjustments	(21,929)	(3,872)	-	-	-	**(25,801)**

Note 6 Taxation and Non-Specific Grant Income

2014/15 £000's		2015/16 £000's
(43,476)	Council Tax	(42,790)
(25,172)	Non domestic rates	(26,079)
(146,187)	Non ringfenced government grants	(147,620)
(20,319)	Capital grants and contributions	(20,418)
(235,154)	Total	(236,907)

Note 7 Trading Operations

Facility Services

The Facility Services trading operation provides catering, janitorial and cleaning services at locations owned or managed by the Council. A catering service is provided at secondary and primary schools and at some other buildings. The cleaning operation provides a regular building cleaning service to all departments of the Council. The cumulative position over the three years is a surplus of £0.552 million.

	2013/14 £000's	2014/15 £000's	2015/16 £000's
Turnover	8,711	8,480	8,749
Surplus/(Deficit)	65	360	127
3-year Cumulative Surplus	-	-	**552**

Property Maintenance

Property Maintenance provides property maintenance services. The majority of work is undertaken on the Council's housing stock – including an increasing amount of work on housing improvements. This trading operation has now been operating for seven years. The cumulative position over the last three years is now a surplus of £1.306 million.

	2013/14 £000's	2014/15 £000's	2015/16 £000's
Turnover	10,066	10,068	10,614
Surplus/(Deficit)	540	650	116
3-year Cumulative Surplus	-	-	**1,306**

Roads Services

Roads Services carries out a repair and maintenance service to enable the Council to fulfil its statutory obligations. The extent of its work includes roads network repair and maintenance. This includes routine and cyclical maintenance as well as some capital work. Over the three-year period the service has a cumulative surplus of £1.855 million and has met the statutory target.

	2013/14 £000's	2014/15 £000's	2015/16 £000's
Turnover	6,997	6,786	7,221
Surplus/(Deficit)	595	731	529
3-year Cumulative Surplus	-	-	**1,855**

Note 8 Agency Income and Expenditure

The Council provides an agency service to Scottish Water. Associated income and expenditure is not included within the Council Comprehensive Income and Expenditure Statement. In 2015/16 £16.9m (2014/15: £16.2m) was paid over to Scottish Water.

The Council shares services with other authorities (e.g. special education and social work facilities). The expenditure on these services is incurred so that the Council can perform its duties rather than the duties of another organisation.

Note 9 Related Parties

The Authority is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions helps assessment of the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government – which includes the UK and Scottish governments - has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in the Remuneration Report.

On 10 March 2015 East Lothian Council approved Partnership Funding for 2015/16 of £1,925,469. Adult Wellbeing payments to Voluntary Organisations of £1,350,415 were also approved. Of these amounts £716,000 and £224,000 was awarded to organisations in which Members have representation.

Further grants of £349,000 were awarded to organisations in which Members have representation.

In all instances the grants were made with proper consideration of declarations of interest. A register of Members' interests is available on the Council's website. Details of all grants and awards to organisations in which Members have representation are listed below.

Name of Organisation	Partnership Funding £000's	Adult Wellbeing £000's	Other Grants £000's	Total Amount Awarded £000's
Dunbar & District Twinning Association			1	1
Dunbar Community Development Company	78			78
Dunbar Day Centre		39	13	52
East Lothian Voluntary Organisation Network			23	23
First Step	209			209
Fisherrow Trust	30			30
Haddington Citizens Advice Bureau	206	13	111	330
Haddington Community Development Trust			50	50
Haddington Garden Trust	10			10
Harlawhill Day Centre		106		106
Haddington Twinning Association			1	1
Hollies Day Centre		66		66
John Muir Birthplace Trust	9			9
Lamp of Lothian Trust	20		18	38
Lothian Miners Convalescent Home	5		1	6
Musselburgh Citizens Advice Bureau			108	108
Musselburgh Twinning Association			1	1
Pennypit Trust	99		9	108
Preston, Seton & Gosford Twinning Assoc			1	1
Scottish Seabird Centre	13		10	23
The Bridge Centre	37			37
Tranent Family Fireworks			2	2
	716	224	349	1,289

Entities Controlled or Significantly Influenced by the Council

Entity	Nature of Related Party Relationship	Payments in the year 2014/15 £000's	Payments in the year 2015/16 £000's	Nature of transactions	Position at year-end 2014/15 Debtor Balances £000's	Position at year-end 2014/15 Creditor Balances £000's	Position at year-end 2015/16 Debtor Balances £000's	Position at year-end 2015/16 Creditor Balances £000's
Enjoy East Lothian Limited	Charitable organisation registered with Office of Scottish Charity Regulators	2520	2,420	Payment for provision of leisure services	151	-	63	-
East Lothian Investments	Company set up under the Companies Act 2006 with aim of encouraging enterprise and commercial activity	-	-	Loans provided to company	48	-	4	-
Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators	455	455	Payment for provision of arts/cultural services	-	(339)	-	(295)
Common Goods	Council manages assets of historic burghs in line with statute	-	-	Cash balances relating to normal operations	-	(2,150)	-	(2,410)
Musselburgh Joint Racing Committee	Unincorporated organisation which organises racing on Musselburgh Links under Minute of Agreement with Council.	-	-	Cash balances relating to normal operations	177	-	317	-
Trust Funds	Approximately 48 Trust Funds which are managed by the Council in line with the respective trust deeds	-	-	Cash balances relating to normal operations	-	(1,144)	-	(1,245)
Joint Boards	Statutory bodies set up by Scottish Ministers	674	669	Payments to run valuation services	-	-	-	-

Integration Joint Board

In line with statutory requirements, during 2015/16 the East Lothian Integration Joint Board (IJB) was established.

During 2015/16 the Council incurred Chief Officer costs of £23,959 and audit fees of £2,870 relating to the operation of the IJB.

The Chief Officer costs are included in the remuneration report cost of £63,892 for the Director of East Lothian Health and Social Care Partnership post. The audit costs are part of the note 10 figure below of £245,000.

Note 10 Audit Costs

KPMG LLP has been appointed as the Council's external auditor by the Accounts Commission.

Audit Fee	**2014/15**	**2015/16**
	£000's	**£000's**
Statutory Audit Fee	241	245
Non Audit Services		
VAT Claim	35	-

Note 11 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget report analysed across service directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the Comprehensive Income and Expenditure Statement.
- The cost of retirement benefits is based on cash flows (payment of employers pension contributions) rather than current service cost of benefits accrued in the year.
- Expenditure on some support services is budgeted for centrally and not charged to service directorates.

The income and expenditure of the Authority's principal service Directorates recorded in the budget reports for the year is as follows:

2014/15 Departmental Income & Expenditure	Childrens Wellbeing £000's	Education £000's	Council Rescources £000's	Adult Wellbeing £000's	Communities & Partnerships £000's	Development £000's	Infrastructure £000's	Housing £000's	Total £000's
Employee Costs	6,074	56,482	8,215	14,089	9,294	7,620	24,210	1,984	127,968
Premises Costs	98	7,316	560	1,562	1,979	2,202	4,866	6,506	25,089
Transport Costs	198	167	23	220	85	160	5,834	16	6,703
Supplies & Services Costs	3,177	8,655	2,709	18,487	8,248	2,760	18,245	691	62,972
Third Party Payment Costs	2,973	4,239	614	19,561	241	3	1,094	14	28,739
Transfer Payments	486	402	390	17	9	-	-	551	1,855
Support Services	863	5,333	(6,818)	2,793	(1,343)	(3,067)	(5,334)	4,313	(3,260)
Capital Charges	45	8,375	770	537	2,426	586	7,954	9,537	30,230
Income	(383)	(2,383)	(2,210)	(9,663)	(4,857)	(4,044)	(27,803)	(24,359)	(75,702)
	13,531	88,586	4,253	47,603	16,082	6,220	29,066	(747)	204,594

2015/16 Departmental Income & Expenditure	Childrens Wellbeing £000's	Education £000's	Council Rescources £000's	Adult Wellbeing £000's	Communities & Partnerships £000's	Development £000's	Infrastructure £000's	Housing £000's	Total £000's
Employee Costs	6,649	58,117	8,778	15,457	10,105	7,982	26,344	2,694	136,126
Premises Costs	95	7,621	526	1,391	1,922	2,273	5,059	7,380	26,267
Transport Costs	194	104	19	206	83	133	5,789	24	6,552
Supplies & Services Costs	3,075	9,386	2,706	18,593	9,038	2,611	19,312	662	65,383
Third Party Payment Costs	2,740	4,504	261	21,352	265	22	974	14	30,132
Transfer Payments	617	367	390	20	26	-	-	361	1,781
Support Services	916	5,700	(6,974)	2,895	(1,306)	(3,040)	(6,439)	3,919	(4,329)
Capital Charges	(32)	16,478	781	6,613	7,426	505	7,464	10,259	49,494
Income	(264)	(2,185)	(2,156)	(9,762)	(5,386)	(3,846)	(29,969)	(25,594)	(79,162)
	13,990	100,092	4,331	56,765	22,173	6,640	28,534	(281)	232,244

Reconciliation of Council Management Structure Income and Expenditure to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

	2014/15 £000's	2015/16 £000's
Net Expenditure in the Council Management Structure Analysis	204,594	232,244
Amounts in the CIES not reported to Management	4,792	3,700
Amounts reported to Management not included in the CIES	-	-
Cost of Services in the CIES	209,386	235,944
Corporate Amounts	(215,658)	(215,892)
(Surplus) / Deficit on Provision of Services	(6,272)	20,052

Note 12 Property Plant and Equipment Movements

Movements in 2014/15

	Council Dwellings	Other land and buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment	PFI Assets Included in PPE
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation									
At 1 April 2014	320,160	400,563	36,254	74,920	16,133	63	11,203	859,296	95,361
Additions	20,128	5,857	2,874	6,432	539	-	3,358	39,188	-
Acc Dep & Imp WO to GCA		(2,965)			(183)	(1)	-	(3,149)	
Revaluation Increases recognised in the	-	8,492	-	-	517	-	-	9,009	-
Revaluation decreases recognised in the	-	(863)	-	-	(534)	(12)	-	(1,409)	-
Derecognition - Disposals	(984)	(1,248)	(25)	-	-	-	-	(2,257)	-
Asset reclassified (to) Held for Sale	-	(1,420)	-	-	-	-	-	(1,420)	-
Other Movements in cost or valuation	1,223	8,947	-	-	1,788	(3)	(11,456)	499	-
At 31 March 2015	340,527	417,363	39,103	81,352	18,260	47	3,105	899,757	95,361
Accumulated Depreciation and Impairment									
At 1 April 2014	-	(40,142)	(27,361)	(19,426)	(2,540)	(1)	(54)	(89,524)	(8,796)
Depreciation Charge	(9,308)	(11,937)	(3,355)	(3,453)	(460)	-	-	(28,513)	(2,918)
Acc Dep & Imp WO to GCA	-	2,965	-	-	184	1	-	3,150	
Impairment (reversals) recognised in the	-	(6)	-	-	-	-	-	(6)	-
Derecognition - Disposals	15	995	-	-	-	-	-	1,010	-
Other movements in depreciation or impairment	(477)	45	(25)	-	(42)	-	48	(451)	81
At 31 March 2015	(9,770)	(48,080)	(30,741)	(22,879)	(2,858)	-	(6)	(114,334)	(11,633)
Net Book Value									
At 31 March 2015	330,757	369,283	8,362	58,473	15,402	47	3,099	785,423	83,728
At 1 April 2014	320,160	360,421	8,893	55,494	13,593	62	11,149	769,772	86,565

Movements in 2015/16

	Council Dwellings	Other land and buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Assets Under Con-struction	Total Property, Plant and Equipment	PFI Assets Included in PPE
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation									
At 1 April 2015	340,527	417,363	39,103	81,352	18,260	47	3,105	899,757	95,361
Additions	19,612	16,566	3,773	7,010	370	-	2,408	49,739	478
Acc Dep & Imp WO to GCA	-	(53,950)	-	-	(106)	-	-	(54,056)	(14,775)
Revaluation Increases recognised in the Revaluation Reserve	106	116,031	-	-	114	125	-	116,376	44,700
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(16,259)	-	-	-	-	(1,377)	(17,636)	(4,640)
Derecognition - Disposals	(2,460)	-	(92)	-	-	(37)	-	(2,589)	-
Asset reclassified (to)/from Held for Sale	-	(112)	-	-	-	1,220	-	1,108	-
Other Movements in cost or valuation	(512)	926	-	-	(1,301)	887	-	-	-
At 31 March 2016	357,273	480,565	42,784	88,362	17,337	2,242	4,136	992,699	121,124
Accumulated Depreciation and Impairment									
At 1 April 2015	(9,770)	(48,080)	(30,741)	(22,879)	(2,858)	-	(6)	(114,334)	(11,633)
Depreciation Charge	(9,723)	(14,822)	(3,434)	(3,845)	(287)	-	-	(32,111)	(3,025)
Acc Dep & Imp WO to GCA	-	53,949	-	-	106	-	-	54,055	14,775
Impairment (reversals) recognised in the Revaluation Reserve	(6)	(186)	-	-	-	-	-	(192)	-
Depreciation written out to the Surplus/Deficit on the provision of services	(22)	-	-	-	-	-	-	(22)	-
Impairment (reversals) recognised in the Deficit on the Provision of Services	-	(500)	-	-	-	-	-	(500)	-
Derecognition - Disposals	49	-	82	-	-	-	1	132	-
Asset reclassified (to)/from Held for Sale	-	22						22	
Other movements in depreciation or impairment	(5)	(151)	-	-	151	-	5	-	-
At 31 March 2016	(19,477)	(9,768)	(34,093)	(26,724)	(2,888)	-	-	(92,950)	117
Net Book Value									
At 31 March 2016	337,796	470,797	8,691	61,638	14,449	2,242	4,136	899,749	121,241
At 1 April 2015	330,757	369,283	8,362	58,473	15,402	47	3,099	785,423	83,728

Note 13 Property Plant and Equipment

Depreciation

Property, Plant and Equipment is depreciated over their estimated useful lives. The straight- line method has been used over the following periods:

Council Dwellings	10-60 years
Other Land and Buildings	5-70 years
Vehicles, Plant, Furniture & Equipment	1-25 years
Infrastructure	5-35 years
Community Assets	5-60 years

Assets under Construction are not depreciated.

Capital Commitments

As at 31 March 2016, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to a value of £11.7m. Similar commitments in 2015/16 were £15.9 million. The gross commitments for the Council's major projects are:

	£000's
Secondary Communication Provision	1,454
Dunbar Primary School - Lochend Campus	1,458
Hallhill housing Development	8,300
Penston House alterations	500
TOTAL	**11,712**

Revaluations

The Authority carries out a rolling programme to ensure that Council Dwellings and Other Land and Building assets, which required to be measured at current value, are revalued every five years.

Details of previous and future valuation dates are provided below

	Council Dwellings Council Houses & Garages	Other Land & Buildings Non Operational Industrial Lets etc	Other Land & Buildings Operational Portfolio of schools, community centres etc	New Build
Date of last valuation	31/03/2014	31/03/2015	31/03/2016	As completed
Date of next valuation	31/12/2018	31/12/2019	31/12/2020	

Valuations are carried out by professional firms of chartered surveyors and by Council Estates staff. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

The significant assumptions applied in estimating the current values for buildings are that;

- East Lothian Council has good and clear title to all the subjects under valuation;
- The appropriate planning consents are in place for the subjects to be used for their existing use;
- The subjects under valuation are in a state of repair and condition commensurate with their age;
- Mining operations nor any other environmental matters do not have a material impact on the valuations noted;
- No high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated;
- The properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown;

- The properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal;
- The inspection of those parts which have not been assessed would not cause an alteration in value;
- The land and properties are not contaminated nor adversely affected by radon.

Note 14 Heritage Assets

	2014/15 Art Collection £000's	2015/16 Art Collection £000's
Cost or Valuation		
Net carrying amount at the start of the year	605	605
Additions	-	196
Net carrying amount at end of year	**605**	**801**

Note 15 Assets Held for Sale

	2014/15 £000's	2015/16 £000's
Balance outstanding at start of year	**1,190**	**2,269**
Assets newly classified as held for sale	1,370	89
Assets declassified as held for sale	-	(1,220)
Assets sold	(291)	(240)
Balance outstanding at end of the year	**2,269**	**898**

Note 16 Assets held under lease

Council as Lessee

Operating leases

The Council uses certain items of plant and equipment financed under the terms of operating leases.
The amount paid under these arrangements in 2015/16 was £0.40m (2014/15: £0.37m).

The future minimum lease payments due under non-cancellable leases in future years are:

	Minimum Lease Payments	
	31 March 2015 £000's	31 March 2016 £000's
Not later than one year	344	358
Later than one year and not later than five years	1,304	800
	1,648	1,158

Finance Leases

The Council has acquired a number of buildings, street lights and vehicles under finance leases.

The assets acquired under these leases are included within Property, Plant and Equipment at the following net amounts:

	31 March 2015 £000's	31 March 2016 £000's
Other Land and Buildings	11,221	14,007
Vehicles, Plant, Furniture and Equipment	222	204
	11,443	14,211

The Council is committed to making minimum lease payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2015 £000's	31 March 2016 £000's
Finance lease liabilities (Net Present Value of Minimum Lease Payments)		
Current	53	55
Non-Current	1,111	1,108
Finance costs payable in future years	5,793	5,925
Minimum Lease Payments	6,957	7,088

	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's
Not later than one year	268	283	53	55
Later than one year and not later than five years	1,074	1,132	226	236
Later than five years	5,615	5,879	885	835
	6,957	7,294	1,164	1,126

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16 £14,700 in contingent rents were payable by the Council.

Council as lessor

Operating Leases

The Council leases out property under operating leases for the following purposes;

- For the provision of community services such as community centres and sports facilities;
- For economic development purposes to provide suitable affordable accommodation for business.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	Minimum Lease Payments	
	31 March 2015 £000's	31 March 2016 £000's
Not later than one year	1,640	1,785
Later than one year and not later than five years	2,326	2,676
Later than five years	20,577	23,609
	24,543	28,070

Note 17 Private Finance Initiatives and Similar Contracts

During 2002/03 the Council entered into a thirty year partnership with Innovate East Lothian Ltd for the provision of enhanced secondary school facilities, a new community centre and swimming pool and the associated facility management of the various sites.

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

The Council makes an agreed payment each year which is increased annually in line with inflation and can be reduced if the contractor fails to meet availability and performance standards in any year -but is otherwise fixed. The PPP contract runs until 2035 at which time the facilities and all operational services revert to full Council management. At this time responsibility for facilities management, maintenance, insurance, etc will all be transferred back to the Council.

Under the terms of the contract all facilities should be handed back to the Council in the same condition as at the Service Availability Date i.e. the date the facilities were completed. To achieve this, there will be an increased lifecycle spend over the last five years of the contract ensuring the facilities are handed back in the appropriate condition. Innovate East Lothian Limited has no right of renewal of the contract.

Payments remaining to be made under the PFI contract at 31 March 2016 are as follows:

	Payment for Services £000's	Reimbursement of Capital Expenditure £000's	Interest £000's	Total £000's
Payable in 2016/17	3,571	1,131	2,729	7,431
Payable within 2-5 years	13,954	5,729	10,040	29,723
Payable within 6-10 years	18,985	7,775	10,393	37,153
Payable within 11-15 years	17,750	11,949	7,454	37,153
Payable within 16-20 years	11,810	14,795	2,484	29,089
Payable within 21-25 years	-	-	-	-
Total	66,070	41,379	33,100	140,549

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The outstanding liability to the contractor for capital expenditure is as follows:

	31 March 2015 £000's	31 March 2016 £000's
Balance at start of year	43,533	42,402
Payments	(1,131)	(1,023)
Balance outstanding at year-end	42,402	41,379

Note 18 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	31 March 2015 £000's	31 March 2016 £000's
Opening Capital Financing Requirement	**410,551**	**411,761**
Capital Investment		
Property , Plant and Equipment	39,189	49,738
Loans to Housing Associations	1,390	3,550
Sources of finance		
Capital receipts	(2,962)	(3,605)
Government grants	(18,611)	(16,801)
Other Contributions	(1,916)	(4,196)
Direct Revenue Contributions	(1,966)	(90)
Loans Fund	(13,914)	(14,017)
Closing Capital Financing Requirement	411,761	426,340

Note 19 Impairment Losses

During 2015/16 the Council recognised impairment losses totalling £18.137 million. The majority of this relates to updated building valuations.

The recoverable amount of the assets have been reduced to their value in use and the impairment losses have been charged to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Note 20 Long Term Investments

	31 March 2015 £000's	31 March 2016 £000's	Details
Lothian Buses plc	1,946	2,965	East Lothian Council holds 200,000 ordinary shares representing 3.1% of the share capital. A dividend is received each year.
East Lothian Investments Limited	214	204	The Council's interest, estimated as 40% was inherited from the former Lothian Investments Board. No dividends are received.
East Lothian Land	605	601	Set up in 2000 for the purpose of managing land to support economic development. The Council is the sole shareholder. No dividends are received.
Total	2,765	3,770	

Long -term investments are held at fair value, which the Council considers to equal the net assets of the related companies.

Note 21 Long Term Debtors

In addition to short-term debt, the Council is owed money by a small number of people and organisations that will be repaid over a period greater than 1 year.

	31 March 2015 £000's	31 March 2016 £000's	Purpose
Public Private Partnerships - Prepaid lifecycle replacement costs	1,070	772	Prepaid lifecycle replacement costs - over 30 years
PPP- Insurance	81	-	Contribution paid over 3 years
Private property owners - common repairs	883	852	Repairs to private property funded by secured ELC loans
Employees - car/other loans	17	11	Loans to employees repaid over 3-5 years
North Berwick Trust	-	-	Loan secured on land/Repaid 2015/16
East Lothian Investments	48	4	Loan to be repaid over 3 years
East Lothian Housing Association	6,364	9,801	Loan secured on land and houses
Other	16	14	Loans secured on houses
Total	8,479	11,454	

Note 22 Short Term Debtors

Thousands of people and organisations owe the Council money that is due for payment within a year. In summary, the money owed to the Council on 31 March was:

	31 March 2015 £000's	31 March 2016 £000's
Central Government Bodies	6,098	6,269
Other local authorities	495	765
NHS bodies	245	354
Public corporations and trading funds	46	-
Other entities and individuals	19,974	20,046
Total	26,858	27,434

Based on past experience and our assessment of collection risks, we have made the following provision against non-payment of these debts:

	31 March 2015 £000's	31 March 2016 £000's
Taxpayers - Council Tax	(6,338)	(6,359)
Customers - Goods & Services	(2,726)	(3,025)
Tenants - Council House Rents	(2,351)	(2,642)
Total	(11,415)	(12,026)

Note 23 Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments;

	Long-Term		Current	
	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's
Borrowings				
Financial liabilities (principal amount)	(325,461)	(324,005)	(14,776)	(13,158)
Accrued interest	-	-	(1,236)	(1,500)
EIR & finance leases	(2,577)	(1,114)	(40)	-
Total included in borrowings	**(328,038)**	**(325,119)**	**(16,052)**	**(14,658)**
Other Long term Liabilities				
PFI and finance lease liabilities	(41,382)	(41,319)	(1,076)	(1,186)
Total other long term liabilities	**(41,382)**	**(41,319)**	**(1,076)**	**(1,186)**
Creditors				
Financial liabilities carried at contract amount	-	-	(23,026)	(28,200)
Total creditors	**-**	**-**	**(23,026)**	**(28,200)**
Investments				
Available-for-sale financial assets	2,765	3,770	-	-
Total investments	**2,765**	**3,770**	**-**	**-**
Debtors				
Loans and receivables	-	-	5	2
Financial assets carried at contract amounts	8,479	11,454	26,858	27,434
Total debtors	**8,479**	**11,454**	**26,863**	**27,436**

The Council did not reclassify any financial assets or liabilities between categories during the year.

Financial Instruments Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£000's	£000's	£000's	£000's
Interest expense	2,797	13,690	-	16,487
Fee expense		4	-	4
Total expense in Surplus or Deficit on the Provision of Services	**2,797**	**13,694**	**-**	**16,491**
Interest income	-	(507)	-	(507)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(507)**	**-**	**(507)**
Net (Gains) / losses on revaluation	-	-	(1,005)	(1,005)
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(1,005)**	**(1,005)**
Net gain/(loss) for the year	**2,797**	**13,187**	**(1,005)**	**14,979**

Financial Instruments Gains and Losses 2014/15

	Financial Liabilities		Financial Assets	
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Total
	£000's	£000's	£000's	£000's
Interest expense	2,871	12,948	-	15,819
Fee expense	-	20	-	20
Total expense in Surplus or Deficit on the Provision of Services	**2,871**	**12,968**	**-**	**15,839**
Interest income	-	(462)	-	(462)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(462)**	**-**	**(462)**
Net (Gains) / losses on revaluation	-	-	610	610
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**610**	**610**
Net gain/(loss) for the year	**2,871**	**12,506**	**610**	**15,987**

Financial Liabilities and Financial Assets – Fair Value

As at 31st March 2016 the Council held £41.656 financial assets and £409.298m financial liabilities. The financial liabilities are held with PWLB, PFI and Market lenders. All of these borrowings were not quoted on an active market and a market valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

Credit risk

The Council does not generally allow credit for its customers, such that £4.736m of the £20.046m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016 £000s	31 March 2015 £000s
Less than three months	1,200	1,563
Three to six months	318	351
Six months to one year	286	315
More than one year	2,490	2,506
Total	**4,294**	**4,735**

The Council considers that its maximum exposure to credit risk relating to debtors is reflected in the accounts by the provisions made for potential bad debts.

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2016 was £848k.

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing (£27.434m) are due to be paid in less than one year.

Refinancing and Maturity risk

The Council maintains a significant debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy, section 3.4):

	Approved minimum limits	Approved maximum limits	Approved maximum limits 2016	Actual 31 March 2015	Actual 31 March 2016
			£000s	£000s	£000s
Less than 1 year	0%	20%	67,432	16,052	13,158
Between 1 and 2 years	0%	30%	101,148	5,738	8,180
Between 2 and 5 years	0%	40%	134,864	35,942	52,409
Between 5 and 10 years	0%	40%	134,864	79,437	54,443
More than 10 years	0%	75%	252,871	206,921	208,971
Total				**344,090**	**337,161**

Market risk

Interest Rate risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The fair values calculated are as follows:

Financial Liabilities	31 March 2015		31 March 2016	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
PWLB debt	293,845	342,210	293,952	345,629
Non-PWLB debt	46,068	49,709	40,823	51,528
Short term Borrowing	4,174	9,486	5,000	5,001
Short term creditors	23,026	23,026	28,200	28,200
Short term finance lease liability	1,023	1,023	1,186	1,186
Long term finance lease liability	41,381	41,381	41,319	41,319
Total Liabilities	**409,517**	**466,835**	**410,480**	**472,863**

Financial Assets	31 March 2015		31 March 2016	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Short term investments	5	5	2	2
Long term investments	2,765	2,765	3,771	3,771
Fair Value through the I&E	610	610	(1,005)	(1,005)
Short term debtors	26,858	26,858	27,434	27,434
Long term debtors	8,479	8,479	11,454	11,454
Total Assets	**38,717**	**38,717**	**41,656**	**41,656**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £345.629m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

Key risks

The Council's activities expose it to a variety of financial risks. The key risks are:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments;
- **Re-financing risk** - the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

According to this assessment strategy, at 31 March 2016, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	March 2016 £000s
Increase in interest payable on variable rate borrowings	165
Impact on Surplus or Deficit on the Provision of Services	**165**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**38,671**

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk

The Council does not generally invest in equity shares or marketable bonds.

However, it does have shareholdings to the value of £3.771m in a number of joint ventures and in local industry. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve.

On behalf of the Trusts and Common Good Funds, the Council does invest in equities and bonds via a professional investment management company. The investment managers seek to secure and grow the capital value of the funds whilst generating a return on those assets that the Trusts and Common Goods can use. The choice of investments is at the discretion of the investment managers guided by the underlying objective of securing the current and longer-term capital value of the funds.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 24 Short Term Creditors

At any financial year-end we owe money to thousands of people and organisations due for payment within a year. In summary, the money the Council owed on 31 March was:

	31 March 2015 £000's	31 March 2016 £000's
Central government bodies	(5,315)	(6,126)
Other local authorities	(2,301)	(2,595)
NHS bodies	(636)	(293)
Public corporations	(8)	(2)
Other entities and individuals	(14,766)	(19,184)
Total	(23,026)	(28,200)

Note 25 Provisions

Included within gross expenditure are the following provisions against known future costs.

	Affordable Homes Development Fund £000's	Accumulated Absences Fund £000's	Municipal Mutual Fund £000's	Other Provision £000's	Total £000's
Balance at 31 March 2015	(248)	(3,523)	(186)	-	(3,957)
Provisions made in 2015/16	(390)	(3,394)	-	(484)	(4,268)
Amounts used in 2015/16	319	3,523	77	-	3,919
Balance at 31 March 2016	(319)	(3,394)	(109)	(484)	(4,306)

Affordable Homes Development Fund

Prior to October 2008, any funds raised by reducing the second home or empty property Council Tax discount had been allocated to Registered Social Landlords (RSLs) for the development of affordable housing. Under Scottish Government direction, Local Authorities can now'use this income themselves, disburse these funds to other organisations and individuals, as well as RSLs. Funds not yet allocated are held in this provision.

Accumulated Absences Fund

The Accumulated Absences Fund relates to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay. The cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. At the end of each financial year the Council accrues for any annual leave and other benefits earned but not taken at 31st March each year. It is expected that these benefits will be used over the coming year.

Municipal Mutual Fund

During the early 1990s, Municipal Mutual Insurance Limited (MMI), which was the main insurer of local authorities across the country, ran into financial difficulties. The MMI business was subsequently acquired by another insurance company with the plan to wind up its activities. Until this year, the expectation was that there would be a solvent run–down of the business and that there would be sufficient funds to meet all the current and future insurance claims. During 2012/13 however, East Lothian Council as one of the company's creditors, was informed that a solvent run-down is now unlikely and a prearranged Scheme of Arrangement would be triggered. Under the Scheme the creditors are required to pay a levy designed to meet the deficit between assets and liabilities. The amount of the levy for East Lothian Council has been assessed as £100,000.

Other Provision

A case has been lodged against the Authority. A provision of £484,000 has been made for the possible settlement that the Authority will have to pay.

Note 26 Long Term Liabilities

At 31 March the Council held some funds that are linked to agreements that will be implemented in the future.

	31 March 2015 £000's	31 March 2016 £000's	Details
Deferred Liabilities - Developers' Contributions	(6,829)	(13,281)	These amounts represent the payments received from developers and are linked to future capital spending. Funding is retained until project is completed
Deferred Liabilities - Rental Income in advance	(485)	(450)	Income to be released over the lease period
Other	(632)	(612)	
PPP and Finance Lease Liabilities	(42,402)	(41,319)	This amount represents the outstanding obligations the Council has to make payments under finance and PFI leases. More details are provided at Note 16 and Note 17.
Net Pensions Liability	(172,028)	(114,995)	The underlying commitment that the Council has to pay retirement benefits. Recovered from the Council over future years. More details are provided at Note 27
Total Long term liabilities	(222,376)	(170,657)	

Note 27 Defined Benefit Pension Schemes

Participation in Pensions schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by the City of Edinburgh Council as the Lothian Pension Fund. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Arrangements for the award of discretionary post retirement benefits upon early retirement is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. No investment assets are built up to meet these pension liabilities and cash has to be generated to meet actual payments as they fall due.

The Lothian Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of City of Edinburgh Council. Policy is determined in accordance with the pension fund regulations.

The principle risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and Housing Revenue Account the amounts required by statute as described in the policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirements are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no assets built up to meet these pension liabilities.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the reported cost of *services* when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year:

	2014/15 £000's	2015/16 £000's
Comprehensive Income and Expenditure Statement		
Cost of Services comprising:		
Current service cost	15,294	18,993
Past service costs (including Curtailments)	166	6
(Gain)/Loss on Settlements	-	-
Financing and Investment Income and Expenditure		
Net interest expense	5,564	5,582
Interest cost	-	-
Expected return on assets in the scheme	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	21,024	24,581
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	43,478	7,474
Actuarial gains and losses arising on changes in demographic assumptions	(21,928)	-
Actuarial gains and losses arising on changes in financial assumptions	(59,394)	53,573
Other remeasurement experience	1,539	6,431
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(36,305)	67,478
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code.	6,938	10,445
Actual amount charged against the General Fund Balance for pensions in the year		
Employers Contributions Payable	14,086	14,136

Pension assets and liabilities recognised in the Balance Sheet

A reconciliation of present value of the scheme assets and liabilities can be presented as follows:

	2014/15 £000's	2015/16 £000's
Pensions Assets and Liabilities Recognised in the Balance Sheet		
Present value of the defined benefit obligation	(602,659)	(566,444)
Fair value of plan assets	430,631	451,449
Net liability arising from defined benefit obligation	(172,028)	(114,995)

The Reconciliation of the Movements in the Fair Value of the scheme assets is as follows:

	31 March 2015	31 March 2016
	£000's	£000's
Opening Fair Value of scheme assets	369,975	430,631
Interest Income	15,924	13,773
Remeasurement gain/(loss):		
Return on plan assets, excluding the amount included in the net interest expense	43,478	7,474
Contributions from employer	14,086	14,136
Contributions from employees into the scheme	3,607	3,705
Benefits paid	(16,439)	(18,270)
Closing Fair Value of Scheme Assets	430,631	451,449

The reconciliation of the present value of the scheme liabilities is as follows:

	31 March 2015 £000's	31 March 2016 £000's
Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)		
Opening Balance at 1 April	(498,760)	(602,659)
Current Service Cost	(15,294)	(18,993)
Interest Cost	(21,488)	(19,355)
Contributions from Scheme participants	(3,607)	(3,705)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	(21,928)	-
Actuarial gains/losses arising from changes in financial assumptions	(59,394)	53,573
Other	1,539	6,431
Past Service Cost (incl curtailments)	(166)	(6)
Benefits Paid	16,439	18,270
Closing Balance at 31 March	(602,659)	(566,444)

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £114.995 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as the deficit will result in increased contributions in future years, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £12.765 million

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson, an independent firm of actuaries. The liabilities for the Lothian Pension Fund at 31st March 2016 have been assessed by rolling forward the value of the liability calculated at the latest formal valuation date (31st March 2014), allowing for the different financial assumptions required under the Accounting Standard at the reporting date.

The main financial assumptions in the actuaries' calculations were:

	2014/15	2015/16
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	22.1	22.1
Female	23.7	23.7
Longevity at 65 for future pensioners		
Male	24.2	24.2
Female	26.3	26.3
Rate of inflation		
Rate of increase in salaries	4.3%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	3.2%	3.5%

The following sensitivity analysis demonstrates the potential effect on the defined obligation in the scheme as a result of changes in the underlying assumptions:

Impact on the Defined Benefit Obligation in the Scheme Actuarial Assumptions Sensitivity Analysis	Approximate % increase to employer	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	57,626
1 year increase in member life expectancy	3%	16,993
0.5% increase in Salary increase rate	4%	19,947
0.5% increase in Pension increase rate	6%	36,530

Lothian Government Pension Scheme Assets comprised:

	31 March 2015 £000's	%	31 March 2016 £000's	%
Local Government Pension Scheme Assets comprised:				
Cash and Cash Equivalents	34,022	8%	27,899	6%
Private Equity	49,934	12%	19,743	4%
Derivatives	660	0%	-26	0%
Equity Instruments:				
Consumer	60,397	14%	68,753	15%
Manufacturing	50,654	12%	53,245	12%
Energy and Utilities	43,028	10%	35,860	8%
Financial Institutions	35,479	8%	38,237	8%
Health and Care	29,344	7%	30,010	7%
Information Technology	26,932	6%	27,048	6%
Other	19,287	4%	25,840	6%
Sub-total Equity	265,121	61%	278,993	62%
Bonds:				
Corporate	-	0%	-	0%
Government	24,935	6%	29,052	6%
Other	10,620	2%	11,420	3%
Sub-total Bonds	35,555	8%	40,472	9%
Property:				
UK Property	28,167	7%	38,617	9%
Overseas Property	4,367	1%	-	0%
Sub-total Property	32,534	8%	38,617	9%
Other Investment Funds:				
Equities	4,672	1%	-	0%
Bonds	-	0%	3,658	1%
Commodities	-	0%	1,251	0%
Infrastructure	-	0%	30,026	7%
Other	8,133	2%	10,816	2%
Sub-total Investment Funds	12,805	3%	45,751	10%
Total Assets	430,631	100%	451,449	100%
Scheme Assets Fair Value				
Quoted Prices in Active Markets	346,625		357,380	
Prices not Quoted in Active Markets	84,006		94,069	
Total	430,631		451,449	

Pension schemes accounted for as defined contribution schemes

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme, administered by the Scottish Public Pensions Agency (SPPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2015/16, the Council paid £5.92m (2014/15: £5.32m) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 14.9% of pensionable pay from 1 April 2015 increasing to 17.2% of pensionable pay from 1 September 2015 (2014/15: 14.9%).

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. This means it is not possible to identify the extent to which a surplus or deficit in the scheme may affect the amount of future contributions. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. In 2015/16, the Council paid £0.628m (2014/15: £0.671m) to Teachers' Pensions in respect of these retirement benefits.

Ex-Gratia Scheme

Under Regulation 45 of The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, the Council awarded an Ex-Gratia discretionary allowance to retiring employees in respect of service for which they were ineligible to join the pension fund prior to 1986.

In 2015/16, the Council paid £0.07m (2014/15: £0.07m) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.727m .

Note 28 Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement within the Core Financial Statements.

General Fund Balance
The General Fund is the statutory fund into which all of the receipts of an Authority are required to be received and which all of the liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Housing Revenue Account balance
The Housing Revenue Account reflects a statutory obligation to maintain a revenue account for local authority housing provision in line with the Housing (Scotland) Act 1987. It contains the balance of income and expenditure as defined by the 1987 Act that is available to fund future expenditure in connection with the Council's landlord function.

Note 29 Unusable Reserves

	31 March 2015 £000's	31 March 2016 £000's
Revaluation Reserve	(138,504)	(249,337)
Available-for-sale Financial Instruments Reserve	(1,766)	(2,771)
Pensions Reserve	172,028	114,995
Capital Adjustment Account	(245,394)	(235,347)
Financial Instruments Adjustment Account	4,200	3,928
Employee Statutory Adjustment Account	3,523	3,394
Total	**(205,913)**	**(365,138)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are;

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2015 £000's		31 March 2016 £000's
(134,846)	**Balance at 1 April**	**(138,504)**
(9,715)	Upward revaluation of assets	(121,184)
1,848	Downward revaluation of assets and impairment not charged to the Surplus/Deficit on the Provision of Services	4,641
(7,867)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(116,543)
3,809	Difference between fair value depreciation and historical cost depreciation	5,457
400	Accumulated gains on assets sold or scrapped	253
(138,504)	**Balance at 31 March**	**(249,337)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are;

- Revalued downwards or impaired and the gains are lost; or
- Disposed of and the gains are realised.

31 March 2015 £000's		31 March 2016 £000's
(2,376)	**Balance at 1 April**	**(1,766)**
-	Upward revaluation of investments	(1,005)
610	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
610		(1,005)
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(1,766)	**Balance at 31 March**	**(2,771)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2015 £000's		31 March 2016 £000's
128,785	**Balance at 1 April**	**172,028**
36,305	Actuarial gains or losses on pensions assets and liabilities	(67,478)
21,024	Reversal of items relating to retirement benefits debited or credited to the Surplus or Defict on the Provision of Services in the Comprehensive Income and Expenditure Statement	24,581
(14,086)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,136)
172,028	**Balance at 31 March**	**114,995**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

31 March 2015 £000's		**31 March 2016 £000's**
(236,269)	**Balance at 1 April**	**(245,394)**
28,513	Charges for depreciation of non-current assets	32,111
1,409	Revaluation and impairment losses on Property, Plant and Equipment	18,137
1,137	Assets written off on disposal or sale	(800)
31,059		49,448
(3,809)	Adjusting amounts written out of the Revaluation Reserve	(5,457)
27,250	Net amounts written out of the cost of non-current assets consumed in the year	43,991
	Capital Financing applied in the year	
(20,319)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,418)
(14,090)	Statutory provison for the financing of capital investment charged against the General Fund and HRA balances	(13,436)
(1,966)	Capital expenditure charged against the General Fund and HRA balances	(90)
(36,375)		**(33,944)**
(245,394)	**Balance at 31 March**	**(235,347)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case this period is the unexpired term that was outstanding on the loans when they were redeemed.

31 March 2015 £000's		31 March 2016 £000's
4,459	**Balance at 1 April**	**4,200**
(3)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(16)
(256)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory provisions	(256)
(259)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory provisions	(272)
4,200	**Balance at 31 March**	**3,928**

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlements carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfer from the Account.

31 March 2015 £000's		31 March 2016 £000's
3,368	**Balance at 1 April**	**3,523**
(3,368)	Settlement or cancellation of accrual made at the end of the preceding year	(3,523)
3,523	Amount accrued at the end of the current year	3,394
155	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(129)
3,523	**Balance at 31 March**	**3,394**

Note 30 Transfer to and from Earmarked Reserves

	Mid and East Lothian Drugs & Alchohol Project £000's	Workforce Development Balances £000's	Devolved School Management Balances £000's	Cost Reduction Fund £000's
Balance at 31 March 2014	**192**	**-**	**490**	**3,542**
Transfers Out during 2014/2015	-	-	(228)	(460)
Transfers In during 2014/2015	171	181	-	-
Balance at 31 March 2015	**363**	**181**	**262**	**3,082**
Transfers Out during 2015/16	-	(56)	(42)	(85)
Transfers In during 2015/16	92	150	-	-
Balance at 31 March 2016	**455**	**275**	**220**	**2,997**

Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

	2014/15 £000's	2015/16 £000's
Credited to Taxation & Non-Specific Grant Income		
General Capital Grant	(11,297)	(11,484)
Sporting Facilities	(5)	-
Contributions from developers	(1,466)	(3,498)
Mortgage to Rent scheme/Housing Grants	(7,502)	(3,760)
Other Grants & Contributions	(49)	(1,676)
Total	**(20,319)**	**(20,418)**
Credited to Services		
Housing Benefit Subsidy/Admin Grant & Housing Payments/Department for Work & Pensions	(26,565)	(25,783)
Resource Transfer Funds/NHS	(3,163)	(3,226)
Criminal Justice Grant/Criminal Justice Authority	(1,354)	(1,213)
Leader Programme/ European Union	(134)	(160)
Housing Benefit Administration Subsidy/Department for Work & Pensions	(463)	-
Change Funds	(654)	(723)
Private Sector Housing Grant/Scottish Government	(628)	(628)
Funding for Drugs & Alcohol Teams/NHS	(746)	(818)
HEEPS	(455)	(978)
Educational Maintenance Allowance Funding/Scottish Government	(359)	(335)
Active Schools/Sports Scotland	(261)	(233)
Determined to Succeed	(141)	-
Developing Youth Scotland	-	(460)
Youth Music Initiative	-	(339)
Total	**(34,923)**	**(34,896)**

Note 32 Capital Grant Receipts in Advance

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows.

	2014/15 £000's	2015/16 £000's
Capital Grants & Contributions Receipts in Advance		
Sport Scotland	(119)	-
National Health Service		(80)
Total	**(119)**	**(80)**

Note 33 Cash Flow Statement -Adjustments to net surplus or deficit on the provision of services for non-cash movements

	2014/15 £000's	2015/16 £000's
Depreciation	(28,513)	(32,111)
Impairments and downward valuations	(1,409)	(18,137)
Carrying amount of non-current assets held for sale, sold or derecognised	(1,538)	(2,904)
Net charges made for retirement benefits in accordance with IAS 19	(21,024)	(24,581)
Employer's contributions payable to the Lothian Pension Fund	14,086	14,136
Increase in revenue long term-debtors & liabilities	684	(296)
(Increase)/Decrease in provisions	8,609	(960)
Increase/(Decrease) in inventories	(151)	108
(Increase)/Decrease in revenue creditors	(849)	1,039
(Decrease)/Increase in revenue debtors	(12,178)	577
Total	**(42,283)**	**(63,129)**

Note 34 Cash Flow Statement -Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities

	2014/15 £000's	2015/16 £000's
Proceeds from capital grants	20,319	20,418
Proceeds from short-term investments	359	439
Proceeds from sale of PPE, Assets Held for Sale and other non-current assets	2,962	3,682
Total	**23,640**	**24,539**

Note 35 Material Items of Income and Expense

Where items are not disclosed on the fate of the Comprehensive Income and Expenditure Statement (CI&ES), the Council is required to disclose the nature and amount of material items. Material items of expenditure charged to services in the year are shown in the table below.

	2014/15	2015/16
Depreciation charged on assets	28,513	32,111
Impairments and downward valuations	1,409	18,137
Housing Benefit Paid	25,753	25,634
Unitary Charge/PPP payments to contractor	9,077	9,079

Material items of income credited to service revenue accounts within the CIES largely relate to grants and contributions and these are disclosed in Note 31. Subsidy income in relation to the payments of Housing Benefit (included in the table above) is also disclosed at Note 31.

Note 36 Fair Value Hierarchy

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2015 and 31st March 2016 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000's	Other significant observable inputs (Level 2) £000's	Significant unobservable inputs(Level 3) £000's	Fair value as at 31 March 2016 £000's
Non-Financial Assets		2,242		
Total		2,242		

2014/15 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000's	Other significant observable inputs (Level 2) £000's	Significant unobservable inputs(Level 3) £000's	Fair value as at 31 March 2016 £000's
Non-Financial Assets		3,848		
Total		3,848		

Valuation Techniques used to Determine Level 2 Fair Values for Non Financial Assets

Significant Observable Inputs – Level 2

The fair value for the properties has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Housing Revenue Account

The Housing Revenue Account reflects a statutory obligation to maintain a revenue account for local authority housing provision in line with the Housing (Scotland) Act 1987. The following statement shows how much the Council spent in fulfilling its statutory responsibility to provide, improve and manage its Housing Stock.

2014/15 £000's		2015/16 £000's
	Income	
(23,285)	Dwelling rents	(24,569)
(412)	Non-dwelling rents	(428)
(527)	Service charges	(435)
(135)	Other Income	(108)
(24,359)	**Total Income**	(25,540)
	Expenditure	
7,528	Repairs and Maintenance	7,447
5,023	Supervision and Management	5,786
9,308	Depreciation and Impairments of Non-Current Assets	9,723
229	Increase in the Allowance for Bad Debts/Debt Write-offs	512
1,489	Other expenditure	1,791
23,577	**Total Expenditure**	25,259
(782)	**Net Expenditure/Income of HRA Services as Included in the Whole Authority Comprehensive Income and Expenditure Statement**	(281)
34	HRA Services Share of Corporate and Democratic Core	148
	Net Expenditure/Income of HRA Services	
(748)		(133)
	HRA share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:	
(377)	(Gain)/Loss on sale of HRA Non-Current Assets	274
4,982	Interest Payable and Similar Charges	5,739
(35)	HRA Interest and Investment Income	(25)
135	Pensions Interest Cost and Expected Return on Pensions Assets	160
(7,243)	Capital Grants and Contributions	(3,761)
(3,286)	**(Surplus(/Deficit for the year on HRA Services**	2,254

Movement on the HRA Statement

2014/15 £000's		2015/16 £000's
(2,056)	Balance on the HRA at the End of the Previous Year	(4,041)
(3,286)	Surplus/Deficit for the Year on the HRA Income and Expenditure Statement	2,254
2,752	Adjustments between Accounting Basis and Funding Basis under the Legislative Framework	(3,872)
(534)	Net (Increase)/Decrease in the Balance before Transfers to or from Reserves	(1,618)
995	HRA Balance Transferred to General Services	995
(2,446)	Transfers into HRA from Capital Fund	-
(1,985)	Increase/Decrease in year on the HRA	(623)
(4,041)	**Balance on the HRA at the End of the Current Reporting Period**	(4,664)

Note to the Movement of the HRA Statement

2014/15 £000's		2015/16 £000's
	Adjustments between Accounting Basis and Funding Basis under Regulations	
(9,308)	Depreciation and impairment of fixed assets	(9,723)
7,243	Capital Grant and Contributions Applied	3,760
377	Gain or loss on sale of HRA fixed assets	(274)
(135)	Net charges made for retirement benefits in accordance with IAS 19	(160)
(1,823)		(6,397)
	Items not included in the HRA Account but included in the movement on HRA Balance for the year	
343	Employer's contributions payable to the Lothian Pension Fund	(141)
2,432	Loans fund principal	2,666
1,800	Capital expenditure funded by the HRA	-
4,575		2,525
2,752	**Net additional amount required by statute to be debited to the HRA Balance for the year**	(3,872)

Council Tax Income Account

The Council Tax Income Account shows the net income raised from the Council taxes levied under the Local Government Finance Act 1992. The tax level depends on the value of the property. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers i.e. single occupants. A Council Tax benefit scheme is available to assist taxpayers on a low income.

2014/15 £000's		2015/16 £000's
(52,598)	**Gross Council Tax Levied and Contributions in Lieu**	(53,112)
	Adjusted For:	
5,420	Council Tax Reduction Scheme	5,156
29	Discounts for Prompt Payment	-
4,294	Other Discounts and Reductions	4,333
(703)	Provision for Non Collection	772
(43,558)		(42,851)
82	Adjustments to Previous Years' Council Tax	61
(43,476)	Transfer to General Fund	(42,790)

The Council Tax base is calculated as follows;

	COUNCIL TAX BAND								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Charge for Each Band (£)	**745.08**	**869.26**	**993.44**	**1117.62**	**1365.98**	**1614.34**	**1862.70**	**2235.24**	
Effective Properties	942	7,734	13,025	5,237	5,359	4,435	3,523	605	40,860
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	628	6,015	11,578	5,237	6,550	6,406	5,872	1,210	43,496
Provision for non-payment (2%)									(870)
Council Tax Base									**42,626**

Council Tax Base

Dwellings are valued by the Assessor and placed in a valuation band ranging from the lowest "A" to the highest "H". The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. The value is then decreased or increased dependent upon the band of the dwelling.

A full council tax charge assumes there are two or more adults, aged 18 or over, living in a property as their main home. If orily one adult lives in a house and it is their sole or main residence, the charge may be reduced by 25%.

Charges for water and sewerage are the responsibility of Scottish Water. East Lothian Council collects total monies and makes a payment to Scottish Water on the basis of collection levels based on a pre-determined formula.

Non Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

2014/15 £000's		2015/16 £000's
(33,515)	Gross Rates Levied & Contributions in Lieu	(33,325)
9,164	Reliefs and Other Deductions	9,361
2	Write Offs of Un-collectable Debts & Allowance for Impairment	5
(24,349)	**Net Non-Domestic Rate Income**	(23,959)
644	Adjustments to Previous Year National Non-Domestic Rates	1,410
35	Amounts not Reclaimable from the National Non-domestic Rate Pool	-
(23,670)	**Total Non-Domestic Rate Income (before authority retentions)**	**(22,549)**
544	Non-Domestic Rate Income Retained by Authority (BRIS)	-
(23,126)	**Contribution to the National Non-domestic Rate Pool**	**(22,549)**
(25,172)	**Contribution from the National Non-domestic Rate Pool**	**(26,079)**

Business Rate Incentivisation Scheme (BRIS)

The Business Rate Incentivisation Scheme permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government. This scheme has been revised and the Authority has had no financial benefit from this scheme in 2015/16.

Rateable Values

An analysis of the rateable values at the beginning of the financial year is detailed below.

	Number	Rateable Value £000's
Shops, Offices and other Commercial Subjects	1,662	28,234
Industrial and Freight Transport	852	11,931
Miscellaneous (Schools etc)	861	28,747
	3,375	68,912

Rate Level

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for East Lothian. The non-domestic rate poundage is determined by the First Minister, and was 49.1p (2014/15: 48.2p) per pound for properties with rateable value of £35,000 or more and 48p (2014/15: 47.1p) for those with a rateable value of less than £35,000.

From 1 April 2011 levels of rates relief under the Small Business Bonus Scheme have been set at 100% for eligible properties with a combined Rateable Value (RV) of up to £10,000, 50% for those with a combined RV between £10,001 and £12,000 and 25% for those with a combined RV between £12,001 and £18,000. Additionally, businesses with multiple properties whose cumulative RV is £35,000 or less will be eligible for relief of 25% for each property with a rateable value less than £18,000.

Common Good Account

There are 4 separate Common Good Funds that were inherited from the former Burghs of Dunbar, Haddington, Musselburgh and North Berwick, and which are used to further the common good of the residents of these areas. Although the Common Good Funds are part of the Council and follow Council accounting policies, the finances of the Common Good must be kept separate from Council funds.

Movements in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Common Good, analysed between usable reserves i.e. those that can be applied to fund expenditure and other reserves.

	Common Good Balance £000's	**Total Usable Reserves £000's**	**Unusable Reserves £000's**	Financial Instruments Adjustment £000's	Revaluation Reserve £000's	Capital Adjustment Account £000's	**Total Common Good Reserves £000's**
Balance at 31 March 2015 carried forward	**(4,960)**	**(4,960)**	**(4,218)**	**(486)**	**(886)**	**(2,846)**	**(9,178)**
Movement in reserves during 2015/16							
(Surplus) or deficit on provision of services	(474)	(474)	-	-	-	-	**(474)**
Other Comprehensive Expenditure and Income	-	-	(40)	23	(63)	-	**(40)**
Total Comprehensive Expenditure and Income	**(474)**	**(474)**	**(40)**	**23**	**(63)**	**-**	**(514)**
Adjustments between accounting basis & funding basis under regulations	(92)	(92) -	92	-	20	72	-
Charges for depreciation of non-current assets	(91)	(91)	91	-	17	74	-
Impairment/revaluation losses (charged to CI&ES)	-	-	-	-	3	(3)	-
Profit/loss on sale of non current assets	(1)	(1)	1	-	-	1	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(566)**	**(566)**	**52**	**23**	**(43)**	**72**	**(514)**
Transfers to/from Reserves	-	-	-	-	-	-	-
Increase/Decrease in Year	**(566)**	**(566)**	**52**	**23**	**(43)**	**72**	**(514)**
Balance at 31 March 2016 carried forward	**(5,526)**	**(5,526)**	**(4,166)**	**(463)**	**(929)**	**(2,774)**	**(9,692)**

The Common Good Funds once again operated at a surplus for the year, generating income from letting properties. Some of that income was used to maintain the assets and support events in their local communities.

Comprehensive Income and Expenditure Statement

2014/15		2015/16
£000's		£000's
	Income	
(457)	Rents and other income	(821)
(457)		(821)
	Expenditure	
1	Employees	2
57	Premises-related expenditure	62
51	Supplies and services	62
131	Third party payments	205
93	Depreciation	91
333		422
(124)	**Cost of Services**	(399)
(37)	(Gains)/Losses on the disposal of non current assets	17
(90)	Financing and investment income and expenditure	(92)
(251)	**(Surplus) or Deficit on Provision of Services**	**(474)**
(108)	Surplus or deficit on revaluation of Property, Plant and Equipment	(63)
(57)	(Surplus) or deficit on revaluation of available for sale financial instruments	23
(165)	**Other Comprehensive Income and Expenditure**	(40)
(416)	**Total Comprehensive Income and Expenditure**	**(514)**

Balance Sheet

31 March 2015 £000's		31 March 2016 £000's
2,939	Property, Plant & Equipment	3,295
2,874	Long Term Investments	2,806
1,158	Long Term Debtors	1,113
6,971	**Long Term Assets**	7,214
57	Sundry debtors	71
2,152	Short-term loans	2,410
2,209	**Current Assets**	2,481
(2)	Short-term creditors	(3)
(2)	**Current Liabilities**	**(3)**
9,178	**Net Assets**	9,692
(486)	Financial Instruments Adjustment Reserve	(463)
(886)	Revaluation Reserve	(929)
(2,846)	Capital Adjustment Account	(2,774)
(4,960)	Common Good Fund	(5,526)
(9,178)	**Total Reserves**	(9,692)

Non-current Assets

The value of assets changed in the following way:

	£000's
Net book value of assets at 31 March 2015	2,939
Movement in 2015/16	
Additions	385
Revaluations	44
Depreciation	(73)
Impairments	-
Internal Transfers	-
Net book value of assets at 31 March 2016	**3,295**

Finance Lease

Details of Common Good Finance Leases

The Proceeds from the finance lease are collected over the term of the lease, which creates a long-term debtor. The income receivable on this debt is:

	£000's
Income receivable in 2016/17	243
Income receivable between 2017/18 and 2020/21	972
Income receivable after 2021/22	5,639
	6,854

Fund Analysis

The four separate funds are valued at 31 March 2016 as:

	Dunbar £000's	Haddington £000's	Musselburgh £000's	North Berwick £000's	Total £000's
Balance brought forward on 1 April 2015	(58)	(465)	(4,167)	(270)	**(4,960)**
(Surplus) / Deficit for the the year	(36)	(74)	(415)	(41)	**(566)**
Fund balance as at 31 March 2016	(94)	(539)	(4,582)	(311)	**(5,526)**
Net Assets	**1,053**	**614**	**7,240**	**785**	**9,692**

Trust Funds Account

The Council acts as a majority or sole Trustee for 48 trusts, bequests and other funds, which are administered in accordance with the individual terms.

Movement in Reserves Statement

For the year ended 31 March 2016	Accumulated Funds £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Fund Reserves £000's
Balance at 31 March 2015 carried forward	(2,238)	(2,238)	(2,506)	(4,744)
Movement in reserves during 2015/16				
Surplus or (deficit) on provision of services	(126)	(126)	-	(126)
Other Comprehensive Expenditure and Income	-	-	208	208
Total Comprehensive Expenditure and Income	(126)	(126)	208	82
Adjustments between accounting basis & funding basis under regulations	(12)	(12)	12	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(138)	(138)	220	82
Transfers to/from Earmarked Reserves	-	-	-	-
Increase/Decrease In Year	(138)	(138)	220	82
Balance at 31 March 2016 carried forward	(2,376)	(2,376)	(2,286)	(4,662)

Comprehensive Income and Expenditure Statement

2014/15 £000's		2015/16 £000's
(53)	Operating Income	(48)
51	Operating Expenditure	42
(2)	**Cost of Services**	**(6)**
(49)	(Gains)/Losses on the disposal of non current assets	(33)
(84)	Financing and investment income and expenditure	(87)
(135)	**(Surplus) or Deficit on Provision of Services**	**(126)**
(174)	(Surplus) or deficit on revaluation of Property, Plant and Equipment	-
(184)	(Surplus) or deficit on revaluation of available for sale financial instruments	208
(358)	**Other Comprehensive Income and Expenditure**	**208**
(493)	**Total Comprehensive Income and Expenditure**	**82**

Balance Sheet

31 March 2015	Trust Funds	31 March 2016
£000's		£000's
750	Property Plant & Equipment	737
2,985	Long Term Investments	2,807
100	Long Term Debtors	96
3,835	**Long Term Assets**	3,640
1,144	Short Term Investments	1,245
-	Short Term Debtors	-
1,144	**Current Assets**	1,245
-	Short Term Creditors	(1)
-	**Current Liabilities**	(1)
(235)	Other Long Term Liabilities	(222)
(235)	**Long Term Liabilities**	(222)
4,744	**Net Assets**	**4,662**
(2,238)	Usable Reserves	(2,376)
(2,506)	Unusable Reserves	(2,286)
(4,744)	**Total Reserves**	**(4,662)**

In-year Financial Performance

During the year 2015/16, the Trust Funds operated at a surplus of £126,000 (2014/15: surplus of £135,000). The overall asset book value decreased from £4.74 million to £4.66 million by 31 March 2016.

Property Asset Valuation

For most Trust property assets, an independent valuer assesses the value of land and buildings every five years based on the open market value for existing use.

Market Investment Valuation

Investments are valued each year by the Trusts' investment managers based on the listed market value of each investment on 31 March. The largest investments held by the Trusts on 31 March 2016 were:

2014/15		2015/16
£000's		£000's
118	UBS Global Assets Mgt US Equity	111
96	Vanguard Inv Serv 500 Ucits	98
103	JP Morgan IT Ordinary	87
76	Shell Ord Shares Euro 0.07	85
0	CCLA Investment Ma Property Inc	68
62	Mercantile Investment Ord 0.25	66
0	FIL Limited 6.75%	60
73	The European Inv Ord 0.25	59
2,457	Other stocks, shares and cash	2,173
2,985		2,807

Group Accounts

Group Movement In Reserves Statement

This statement presents the movement in the year in the different reserves held by the combined Group i.e the Council, its associate companies and subsidiaries.

For the year ended 31 March 2016

	Authority's Own Usable Reserves Page 12	Authority's Share of Usable Reserves of Subsidiaries and Associates	Total Usable Reserves	Total Unusable Reserves	Authority's Own Unusable Reserves Note 29	Authority's Share of Unusable Reserves of Subsidiaries and Associates	Total Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2015	(24,678)	(8,878)	(33,556)	(211,623)	(205,913)	(5,710)	(245,179)
Movement in reserves during 2015/16							
(Surplus) or deficit on provision of services	20,052	(327)	19,725	-	-	-	19,725
Other Comprehensive Expenditure and Income		-	-	(186,523)	(185,026)	(1,497)	(186,523)
Total Comprehensive Expenditure and Income	20,052	(327)	19,725	(186,523)	(185,026)	(1,497)	(166,798)
Adjustments between Group Accounts and Authority Accounts	-	-	-	-	-	-	-
Net Increase/Decrease before Transfers	20,052	(327)	19,725	(186,523)	(185,026)	(1,497)	(166,798)
Adjustment for Opening Balances	-	(144)	(144)	277	-	277	133
Adjustments between accounting basis & funding basis under regulations	(25,801)	(201)	(26,002)	26,002	25,801	201	-
Net Increase/Decrease before Transfers to Other Statutory Reserves	(5,749)	(672)	(6,421)	(160,244)	(159,225)	(1,019)	(166,665)
(Increase)/Decrease in Year	(5,749)	(672)	(6,421)	(160,244)	(159,225)	(1,019)	(166,665)
Balance at 31 March 2016 carried forward	(30,427)	(9,550)	(39,977)	(371,867)	(365,138)	(6,729)	(411,844)

Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement shows how resources have been generated and consumed in the year in providing services across the East Lothian Group. The Group includes the Council, its associates and susbsidiaries.

2014/15 Net Expend-iture £000's		2015/16 Gross Expend-iture £000's	2015/16 Gross Income £000's	2015/16 Net Expend-iture £000's
5,294	Central services	7,959	(4,580)	3,379
21,234	Cultural and related services	30,346	(4,994)	25,352
91,240	Education services	106,512	(4,055)	102,457
12,074	Environmental services	12,080	(877)	11,203
4,424	Housing services (non-HRA)	34,650	(30,141)	4,509
674	Joint Board requisitions	669	-	669
(782)	Local authority housing (HRA)	25,461	(25,594)	(133)
2,849	Planning & development services	5,418	(2,127)	3,291
9,533	Roads and transport services	11,089	(535)	10,554
61,331	Social Work services	81,067	(10,025)	71,042
1,439	Corporate and democratic core	1,876	-	1,876
197	Non-distributed costs	1,385	-	1,385
209,507	**Cost of Services**	**318,512**	**(82,928)**	**235,584**
(1,511)	(Gains)/Losses on the disposal of non current assets			(563)
20,746	Financing and investment income and expenditure			21,382
-	(Surplus) or deficit of discontinued operations			-
(235,154)	Taxation and non specific grant income			(236,907)
(6,412)	**Deficit on Provision of Services**			19,496
12	Share of the (surplus) or deficit on the provision of services by Associates			229
-	Tax expenses of subsidiaries and associates			-
(6,400)	**Group (Surplus) / Deficit**			**19,725**
(9,291)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(116,606)
369	(Surplus) on revaluation of available for sale financial instruments			(785)
36,305	Actuarial losses on pension assets/liabilities			(67,478)
599	Share of other comprehensive income and expenditure of associates.			(1,654)
27,982	**Other Comprehensive Income and Expenditure**			**(186,523)**
21,582	**Total Comprehensive Income and Expenditure**			**(166,798)**

Reconciliation of the Council Surplus / Deficit to the Group Surplus / Deficit

This statement shows how the deficit on the Council's single entity Comprehensive Income and Expenditure Account reconciles to the deficit for the year on the Group Accounts.

2014/15 £000's		2015/16 £000's
(6,272)	Deficit for the year on the Authority Comprehensive Income & Expenditure Account	20,052
-	Deficit for the year in the Group Income & Expenditure Account attributable to group entities	-
12	Associates	229
(140)	Subsidiaries	(556)
(6,400)	**(Surplus) / Deficit for the year on the Group Income & Expenditure Account**	**19,725**

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the East Lothian Group.

31 March 15 £000's		31 March 16 £000's
788,919	Property Plant & Equipment	903,797
605	Heritage Assets	801
-	Assets Held for Sale	-
8,019	Long Term Investments	8,799
626	Investments in Associates	1,897
9,932	Long Term Debtors	12,663
808,101	**Long Term Assets**	927,957
5	Short Term Investments	2
2,269	Assets Held for Sale	898
520	Inventories	622
27,640	Short Term Debtors	28,033
(11,415)	Bad & Doubtful Debt Provision	(12,026)
9,270	Cash and Cash Equivalents	6,670
28,289	**Current Assets**	24,199
-	Bank Overdraft	-
(12,758)	Short Term Borrowing	(11,108)
(23,728)	Short Term Creditors	(28,820)
(36,486)	**Current Liabilities**	(39,928)
-	Long Term Creditors	-
(3,957)	Provisions	(4,306)
(328,038)	Long Term Borrowing	(325,119)
(222,611)	Other Long Term Liabilities	(170,879)
(119)	Capital Grants Receipts in Advance	(80)
(554,725)	**Long Term Liabilities**	(500,384)
245,179	**Net Assets**	**411,844**
-	Called Up Share Capital	-
(33,556)	Usable Reserves	(39,977)
(211,623)	Unusable Reserves	(371,867)
(245,179)	**Total Reserves**	**(411,844)**

Group Cash Flow Statement

The Group Cash Flow includes the cash flows of the Council and its subsidiary companies which include East Lothian Land, the Common Goods, Trust Funds and Musselburgh Joint Racing Committee.

2014/15 £000's		2015/16 £000's
(6,412)	Net deficit on the provision of services	19,496
(41,917)	Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 5)	(63,368)
23,640	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24,539
(24,689)	Net Cash flow from Operating Activities	(19,333)
	Investing Activities	
39,189	Purchase of property, plant and equipment	50,880
-	Purchase of investments	17
-	Dividends from joint ventures and associates	-
(359)	Proceeds from short term investments	(487)
(20,320)	Other Receipts from investing activities	(26,913)
(2,962)	Proceeds from the sale of property, plant and equipment	(3,682)
15,548	Net cash flow from investing activity	19,815
	Financing Activities	
(89,079)	Cash received from short and long term borrowing	(22,021)
1,184	Capital element of finance leases and PFI Contracts	1,060
93,492	Repayments of short and long term borrowing	19,319
-	New loans made	3,760
5,597	Net cash flow from financing activity	2,118
(3,544)	Net increase or decrease in cash and cash equivalents	2,600
(5,726)	Cash and cash equivalents at the beginning of the reporting period	(9,270)
(9,270)	Cash and cash equivalents at the end of the reporting period	(6,670)

Notes to the Group Financial Statements

1. Combining Entities

Alongside its investments, East Lothian Council has an interest in a number of associate and subsidiary companies. For the purposes of consolidation and incorporation within the Group Accounts recognition of these interests has been made as follows.

2. Associates

The under noted entities along with the relative share have been treated as associate companies within the terms of the Code of Practice on Local Authority Accounting.

The Council has less than 20% of the voting or potential voting power in the Lothian Valuation Joint Board but has assessed that it has significant influence of this organisation requiring inclusion in the Council's Group Accounts. This is on the basis of representation on the Joint Board by East Lothian councillors and material transactions between East Lothian Council and the Joint Board.

These associate companies have been incorporated in line with the draft financial statements made available to East Lothian Council.

	Percentage Share 2014/15	Percentage Share 2015/16	Carrying Value at 31 March 2016 £000's	Share of (Surplus) or Deficit on Provision of Services for 2015/16 £000's	Other CI&ES items for 2015/16 £000's
East Lothian Investments	40.00%	40.00%	204	10	-
Enjoy East Lothian Limited	33.33%	33.33%	2,225	152	(859)
Brunton Theatre Trust	28.57%	28.57%	94	(11)	-
Lothian Valuation Joint Board	12.50%	12.50%	(626)	78	(795)
Total			**1,897**	**229**	**(1,654)**

The summarised financial information of the various associates for the financial year 2015/16 has been presented below;

	Assets at the end of the year £000's	Liabilities at the end of the year £000's	Net Assets at the end of the year £000's	Revenues during year £000's	(Surplus) or Deficit for the year £000's
East Lothian Investments	518	(7)	511	(4)	25
Enjoy East Lothian Limited	8,203	(1,528)	6,675	(6,270)	456
Brunton Theatre Trust	429	(101)	328	(1,345)	(48)
Lothian Valuation Joint Board	2,254	(7,262)	(5,008)	(8,261)	624

Although disclosed as an associate company Enjoy East Lothian is limited in its ability to transfer financial benefits to East Lothian Council. Enjoy East Lothian Limited is a registered charity and the Memorandum of Association states that no portion of the income or assets shall be paid or transferred directly or indirectly by way of dividend, bonus or otherwise howsoever by way of profit to the members of the company.

Likewise, the Articles of Association relating to East Lothian Investments, restrict the payment or transference of income, either directly or indirectly, by way of dividend, bonus or otherwise, to members of the company.

3. Subsidiaries

The under noted entities are regarded as group subsidiary companies in line with the Code of Practice on Local Authority Accounting. For the purposes of the Group Accounts this means that the income, expenditure and annual surpluses or deficits of subsidiaries are combined within income, expenditure and annual surpluses or deficits relating to main council services.

No subsidiaries have been excluded.

The Council is sole shareholder, at a cost of £800,000, in East Lothian Land Limited, set up in 2000 for the purpose of managing land to support economic development in East Lothian. The accounts for the last period of trading to 31 March 2016 show net current assets of £602,000 (2015: £605,000), and a loss before taxation of £4,000 (31 March 2015: Loss of £1,000). The company retains all accumulated profits and losses. No dividend was received. The value of East Lothian Land is included within the Council accounts at the net asset value noted above.

The annual accounts for the Common Good Funds and Trusts are included at pages 76-78.

The net value of the Trusts included within the Group Accounts is £4.66 million. The nature of the assets is explained in a note to the Supplementary Financial Statements attached. Although included as a subsidiary the Council does not expect a dividend as a result of its involvement.

In 2011 East Lothian Council, along with the Lothian's Racing Syndicate Limited agreed a revised Minute of Agreement relating to the operation of the Musselburgh Joint Racing Committee. The remit of the Committee is to organise and develop horse racing at Musselburgh Links. No shares are issued. The Council nominates four of the seven Committee members with the other three nominated by the Syndicate. East Lothian Council inherited an interest in this subsidiary company as a result of local government re-organisation in 1996.

A financial interest exists since the Council may be required to bear any financial losses of the Committee. As no consideration was given for this interest, there is no goodwill arising from this interest. No dividends will be received. This subsidiary has been incorporated in line with the financial statements made available to East Lothian Council.

The individual accounts relating to East Lothian Land and the Musselburgh Joint Racing Committee are available from the Head of Council Resources, East Lothian Council, John Muir House, Haddington, EH41 3HA.

4. Financial Impact of Consolidation

The effect of inclusion of the associate and subsidiary companies on the Group Balance Sheet is to increase Net Assets and Reserves by £16.2 million. This is largely due to the value of Common Good and Trust Funds property and investment values.

5. Group Cash Flow Statement - Adjustments to net surplus or deficit on the provision of services for non-cash movements

2014/15 £000's		2015/16 £000's
(28,601)	Depreciation	(32,214)
(1,422)	Impairments and downward revaluations	(18,137)
(1,538)	Net gains on sale of fixed assets	(2,904)
(21,024)	Net charges made for retirement benefits in accordance with IAS 19	(24,581)
14,086	Employer's contributions payable to the Lothian Pension Fund	14,136
1,166	(Increase)/decrease in revenue long term-debtors & liabilities	(341)
8,609	Change in Provisions	(960)
(151)	Change in stock	108
(633)	Change in revenue debtors	1,200
(12,409)	Change in revenue creditors	325
(41,917)	Total	(63,368)

Glossary of Terms

While much of the terminology used in this document is intended to be self explanatory, the following additional definitions and interpretation of terms may be of assistance to the reader.

1. Accounting Period - The period of time covered by the Accounts -this is a period of 12 months commencing on the first of April.

2. Actuarial Gains and Losses (Pensions) - Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.

3. Asset - An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year. A non-current asset will provide benefit to the Council and to the services it provides for a period of more than one year.

4. Associate - An entity in which the council has a participating interest, or over whose operating and financial policies the Council is able to exercise significant influence.

5. Capital Adjustment Account - This account relates to amounts set aside from capital resources to meet past expenditure.

6. Capital Expenditure - Expenditure on the acquisition of a non-current asset which will be used in providing services beyond the current accounting period, or expenditure which adds to the value of an existing non-current asset.

7. Capital Financing - The various methods used to finance capital expenditure. This includes borrowing, leasing, capital receipts, capital grants and use of revenue funding.

8. Capital Grants Unapplied - This account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

9. Capital Receipt - Proceeds from the sale of land or other non-current assets.

10. Capital Receipts Reserve - This reserve represents the proceeds from non-current asset disposals not yet used and which are available to meet future capital investment.

11. Creditor - Amounts owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

12. Current Service Costs (Pensions) - The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

13. Debtor - Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

14. Defined Benefit Pension Scheme - Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

15. Depreciation - The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

16. Discretionary Benefits (Pensions) - Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under the council's discretionary powers.

17. Employee Statutory Adjustment Account - This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

18. Fair Value - The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less any grants receivable towards the purchase of use of the asset.

19. Financial Instruments Adjustment Account - This is a balancing Account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council.

20. Finance lease - A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

21. Government Grants - Grants made by the Government towards either revenue of capital expenditure in return for past or future

compliance with certain conditions relating to the activities of the Council. These grants may be for a specific scheme or may support the revenue or capital spend of the Council in general.

22. Heritage Asset - An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

23. Impairment - A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet

24. Insurance Fund - This covers the main classes of insurance and is earmarked for insurance purposes

25. Interest Cost (Pensions) - For a defined benefit scheme, the expected increase during the period of the scheme of liabilities because the benefits are one period closer to settlement.

26. Inventories - Items of raw materials and stock the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

27. Liability - A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long-term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

28. National Non-Domestic Rates Pool - All Non domestic Rates collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

29. Net Book Value - The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

30. Non-Current Assets - These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.

31. Non-Distributed Costs - Costs that cannot be allocated to specific services and are, therefore, excluded from the total cost relating to Service activity in accordance with the Service Reporting Code of Practice. Charges for added pension years and early retirement are examples of these costs.

32. Operating Lease - A lease where the ownership of a non-current asset remains with the lessor.

33. Past Service Cost (Pensions) - For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

34. Pension Reserve - The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Lothian Pension Fund and the change in the Councils share of the Pension Fund net liability chargeable to the Comprehensive Income and Expenditure Statement.

35. Pension Scheme Liabilities - The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "project unit method" reflect the benefits that the employer is committed to provide for service up to the valuation date.

36. Post Employment Benefits - All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment (e.g. pensions in retirement).

37. Provision - An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

38. Public Works Loan Board (PWLB) - A Central Government Agency, which provides loans for one year and above to Councils at interest rates only based on those at which the Government can borrow itself.

39. Rateable Value - The annual assumed rental of a non-housing property, which is for national Non Domestic Rates purposes.

40. Related Parties - Entities or individuals that have the potential to control or influence the Council, or to be controlled. or influenced by the Council.

41. Remuneration - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than cash.

42. Reserves - The accumulation of surpluses, deficits and appropriation over the past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the Revaluation Reserve cannot be used to meet current expenditure.

43. Revaluation Reserve - The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sale.

44. Revenue Expenditure - The day-to-day running costs associated with the provision of services.

45. Subsidiary - An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.