East Lothian Council

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East Lothian Council

Additional information:

The audited 2014/15 financial statements were considered by the Audit and Governance Committee on 15 September 2015 and subsequently signed by our External Auditors on 28 September 2015.

Authorised By	Jim Lamond
Designation	Head of Council Resources
Date	09/10/15

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East Lothian Council
Annual Accounts 2014-15

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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 2015 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 Housing Revenue Account Statement, the Council Tax Income Account, 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 2014/15 (the 2014/15 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 authority 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 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority 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 2014/15 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, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

28 September 2015

Management Commentary

East Lothian Council

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 has a population of around 100,000, and up to 2035 East Lothian is set to have the highest percentage change in population.

The Council is made up of 23 elected members and 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

- Leader of the Council — Councillor Willie Innes — Party: Scottish Labour
  - Depute Leader — Councillor Michael Veitch — Party: Scottish Conservative
- Provost — Councillor Ludovic Broun-Lindsay — Party: Scottish Conservative
  - Depute Provost — Councillor Jim Gilles — Party: Scottish Labour

Cabinet

Community Planning	Councillor Willie Innes	Party: Scottish Labour
Transport and Roads	Councillor Michael Veitch	Party: Scottish Conservative
Economic Development & Tourism	Councillor John McMillan	Party: Scottish Labour
Education & Children's Services	Councillor Shamin Akhtar	Party: Scottish Labour
Housing & Environment	Councillor Norman Hampshire	Party: Scottish Labour
Community Wellbeing	Councillor Tim Day	Party: Scottish Conservative
Health & Social Care	Councillor Donald Grant	Party: Scottish Labour

The Council's Management Team

East Lothian Council - Administrative Structure

- Angela Leitch, Chief Executive
  - Alex McCrorie, Depute Chief Executive: Resources & People Services
    - Jim Lamond, Head of Council Resources (Chief Finance Officer)
    - Darrin Nightingale, Head of Education
    - Sharon Saunders, Head of Children's Wellbeing
  - Monica Patterson, Depute Chief Executive: Partnerships & Community Services (Monitoring Officer)
    - Ray Montgomery, Head of Infrastructure
    - Douglas Proudfoot, Head of Development
    - Tom Shearer, Head of Communities & Partnerships
  - David Small, Director or Health & Social Care Partnership
    - Vacant, Head of Adult Wellbeing (Chief Social Work Officer)

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 2 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.

Furthermore scrutiny and inspection if 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 adoped 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 ot the annual Corporate Governance Self-evaluation are reported to the Audit & Governance Committee and forms the basis of the Annual Governance Statement in the Annual Accounts.

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 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.

The 2020 Vision adopted in 2006 sets out the long term ambition for East Lothian.

> ***"In 2020 East Lothian will have an established reputation as having the highest quality of life in the UK and the quality of our environment will be recognised as amongst the best in Europe.***
>
> ***Our dynamic and flourishing economy will support strong, sustainable, safe and inclusive communities where:***
>
> - ***the demand for affordable, high standard housing will be met;***
> - ***our world class education service will encourage all our children and young people to achieve their full potential; and,***
> - ***all our citizens will have access to the highest quality public services and a modern integrated transport infrastructure.***
>
> ***In 2020 our citizens will be proud to live, learn, work and play in East Lothian."***

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.

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:

- Delivering jobs and training opportunities through East Lothian Works, including over 30 work experience and modern apprenticeship opportunities in the Council
- Supporting over 200 new business start ups
- Increasing payments to foster carers and supporting more foster care and kincare placements for vulnerable children
- Enhancing respite services for older people
- Successfully introducing the Scottish Welfare Fund and delivering support for people affected by the Housing Benefit under occupancy rule
- Completion of the new Crookston Care Facility in Tranent
- The completion of a number of new Council Houses and the continuation of an improvement programme to update and modernise our existing Council houses
- Establishing six Area Partnerships which will take on devolved decision making and budget responsibilities
- Investing in our employees - being awarded Investor in People status and delivering the gold standard in Health Working lives.

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 for 2015/16 to 2017/18 was approved on 10 February 2015, and this covers both the General Services and Housing revenue and capital programmes. The strategy has been developed taking into account the financial prospects for the Council both in terms of the financial environment within which the Council is currently operating, and also the demographic pressures and higher levels of demand this will place on the delivery of Council services. In summary the strategy has been developed to enable the Council to deliver a sustainable level of service within a budgetary framework that reduces reliance on reserves, as well as ensuring Capital Expenditure Limits remain affordable and are set at a level that minimises the extent of any burden due to debt charges.

Financial Performance

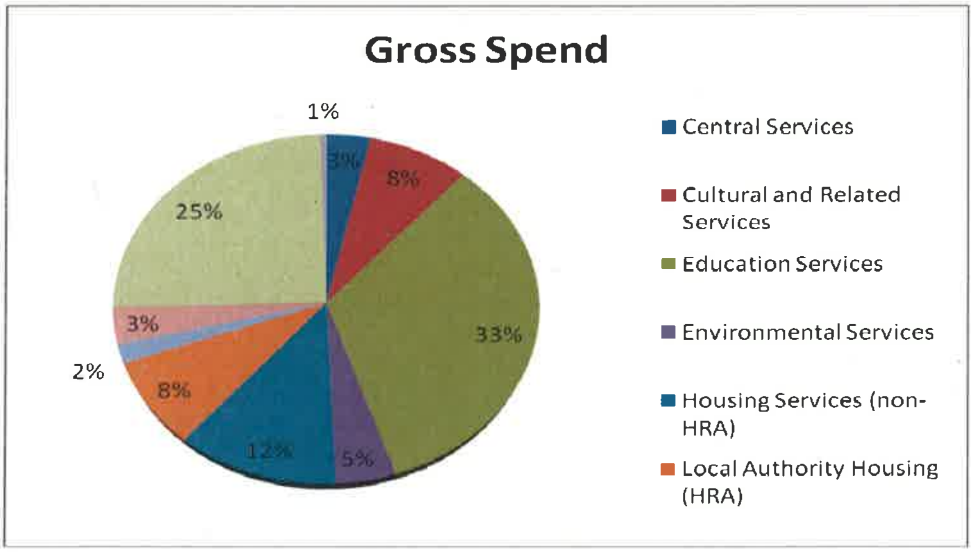
The results for the year

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 £9.326million. This is split between the General Services and Housing Revenue Account (HRA) which has an overall increase of £7.341million, and £1.985million respectively. In broad terms, the delivery of this outcome 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 results and prospects for the General Services and Housing Revenue Accounts are quite different and are therefore considered separately.

General Services

The Council's annual General Services expenditure is around £209million and is used to support a wide range of services including; Education, Children and Social Work services, Housing, and Roads and Transportation. The proportion of expenditure on these service areas is set below.



Within the Council, as part of our in year monitoring and management of service budgets during the year, the Council had previously estimated that an additional £1million in reserves would be available at the year end. Despite the challenging operating environment, the Council has delivered better than anticipated financial results for the year, with an increase in General Services usable reserves of £7.341million. 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 efficient workforce management and a continued reduction in expenditure on supplies and services;
- Close monitoring and control of service expenditure, including those service areas which have been categorised as 'High' risk for the Council; Children's Wellbeing and Adult Wellbeing, both of which are subject to increased demand pressures and have been subject to a variety of control measures;
- Non-recurring benefit relating to a re-determination of the 2012-13 Business Rate Incentivisation Scheme (BRIS);
- A significant reduction in the bad debt provision relating to outstanding Council Tax debt;
- Reduction in anticipated debt charges resulting from lower than planned capital expenditure.

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 which has taken place during 2014/15 and which will continue into 2015-16 and subsequent years. In line with the Financial Strategy, the Council has developed a sustainable budget that removes any dependency on reserves by 2017-18. Despite the improved results for 2014-15, 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 2019-20. It is therefore unlikely that future Government Grant levels will be sufficient to support unavoidable cost and demand pressures and therefore further work will be required to identify further cost efficiencies and increased income. The planned use of reserves will need to be carefully considered in line with the Council's Financial Strategy.

Overall, General Service reserves as at 31 March 2015 now total £18.048 million, although it must be remembered that a significant proportion of these have already been earmarked or set aside for specific purposes, such as Civil Emergency and our Insurance Fund.

Housing Revenue Account

In 2014-15, rental income was broadly in line with expectations, with most of the service areas delivering in year underspends especially on repairs and debt charges. There was an underspend of £0.909million on repair costs, which has largely been delivered through tighter controls and more rigorous monitoring around the housing repairs and maintenance budget. With debt charges, an underspend of £0.895million has been achieved, partly due to reduced level of capital spending and partly due to higher than anticipated asset sales amounting to £0.600million therefore reducing the need to borrow.

There has been an improvement in rent income collection performance during 2014-15 resulting in a slight decrease in the total outstanding rent debt from £3.002million in 2013-14 to £2.958million. 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 £0.22million less than had been anticipated, based on previous performance trends.

In total, Housing Revenue Account reserves have increased by £1.985million to £6.630million. This includes both the general Housing Revenue Account and Housing Capital Fund which is used flexibly to support the wider Housing Capital Programme by either financing capital expenditure enabling the Council to maintain control of its outstanding debt in accordance with the Financial Strategy.

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 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.

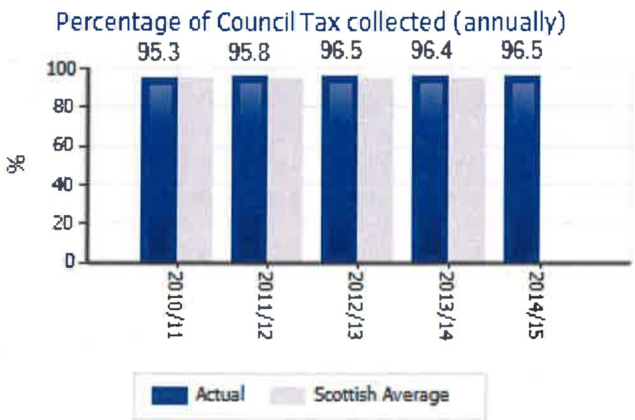
In practice, delivering the Improvement Framework involves four areas of activity: planning, delivering, monitoring and reviewing.

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

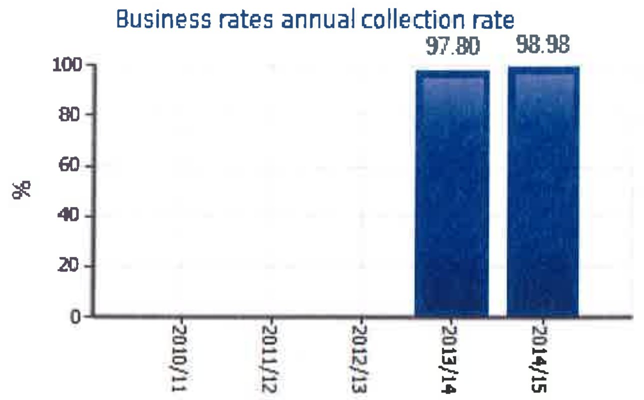
The Council publishes an Annual Performance Report in September of each year outlining its performance for the previous financial year. The Council also publishes up-to-date performance results via its performance website, which draws performance information directly from Aspireview (the Council's management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

The following are some of the key performance indicators that show the Council's performance in relation to financial matters.

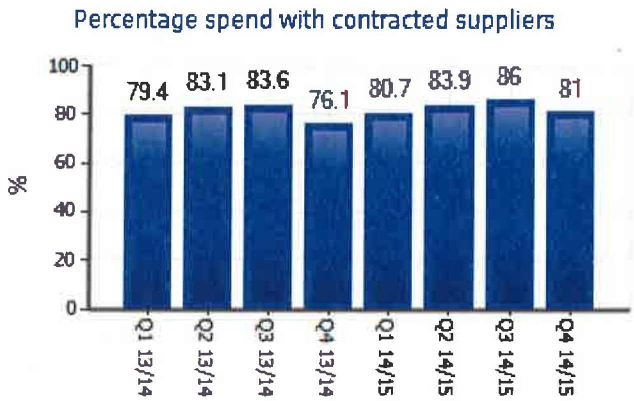
The percentage of income due from Council Tax that was received by the end of the year



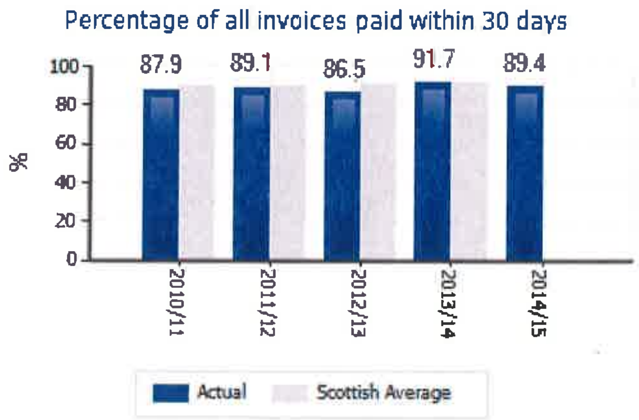
Non Domestic Rates Collection Rate



Percentage of spend with contracted suppliers

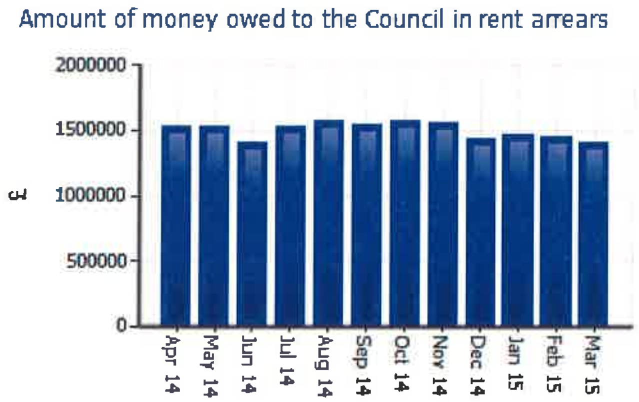


Percentage of invoices paid within 30 calendar days of receipt

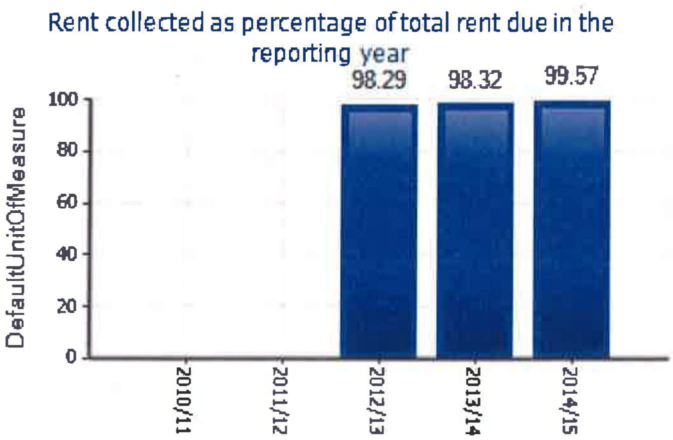


% Days lost per FTE employee

Amount of money owed in rent arrears



Rent collected as percentage of total rent due in the reporting year.



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 2015 Corporate Risk Register includes one Very High risk, seven High risks and six 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 seven High Risks identified in the Corporate Risk Register are:

- The Council's duty of care towards the people and environment of East Lothian
- Information Security and Data Protection
- Climate Change
- Duty of care to Council staff
- Local Development Plan
- Welfare Reform
- Public Protection.

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

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.

Also, as is highlighted in the Council's Financial Strategy 2014-15 to 2016-17, 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.

2014-15 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 which has been assisted by adherence to the Council's Financial Strategy. Strong financial performance during the year has helped provide a timely boost to our reserves, the 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 2015/16 and beyond, and this will continue to be a critical focus of our attention.

Angela Leitch	Willie Innes	Jim Lamond (CPFA)
Chief Executive	Council Leader	Head of Council Resources
23 September 2015	23 September 2015	23 September 2015

Statement of Responsibilities for the Statement of Accounts

The Council's responsibilities

The Council 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 2015 and its income and expenditure for the year ended 31 March 2015.

Jim Lamond (CPFA)
Head of Council Resources
23 September 2015

Willie Innes
Council Leader
23 September 2015

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.

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.

East Lothian Council carries out these duties in a number of ways including:

Annual self-evaluation of Corporate Governance

An annual self-evaluation of corporate governance is carried out by a task group which comprises: the Monitoring Officer (Depute Chief Executive, Partnerships and Community Services), Section 95 Officer (Head of Council Resources), Chief Social Work Officer (Head of Adult Wellbeing), Head of Communities and Partnerships and the Internal Audit Manager.

The group 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. The findings of the 2014/15 review were reported to the Council's Audit & Governance Committee in May 2015.

The group reviewed progress made against the improvement points identified in the 2014 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 2014/15 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 highlighted the actions and development that have been implemented or begun in 2014/15 to further improve the Council's governance arrangements and has not identified any further actions or improvement points to be implemented in 2015/16.

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.

Internal Audit Review

ELC's Internal Audit team carry out reviews of service areas throughout the year and report their 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/committee/98/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 2015 meeting of the Audit & Governance Committee. For 2014/15, the Internal Audit Manager concluded that, subject to some weaknesses outlined in the report, reasonable assurance can be placed on the adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year to 31 March 2015.

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 2014/15.

Angela Leitch Chief Executive 23 September 2015	Willie Innes Council Leader 23 September 2015	Jim Lamond (CPFA) Head of Council Resources 23 September 2015

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 21
- Senior Officer Remuneration at Page 22
- Pay Bandings information on Page 23
- Pension Benefits information for Senior Councillors and Officers from Page 24

The other sections of the Remuneration Report were reviewed by KPMG LLP to ensure that they are 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 2014-15 the salary for the Leader of East Lothian Council is £27,602. 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 £167,677.

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 Councillors' Remuneration

Office Held as at 31st March 2015

		Salary 2013/14 (£)	Expenses 2013/14 (£)	Total 2013/14 (£)	Salary 2014/15 (£)	Expenses 2014/15 (£)	Total 2014/15 (£)	Annualised Salary 2014/15 (£)
Willie Innes	Leader of the Council and Cabinet Spokesman for Housing & Community Planning	27,329	1,354	28,683	27,602	0	27,602	27,602
Ludovic Broun-Lindsay	Provost	20,497	1,010	21,507	20,702	989	21,691	20,702
Jim Gillies	Depute Provost	20,497	2,006	22,503	20,702	1,796	22,498	20,702
Michael Veitch	Depute Leader and Cabinet Spokesman Transport and Roads	20,497	1,180	21,677	20,702	830	21,532	20,702
Shamin Akhtar	Cabinet Spokesman for Education and Children's Wellbeing services	20,497	0	20,497	20,702	198	20,900	20,702
Tim Day	Cabinet Spokesman for Community Wellbeing	20,497	2,510	23,007	20,702	2,352	23,054	20,702
Donald Grant	Cabinet Spokesman for Health and Social Care	20,497	631	21,128	20,702	593	21,295	20,702
Norman Hampshire	Cabinet Spokesman for Environment	20,497	0	20,497	21,702	0	21,702	20,702
John McMillan	Cabinet Spokesman for Economic Development and Tourism	20,497	0	20,497	20,702	0	20,702	20,702
Stuart Currie	Leader of the Opposition	20,179	3,441	23,620	20,702	2,971	23,673	20,702
Paul McLennan	Leader of the Opposition (to 8/4/13)	466	0	466	0	0	0	0
		211,950	12,132	224,082	214,920	9,729	224,649	213,920

Total Councillors' Remuneration

Type of Remuneration	2013/14 (£)	2014/15 (£)
Salaries	424,950	429,200
Expenses	26,727	21,386
Total	451,677	450,586

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 2014/15 is available to view on the Council's website at http://www.eastlothian.gov.uk/downloads/download/1763/councillor_expenses

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 2014/15 the Council paid the following amounts to senior employees

Name	Post Title	Salary, Fees and Allowances 2013/14 (£)	Taxable Expenses 2013/14 (£)	Total Remuneration 2013/14 (£)	Salary, Fees and Allowances 2014/15 (£)	Taxable Expenses 2014/15 (£)	Compensation for Loss of office 2014/15 (£)	Total Remuneration 2014/15 (£)
Angela Leitch	Chief Executive	110,551	281	110,832	117,427	526	-	117,953
Monica Patterson	Depute Chief Executive-Partnership & Services for Communities	95,974	96	96,070	96,783	337	-	97,120
Alex McCrorie	Depute Chief Executive-Resources & People Services	95,974	167	96,141	96,243	513	-	96,756
Murray Leys	Head of Adult Wellbeing (until 28th February 2015)	83,821	271	84,092	81,730	465	23,942	106,137
David Heaney	Acting Head of Adult Wellbeing (from 18th August to 16th November 2014)	-	-	-	20,825	-	-	20,825
Jim Lamond	Head of Council Resources	83,821	297	84,118	88,432	321	-	88,753
Richard Jennings	Head of Development (until 31st August 2014)	83,821	-	83,821	32,139	-	62,163	94,301
Douglas Proudfoot	Acting Head of Development (from 21st July 2014)	-	-	-	59,241	-	-	59,241
Raymond Montgomery	Head of Infrastructure	83,821	-	83,821	84,242	207	-	84,449
Thomas Shearer	Head of Communities & Partnerships	83,821	149	83,970	84,507	761	-	85,268
Sharon Saunders	Head of Children's Wellbeing	83,821	28	83,849	83,967	1,499	-	85,466
Darrin Nightingale	Head of Education	83,821	488	84,309	84,242	786	-	85,028
Don Ledingham	Executive Director - Services for People (until 31st July 2013)	32,106	415	32,521	-	-	-	-
		921,352	2,192	923,544	929,777	5,415	86,104	1,021,297

The salary, fees and allowances for senior officers includes any payments made in respect of election roles. During 2014-15 the Heads of Service were all paid £83,967 (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 2014/15, the Council was invoiced a total of £59,800 as a shared cost of this post.

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

	2013/14	2014/15
£50,000 - £54,999	38	47
£55,000 - £59,999	21	19
£60,000 - £64,999	5	2
£65,000 - £69,999	7	8
£70,000 - £74,999	-	1
£75,000 - £79,999	3	1
£80,000 - £84,999	7	2
£85,000 - £89,999	1	4
£90,000 - £94,999	1	1
£95,000 - £99,999	2	2
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000-£114,999	1	-
£115,000 - £119,999	-	1
	86	89

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 2013-14	Bonuses 2013-14	Expenses & Allowances 2013-14	Total 2013-14	Salary 2014-15	Bonuses 2014-15	Expenses & Allowances 2014-15	Total 2014-15
		(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)
William Farnsworth	General Manager Musselburgh Racecourse	87,800	7,639	11,289	106,728	89,995	8,780	14,467	113,242

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.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. 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 2013/14	Rate 2013/14	Range 2014/15	Rate 2014/15
On earnings up to and including	£20,382	5.50%	£20,933	5.50%
On earnings above	£20,383 and up to £24,490	5.60% - 5.80%	£20,934 and up to £25,151	5.60% - 5.80%
On earnings above	£24,491 and up to £33,254	5.90% - 6.50%	£25,152 and up to £34,152	5.90% - 6.50%
On earnings above	£33,255 and up to £44,860	6.60% - 7.30%	£34,153 and up to £46,071	6.60% - 7.30%
On earnings above	£44,861	7.40% - 11.20%	£46,072	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 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of 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 2015 are shown in the table below, together with the contribution made by the Council during the year.

	Office Held as at 31st March 2015	Pension Contributions For Year to 31st March 2014	Pension Contributions For Year to 31st March 2015	Accrued Pension Benefits As at 31st March 2015 Pension	Lump Sum	Difference from 31st March 2014 Pension	Lump Sum
		(£)	(£)	£000s	£000s	£000s	£000s
Willie Innes	Leader of the Council and Cabinet Spokesman for Housing & Community Planning	5,821	5,893	3	2	1	-
Ludovic Broun-Lindsay	Provost	4,365	4,410	2	1	-	-
Jim Gillies	Depute Provost	4,365	4,410	2	1	-	-
Michael Veitch	Depute Leader and Cabinet Spokesman for Transport & Roads	4,365	4,410	1	-	1	-
John McMillan	Cabinet Spokesman for Economic Development and Tourism	4,365	4,410	1	-	1	-
Sharmin Akhtar	Cabinet Spokesman for Education and Children's Wellbeing Services	4,365	4,410	1	-	1	-
Norman Hampshire	Cabinet Spokesman for Environment	4,365	4,622	2	1	-	-
Donald Grant	Cabinet Spokesman for Health and Social Care	4,365	4,410	2	1	-	-
Paul McLennan	Leader of the Opposition (to 8/4/13)	3,512	nil	n/a	n/a	n/a	n/a
Total		39,888	36,975	14	6	4	-

Pension Benefits – Senior Employees

The estimated pension entitlements for Senior Employees for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council during the year.

	Office Held as at 31st March 2015	Pension Contributions For Year to 31st March 2014	Pension Contributions For Year to 31st March 2015	Accrued Pension Benefits As at 31st March 2015 Pension	Lump Sum	Difference from 31st March 2014 Pension	Lump Sum
		(£)	(£)	£000s	£000s	£000s	£000s
Angela Leitch	Chief Executive	23,401	23,744	46	103	3	1
Angela Leitch	Returning Officer	-	628	-	-	-	-
Monica Patterson	Depute Chief Executive-Partnership & Services for Communities	20,296	20,499	41	95	2	1
Alex McCrorie	Depute Chief Executive-Resources & People Services	20,296	15,375	21	62	(32)	(74)
Murray Leys	Head of Adult Wellbeing (to 28/2/15)	17,707	16,395	6	-	1	-
David Heaney	Acting Head of Adult Wellbeing (from 18/8/14-16/11/14)	-	13,276	34	-	34	-
Sharon Saunders	Head of Children's Wellbeing	17,707	17,885	27	56	2	-
Darrin Nightingale	Head of Education	17,707	17,885	3	-	3	-
Richard Jennings	Head of Development (to 31/08/14)	17,707	7,452	11	-	-	-
Douglas Proudfoot	Acting Head of Development (from 21/7/14)	-	15,965	24	61	24	61
Ray Montgomery	Head of Infrastructure	17,707	17,885	32	72	1	1
Thomas Shearer	Head of Communities & Partnerships	17,707	17,885	41	97	2	1
Jim Lamond	Head of Council Resources	17,707	17,885	31	68	2	-
Don Ledingham	Executive Director - Services for People (to 31/07/13)	6,765	n/a	n/a	n/a	n/a	n/a
Total		194,707	202,759	317	614	42	(9)

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 2014/15, with comparative figures for 2013/14.

Comparative Exit Packages 2013/14

Cost Banding	Number of	Number of Other	Total	Total Cost £000s
£0 - £20,000	3	37	40	469
£20,001 - £40,000	-	37	37	1,027
£40,001 - £60,000	-	12	12	602
£60,001 - £80,000	-	4	4	298
£80,001 - £100,000	-	6	6	540
£100,001 - £150,000	-	1	1	107
£150,001 - £200,000	-	1	1	167
Total	3	98	101	3,210

Exit Packages 14/15

Cost Banding	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages £000s
£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

Angela Leitch
Chief Executive
23 September 2015

Willie Innes
Council Leader
23 September 2015

Jim Lamond (CPFA)
Head of Council Resources
23 September 2015

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 2014

	General Fund Balance	Capital Receipts Reserve	Insurance Fund	Housing Revenue Account	Housing Capital Fund	**Total Usable Reserves**	**Unusable Reserves Restated**	**Total Authority Reserves**
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2013 carried forward	**(12,240)**	-	**(1,145)**	**(2,086)**	**(3,490)**	**(18,961)**	**(245,863)**	**(264,824)**
Movement in reserves during 2013/14								
Deficit on provision of services	4,411	-	-	1,904	-	6,315	-	6,315
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	6,284	6,284
Total Comprehensive Expenditure and Income	**4,411**	-	-	**1,904**	-	**6,315**	**6,284**	**12,599**
Adjustments between accounting basis & funding basis under regulations (Note 5)	107	(845)	-	(1,819)	(149)	(2,706) -	2,706	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	**4,518**	**(845)**	-	**85**	**(149)**	**3,609**	**8,990**	**12,599**
Housing Revenue Account	(995)	-	-	995		-	-	
Capital Funds	(845)	845		(1,050)	1,050	-	-	
Insurance Fund	375		(375)			-	-	
Transfers to/from Earmarked Reserves	(1,465)	845	(375)	(55)	1,050	-	-	-
(Increase)/Decrease in Year	3,053	-	(375)	30	901	3,609 -	8,990 -	12,599
Balance at 31 March 2014 carried forward	**(9,187)**	-	**(1,520)**	**(2,056)**	**(2,589)**	**(15,352)**	**(236,873)**	**(252,225)**

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 Restated**	**Total Authority Reserves**
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
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**
Housing Revenue Account	(995)	-	-	995		-	-	
Capital Funds	(1,615)	1,615		(2,446)	2,446	-	-	
Insurance Fund	(125)		125			-	-	
Transfers to/from Earmarked Reserves	(2,735)	1,615	125	(1,451)	2,446	-	-	-
(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)**

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.

Comprehensive Income & Expenditure Statement

2013/14 Gross Spend £'000	2013/14 Gross Income £'000	2013/14 Net Spend £'000		Note	2014/15 Gross Spend £'000	2014/15 Gross Income £'000	2014/15 Net Spend £'000
8,121	(3,959)	4,162	Central Services		9,807	(4,513)	5,294
21,432	(1,561)	19,871	Cultural and Related Services		22,942	(1,829)	21,113
94,271	(3,910)	90,361	Education Services		95,528	(4,286)	91,242
12,630	(1,070)	11,560	Environmental Services		12,772	(698)	12,074
33,226	(29,162)	4,064	Housing Services (non-HRA)		34,047	(29,623)	4,424
200	-	200	Joint Board Requisitions		674	-	674
26,595	(23,281)	3,314	Local Authority Housing (HRA)		23,577	(24,359)	(782)
5,839	(2,321)	3,518	Planning and Development Services		5,080	(2,233)	2,847
10,097	(447)	9,650	Roads and Transport Services		9,858	(325)	9,533
73,121	(10,266)	62,855	Social Work Services		71,285	(9,954)	61,331
1,326	-	1,326	Corporate and Democratic Core		1,439	-	1,439
1,145	-	1,145	Non-Distributed Costs		197	-	197
288,003	**(75,977)**	**212,026**	**Cost of Services**		**287,206**	**(77,820)**	**209,386**
		(995)	(Gains)/Losses on the Disposal of Non Current Assets				(1,425)
		15,806	Interest Payable and Similar charges				15,819
		(663)	Interest Receivable and Similar Income				(462)
		4,993	Interest Expense on Pension Defined Benefit Obligation				5,564
		(224,852)	Taxation and Non Specific Grant Income	6			(235,154)
		6,315	**(Surplus) / Deficit on Provision of Services**				**(6,272)**
		(5,580)	(Surplus) or Deficit on Revaluation of Non-Current Assets				(9,009)
		(856)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Instruments				610
		12,720	Actuarial Losses on Pension Assets/Liabilities				36,305
		6,284	**Other Comprehensive Income and Expenditure**				**27,906**
		12,599	**Total Comprehensive Income and Expenditure**				**21,634**

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 2014			31 March 2015
£'000		**Note**	**£'000**
769,772	Property, Plant & Equipment	12	785,423
605	Heritage Assets	14	605
3,374	Long Term Investments	20	2,765
7,795	Long Term Debtors	21	8,479
781,546	**Long Term Assets**		**797,272**
55	Short Term Investments		5
1,190	Assets Held for Sale	15	2,269
674	Inventories		520
39,000	Short Term Debtors	22	26,858
(20,104)	Bad & Doubtful Debt Provision	22	(11,415)
4,880	Cash and Cash Equivalents		8,650
25,695	**Current Assets**		**26,887**
(49,788)	Short Term Borrowing	23	(16,052)
(22,177)	Short Term Creditors	24	(23,026)
(71,965)	**Current Liabilities**		**(39,078)**
(3,793)	Provisions	25	(3,957)
(298,191)	Long Term Borrowing	23	(328,038)
(177,375)	Other Long Term Liabilities	26	(222,376)
(3,692)	Capital Grants Receipts in Advance	32	(119)
(483,051)	**Long Term Liabilities**		**(554,490)**
252,225	**Net Assets**		**230,591**
(15,352)	Usable Reserves	28	(24,678)
(236,873)	Unusable Reserves	29	(205,913)
(252,225)	**Total Reserves**		**(230,591)**

The unaudited accounts were issued on 26 June 2015 and the audited accounts were authorised for issue on 23 September 2015.

Jim Lamond (CPFA)
Head of Council Resources
23 September 2015

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. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the Council.

2013/14		2014/15
£000s		**£000s**
6,315	Net deficit/surplus on the provision of services	(6,272)
(35,475)	Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 33)	(42,283)
18,391	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 33)	23,640
(10,769)	Net Cash flow from Operating Activities	(24,915)
	Investing Activities	
47,871	Purchase of property, plant and equipment	39,188
(575)	Proceeds from short term investments	(359)
(14,472)	Other receipts from investing activities	(20,319)
(2,094)	Proceeds from the sale of property, plant and equipment	(2,962)
30,730	Net cash flows from investing activities	15,548
	Financing Activities	
(79,106)	Cash receipts of short and long term borrowing	(89,079)
1,216	Cash payments for the reduction of the outstanding liability relating to finance lease and on-Balance Sheet PFI contracts	1,184
54,464	Repayments of short and long term borrowing	93,492
250	New loans made	
(23,176)	Net cash flow from financing activities	5,597
(3,215)	Net decrease or (increase) in cash and cash equivalents	(3,770)
(1,665)	Cash and cash equivalents at the beginning of the reporting period	(4,880)
(4,880)	Cash and cash equivalents at the end of the reporting period	(8,650)

NOTES TO THE ACCOUNTS

Note 1 General Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts under the Local Authority Accounts (Scotland) Regulations 1985. These accounts must be prepared in accordance with proper accounting practice. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice (SeRCOP) 2014/15 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the Local Government in Scotland Act (2003).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

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 Council 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 Council.

Revenues from the provision of services is recognised when the Council 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 Council.

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 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 income 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 it is doubtful that debts will 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 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 Council'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 real cost of holding non-current assets during the year:

Depreciation attributable to the assets used by the relevant service

Revaluation/impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off

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

v. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits e.g. cars. These are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made at the wage and salary rate 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 benefits 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 Council 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 provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue 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 Council 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.

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

- Quoted securities – bid price
- Unquoted securities – professional estimate
- Unitised securities – average of the bid and offer rates
- Property – market value.

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

Current Service cost comprising:

- Current service cost – the increase in liabilities as a result of the years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the 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 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 – 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.

Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the Pension Fund in the year. Within the Movement in Reserves Statement there are appropriations 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 any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the 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 Council 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 Teachers' Pension Scheme.

vi. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and 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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in 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 Council 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 financial assets – shares that have no quoted market price and do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable 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

Unquoted equity investment assets are initially measured and carried at fair value. As the investment is unquoted, the annual revaluation is made based on the net book value of the company. There are no fixed or determinable payments, so any income (e.g. dividends) is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.
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 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.

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 Council when there is a reasonable assurance that the Council 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 Council 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 Council's own single-entity accounts, the interests in companies and other entities are recorded as investments at fair value, 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. All other leases are classified as operating leases.

The Council 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.

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 start of the lease).

The Council as Lessor

Operating Leases

Where the Council 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 (eg 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 (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 Council's status as a multi-functional, democratic organisation

Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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 Council 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.

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

- Infrastructure assets and community assets – depreciated historical cost.
- Council Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- Other Land & Buildings – fair 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.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from the fair 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 is recognised for the shortfall.

Where impairment is 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 Land and 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 and 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 and Contingent Liabilities

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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible liability whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised on the Balance Sheet but disclosed in a note to the accounts.

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.

Note 2 Accounting Standards Not Yet Adopted

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

- IFRS 13 Fair Value Measurement (May 2011);
- Annual improvements to IFRSs 2009-2011 cycle;
- IFRIC 21 Levies

IFRS 13 provides a common definition of fair value as "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 main impact is likely to be on the valuation of surplus assets requiring to be measured at "highest and best use".

IFRS improvements are generally minor, principally providing clarification. Overall these new or amended standards may have an impact on the financial statements.

IFRIC 21 examines the obligating event that gives rise to the recognition of a liability to pay a levy. This is unlikely to cause any impact of the financial statements.

Note 3 Critical Judgements Applied

In applying the accounting policies set out in Note 1, the Council 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to reorganise services.

Note 4 Future Assumptions

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 2015 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	The calculation of the net liability to pay pensions depends on a number of complex judgements including the discount rate chosen, the rate of salary increase and mortality rates. 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 majority of the Council's property assets were revalued during 2010/11 and 2011/12, with a further tranche of Council properties revalued during 2014/15. Housing stock was revalued as at 31 March 2014. Non operational stock was revalued in 2014/15.	If there is a significant reduction in value then the carrying amount of the asset on the Balance Sheet would fall.
Debtors	At 31 March 2015 the Council had balances of £8.9 million relating to Council Tax debt and £2.7 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.

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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	General Fund Balance (£000)	Housing Revenue Account (£000)	Capital Receipts Reserve (£000)	Capital Fund (£000)	**Movement in Usable Reserves (£000)**
2013/14					
Depreciation (charged to the Surplus or Deficit on the Provision of Services) of non-current assets	(17,559)	(10,360)	-	-	**(27,919)**
Impairment and revaluation losses (charged to the Surplus or Deficit on the Provision of Services) of non-current assets	-	-	-	-	**-**
Capital grant and contributions applied	10,300	5,472	-	-	**15,772**
Differences re finance leases,stepped loans, premiums and discounts	535	-	-	-	**535**
Loss on sale of non-current assets	845	149	(845)	(149)	**-**
Statutory Provision relating to PPP	1,334	-	-	-	**1,334**
Net retirement benefits per IAS19	(19,967)	(90)	-	-	**(20,057)**
Employee - Statutory Adjustments	(226)	-	-	-	**(226)**
Loans Fund principal repayments and statutory premia	9,225	2,095	-	-	**11,320**
Employer's contributions payable to the Lothian Pension Fund	14,544	290	-	-	**14,834**
Capital expenditure charged against the General Fund and HRA balances	1,076	625	-	-	**1,701**
Total Adjustments	107	(1,819)	(845)	(149)	(2,706)
2014/15					
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 and 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)

Note 6 Taxation and Non Specific Grant Income

2013/14 £000s		2014/15 £000s
(41,572)	Council Tax	(43,476)
(23,134)	Non domestic rates	(25,172)
(144,374)	Non ringfenced government grants	(146,187)
(15,772)	Capital grants and contributions	(20,319)
(224,852)	Total	(235,154)

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 £0.214 million.

	2012/13 £000s	2013/14 £000s	2014/15 £000s
Turnover	8,423	8,711	8,480
Surplus/(Deficit)	(211)	65	360
3-year Cumulative Surplus	-	-	**214**

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 £1.763 million.

	2012/13 £000s	2013/14 £000s	2014/15 £000s
Turnover	10,721	10,066	10,068
Surplus	573	540	650
3-year Cumulative Surplus	-	-	**1,763**

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 £1.999 million and has met the statutory target.

	2012/13 £000s	2013/14 £000s	2014/15 £000s
Turnover	6,948	6,997	6,786
Surplus	673	595	731
3-year Cumulative Surplus	-	-	**1,999**

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 2014/15 £16.2m (2013/14: £15.4m) 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 Council 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 2014/15 is shown in the Remuneration Report.

On 22 April 2014 East Lothian Council approved Partnership Funding for 2014/15 of £1,275,507. Adult Wellbeing payments to Voluntary Organisations of £1,358,914 were approved on 30 July 2014 by East Lothian Council (Summer Recess Arrangements). Of these amounts £443,120 and £186,176 was awarded to organisations in which Members have representation.

Further grants of £458,000 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	Total Amount Awarded 2013/14 £000s	Partnership Funding 2014/15 £000s	Adult Wellbeing 2014/15 £000s	Other Grants 2014/15 £000s	Total Amount Awarded 2014/15 £000s
Dunbar & District Twinning Association	1	-	-	2	2
Dunbar Community Development Company	53	53	-	-	53
Dunbar Day Centre	40	-	40	13	53
East Lothian Voluntary Organisation Network	30	-	-	30	30
First Step	185	185	-	-	185
Fisherrow Trust	30	30	-	-	30
Haddington Citizens Advice Bureau	214	-	17	197	214
Haddington Community Development Trust	51	-	-	27	27
Haddington Garden Trust	11	10	-	-	10
Harlawhill Day Centre	107	-	106	4	110
Haddington Twinning Association	1	-	-	1	1
Hollies Day Centre	23	-	23	2	25
John Muir Birthplace Trust	9	9	-	1	10
Lamp of Lothian Trust	20	20	-	-	20
Lothian Miners Convalescent Home	6	5	-	-	5
Musselburgh Citizens Advice Bureau	144	-	-	144	144
Musselburgh Twinning Association	2	-	-	1	1
Pennypit Trust	74	74	-	31	105
Preston, Seton & Gosford Twinning Assoc	1	-	-	1	1
Scottish Seabird Centre	21	13	-	2	15
The Bridge Centre	46	45	-	-	45
Tranent Family Fireworks	2	-	-	2	2
	1071	**444**	**186**	**458**	**1,088**

Entities Controlled or Significantly Influenced by the Council

Entity	Nature of Related Party Relationship	Payments in the year 2013/14 £000s	Payments in the year 2014/15 £000s	Nature of transactions	Position at year-end 2013/14 Debtor Balances £000s	Position at year-end 2013/14 Creditor Balances £000s	Position at year-end 2014/15 Debtor Balances £000s	Position at year-end 2014/15 Creditor Balances £000s
Enjoy East Lothian Limited	Charitable organisation registered with Office of Scottish Charity Regulators	2,620	2,520	Payment for provision of leisure services	140	-	151	-
East Lothian Investments	Company set up under the Companies Act 2006 with aim of encouraging enterprise and commercial activity	30	-	Loans provided to company	168	-	48	-
Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators	485	455	Payment for provision of arts/cultural services	-	(215)	-	(339)
Common Goods	Council manages assets of historic burghs in line with statute	-	-	Cash balances relating to normal operations	-	(1,820)	-	(2,150)
Musselburgh Joint Racing Committee	Unincorporated organisation which organises racing on Musselburgh Links under Minute of Agreement with Council.	-	-	Cash balances relating to normal operations	-	(230)	177	-
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	-	(1,051)	-	(1,144)
Joint Boards	Statutory bodies set up by Scottish Ministers	200	674	Payments to run valuation services	-	-	-	-

Note 10 Audit Costs

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

	2013/14 £000s	2014/15 £000s
Audit Fee		
Statutory Audit Fee	238	241
Non Audit Services		
VAT Claim	-	35

Note 11 Amounts Reported for Resource Allocation Decisions

2013/14	Childrens Wellbeing	Education	Council Rescources	Adult Wellbeing	Communities & Partnerships	Development	Infrastructure	Housing	Total
Departmental Income & Expenditure	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Employee Costs	6,635	55,243	8,532	14,520	10,111	8,480	24,586	1,759	129,866
Premises Costs	100	7,288	527	1,536	2,088	2,188	4,686	7,847	26,260
Transport Costs	247	154	43	314	117	279	5,769	36	6,959
Supplies & Services Costs	2,904	8,862	2,639	18,598	7,754	2,984	18,524	710	62,975
Third Party Payment Costs	2,884	3,548	834	18,648	252	19	1,010	12	27,207
Transfer Payments	471	451	368	209	68	-	-	576	2,143
Support Services	1,091	4,788	(6,971)	2,854	(1,481)	(3,521)	(4,790)	4,780	(3,250)
Capital Charges	51	7,958	681	283	1,484	432	6,761	10,876	28,526
Income	(459)	(1,871)	(2,088)	(8,878)	(4,830)	(3,741)	(27,894)	(23,317)	(73,078)
	13,924	86,421	4,565	48,084	15,563	7,120	28,652	3,279	207,608

2014/15	Childrens Wellbeing	Education	Council Rescources	Adult Wellbeing	Communities & Partnerships	Development	Infrastructure	Housing	Total
Departmental Income & Expenditure	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
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

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

	2013/14	2014/15
	£000s	**£000s**
Net Expenditure in the Council Management Structure Analysis	207,608	204,594
Amounts in the CIES not reported to Management	4,418	4,792
Amounts reported to Management not included in the CIES	-	-
Cost of Services in the CIES	212,026	209,386
Corporate Amounts	(205,711)	(215,658)
(Surplus) / Deficit on Provision of Services	6,315	(6,272)

Note 12 Property Plant and Equipment Movements

Movements in 2013/14

	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
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
At 1 April 2013	352,603	390,135	33,821	69,094	15,974	63	11,183	**872,873**	89,149
Additions	20,805	4,445	2,506	5,826	159	-	11,888	**45,629**	-
Revaluation increases recognised in the Revaluation Reserve	5,580	-	-	-	-	-	-	**5,580**	-
Acc Dep & Imp WO to GCA	(64,130)	-	-	-	-	-	-	**(64,130)**	
Derecognition - Disposals	(1,250)	-	(73)	-	-	-	-	**(1,323)**	-
Asset reclassified (to) Held for Sale	-	-	-	-	-	-	-	-	-
Other Movements in cost or valuation	6,552	5,983	-	-	-	-	(11,868)	**667**	-
At 31 March 2014	**320,160**	**400,563**	**36,254**	**74,920**	**16,133**	**63**	**11,203**	**859,296**	**89,149**
Accumulated Depreciation and Impairment									
At 1 April 2013	(53,797)	(29,015)	(24,536)	(16,225)	(2,134)	(1)	(54)	**(125,762)**	(5,598)
Depreciation Charge	(10,360)	(11,127)	(2,825)	(3,201)	(406)	-	-	**(27,919)**	(2,737)
Impairment (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Acc Dep & Imp WO to GCA	64,130							**64,130**	
Derecognition - Disposals	27	-	-	-	-	-	-	**27**	-
At 31 March 2014	-	**(40,142)**	**(27,361)**	**(19,426)**	**(2,540)**	**(1)**	**(54)**	**(89,524)**	**(8,335)**
Net Book Value									
At 31 March 2014	320,160	360,421	8,893	55,494	13,593	62	11,149	**769,772**	80,814
At 1 April 2013	298,806	361,120	9,285	52,869	13,840	62	11,129	**747,111**	83,551

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
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation									
At 1 April 2014	320,160	400,563	36,254	74,920	16,133	63	11,203	**859,296**	89,149
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 Revaluation Reserve	-	8,492	-	-	517	-	-	**9,009**	-
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(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**	**89,149**
Accumulated Depreciation and Impairment									
At 1 April 2014	-	(40,142)	(27,361)	(19,426)	(2,540)	(1)	(54)	**(89,524)**	(8,335)
Depreciation Charge	(9,308)	(11,937)	(3,355)	(3,453)	(460)	-	-	**(28,513)**	(2,765)
Acc Dep & Imp WO to GCA		2,965			184	1		**3,150**	
Impairment (reversals) recognised in the Revaluation Reserve	-	(6)	-	-	-	-	-	**(6)**	-
Depreciation written out to the Surplus/Deficit on the provision of services	-	-	-	-	-	-	-	-	-
Impairment (reversals) recognised in the Deficit on the Provision of Services	-		-	-	-	-	-	-	-
Derecognition - Disposals	15	995	-	-	-	-	-	**1,010**	-
Impairments	-	-	-	-	-	-	-	-	-
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)**	**(11,019)**
Net Book Value									
At 31 March 2015	330,757	369,283	8,362	58,473	15,402	47	3,099	**785,423**	78,130
At 1 April 2014	320,160	360,421	8,893	55,494	13,593	62	11,149	**769,772**	80,814

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	1-50 years
Infrastructure	5-35 years
Community Assets	5-60 years

Assets under Construction are not depreciated.

Capital Commitments

As at 31 March 2015, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to a value of £15.9m. Similar commitments in 2014/15 were £11.9 million. The gross commitments for the Council's major projects are:

	£000s
Pinkie St Peters	4,422
Windygoul Primary	3,291
Mid Road Industrial Estate	1,163
Housing - Kellie Road	1,450
Housing - Pinkie	5,600
TOTAL	**15,926**

Revaluations

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

Council Dwellings are revalued in one tranche. The most recent revaluation took place during as at 31 March 2014. Other Land and Building assets are split into separate tranches and valued on a staged basis to ensure that each asset is revalued at least once every five years. In 2014/15 the Councils Non Operational stock was valued by DM Hall with an effective date of the 31^{st} of March 2015.

Details of previous and future valuation dates are provided below

	Council Dwellings	Other Land & Buildings			
	Tranche One Council Houses & Garages	Tranche 2 Industrial Lets etc	Tranche 3 Portfolio of schools, community centres etc	Tranche 4 Portfolio of schools, community centres etc	Tranche 5 New Build
Date of last valuation	31/03/2014	31/03/2015	01/04/2011	01/04/2011	n/a
Date of next valuation	31/03/2019	31/03/2020	31/03/2016	31/03/2016	2016-2020

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 fair 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

	2013/14 Art Collection £000s	2014/15 Art Collection £000s
Cost or Valuation		
Net carrying amount at the start of the year	605	605
Revaluations	-	-
Net carrying amount at end of year	**605**	**605**

Note 15 Assets Held for Sale

	2013/14 £000s	2014/15 £000s
Balance outstanding at start of year	**1,660**	**1,191**
Assets newly classified as held for sale		1,370
Assets sold	(470)	(291)
Balance outstanding at end of the year	**1,191**	**2,270**

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 2014/15 was £0.37m (2013/14: £0.35m).

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

	Minimum Lease Payments	
	31 March 2014	31 March 2015
	£000s	£000s
Not later than one year	219	344
Later than one year and not later than five years	24	1,304
	243	1,648

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 2014	31 March 2015
	£000s	£000s
Other Land and Buildings	8,541	11,221
Vehicles, Plant, Furniture and Equipment	241	222
	8,782	11,443

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 2014	31 March 2015
	£000s	£000s
Finance lease liabilities (Net Present Value of Minimum Lease Payments)		
Current	52	53
Non-Current	1,164	1,111
Finance costs payable in future years	6,009	5,793
Minimum Lease Payments	7,225	6,957

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£000s	£000s	£000s	£000s
Not later than one year	268	268	52	53
Later than one year and not later than five years	1,074	1,074	220	226
Later than five years	5,883	5,615	944	885
	7,225	6,957	1,216	1,164

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 2014/15 £9,700 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 2014	**31 March 2015**
	£000s	**£000s**
Not later than one year	1,365	1,640
Later than one year and not later than five years	2,251	2,326
Later than five years	19,696	20,577
	23,312	24,543

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

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 2015 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000s	**£000s**	**£000s**	**£000s**
Payable in 2015/16	3,612	1,023	2,796	7,431
Payable within 2-5 years	13,952	5,377	10,395	29,724
Payable within 6-10 years	18,796	7,471	10,886	37,153
Payable within 11-15 years	18,411	10,590	8,152	37,153
Payable within 16-20 years	14,910	17,944	3,667	36,521
Total	69,681	42,405	35,896	147,982

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 2014 £000s	31 March 2015 £000s
Balance at start of year	44,696	43,533
Payments	(1,163)	(1,131)
Balance outstanding at year-end	43,533	42,402

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.

	£000s	£000s
Opening Capital Financing Requirement	**346,075**	**362,843**
Capital Investment		
Property , Plant and Equipment	46,296	39,189
Loans to Housing Associations	250	6,723
Sources of finance		
Capital receipts	-	(2,961)
Government grants	(13,212)	(18,153)
Other Contributions	(2,560)	(2,177)
Direct Revenue Contributions	(1,701)	(1,966)
Loans Fund	(12,305)	(12,731)
Closing Capital Financing Requirement	362,843	370,767

Note 19 Impairment Losses

During 14/15 the Council recognised impairment losses totalling £1.4 million. These included;

- £6,000 linked to the ending of use of a Council Building (110a Church Street, Tranent is an Industrial Unit which is to be demolished.)
- The remainder of the £1.4 million 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 2014 £000s	31 March 2015 £000s	Details
Lothian Buses plc	2,546	1,946	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	222	214	The Council's interest, estimated as 40% was inherited from the former Lothian Investments Board. No dividends are received.
East Lothian Land	606	605	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	3,374	2,765	

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 2014 £000s	31 March 2015 £000s	Purpose
PPP - Prepaid lifecycle replacement costs	894	1,070	Prepaid lifecycle replacement costs
PPP - Insurance	-	81	
Private property owners - common repairs	903	883	Repairs to private property funded by secured ELC loans
Employees - car/other loans	75	17	Loans to employees repaid over 3-5 years
North Berwick Trust	407	-	Loan secured on land
East Lothian Investments	168	48	Loan to be repaid over 3 years
East Lothian Housing Association	5,333	6,364	Loan secured on land and houses
Other	15	16	Loans secured on houses
Total	7,795	8,479	

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 2014	31 March 2015
	£000s	£000s
Central Government Bodies	9,405	6,098
Other local authorities	638	495
NHS bodies	1,621	245
Public corporations and trading funds	-	46
Other entities and individuals	27,336	19,974
Total	39,000	26,858

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

	31 March 2014	31 March 2015
	£000s	£000s
Taxpayers - Council Tax	(7,394)	(6,338)
Customers - Goods & Services	(2,581)	(2,726)
Taxpayers - Community Charge	(7,755)	-
Tenants - Council House Rents	(2,374)	(2,351)
Total	(20,104)	(11,415)

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 2014 £000s	31 March 2015 £000s	31 March 2014 £000s	31 March 2015 £000s
Investments				
Loans and receivables	-	-	55	5
Unquoted equity investment at fair value	3,374	2,765	-	-
Total investments	3,374	2,765	55	5
Debtors				
Loans and receivables	7,795	8,479	39,000	26,858
Borrowing				
Financial liabilities at amortised cost	(298,191)	(328,038)	(49,788)	(16,052)
Creditors				
Financial Liabilities at contract amount	-	-	(22,177)	(23,026)
Other Long Term Liabilities	(48,590)	(50,348)	-	-
PFI and Other long term liabilities				

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

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

	2013/14	2014/15
	£000s	£000s
Interest expense	15,806	15,819
Interest income	(560)	(290)
Dividends	(103)	(172)
Net loss for the year	15,143	15,357

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated interest rates at 31 March 2015 of between 1.11% and 3.13% for new loans from the PWLB and between 0.5% and 3.74% for other loans
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

In calculating the fair values on loans the new borrowing rate, as opposed to the premature repayment rate has been used as the discount factor for all Public Works Loan Board (PWLB) borrowing. This is because the premature repayment rate includes a margin that represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing fair price should be ignored.

The fair values have been assessed with expert professional assistance from the Council's treasury advisers.

The fair values calculated are as follows:

	31 March 2014		31 March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000s	£000s	£000s	£000s
Investments				
Loans and Receivables	55	55	5	5
Unquoted equity investment at fair value	3,374	3,374	2,765	2,765
Debtors				
Long Term Loans and Receivables	7,795	7,795	8,479	8,479
Short Term Loans and Receivables	39,000	39,035	26,858	26,858
Borrowing				
Financial Liabilities	(347,979)	(356,266)	(344,090)	(401,405)

The fair value of financial assets is the same as the carrying amount either because the assets mature within 1 year or they are non-market assets associated with the specific circumstances of the Council.

Interest due on 31 March 2015 is added to the outstanding asset or liability. Loans with stepped interest rates are valued on a basis of average interest applied over the whole loan period.

Disclosure of nature and extent of risk arising from Financial Instruments

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 movements.

Overall procedures for managing risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Regulations.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year.

The annual treasury management strategy which incorporates the prudential indicators was approved at the start of 2014 and is available on the Council website. The key issues within the strategy were:

The Authorised Limit for 2014/15 was set at £470.0m. This is the maximum limit of external borrowings or other long term liabilities. The Operational Boundary was expected to be £430.0m. This is the expected level of debt and other long term liabilities during the year.

These policies are implemented by a central treasury team. The Council maintains 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. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, loans to third party organisations, as well as credit exposures to the Council's customers.

This risk relating to banks and financial institutions is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Council uses the creditworthiness service provided by Sector. This service uses a modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2014/15 was approved at the start of the 2014/15 financial year and is available on the Council's website. The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

A risk of irrecoverability applies to all of the Council's deposits. However, recent experience has shown that it is rare for such entities to be unable to meet their commitments. No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits, loans and bonds.

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.

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 cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is always available when needed and that surplus holdings of cash are avoided as far as possible.

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.

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 approved treasury indicator limits for the maturity structure of debt are the key parameters used to address this risk. The Council's approved treasury strategy address the main risks and the central treasury team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	31 March 2014 £000s	31 March 2015 £000s
Loan Type		
Public Works Loan Board	(261,924)	(293,847)
Finance leases	(1,216)	(1,164)
Intra-group loans	(4,733)	(5,307)
Market loans	(80,106)	(43,772)
	(347,979)	(344,090)
Loan Maturity		
Repayable after more than 10 years	(175,015)	(206,921)
Repayable between 5 and 10 years	(88,889)	(79,437)
Repayable between 2 and 5 years	(26,552)	(35,942)
Repayable between 1 and 2 years	(7,735)	(5,738)
Long-term borrowing	(298,191)	(328,038)
Repayable within 1 year	(49,788)	(16,052)
	(347,979)	(344,090)

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 Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the 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.

To illustrate the impact of changes in interest rates upon the Council, the following table shows the financial effect if variable rates had been 1% higher at 31 March 2015, with all other variables held constant.

	31 March 2014 £000s	31 March 2015 £000s
Increase in interest payable on variable rate borrowing	80	80
Net effect on Comprehensive Income & Expenditure Statement	80	80

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

However, it does have shareholdings to the value of £2.765 million in a number of joint ventures and in local industry. Whilst these holding are generally illiquid and are not held for financial reasons, in principle 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.

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 - With the exception of some investments held as part of Trusts and Common Good Funds, the Council has no financial assets or liabilities denominated in foreign currencies.

The investment managers for the Trusts and Common Good Funds are able to invest in equities and bonds denominated in foreign currency and this does introduce an element of foreign exchange risk. However, this is part of the overall risk management strategy, as exposure to UK investments only would increase the exposure to risks arising from changes within the UK economy. All investment decisions are guided by the underlying objective of securing the current and longer-term capital value of the funds.

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 2014 £000s	31 March 2015 £000s
Central government bodies	(5,431)	(5,315)
Other local authorities	(2,517)	(2,301)
NHS bodies	(558)	(636)
Public corporations	-	(8)
Other entities and individuals	(13,671)	(14,766)
Total	(22,177)	(23,026)

Note 25 Provisions

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

	Affordable Homes Development Fund £000s	Accumulated Absences Fund £000s	Municipal Mutual Fund £000s	Total £000s
Balance at 31 March 2014	(238)	(3,369)	(186)	(3,793)
Provisions made in 2014/15	(460)	(3,522)	-	(3,982)
Amounts used in 2014/15	450	3,368	-	3,818
Balance at 31 March 2015	(248)	(3,523)	(186)	(3,957)

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.

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 2014 £000s	31 March 2015 £000s	Details
Deferred Liabilities - Developers' Contributions	(3,845)	(6,829)	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	(519)	(485)	Income to be released over the lease period
Other	(693)	(632)	
PPP Liabilities	(43,533)	(42,402)	This amount represents the outstanding obligations the Council has to make payments under finance leases. More details are provided at Note 17
Net Pensions Liability	(128,785)	(172,028)	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	(177,375)	(222,376)	

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 accounting 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:

	2013/14 £000s	2014/15 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services comprising:		
Current service cost	13,899	15,294
Past service costs (including Curtailments)	1,165	166
(Gain)/Loss on Settlements	-	-
Financing and Investment Income and Expenditure		
Net interest expense	4,993	5,564
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	20,057	21,024
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)	5,122	43,478
Actuarial gains and losses arising on changes in demographic assumptions	-	(21,928)
Actuarial gains and losses arising on changes in financial assumptions	(18,010)	(59,394)
Other remeasurement experience	168	1,539
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(12,720)	(36,305)
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.	5,223	6,938
Actual amount charged against the General Fund Balance for pensions in the year		
Employers Contributions Payable	14,834	14,086

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:

	2013/14 £000s	2014/15 £000s
Pensions Assets and Liabilities Recognised in the Balance Sheet		
Present value of the defined benefit obligation	(498,760)	(602,659)
Fair value of plan assets	369,975	430,631
Net liability arising from defined benefit obligation	(128,785)	(172,028)

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

	31 March 2014 £000s	31 March 2015 £000s
Opening Fair Value of scheme assets	346,391	369,975
Interest Income	15,650	15,924
Remeasurement gain/(loss):		
Return on plan assets, excluding the amount included in the net interest expense	5,122	43,478
Contributions from employer	14,834	14,086
Contributions from employees into the scheme	3,688	3,607
Benefits paid	(15,710)	(16,439)
Closing Fair Value of Scheme Assets	369,975	430,631

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

	31 March 2014 £000s	31 March 2015 £000s
Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)		
Opening Balance at 1 April	(457,233)	(498,760)
Current Service Cost	(13,899)	(15,294)
Interest Cost	(20,643)	(21,488)
Contributions from Scheme participants	(3,688)	(3,607)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	(21,928)
Actuarial gains/losses arising from changes in financial assumptions	(18,010)	(59,394)
Other	168	1,539
Past Service Cost (incl curtailments)	(1,165)	(166)
Benefits Paid	15,710	16,439
Closing Balance at 31 March	(498,760)	(602,659)

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £172.028 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 2016 is £12.172 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, estimates for the Lothian Pension Fund being based on the latest full valuation of the scheme as at 31st March 2015.

The main financial assumptions in the actuaries' calculations were:

	2013/14	2014/15
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	20.4	22.1
Female	22.8	23.7
Longevity at 65 for future pensioners		
Male	22.6	24.2
Female	25.4	26.3
Rate of inflation		
Rate of increase in salaries	5.1%	4.3%
Rate of increase in pensions	2.8%	2.4%
Rate for discounting scheme liabilities	4.3%	3.2%

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 %age increase to employer	Approximate Monetary Amount (£)
0.5% decrease in Real Discount Rate	10%	60,564
1 year increase in member life expectancy	3%	18,080
0.5% increase in Salary increase rate	4%	21,801
0.5% increase in Pension increase rate	6%	37,210

Lothian Government Pension Scheme Assets comprised:

	31 March 2014 £000s	%	31 March 2015 £000s	%
Local Government Pension Scheme Assets comprised:				
Cash and Cash Equivalents	21,196	6%	34,022	8%
Private Equity	44,881	12%	49,934	12%
Derivatives	39	0%	660	0%
Equity Instruments:				
Consumer	56,066	15%	60,397	14%
Manufacturing	50,502	14%	50,654	12%
Energy and Utilities	41,169	11%	43,028	10%
Financial Institutions	25,771	7%	35,479	8%
Health and Care	25,242	7%	29,344	7%
Information Technology	24,068	7%	26,932	6%
Other	16,347	4%	19,287	4%
Sub-total Equity	239,165	65%	265,121	61%
Bonds:				
Corporate	13,760	4%	-	0%
Government	12,591	3%	24,936	6%
Other	316	0%	10,620	2%
Sub-total Bonds	26,667	7%	35,555	8%
Property:				
UK Property	25,777	7%	28,167	7%
Overseas Property	2,998	1%	4,367	1%
Sub-total Property	28,775	8%	32,534	8%
Other Investment Funds:				
Equities	5,214	1%	4,672	1%
Other	4,038	1%	8,133	2%
Sub-total Investment Funds	9,252	2%	12,805	3%
Total Assets	369,975	100%	430,631	100%
Scheme Assets Fair Value				
Quoted Prices in Active Markets	293,920		346,625	
Prices not Quoted in Active Markets	76,055		84,006	
Total	369,975		430,631	

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 2014/15, the Council paid £5.32m (2013/14: £5.14m) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 14.9% (2013/14: 14.9%) of pensionable pay.

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 2014/15, the Council paid £0.671m (2013/14: £1.247m) 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 2014/15, the Council paid £0.07m (2013/14: £0.07m) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.799m.

Note 28 Usable Reserves

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

Note 29 Unusable Reserves

	31 March 2014	31 March 2015
	£000s	£000s
Revaluation Reserve	(89,363)	(93,027)
Available-for-sale Financial Instruments Reserve	(2,376)	(1,766)
Pensions Reserve	128,785	172,028
Capital Adjustment Account	(281,746)	(290,871)
Financial Instruments Adjustment Account	4,459	4,200
Employee Statutory Adjustment Account	3,368	3,523
Total	**(236,873)**	**(205,913)**

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 2014 £000s		31 March 2015 £000s
(85,054)	**Balance at 1 April**	**(89,363)**
(5,580)	Upward revaluation of assets	(9,715)
-	Downward revaluation of assets and impairment not charged to the Surplus/Deficit on the Provision of Services	1,842
(5,580)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(7,873)
1,271	Difference between fair value depreciation and historical cost depreciation	3,809
-	Accumulated gains on assets sold or scrapped	400
(89,363)	**Balance at 31 March**	**(93,027)**

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 2014 £000s		31 March 2015 £000s
(1,520)	**Balance at 1 April**	**(2,376)**
(856)	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	610
(856)		610
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
(2,376)	**Balance at 31 March**	**(1,766)**

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 2014		31 March 2015
£000s		£000s
110,842	**Balance at 1 April**	**128,785**
12,720	Actuarial gains or losses on pensions assets and liabilities	36,305
20,057	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	21,024
(14,834)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,086)
128,785	**Balance at 31 March**	**172,028**

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 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 contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. 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
	£000s
Balance at 1 April	**(281,746)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
Charges for depreciation of non-current assets	28,513
Revaluation and impairment losses on Property, Plant and Equipment	1,409
Assets written off on disposal or sale	1,137
	31,059
Adjusting amounts written out of the Revaluation Reserve	(3,809)
Net amounts written out of the cost of non-current assets consumed in the year	27,250
Capital Financing applied in the year	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,319)
Statutory provison for the financing of capital investment charged against the General Fund and HRA balances	(14,090)
Capital expenditure charged against the General Fund and HRA balances	(1,966)
	(36,375)
Balance at 31 March	**(290,871)**

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. As a result, the balance on the Account at 31 March 2015 will be charged to the General Fund over the next 13 years.

31 March 2014 £000s		31 March 2015 £000s
4,725	**Balance at 1 April**	**4,459**
(10)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(3)
(256)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory provisions	(256)
(266)	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	(259)
4,459	**Balance at 31 March**	**4,200**

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 2014 £000s		31 March 2015 £000s
3,142	**Balance at 1 April**	**3,368**
(3,142)	Settlement or cancellation of accrual made at the end of the preceding year	(3,368)
3,368	Amount accrued at the end of the current year	3,523
226	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	155
3,368	**Balance at 31 March**	**3,523**

Note 30 Transfer to and from Earmarked Reserves

	Mid and East Lothian Drugs & Alchohol Project	Workforce Development	Devolved School Management Balances	Cost Reduction Fund
	£000s	£000s	£000s	£000s
Balance at 31 March 2013	**274**	**-**	**601**	**7,155**
Transfers Out during 2013/2014	(82)	-	(111)	(3,613)
Transfers In during 2013/2014	-	-	-	-
Balance at 31 March 2014	**192**	**-**	**490**	**3,542**
Transfers Out during 2014/15	-	-	(228)	(460)
Transfers In during 2014/15	171	181	-	-
Balance at 31 March 2015	**363**	**181**	**262**	**3,082**

Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

	2013/14 £000s	2014/15 £000s
Credited to Taxation & Non-Specific Grant Income		
General Capital Grant	(7,416)	(11,297)
Sporting Facilities	(600)	(5)
Contributions from developers	(806)	(1,466)
Mortgage to Rent scheme/Housing Grants	(3,322)	(7,502)
Other Grants & Contributions	(3,628)	(49)
Total	(15,772)	(20,319)
Credited to Services		
Housing Benefit Subsidy/Department for Work & Pensions	(26,174)	(26,565)
Resource Transfer Funds/NHS	(3,101)	(3,163)
Criminal Justice Grant/Criminal Justice Authority	(1,185)	(1,354)
Leader Programme	(347)	(134)
Housing Benefit Administration Subsidy/Department for Work & Pensions	(609)	(463)
Change Funds	(316)	(654)
Private Sector Housing Grant/Scottish Government	(436)	(628)
Funding for Drugs & Alcohol Teams/NHS	(679)	(746)
HEEPS	-	(455)
Educational Maintenance Allowance Funding/Scottish Government	(402)	(359)
Active Schools/Sports Scotland	(261)	(261)
Determined to Succeed	(52)	(141)
Total	**(33,562)**	**(34,923)**

Note 32 Capital Grants 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.

	2013/14 £000s	2014/15 £000s
Capital Grants & Contributions Receipts in Advance		
Sport Scotland	-	(119)
Scottish Government - Housing Projects	(3,692)	-
Total	**(3,692)**	**(119)**

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

	2013/14 £000s	2014/15 £000s
Depreciation	(27,919)	(28,513)
Impairments and downward valuations	-	(1,409)
Carrying amount of non-current assets held for sale, sold or derecognised	(1,767)	(1,538)
Net charges made for retirement benefits in accordance with IAS 19	(20,057)	(21,024)
Employer's contributions payable to the Lothian Pension Fund	14,834	14,086
Increase in revenue long term-debtors & liabilities	360	684
(Increase)/Decrease in provisions	523	8,609
Increase/(Decrease) in inventories	153	(151)
(Increase)/Decrease in revenue creditors	(3,242)	(849)
Decrease in revenue debtors	1,640	(12,178)
Total	**(35,475)**	**(42,283)**

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

	2013/14 £000s	2014/15 £000s
Proceeds from capital grants	15,722	20,319
Proceeds from short-term investments	575	359
Proceeds from sale of PPE, Assets Held for Sale and other non-current assets	2,094	2,962
Total	**18,391**	**23,640**

Note 35 Material Items of Income and Expense

Where items are not disclosed on the face 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.

	2013/14	2014/15
Depreciation charged on assets	27,919	28,513
Impairments and downward valuations	-	1,409
Housing Benefit Paid	25,246	25,753
Unitary Charge/PPP payments to contractor	8,900	9,077

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.

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.

Income and Expenditure Account

2013/14 £000s		2014/15 £000s
	Income	
(22,201)	Dwelling rents	(23,285)
(406)	Non-dwelling rents	(412)
(511)	Service charges	(527)
(172)	Other Income	(135)
(23,290)	**Total Income**	(24,359)
	Expenditure	
7,894	Repairs and Maintenance	7,528
6,238	Supervision and Management	5,023
10,360	Depreciation and Impairments of Non-Current Assets	9,308
515	Increase in the Allowance for Bad Debts/Debt Write-offs	229
1,457	Other expenditure	1,489
26,464	**Total Expenditure**	23,577
3,174	**Net Expenditure/Income of HRA Services as Included in the Whole Authority Comprehensive Income and Expenditure Statement**	(782)
140	HRA Services Share of Corporate and Democratic Core	34
3,314	**Net Expenditure/Income of HRA Services**	(748)
	HRA share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement:	
(149)	Gain on sale of HRA Non-Current Assets	(377)
4,160	Interest Payable and Similar Charges	4,982
(39)	HRA Interest and Investment Income	(35)
90	Pensions Interest Cost and Expected Return on Pensions Assets	135
(5,472)	Capital Grants and Contributions	(7,243)
1,904	**Surplus/Deficit for the year on HRA Services**	(3,286)

Movement on the HRA Statement

2013/14 £000s		2014/15 £000s
(2,086)	Balance on the HRA at the End of the Previous Year	(2,056)
1,904	Surplus/Deficit for the Year on the HRA Income and Expenditure Statement	(3,286)
(1,819)	Adjustments between Accounting Basis and Funding Basis under the Legislative Framework	2,752
85	Net (Increase)/Decrease in the Balance before Transfers to or from Reserves	(534)
995	HRA Balance Transferred to General Services	995
(1,050)	Transfers into HRA from Capital Fund	(2,446)
30	Decrease in year on the HRA	(1,985)
(2,056)	**Balance on the HRA at the End of the Current Reporting Period**	**(4,041)**

Note to the Movement of the HRA Statement

2013/14 £000s		2014/15 £000s
	Adjustments between Accounting Basis and Funding Basis under Regulations	
(10,360)	Depreciation and impairment of fixed assets	(9,308)
5,472	Capital Grant and Contributions Applied	7,243
149	Gain or loss on sale of HRA fixed assets	377
(90)	Net charges made for retirement benefits in accordance with IAS 19	(135)
(4,829)		(1,823)
	Items not included in the HRA Account but included in the movement on HRA Balance for the year	
290	Employer's contributions payable to the Lothian Pension Fund	343
2,095	Loans fund principal	2,432
625	Capital expenditure funded by the HRA	1,800
(1,819)	**Net additional amount required by statute to be credited to the HRA Balance for the year**	**2,752**

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.

2013/14 £000s		2014/15 £000s
(52,122)	**Gross Council Tax Levied and Contributions in Lieu**	(52,598)
	Adjusted For:	
5,574	Council Tax Reduction Scheme	5,420
24	Discounts for Prompt Payment	29
4,242	Other Discounts and Reductions	4,294
659	Provision for Non Collection	(703)
(41,623)		(43,558)
51	Adjustments to Previous Years' Community Charge/Council Tax	82
(41,572)	Transfer to General Fund	(43,476)

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	948	7,704	12,930	5,182	5,313	4,367	3,448	591	40,483
Ratio to Band D	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalents	632	5,992	11,493	5,182	6,494	6,308	5,747	1,182	43,030
Provision for non-payment (2%)									(861)
Council Tax Base									**42,169**

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 only 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.

2013/14 £'000		2014/15 £'000
(32,093)	Gross Rates Levied & Contributions in Lieu	(33,515)
8,681	Reliefs and Other Deductions	9,164
13	Write Offs of Un-collectable Debts & Allowance for Impairment	2
(23,399)	**Net Non-Domestic Rate Income**	**(24,349)**
1,346	Adjustments to Previous Year National Non-Domestic Rates	644
416	Amounts not Reclaimable from the National Non-domestic Rate Pool	35
(21,637)	**Total Non-Domestic Rate Income (before authority retentions)**	**(23,670)**
-	Non-Domestic Rate Income Retained by Authority (BRIS)	**544**
(21,637)	**Contribution to the National Non-domestic Rate Pool**	**(23,126)**
(23,134)	**Contribution from the National Non-domestic Rate Pool**	**(25,172)**

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. The £544,000 above relates to targets achieved for the financial year 2012/13. This scheme has been revised and will be reinstated during financial year 2015/16.

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

	Number	£000s
Shops, Offices and other Commercial Subjects	1,638	28,271
Industrial and Freight Transport	855	12,391
Miscellaneous (Schools etc)	845	28,399
	3,338	69,061

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 48p (2013/14: 47.1p) per pound for properties with rateable value of £35,000 or more and 47.1p (2013/14: 46.2p) for those with a rateable value of less than £35,000 (2013/14:£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)	**Total Usable Reserves (£000)**	**Unusable Reserves (£000)**	Financial Instruments Adjustment (£000s)	Revaluation Reserve (£000)	Capital Adjustment Account (£000s)	**Total Common Good Reserves (£000)**
Balance at 31 March 2014 carried forward	**(4,616)**	**(4,616)**	**(4,146)**	**(429)**	**(791)**	**(2,926)**	**(8,762)**
Movement in reserves during 2014/15							
(Surplus) or deficit on provision of services	(251)	(251)	-	-	-	-	**(251)**
Other Comprehensive Expenditure and Income	-	-	(165)	(57)	(108)	-	**(165)**
Total Comprehensive Expenditure and Income	**(251)**	**(251)**	**(165)**	**(57)**	**(108)**	**-**	**(416)**
Adjustments between accounting basis & funding basis under regulations	(93)	(93)	93	-	13	80	-
Charges for depreciation of non-current assets	(80)	(80)	80	-	13	67	-
Impairment/revaluation losses (charged to CI&ES)	(13)	(13)	13	-	-	13	-
Profit/loss on sale of non current assets	4	4	(4)	(4)	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(344)**	**(344)**	**(72)**	**(57)**	**(95)**	**80**	**(416)**
Transfers to/from Reserves	-	-	-	-	-	-	-
Increase/Decrease in Year	**(344)**	**(344)**	**(72)**	**(57)**	**(95)**	**80**	**(416)**
Balance at 31 March 2015 carried forward	**(4,960)**	**(4,960)**	**(4,218)**	**(486)**	**(886)**	**(2,846)**	**(9,178)**

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

2013/14 £000s		2014/15 £000s
	Income	
(459)	Rents and other income	(457)
(459)		(457)
	Expenditure	
1	Employees	1
58	Premises-related expenditure	57
89	Supplies and services	51
136	Third party payments	131
78	Depreciation	93
362		333
(97)	**Cost of Services**	(124)
(70)	(Gains)/Losses on the disposal of non current assets	(37)
(90)	Financing and investment income and expenditure	(90)
(257)	**(Surplus) or Deficit on Provision of Services**	(251)
-	Surplus or deficit on revaluation of Property, Plant and Equipment	(108)
(90)	(Surplus) or deficit on revaluation of available for sale financial instruments	(57)
(90)	**Other Comprehensive Income and Expenditure**	(165)
(347)	**Total Comprehensive Income and Expenditure**	(416)

Balance Sheet

31 March 2014 £000s		31 March 2015 £000s
2,758	Property, Plant & Equipment	2,744
2,792	Long Term Investments	2,874
1,333	Long Term Debtors	1,353
6,883	**Long Term Assets**	6,971
52	Sundry debtors	57
1,828	Short-term loans	2,152
1,880	**Current Assets**	2,209
(1)	Short-term creditors	(2)
(1)	**Current Liabilities**	(2)
8,762	**Net Assets**	**9,178**
(429)	Financial Instruments Adjustment Reserve	(486)
(791)	Revaluation Reserve	(886)
(2,926)	Capital Adjustment Account	(2,846)
(4,616)	Common Good Fund	(4,960)
(8,762)	**Total Reserves**	(9,178)

Non-current Assets

The value of assets changed in the following way:

	£000s
Net book value of assets at 31 March 2014	2,729
Movement in 2014/15	
Additions	-
Revaluations	108
Depreciation	(80)
Impairments	(13)
Internal Transfers	-
Net book value of assets at 31 March 2015	**2,744**

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:

	£000s
Income receivable in 2015/16	228
Income receivable between 2015/16 and 2020/21	913
Income receivable after 2021/22	5,334
	6,475

Fund Analysis

The four separate funds are valued at 31 March 2015 as:

	Dunbar £000s	Haddington £000s	Musselburgh £000s	North Berwick £000s	Total £000s
Balance brought forward on 1 April 2014	(51)	(436)	(3,894)	(235)	**(4,616)**
(Surplus) / Deficit for the the year	(7)	(29)	(273)	(35)	**(344)**
Fund balance as at 31 March 2015	(58)	(465)	(4,167)	(270)	**(4,960)**
Net Assets	**1,035**	**540**	**6,885**	**718**	**9,178**

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 2015

	Accumulated Funds £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Fund Reserves £000s
Balance at 31 March 2014 carried forward	**(2,103)**	**(2,103)**	**(2,148)**	**(4,251)**
Movement in reserves during 2014/15				
Surplus or (deficit) on provision of services	(135)	(135)	-	(135)
Other Comprehensive Expenditure and Income	-	-	(358)	(358)
Total Comprehensive Expenditure and Income	**(135)**	**(135)**	**(358)**	**(493)**
Adjustments between accounting basis & funding basis under regulations	-	-	-	-
Charges for depreciation of non-current assets	-	-	-	-
Impairment/revaluation losses (charged to CI&ES)	-	-	-	-
Profit/loss on sale of non current assets	-	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(135)**	**(135)**	**(358)**	**(493)**
Transfers to/from Earmarked Reserves	-	-	-	-
Increase/Decrease in Year	**(135)**	**(135)**	**(358)**	**(493)**
Balance at 31 March 2015 carried forward	**(2,238)**	**(2,238)**	**(2,506)**	**(4,744)**

Comprehensive Income and Expenditure Statement

2013/14 £000s		2014/15 £000s
(41)	Operating Income	(53)
53	Operating Expenditure	51
12	**Cost of Services**	**(2)**
(108)	(Gains)/Losses on the disposal of non current assets	(49)
(88)	Financing and investment income and expenditure	(84)
(184)	**(Surplus) or Deficit on Provision of Services**	**(135)**
7	(Surplus) or deficit on revaluation of Property, Plant and Equipment	(174)
(39)	(Surplus) or deficit on revaluation of available for sale financial instruments	(184)
(32)	**Other Comprehensive Income and Expenditure**	**(358)**
(216)	**Total Comprehensive Income and Expenditure**	**(493)**

Balance Sheet

31 March 2014		31 March 2015
£000s		£000s
578	Property Plant & Equipment	750
2,767	Long Term Investments	2,985
104	Long Term Debtors	100
3,449	**Long Term Assets**	3,835
1,051	Short Term Investments	1,144
-	Short Term Debtors	-
1,051	**Current Assets**	1,144
(1)	Short Term Creditors	-
(1)	**Current Liabilities**	-
(248)	Other Long Term Liabilities	(235)
(248)	**Long Term Liabilities**	(235)
4,251	**Net Assets**	**4,744**
(2,104)	Usable Reserves	(2,238)
(2,147)	Unusable Reserves	(2,506)
(4,251)	**Total Reserves**	**(4,744)**

In-year Financial Performance

During the year 2014/15, the Trust Funds operated at a surplus of £135,000 (2013/14: surplus of £184,000). The overall asset book value increased from £4.3 million to £4.7 million by 31 March 2015.

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 2015 were:

2013/14 £000s		2014/15 £000s
91	UBS Global Assets Mgt US Equity	118
94	JP Morgan IT Ordinary	103
77	Vanguard Inv Serv 500 Ucits	96
94	Shell Ord Shares Euro 0.07	76
70	The European Inv Ord 0.25	73
-	Findlay Park Fds US	68
67	HSBC Ordinary Shares Eur 0.07	63
94	UK Treasury 5% Stk July 14	-
2,180	Other stocks, shares and cash	2,388
2,767		2,985

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 2015	Authority's Own Usable Reserves (£000) Page 27	Authority's Share of Usable Reserves of Subsidiaries and Associates (£000)	Total Usable Reserves (£000)	Total Unusable Reserves (£000)	Authority's Own Unusable Reserves (£000) Note 29	Authority's Share of Unusable Reserves of Subsidiaries and Associates (£000)	Total Reserves (£000)
Balance at 31 March 2014	(15,352)	(8,282)	(23,634)	(242,973)	(236,873)	(6,100)	(266,607)
Movement in reserves during 2014/15							
Adjustment for Opening Balances		(321)	(321)	167	-	167	(154)
Adjusted Opening Balance	(15,352)	(8,603)	(23,955)	(242,806)	(236,873)	(5,933)	
(Surplus) or deficit on provision of services	(6,272)	(128)	(6,400)	-	-	-	(6,400)
Other Comprehensive Expenditure and Income	-	-	-	27,982	27,906	76	27,982
Total Comprehensive Expenditure and Income	(6,272)	(128)	(6,400)	27,982	27,906	76	21,582
Adjustments between Group Accounts and Authority Accounts	-	-	-	-	-	-	-
Net Increase/Decrease before Transfers	(6,272)	(128)	(6,400)	27,982	27,906	76	21,582
Adjustment for Opening Balances							-
Adjustments between accounting basis & funding basis under regulations	(3,054)	(147)	(3,201)	3,201	3,054	147	-
Net Increase/Decrease before Transfers to Other Statutory Reserves	(9,326)	(275)	(9,601)	31,183	30,960	223	21,582
(Increase)/Decrease in Year	(9,326)	(275)	(9,601)	31,183	30,960	223	21,582
Balance at 31 March 2015 carried forward	(24,678)	(8,878)	(33,556)	(211,623)	(205,913)	(5,710)	(245,179)

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 subsidiaries.

2013/14		2014/15		
Net Expenditure		**Gross Expend-iture**	**Gross Income**	**Net Expend-iture**
£000s		**£000s**	**£000s**	**£000s**
4,162	Central services	9,807	(4,513)	5,294
19,703	Cultural and related services	25,132	(3,898)	21,234
90,373	Education services	95,579	(4,339)	91,240
11,560	Environmental services	12,772	(698)	12,074
4,064	Housing services (non-HRA)	34,047	(29,623)	4,424
200	Joint Board requisitions	674	-	674
3,314	Local authority housing (HRA)	23,577	(24,359)	(782)
3,520	Planning & development services	5,082	(2,233)	2,849
9,650	Roads and transport services	9,858	(325)	9,533
62,855	Social Work services	71,285	(9,954)	61,331
1,326	Corporate and democratic core	1,439	-	1,439
1,145	Non-distributed costs	197	-	197
211,872	**Cost of Services**	**289,449**	**(79,942)**	**209,507**
(1,173)	(Gains)/Losses on the disposal of non current assets			(1,511)
19,956	Financing and investment income and expenditure			20,746
-	(Surplus) or deficit of discontinued operations			-
(224,852)	Taxation and non specific grant income			(235,154)
5,803	**Deficit on Provision of Services**			**(6,412)**
19	Share of the (surplus) or deficit on the provision of services by Associates			12
-	Tax expenses of subsidiaries and associates			-
5,822	**Group (Surplus) / Deficit**			**(6,400)**
(5,660)	(Surplus) or deficit on revaluation of Property, Plant and Equipment			(9,291)
(896)	(Surplus) on revaluation of available for sale financial instruments			369
12,720	Actuarial losses on pension assets/liabilities			36,305
386	Share of other comprehensive income and expenditure of associates.			599
6,550	**Other Comprehensive Income and Expenditure**			**27,982**
12,372	**Total Comprehensive Income and Expenditure**			**21,582**

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.

2013/14		2014/15
£000s		£000s
6,315	Deficit for the year on the Authority Comprehensive Income & Expenditure Account	(6,272)
	Deficit for the year in the Group Income & Expenditure Account attributable to group entities	
19	Associates	12
(512)	Subsidiaries	(140)
5,822	**(Surplus) / Deficit for the year on the Group Income & Expenditure Account**	**(6,400)**

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 14		31 March 15
£000s		£000s
773,109	Property Plant & Equipment	788,919
605	Heritage Assets	605
-	Assets Held for Sale	-
8,327	Long Term Investments	8,019
1,084	Investments in Associates	626
9,230	Long Term Debtors	9,932
792,355	**Long Term Assets**	808,101
55	Short Term Investments	5
1,190	Assets Held for Sale	2,269
674	Inventories	520
39,766	Short Term Debtors	27,640
(20,104)	Bad & Doubtful Debt Provision	(11,415)
5,726	Cash and Cash Equivalents	9,270
27,307	**Current Assets**	28,289
-	Bank Overdraft	-
(46,917)	Short Term Borrowing	(12,758)
(22,840)	Short Term Creditors	(23,728)
(69,757)	**Current Liabilities**	(36,486)
-	Long Term Creditors	-
(3,793)	Provisions	(3,957)
(298,191)	Long Term Borrowing	(328,038)
(177,623)	Other Long Term Liabilities	(222,611)
(3,692)	Capital Grants Receipts in Advance	(119)
(483,299)	**Long Term Liabilities**	(554,725)
266,606	**Net Assets**	245,179
-	Called Up Share Capital	-
(23,634)	Usable Reserves	(33,556)
(242,972)	Unusable Reserves	(211,623)
(266,606)	**Total Reserves**	(245,179)

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.

2013/14		2014/15
£000s		£000s
5,803	Net deficit on the provision of services	(6,412)
(35,346)	Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 5)	(41,917)
18,490	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23,640
(11,053)	Net Cash flow from Operating Activities	(24,689)
	Investing Activities	
47,871	Purchase of property, plant and equipment	39,189
89	Purchase of investments	-
-	Dividends from joint ventures and associates	-
(575)	Proceeds from short term investments	(359)
(14,659)	Other Receipts from investing activities	(20,320)
(2,094)	Proceeds from the sale of property, plant and equipment	(2,962)
30,632	Net cash flow from investing activity	15,548
	Financing Activities	
(79,106)	Cash received from short and long term borrowing	(89,079)
1,216	Capital element of finance leases and PFI Contracts	1,184
54,473	Repayments of short and long term borrowing	93,492
625	New loans made	-
(22,792)	Net cash flow from financing activity	5,597
(3,213)	Net increase or decrease in cash and cash equivalents	(3,544)
(2,513)	Cash and cash equivalents at the beginning of the reporting period	(5,726)
(5,726)	Cash and cash equivalents at the end of the reporting period	(9,270)

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 2013/14	Percentage Share 2014/15	Carrying Value at 31 March 2015	Share of (Surplus) or Deficit on Provision of Services for 2014/15	Other CI&ES items for 2014/15
			£000s	£000s	£000s
East Lothian Investments	40.00%	40.00%	214	7	-
Enjoy East Lothian Limited	33.33%	33.33%	1,523	6	241
Brunton Theatre Trust	40.00%	28.57%	138	(57)	-
Lothian Valuation Joint Board	11.02%	11.02%	(1,249)	55	358
Total			**626**	**12**	**599**

The summarised financial information of the various associates for the financial year 2014/15 has been presented below;

	Assets at the end of the year £000s	Liabilities at the end of the year £000s	Net Assets at the end of the year £000s	Revenues during year £000s	(Surplus) or Deficit for the year £000s
East Lothian Investments	588	(52)	536	(2)	18
Enjoy East Lothian Limited	7,509	(2,941)	4,568	(6,646)	19
Brunton Theatre Trust	456	(111)	345	(1,300)	142
Lothian Valuation Joint Board	2,122	(13,459)	(11,337)	(8,220)	501

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 2015 show net current assets of £605,000 (2014: £606,000), and a loss before taxation of £1,000 (31 March 2014: 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 £4.74 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 £14.6 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

Total 2013/14 £000s		Total 2014/15 £000s
(27,969)	Depreciation	(28,601)
-	Impairments and downward revaluations	(1,422)
(1,296)	Net gains on sale of fixed assets	(1,538)
(23,096)	Net charges made for retirement benefits in accordance with IAS 19	(21,024)
14,834	Employer's contributions payable to the Lothian Pension Fund	14,086
451	(Increase)/decrease in revenue long term-debtors & liabilities	1,166
523	Change in Provisions	8,609
153	Change in stock	(151)
(811)	Change in revenue debtors	(633)
1,865	Change in revenue creditors	(12,409)
(35,346)	**Total**	**(41,917)**

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 thebenefits 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 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 Falkirk 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 Cuncils 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 purposed.

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.