East Lothian Council

# MINUTES OF THE MEETING OF EAST LOTHIAN COUNCIL

## TUESDAY 23 MAY 2017
## COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

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**Council Officials Present:**
Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Mrs M Paterson, Depute Chief Executive (Partnerships and Community Services)
Mr D Small, Director of East Lothian Health & Social Care Partnership
Mr J Lamond, Head of Council Resources
Mr D Proudfoot, Head of Development
Ms F Robertson, Head of Education
Mr T Shearer, Head of Communities and Partnerships
Mr S Cooper, Team Manager – Communications
Ms F Currie, Committees Officer
Ms J Mackay, Media Manager
Mrs K MacNeill, Service Manager – Licensing, Admin & Democratic Services
Mr I McFarlane, Service Manager – Planning
Ms F Stewart, Committees Officer
Mr P Vestri, Service Manager – Corporate Policy and Improvement

**Visitors Present:**
None

**Clerk:**
Mrs L Gillingwater

**Apologies:**
None

**INTIMATIONS**

The Returning Officer took the Chair. Prior to announcing the intimations, she invited Councillor Innes to make a statement in relation to the terrorist attack on Manchester of 22 May.

Councillor Innes expressed his dismay at the attack on the Manchester Arena, which had killed and injured many young people. He conveyed his sympathy to all those involved, and asked that letters of condolence and support be sent on behalf of the Council to the Mayor of Manchester and the Leader of Manchester City Council. There followed a minute's silence.

The Returning Officer then welcomed all new and returning Members to the meeting. She thanked Members for their attendance and participation in the ongoing induction programme, and encouraged all Members to continue their development through the Members' briefing programme.

**A. MEMBERSHIP**

The Returning Officer intimated that, following the Local Government Elections on 4 May 2017, in terms of the Local Government etc. (Scotland) Act 1994 and the Representation of the People Act 1993, the membership of East Lothian Council was as follows:

| | |
|---|---|
| Ward 1 – Musselburgh | Stuart McDonald Currie<br>Andrew Stewart Forrest<br>Katie Crichton Mackie<br>John Charles Williamson |
| Ward 2 – Preston, Seton and Gosford | Lachlan Bruce<br>Neil George Gilbert<br>William Innes<br>Fiona O'Donnell |
| Ward 3 – Tranent, Wallyford and Macmerry | Fiona Dugdale<br>Gordon Mackett<br>Colin Peter McGinn<br>Kenneth John Douglas McLeod |
| Ward 4 – North Berwick Coastal | Jeremy Douglas Findlay<br>James Grierson Goodfellow<br>Jane Elizabeth Henderson |
| Ward 5 – Haddington and Lammermuir | Shamin Akhtar<br>John Fleming Allan McMillan<br>Brian Small<br>Thomas Trotter |
| Ward 6 – Dunbar and East Linton | Norman Hampshire<br>Susan Anne Kempson<br>Paul Stewart McLennan |

**SEDERUNT**

All the foregoing Members of East Lothian Council were present.

**B. DECLARATION OF ACCEPTANCE OF OFFICE OF COUNCILLORS UNDER SECTION 33A OF THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973**

The Returning Officer intimated that all members of the Council, in accordance with the provisions of Section 33A of the Local Government (Scotland) Act 1973, had signed a Declaration of Acceptance of Office of Councillor.

**BUSINESS**

**1. ELECTION OF PROVOST (PROVOST TO THE CHAIR)**

The Returning Officer called for nominations for the appointment of Provost to the Council. Councillor Innes, seconded by Councillor Small, moved that Councillor John McMillan be elected as Provost of East Lothian Council.

There were no other nominations and Councillor McMillan was duly elected as Provost of East Lothian Council.

Provost McMillan took the Chair. He thanked the Chief Executive, Council officers, his Labour Group colleagues and Members' Services support staff for their support. He declared that he would strive to ensure reasoned debate within the Chamber and would seek consensus in decision-making. He also advised that he would use his role as Provost to promote East Lothian and to protect and grow the local economy, celebrate success with schools, the Council's partners and communities, and to represent all of East Lothian's residents.

**2. ELECTION OF DEPUTE PROVOST**

Nominations were invited for the appointment of Depute Provost of the Council. Councillor Innes, seconded by Councillor Small, moved that Councillor Andy Forrest be elected as Depute Provost of East Lothian Council. No other nominations were made and Councillor Forrest was duly elected as Depute Provost.

**3. ELECTION OF LEADER OF THE COUNCIL**

Nominations were invited for the appointment of Leader of the Council. Councillor Hampshire, seconded by Councillor Akhtar, moved that Councillor Willie Innes be elected as Leader of East Lothian Council. No other nominations were made and Councillor Innes was duly elected as Leader of the Council.

In accepting the position as Leader of the Council, Councillor Innes congratulated Councillors McMillan and Forrest on their appointments, noting that they would be excellent ambassadors for East Lothian. Councillor Innes thanked the electorate for their support at the recent elections. He confirmed that the Labour Group would work as a minority Administration, believing that his group had the required experience and expertise to do so. He highlighted the importance of the role of councillor and the responsibilities that this brought, and urged all Members to prioritise representing their communities over any party political interests. He also called on experienced Councillors to support their newly elected colleagues. Councillor Innes concluded his speech by asking all Members to work in the interests of the people of East Lothian to ensure that they received the best possible services from the Council.

Councillor Currie welcomed Councillors McMillan and Forrest to their new positions, and congratulated Councillor Innes on his return as Leader of the Council. He also congratulated all Members on their election to the Council, describing it as a huge honour. He paid tribute to those Members who had stood for election but who had not been re-elected.

Councillor Small also congratulated Councillors McMillan, Forrest and Innes and wished them well in their respective roles. He thanked the Chief Executive and Council staff for their support to new councillors. He noted that the Conservative Group would provide a strong, robust and effective opposition, and spoke of the importance of good conduct and behaviour. He wished all 22 councillors well, hoping that they would all work together to meet the challenges ahead.

## 4. NOTIFICATION OF LEADERS OF THE POLITICAL GROUPS

The Provost invited each political group to notify the Council of their respective leaders. The following notifications were made:

Leader of the Labour Group – Councillor Willie Innes
Leader of the Conservative Group – Councillor Brian Small
Leader of the SNP Group – Councillor Stuart Currie

The Provost then invited nominations for the appointment of Leader of the Opposition. Councillor Findlay, seconded by Councillor Mackett, proposed Councillor Small for this position.

There were no other nominations and Councillor Small was duly nominated as the Leader of the Opposition.

## 5. COUNCILLORS' REMUNERATION AND EXPENSES

A report was submitted by the Depute Chief Executive (Resources and People Services) advising the Council of the setting of Councillors' remuneration and on expenses allowances.

The Head of Council Resources, Jim Lamond, presented the report, advising that this report set out the proposed salary structure and advice on expenses for councillors. He drew attention to Appendix 1 (as amended), and the remuneration levels for specific post holders and senior councillors.

Councillor Currie questioned whether the role of Depute Provost should be designated as a senior councillor position. Mr Lamond advised that this was not a requirement of the regulations, but that he would look into this and report back, as required, noting that this was a matter for Council to determine. Councillor Innes noted Councillor Currie's comments, adding that this matter may be reconsidered at a later date.

**Decision**

The Council agreed:

i. to approve the remuneration structure for Councillors, as proposed with Appendix 1 to the report;

ii. to note the continued use of a national expenses and allowances process, including the use of a standardised claim form and the payment of remuneration and expenses monthly in arrears; and

iii. to note that all remuneration and expense information forms part of the public record, a summary of which the Council must publish each year.

## 6. APPOINTMENT OF MEMBERS TO COUNCIL COMMITTEES, SUB-COMMITTEES, ASSOCIATED COMMITTEES AND PARTNERSHIPS

A report was submitted by the Depute Chief Executive (Resources and People Services) requesting the Council to appoint the membership of the Council's committees, sub-committees, associated committees and partnerships.

The Clerk presented the report, drawing attention to a number of vacancies to be filled by the SNP Group. She suggested that the Depute Conveners for the scrutiny committees should be appointed at the first meeting of those committees, as per previous practice. She also noted that Elizabeth Malcolm had replaced Marjorie Goldsmith as the Church of Scotland representative on the Education Committee, and that Councillor Innes would chair the Musselburgh Joint Racing Committee.

Councillor McMillan sought nominations from Councillor Currie in relation to the vacancies noted by the Clerk. Councillor Currie advised that the SNP Group had not yet taken decisions on the appointments to these committees, and that he would consult his group further. Councillor McMillan requested that further nominations should be submitted by Friday 26 May.

Councillor Innes noted an amendment to the Administration's membership of the IJB, in that Councillor Akhtar would represent the Council, rather than Councillor Dugdale.

Councillor Currie suggested that a cross-party approach should be adopted as regards the membership of the Musselburgh Joint Racing Committee (MJRC), and nominated Councillor McLeod for a position on the MJRC.

The Provost moved to the vote on all five members nominated for the four positions on the MJRC:

| | For | Against |
|---|---|---|
| Councillor McLeod | 6 | 8 |
| Councillor Forrest | 8 | 0 |
| Councillor Innes | 8 | 0 |
| Councillor O'Donnell | 8 | 0 |
| Councillor Mackie | 15 | 0 |

Councillors Forrest, Innes, O'Donnell and Mackie were duly appointed to the MJRC.

**Decision**

The Council agreed to establish the following committees, sub-committees, associated committees and partnerships, with the convener and membership as set out below, noting the request for further nominations from the SNP Group.

**Cabinet**

| | |
|---|---|
| Leader of the Council and Convener (and Cabinet Spokesperson for Community Planning) | Councillor Innes |

**Cabinet Spokesperson for**

| | |
|---|---|
| Economic Development & Tourism | Councillor McMillan |
| Education & Children's Services | Councillor Akhtar |
| Environment | Councillor Hampshire |
| Health & Social Care | Councillor O'Donnell |
| Housing and Community Wellbeing | Councillor Goodfellow |

**Audit and Governance Committee**

| | |
|---|---|
| Convener | Councillor Henderson |
| Depute Convener | tbc |
| Members | Councillor Dugdale |
| | Councillor Findlay |
| | Councillor Mackie |
| | Councillor Small |
| | 3 x SNP (*to be advised*) |

**Common Good Committees**

**Dunbar**

| | |
|---|---|
| Convener | tbc |
| Members | Cllr N Hampshire |
| | Cllr S Kempson |
| | Cllr P McLennan |

**Haddington**

| | |
|---|---|
| Convener | tbc |
| Members | Cllr S Akhtar |
| | Cllr J McMillan |
| | Cllr B Small |
| | Cllr T Trotter |

**Musselburgh**

| | |
|---|---|
| Convener | tbc |
| Members | Cllr S Currie |
| | Cllr A Forrest |
| | Cllr K Mackie |
| | Cllr J Williamson |

**North Berwick**

| | |
|---|---|
| Convener | tbc |
| Members | Cllr J Findlay |
| | Cllr J Goodfellow |
| | Cllr J Henderson |

**Education Committee**

| | |
|---|---|
| Convener | Councillor Akhtar |
| Depute Convener | tbc |
| Council Members | Councillor Dugdale |
| | Councillor Goodfellow |

| | |
|---|---|
| | Councillor Forrest<br>Councillor Innes<br>Councillor Findlay<br>Councillor Gilbert<br>Councillor Kempson<br>Councillor Mackie<br>Councillor McLennan<br>Councillor Small<br>Councillor Williamson |
| External Members | *Mr S Bunyan*<br>*Ms E Malcolm*<br>*Ms T Sharp*<br>*Ms G Gillan (EIS)* |

**Petitions Committee**

| | |
|---|---|
| Convener | Councillor McMillan |
| Members | Councillor Currie<br>Councillor Innes<br>Councillor Small |

**Planning Committee**

| | |
|---|---|
| Convener | Councillor Hampshire |
| Depute Convener | tbc |
| Members | Councillor Bruce<br>Councillor Currie<br>Councillor Findlay<br>Councillor Innes<br>Councillor Kempson<br>Councillor McGinn<br>Councillor McLeod<br>Councillor McMillan<br>Councillor O'Donnell<br>Councillor Small<br>Councillor Trotter |

**Police, Fire and Community Safety Scrutiny Committee**

| | |
|---|---|
| Convener | Councillor Goodfellow |
| Depute Convener | tbc |
| Members | Councillor Bruce<br>Councillor Dugdale<br>Councillor Findlay<br>Councillor Henderson<br>Councillor Gilbert<br>Councillor McGinn<br>Councillor McLeod |

**Policy and Performance Review Committee**

| | |
|---|---|
| Convener | Councillor Bruce |
| Depute Convener | tbc |
| Members | Councillor Henderson |

| | |
|---|---|
| | Councillor McGinn<br>Councillor Mackett<br>Councillor Small<br>3 x SNP (*to be advised*) |

**Licensing Sub-Committee**

| | |
|---|---|
| Convener | tbc |
| Depute Convener | tbc |
| Members | Councillor Findlay<br>Councillor Henderson<br>Councillor McGinn<br>Councillor McMillan<br>2 x SNP (*to be advised*) |

**Employee Appeals Sub-Committee**

| | |
|---|---|
| Leader of the Council (Chair) | Councillor Innes |
| Provost (Vice-Chair) | Councillor McMillan |
| Depute Provost | Councillor Forrest |
| Leader of the Opposition | Councillor Small |
| + *Cabinet Member of relevant area* | |

***Associated Committees***

**Joint Consultative Committee**

| | |
|---|---|
| Convener<br>*(Trades Unions side 2017/18)* | tbc |
| Depute Convener<br>*(Council side 2017/18)* | Councillor Innes |
| Council Members | Councillor Currie<br>Councillor Findlay<br>Councillor Henderson<br>Councillor McMillan<br>Councillor O'Donnell<br>Councillor Small<br>+ 1 x SNP (*to be advised*) |
| Trade Union Members | *to be advised* |

**Musselburgh Joint Racing Committee**

| | |
|---|---|
| Convener | Councillor Innes |
| Council Members | Councillor Forrest<br>Councillor Mackie<br>Councillor O'Donnell |
| Lothian Racing Syndicate Members | Mr R Anderson Green<br>Mr R Miller-Bakewell<br>Mr J Prideaux |

***Partnerships***

**IJB (4 + 4 external)**

| | |
|---|---|
| Convener *(NHS side 2017-19)* | Mr P Murray |
| Depute Convener *(Council side 2017-19)* | Councillor O'Donnell |
| Council Members | Councillor Akhtar<br>Councillor Currie<br>Councillor Kempson |
| NHS Non-Executive Members | Ms F Ireland<br>Mr A Joyce<br>Professor M Whyte |

**East Lothian Partnership**

| | |
|---|---|
| Convener *(Council side)* | Councillor Innes |
| Council Members | Councillor Currie<br>Councillor Small |
| External Members (16) | *to be advised* |

**Resilient People Partnership**

| | |
|---|---|
| Convener | tbc |
| Council Members | Councillor Akhtar<br>Councillor Mackie<br>1 x SNP (*to be advised*) |
| External Members (9) | *to be advised* |

**Safe and Vibrant Communities Partnership**

| | |
|---|---|
| Convener | tbc |
| Council Members | Councillor Goodfellow<br>Councillor Kempson<br>1 x SNP (*to be advised*) |
| External Members (10) | *to be advised* |

**Sustainable Economies Partnership**

| | |
|---|---|
| Convener | tbc |
| Council Members | Councillor Findlay<br>Councillor McMillan<br>1 x SNP (*to be advised*) |
| External Members (11) | *to be advised* |

## 7. APPOINTMENT OF MEMBERS TO EAST LOTHIAN LICENSING BOARD

A report was submitted by the Depute Chief Executive (Resources and People Services) seeking the appointment of Members to serve on East Lothian Licensing Board.

The Clerk to the Licensing Board, Kirstie MacNeill, presented the report, reminding Members that the Licensing Board is a separate apolitical quasi-judicial legal entity. She set out the disqualification criteria, and advised that the Council was required to appoint 5-10 Members to serve on the Board. Drawing attention to the nominations already proposed, she noted that the SNP Group had not yet advised of their nominations.

Councillor Currie remarked upon the Council's decision as regards the membership of the MJRC (which would disqualify those four Members from serving on the Licensing Board), advising that he would reflect on this when considering his Group's position in relation to Licensing Board nominations.

**Decision**

The Council agreed to appoint the following Elected Members to serve as members of the East Lothian Licensing Board, noting the request for nominations from the SNP Group:

Councillor Bruce
Councillor Dugdale
Councillor Goodfellow
Councillor Henderson
Councillor McGinn
Councillor McMillan
+ 2 x SNP (*to be advised*)

## 8. APPOINTMENT OF REPRESENTATIVES TO OUTSIDE BODIES

A report was submitted by the Depute Chief Executive (Resources and People Services) requesting the Council to make appointments to outside bodies.

The Clerk to the Council provided an update to the information detailed in Appendix 1 to the report, advising that there remained a small number of vacancies as regards appointments to outside bodies, namely in relation to the CoSLA Convention and the East Lothian Education Trust. She noted that Councillor Mackie had been nominated as the representative on the Scottish Seabird Centre Trust, and that Councillor Henderson had been nominated as the second representative on the Russell Bequest.

The Provost sought nominations for the CoSLA Convention, one from each of the Labour, Conservative and SNP Groups.

In nominating Councillor Innes as the Labour Group representative (seconded by Councillor Akhtar), Councillor Hampshire spoke in support of proportional nominations, as requested by CoSLA. He added, however, that if other councils did not follow CoSLA's advice, the Administration may bring this matter back to Council for further consideration.

Councillor Findlay, seconded by Councillor Henderson, nominated Councillor Small as the Conservative Group representative.

Councillor McLeod, seconded by Councillor Williamson, nominated Councillor Currie as the SNP Group representative.

Councillor McMillan welcomed these appointments and wished all three councillors well in representing the Council at CoSLA.

**Decision**

The Council agreed to make appointments to the outside bodies listed in Appendix 1 to the report, and as updated by the Clerk to the Council, noting the request for nominations from the SNP Group for the East Lothian Education Trust.

## 9. SUMMARY OF BUSINESS APPROVED IN ACCORDANCE WITH ELECTION RECESS ARRANGEMENTS

A report was submitted by the Depute Chief Executive (Resources and People Services) informing Council of the urgent business undertaken over the election recess period in terms of the procedures set out in Standing Order 15.5 and in line with the decision taken by the Council at its meeting of 28 March 2017.

The Clerk advised that one item of business had been undertaken during the election recess, in respect of amendments to the Scheme of Administration and Scheme of Delegation. She explained that the report had required approval prior to the first meeting of the new Council as it dealt with changes to the membership and quorum of the Musselburgh and Haddington Common Good Committees resulting from the recent ward boundary changes, and that it also sought approval to remove the requirement for a minimum number of meetings of the scrutiny committees. She noted that the Scheme of Delegation had also been amended to take account of changes to proper officer appointments.

**Decision**

The Council agreed to note the business undertaken over the election recess period.

## 10. SUBMISSIONS TO THE MEMBERS' LIBRARY, 16 MARCH – 10 MAY 2017

A report was submitted by the Depute Chief Executive (Resources and People Services) advising Members of the reports submitted to the Members' Library since the last meeting of the Council.

The Clerk pointed out that a number of the reports listed had not been published on the Council's website until very recently, and that she would be happy to re-present this bulletin to the Council meeting in June, if required, to allow Members more time to consider the reports submitted.

Referring to Ref: 63/17, Councillor Goodfellow welcomed the creation of an additional Assistant Behaviour Support Officer post at North Berwick High School.

The Provost commended the Partnership Funding 2017/18 report (Ref: 40/17) to all Members, commenting on the range of organisations and activities being supported by the Council, and welcoming the partnership working involved.

**Decision**

The Council agreed to note the reports submitted to the Members' Library Services between 16 March and 10 May 2017, as listed in Appendix 1 to the report.

Signed .......................................................

Provost John McMillan
Convener of the Council

East Lothian Council

| | |
|---|---|
| **REPORT TO:** | East Lothian Council |
| **MEETING DATE:** | 27 June 2017 |
| **BY:** | Chief Executive |
| **SUBJECT:** | Local Scrutiny Plan 2017/18 |

2

## 1 PURPOSE

1.1 To inform Council of Audit Scotland's East Lothian Council Local Scrutiny Plan 2017/18.

## 2 RECOMMENDATIONS

2.1 Council is asked to note the Local Scrutiny Plan 2017/18.

## 3 BACKGROUND

3.1 Audit Scotland works closely with other local government inspectorates in a Local Area Network (LAN) of local audit and inspection representatives. The LANs undertake a shared risk assessment process for all 32 local authorities, to identify targeted, risk-based scrutiny.

3.2 This process results in each council receiving a Local Scrutiny Plan which identifies the risk areas that the LAN has identified as requiring scrutiny or where scrutiny is planned as part of a national programme.

3.3 The East Lothian Council's Local Scrutiny Plan 2017/18 (see Appendix 1) is in the same format as last year's plan. The Plan is based on a shared risk assessment undertaken by the LAN drawing on a range of evidence from the scrutiny bodies represented on the Network.

3.4 The 2016/17 Plan did not identify any specific additional scrutiny of East Lothian Council as a result of risk identified. Similarly, the LAN has not recommended any specific scrutiny of the council in 2017/18.

3.5 The Local Scrutiny Plan 2017/18 outlines progress that has been made in relation to the risks identified in last year's Plan and outlining any further monitoring it intends to undertake over the coming year.

3.6 Financial Challenges

"The council has continued to make progress towards improving its financial sustainability." The Council remained within budget and transferred a total of £5.7m to reserves. The Plan highlights that the Council has a three-year financial strategy which includes a Change Programme which is intended to achieve significant savings. "However, the Council continues to face further uncertainty and challenges over its financial position." No specific scrutiny of the Council's finances is proposed beyond the regular monitoring undertaken by the Council's auditors through the annual audit process.

3.7 Social Work/ Social Care

"The LAN has identified no specific scrutiny risks in relation to social work/ social care". Comprehensive improvement plans are in place to address areas for improvement identified by joint inspections of Children's and Adult Services that were carried out in the previous two years. The Scrutiny Plan notes that, "Satisfactory progress is being made in the Children's Services improvement plan." The Health and Social Care Partnership is taking action to address a lack of care home service capacity and other areas for continuous improvement identified in the adult services inspection and "Community care services are demonstrating satisfactory progress."

3.8 Education

"The LAN has identified no specific scrutiny risks in relation to the education service. School inspections were mainly positive and the schools have been supported well by the authority to improve." Whilst there is no specific education scrutiny required at this time, Education Scotland will continue to monitor progress.

3.9 Housing

The LAN has identified some risks in relation to housing services – rising rent arrears following the introduction of Universal Credit, some properties failing the Scottish Housing Quality Standard (SHQS) and the Council's approach to homelessness and housing options. These are all areas which have been identified for action by the Council. A detailed action plan, which was put in place to reduce rent arrears, was beginning to make significant reductions in the Council's rent arrears. However, as has been reported to members on several occasions, the introduction of 'full service' Universal Credit in East Lothian in March 2016 has resulted in a significant increase in rent arrears. The Council has continued to lobby both UK and Scottish Governments for changes to the operation of Universal Credit which would mitigate the negative impact of the new system on rent payments. Community Housing has carried out extensive work in order to greatly reduce the number of properties which fail the SHQS and met its targets for 2016/17. As the Scrutiny report acknowledges the Council is aware of the risks relating to homelessness and housing options and is reviewing its allocations policy to address some of these issues. The Scottish Housing Regulator will monitor the Council's performance in relation to these rent arrears, SHQS and homelessness through reviewing the council's performance management reports and will meet council officials as necessary.

3.10 The Accounts Commission has adopted a new framework for auditing Best Value based on assessing Best Value as part of annual audit work. In addition it proposes to prepare a Best Value Assurance Report (BVAR) at least once in a five year cycle. The current programme envisages East Lothian Council's BVAR will be published in year two of the cycle, 2018/19. The Council's auditors will carry out some Best Value audit work as part of their 2016/17 local audit and will scope and prepare a timetable for the additional Best Value audit work to be carried out as part of the 2017/18 audit.

3.11 The Council has a well defined and established Improvement to Excellence/Continuous Improvement Framework, including self-evaluation, performance management and financial and strategic planning and improvement activity. The framework and the work that is undertaken corporately and across all services under the framework provide a good basis for the Council's preparations for the Best Value audit. In addition, the Council improvement action plan arising from the 2017 Corporate Governance Self-evaluation (reported to the Audit & Governance Committee, 20 June), the recent Investors in People accreditation (resulting in a Silver award) and the assessment for the Quality Scotland Committed to Excellence award provides key actions which address areas for improvement in some areas that will be covered by the audit. A senior officer, Improvement to Excellence working group, is providing leadership and oversight of the various strands of this continuous improvement work.

## 4 POLICY IMPLICATIONS

4.1 The Local Scrutiny Plan 2017/18 provides the Council with the LAN's assessment of areas of risk that will be subject to specific scrutiny activity. It recognises the Council's ongoing commitment to continuous improvement and developing self-evaluation. The Plan provides the Council with an indication of areas where the LAN expects improvement work to be targeted.

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 An impact assessment has not been carried out on this report as it does not directly affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – none

6.2 Personnel – none

6.3 Other – none

## 7 BACKGROUND PAPERS

7.1 Appendix 1: East Lothian Council Local Scrutiny Plan 2017/18

| | |
|---|---|
| **AUTHOR'S NAME** | Paolo Vestri |
| **DESIGNATION** | Service Manager: Corporate Policy and Improvement Manager |
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| **DATE** | 15 June 2017 |

Appendix 1

# East Lothian Council

## Local Scrutiny Plan

## 2017/18

May 2017

# East Lothian Council

## Local Scrutiny Plan – April 2017 to March 2018

### Introduction

1. This local scrutiny plan sets out the planned scrutiny activity in East Lothian Council during the financial year 2017/18. The plan is based on a shared risk assessment undertaken by a local area network (LAN) comprising representatives of all the scrutiny bodies who engage with the council. For East Lothian Council, this included the Care Inspectorate, Education Scotland and the Scottish Housing Regulator. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny activity required and focusing this in the most proportionate way.

2. This plan does not identify or address all risks in the council. It covers only those risk areas that the LAN has identified as requiring scrutiny, or where scrutiny is planned as part of a national programme. Planned scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2017/18, which is available on the Audit Scotland website.

### Scrutiny risks

3. The 2016/17 Local Scrutiny Plan did not identify any specific additional scrutiny, although scrutiny activity was undertaken as a consequence of national follow-up work or at the direction of Scottish ministers. It included the following non-risk based scrutiny which took place over the year:

   - The Care Inspectorate led on a project on the validated self-evaluation of Alcohol and Drug Partnerships (ADPs) across Scotland during 2016. Fieldwork activity concluded and all ADPs received individual summary feedback to support continuous improvement. A national report will be published in May 2017.
   - In November 2016 the Scottish Government launched the national strategy for community justice alongside the Outcome Performance and Improvement Framework. The Scottish Government commissioned the Care Inspectorate to develop a guide to self-evaluation for community justice in Scotland and form the basis of the model for scrutiny and inspection of community justice in the future. A transitional plan is in place for the statutory criminal justice partners and work has been undertaken to ensure that the objectives of presenting and reducing offending are addressed through the new arrangements .

4. The 2016/17 LSP identified three performance audits to be undertaken by Audit Scotland covering local government:

   - An audit of equal pay in councils. This is due to be reported in July 2017.

- A follow-up audit on self-directed support. This is due to be reported in September 2017.
- An audit of early learning and childcare. This is due to be reported in November 2017.

East Lothian Council was not selected as a fieldwork site for audit work for any of these performance audits.

5. Last years LSP highlighted financial challenges facing the council. While no specific scrutiny was planned, the LAN noted that the East Lothian Council continued to face significant challenges and uncertainties over its financial position. The council has continued to make progress towards improving its financial sustainability. The 2015/16 annual audit report reported that the council's expenditure for the year was within budget, with a total of £5.7 million transferred to reserves. A three year budget covering the period from 2016/17 to 2018/19 was approved in February 2016. The council has also produced a financial strategy covering the period from 2016/17 to 2018/19, which seeks to enable it to deliver a sustainable level of service provision within a structured financial framework and reduce any future reliance on reserves. The financial strategy includes a Change Programme which is intended to achieve significant efficiency savings across all areas of the council. However the council continues to face further uncertainty and challenges over its financial position. The external auditors will continue to monitor developments in this area through the 2017/18 annual audit process.

6. The LAN has identified no specific scrutiny risks in relation to social work/social care services. Both Children's and Adults' services in East Lothian have been the subject of joint inspection. Comprehensive improvement plans are in place to address areas for improvement identified. Satisfactory progress is being made on the children's services improvement plan. A lack of care at home service capacity was a persistent challenge for East Lothian Health and Social Care Partnership, however it has taken some action to address this by enhancing its capacity to deliver care at home to older people. Support to unpaid carers and the roll-out of self-directed support to older people were identified as areas for continuous improvement. Services will continue to be subject to ongoing inspection and improvement from the Care Inspectorate. Community Care services are demonstrating satisfactory performance. Regulated services will continue to be monitored through regulatory inspection.

7. The LAN has identified no specific scrutiny risks in relation to the education service. School inspections were mainly positive and the schools have been supported well by the authority to improve. The authority has provided support for all establishments in line with Curriculum for Excellence and this is coming through in inspection evaluations. There is also a well-established history of effective joint working in East Lothian, under the leadership of the GIRFEC (Getting it Right for Every Child) board and in accordance with the Integrated Children's Services Plan for 2013-17.

8. The council appointed a new permanent Head of Education in December 2016, with the new post-holder previously occupying the post on secondment from Education Scotland

since March 2016. The new Head of Education has a clear vision of strengths and areas for improvement across the education sector in East Lothian and has developed an ambitious change agenda. The LAN has concluded that, while no specific education scrutiny is required at this time, it will be appropriate for Education Scotland to continue to monitor progress. The authority has spent most of its allocated Scottish Attainment Challenge funding. Plans for taking forward the Pupil Equity Fund (PEF) are under discussion.

9. As part of a national programme, a review of the Education Psychology Service was also undertaken in 2016/17. Education Scotland have reviewed the council's progress in this area and are determined to provide additional support in the forthcoming year culminating in a public report.

10. To assess the risk to social landlord services the Scottish Housing Regulator (SHR) has reviewed and compared the 2015/16 performance of all Scottish social landlords to identify the weakest performing landlords. It found that although East Lothian Council's rent arrears showed a slight decreased in 2015/16, it remained in the bottom quartile for all social landlords in relation to the percentage of gross rent arrears of rent due.

11. More recently the council reported that it has experienced a significant increase in the level of its rent arrears following the introduction of universal credit.

12. The council has 59 properties that fail the Scottish Housing Quality Standard (SHQS), a number of abeyances for SHQS and it brought less properties up to standard than it had planned in 2015/16.

13. The SHR has identified risks in relation to the council's approach to homelessness and housing options. These relate to how people get access to its services and the number of homeless applications that the council makes. It has high numbers of people in bed and breakfast temporary accommodation and people spend long periods of time there. Case durations are high and rising and the number of homeless people waiting for an outcome is also rising. The council has proposed changes to its allocations policy to help address some of these issues.

14. The SHR will monitor the council's performance in relation to SHQS, rent arrears and its housing options and homelessness services. The SHR will review the council's quarterly performance management reports and meet council officials as necessary.

15. SHR will publish the findings of its thematic inquiry work into gas safety and repairs completed during 2016/17. It may carry out further thematic inquiries during 2017/18. SHR will also review the Scottish Social Housing Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2017/18. Where councils are to be involved in a thematic inquiry or a data accuracy visit, the SHR will confirm this directly with the council and the LAN lead.

## Planned scrutiny activity

16. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The current proposed BVAR programme includes publication of a report for East Lothian Council in year two of the new round, 2018/19. The scope and timing of the work to be carried out, as part of the 2017/18 audit, will be discussed with the council. The overall BVAR programme could change if the risk profile of councils changes, if this is the case we will advise the council. In the meantime, Best Value audit work planned as part of the 2016/17 local audit will focus on the council's arrangements for demonstrating Best Value in financial and service planning, and financial governance and resource management. The results will be reported in the 2016/17 Annual Audit Report.

17. Audit Scotland also plans to undertake national performance audit work in four areas covering local government during 2017/18: arm’s length external organisations (ALEOs), city deals, early learning and child care and a follow-up on the integration of health and social care. Engagement with councils is still to be determined on some fo these studies and councils will be advised as appropriate in due course. Details of future audit work are available on the Audit Scotland website **here**.

18. As shown in Appendix 1, the council will be subject to a range of risk-based based and nationally driven scrutiny activity between April 2017 and March 2018. For some of their scrutiny activity in 2017/18, scrutiny bodies are still to determine their work programmes which specific council areas they will cover. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.

19. In addition to specific work shown in Appendix 1, routine, scheduled audit and inspection work will take place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. Audit Scotland will carry out a programme of performance audits during 2017/18 and individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk.

**May 2017**

# Appendix 1: Scrutiny plan

| Scrutiny body | Scrutiny activity | Date |
|---|---|---|
| Audit Scotland | Best Value Assurance Report (BVAR)<br>Scope of audit yet to be determined (refer to paragraph 16) | Work to be undertaken during 2017/18, with publication in 2018/19. |
| | Audit Scotland will undertake performance audits on ALEOs, city deals, children's mental health services and the integration of health and social care. | Dates and locations to be determined |
| Care Inspectorate and Healthcare Improvement Scotland | The Care Inspectorate and Healthcare Improvement Scotland will introduce a revised approach to the joint strategic inspections of services for adults for 2017/18 which will assess the extent to which the planning, organisation and coordination of services comply with the principles of integration and contribute to the national health and wellbeing outcomes. Inspections will include a focus on joint strategic commissioning. In 2017/18, the Care Inspectorate will also lead on thematic activity in the areas of adult support and protection and self-directed support, working with a range of scrutiny partners. | Dates and locations to be determined |
| Education Scotland | Provision of additional support following review of the Educational Psychology Service last year, with a resultant public report. | September 2017 |
| | Community Learning and Development strategic level inspections | January – March 2018 |
| Scottish Housing Regulator (SHR) | The Scottish Housing Regulator (SHR) will monitor the council's performance in relation to SHQS, rent arrears and its housing options and homelessness services. The SHR will review the council's quarterly performance management reports and meet council officials as necessary. | Dates and locations for 2017/18 to be determined |
| | SHR will publish the findings of its thematic inquiry work into gas safety and repairs completed during 2016/17. It may carry out further thematic inquiries during 2017/18. SHR will also review the Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2017/18. Where councils are to be involved in a thematic inquiry or a data accuracy visit, the SHR will confirm this directly with the council | Dates and locations for 2017/18 to be determined |

| | | |
|---|---|---|
| | and the LAN lead. | |
| Her Majesty's Inspectorate of Constabulary (HMICS) | HMICS has yet to agree its programme of local policing inspections over the next year. These inspections will examine, amongst other things, local scrutiny and engagement between Police Scotland and councils. | TBC |
| Her Majesty's Fire Service Inspectorate (HMFSI) | Since 2014/15, HMFSI has been inspecting local fire and rescue arrangements across Scotland as part of a three year programme. It has yet to be determined if East Lothian Council is included in HMFSI's 2017/18 programme. | TBC |

# East Lothian Council

# Local Scrutiny Plan 2017/18

## A summary of local government strategic scrutiny activity

This report is available in PDF and RTF formats, along with a podcast summary at:
**www.audit-scotland.gov.uk**

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| **REPORT TO:** | East Lothian Council |
| **MEETING DATE:** | 27 June 2017 |
| **BY:** | Chief Executive |
| **SUBJECT:** | East Lothian Council Plan 2017 - 2022 |

**3**

## 1 PURPOSE

1.1 To present the Council Plan 2017-2022 for approval.

## 2 RECOMMENDATIONS

2.1 Council approves the Council Plan 2017-2022.

## 3 BACKGROUND

3.1 Council, on 28 February 2017, approved a draft Council Plan 2017-2022 and instructed the Chief Executive to present a final Council Plan 2017-2022 following the May 2017 Council elections taking account of the manifesto of the new Administration.

3.2 The final draft of the Council Plan brought to the Council for approval is based on the draft plan that was approved in February 2017. It is both ambitious and aspirational. It is set within the context of the continuing financial, demographic and policy challenges faced by the Council and the county. It aims to maximise the benefits from the opportunities presented by the positive platform created by previous Council Plans and more recent developments such as the City Region Deal.

3.3 The final draft of the Plan reflects the views of East Lothian residents as evidenced by the recent Residents' Survey. It incorporates the manifesto commitments made by the Scottish Labour Party, which formed the new Council Administration following the May 2017 Council Elections, along with many of the commitments made in the Scottish Conservative and Unionist Party and Scottish National Party manifestos.

3.4 The Council Plan sets out the clear vision of ***'An even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy, that enables our people and communities to flourish.***'

3.5 To achieve this, the Council Plan has an overarching objective of *'reducing inequalities within and across our communities'.* It re-affirms the previous Plan's key four objectives and establishes a new set of strategic goals:

- *Growing our Economy – reducing unemployment and improving the employability of East Lothian's workforce'*
- *Growing our People – reducing the attainment gap and raising the attainment and achievement of our children and young people; and, improving the life chances of the most vulnerable in our society*
- *Growing our Communities – extending community engagement and decision making and increasing community and individual resilience*
- *Growing our Capacity – delivering transformational change and harnessing the opportunities technology offers in the provision of services.*

3.6 The Plan is based on the understanding that East Lothian Council cannot address the diverse needs of our population on its own. At the heart of the Plan is the concept that the Council and the people and communities of East Lothian can best deliver the required solutions in partnership – 'working together for a better East Lothian'. Therefore, over the next five year, the lifetime of this Plan, the Council will increasingly become:

- an enabling and empowering authority that works with its citizens and communities, the business and third sectors and other public sector partners to deliver the solutions that work best for East Lothian.
- a more entrepreneurial authority, developing new ways of ensuring services are provided in the most effective and efficient way possible;
- a 'digital' authority, fully embracing and exploiting opportunities to use technology to deliver services.

3.7 The delivery of the Plan will be reviewed annually and progress will be reported in the Council's Annual Report.

## 4 POLICY IMPLICATIONS

4.1 The Council Plan 2017-2022 and creation of a consolidated set of priorities and commitments will assist the Council in ensuring that corporate and service planning is well founded on a clear vision and strategic direction. This will also assist the Council in delivering services in accordance with our statutory Best Value obligations.

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 An integrated impact assessment of the Draft Council Plan showed that there are no negative equalities, social and econimic implications arising from the

Plan. Equalities implications arising from the actions and the various strategies and plans identified in the Council Plan will be addressed as the Plan is implemented.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – the financial commitments made in the Plan are contained within the Council's three-year revenue budget and five-year capital programme. Where any commitments arising from the Plan cannot be accommodated within existing approved budgets the action will be the subject of a separate report to Cabinet or Council before implementation. Future budget development work will take into account any future financial implications of the Council Plan in accordance with any more detailed implementation timetable that is developed.

6.2 Personnel – no direct implications on staffing associated with this report's recommendations although implementation of the Council Plan and its actions may have staffing implications which would be the subject of separate reports.

6.3 Other – none.

## 7 BACKGROUND PAPERS

7.1 Draft Council Plan 2017-2022; report to East Lothian Council, 28th February 2017

7.2 Stronger for East Lothian: east Lothian Labour Party's Manifesto for 4 May 2017

7.3 East Lothian Conservative and Unionist Party Local Government Manifesto 2017

7.4 SNP Stronger for East Lothian: Our Manifesto for People and Communities



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|---|---|
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| **DATE** | 16th June 2017 |

# EAST LOTHIAN COUNCIL PLAN 2017-2022

***An even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy, that enables our people and communities to flourish***

**June 2017**

# FOREWORD

Our vision is that East Lothian should be even more prosperous, safe and sustainable, with a dynamic and thriving economy that enables our people and communities to flourish.  We are committed to working together with the Council's partners and the people and communities of East Lothian to achieve this ambition.

The Council Plan sets out our collective ambition for East Lothian and the commitments we make to bring the real differences that will improve the quality of life of East Lothian's residents.

It also sets out the challenges as well as the opportunities we continue to face despite the work that the Council and its partners have engaged in over the last five years to deliver the previous Council Plan and put the building blocks in place for future achievement.

The Council Plan is based on objectives and strategic goals that will have the greatest impact in improving the lives of the people of East Lothian – growing our economy, growing our people and growing our communities.  The overarching objective of reducing inequalities is important as it ensures we don't lose sight of the need to breakdown the persistent cycle of poverty that blights too many families and communities.

But the Council faces unprecedented financial challenges and increasing demand for more and better services from an ever growing population and communities that quite rightly expect the highest quality of services.  As demand for quality services rises and resources are restricted we need to provide best value for money – better services at lower cost.

We understand that East Lothian Council cannot do everything that is required on its own – the people and communities of East Lothian supported by the Council and other agencies can best deliver the solutions required by 'working together for a better East Lothian'.  That is why the Plan clearly states that the Council will increasingly become: an enabling and empowering authority, working with its citizens and communities and partners to deliver the solutions that work best for East Lothian; a more entrepreneurial authority; and, a digital authority embracing technology to deliver services.

This is a challenging plan but also an exciting plan. We look forward to working with Council staff, with our partners and most importantly with the people and communities of East Lothian to deliver it.

Councillor Willie Innes
Council Leader

Angela Leitch
Chief Executive

# EAST LOTHIAN COUNCIL PLAN
# 2017-2022

**Contents**

# 1. The Introduction to the Council Plan

***An even more prosperous, safe and sustainable East Lothian,***
***with a dynamic and thriving economy,***
***that enables our people and communities to flourish***

The East Lothian Council Plan 2017-2022 continues the journey towards realising the East Lothian vision by building on the ambition and achievements of the previous Council Plan, taking account of the challenges and new opportunities faced by the Council.

The Plan outlines the strategy the Council will follow and details the objectives and strategic goals it has set itself over the next five years to strive to meet the vision. It then lists the key actions it plans to undertake to achieve these objectives and goals.

The themes set out in the 2012-2017 Council Plan remain relevant and will continue to be the themes and objectives of Council Plan 2017-2022:

- Growing our Economy
- Growing our People
- Growing our Communities
- Growing our Capacity

The overarching objective of *'reducing inequalities within and across our communities'* that was adopted in 2014 remains the overarching objective of the new Council Plan.

The Plan sets out the following strategic goals which will make the biggest impact in delivering these key themes and objectives.

- Reduce unemployment and improve the employability of East Lothian's workforce.

- Reduce the attainment gap and raise the attainment and achievement of our children and young people.

- Improve the life chances of the most vulnerable people in our society.

- Extend community engagement and decision making and increase community and individual resilience.

- Deliver transformational change and harness the opportunities technology offers in the provision of services.

Despite difficult financial circumstances faced by the Council, all the commitments made in the 2012-2017 Plan have either been achieved or are at advanced stages of being achieved. More still needs to be done in order to continue the drive towards achieving our vision of an even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy, that enables our people and communities to flourish. The overarching objective of reducing inequalities across and within our communities is still relevant. Therefore, we will endeavour to target our resources towards East Lothian residents and communities that are most affected by poverty and deprivation.

The Plan also reflects the need to invest in, or re-direct resources to, new priorities through a preventative model of service delivery; investing in prevention and early intervention to avoid more costly crisis intervention. Crucially, the Council will prioritise measures that contribute to inclusive and sustainable growth that reduces inequality and helps to break the cycle of poverty.

The Council fully supports the East Lothian Partnership's Single Outcome Agreement (SOA) 2013-2023 and is committed to working towards achieving the outcomes in the Agreement. The SOA is currently being reviewed as the basis of the new East Lothian Plan which the Partnership will adopt by October 2017. The Council Plan and East Lothian Plan will be fully aligned.

The Council is committed to maintaining high quality public services that are used and valued by all residents such as schools, services for vulnerable children, adults and older people, well maintained roads and pavements, street lighting and refuse collection services.

Council services outline their contribution both to the Council Plan and to the East Lothian Plan in their Service Plans. The detail about what services are doing and plan to do to support the themes, objectives and strategic goals set out in this Plan will be reflected in Service Plans and/ or other plans and strategies (e.g. the Local Housing Strategy).

This Council Plan 2017-2022 is both ambitious and aspirational. It is set within the context of the continuing financial, demographic and policy challenges faced by the Council and the county. It aims to maximise the benefits from the opportunities presented by the positive platform created by previous Council Plans and more recent developments such as the City Region Deal.

This Plan is based on the understanding that East Lothian Council cannot address the diverse needs of our population on its own. At the heart of the Plan is the concept that the Council and the people and communities of East Lothian can best deliver these solutions in partnership – 'working together for a better East Lothian'. Therefore, over the next five year, the lifetime of this Plan, the Council will increasingly become:

- an enabling and empowering authority that works with its citizens and communities, the business and third sectors and other public sector partners to deliver the solutions that work best for East Lothian.

- a more entrepreneurial authority, developing new ways of ensuring services are provided in the most effective and efficient way possible;

- a ‘digital’ authority, fully embracing and exploiting opportunities to use technology to deliver services.

The Plan is underpinned by the personal values or principles of public service that are set out in the Councillors Code of Practice to which we expect all council staff as well as elected members to follow.

- Duty
- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership
- Respect.

In addition, the Council has a well established a set of behaviours that help to drive continuous improvement towards the achievement of the Council Plan.  These are known as The East Lothian Way:

- **Focus on service** – putting the customer first; providing excellent customer service; and, contributing to improvements in service.

- **Explore the bigger picture** – working together for a better East Lothian; understanding how our daily activities are linked to the Council’s vision and priorities.

- **Initiate solutions** – striving for excellence; taking personal responsibility and ownership to be effective in our jobs.

- **Share knowledge** – demonstrating regular and effective team working; being open and honest.

- **Deliver outstanding results** – taking responsibility and seeing tasks through to successful completion.

The Council Plan 2017-2022 has the following structure.  In the next section we have set out the context for the Plan – the challenges we face and aim to address as well the opportunities that could be exploited.  The following section sets out the objectives and strategic goals that form the basis of the Plan.  The commitments that the Council makes towards achieving these objective and strategic goals are set out in an appendix to the Plan.

# 2. The Context: Challenges and Opportunities

The Council Plan 2017-2022 is based on evidence from a strategic assessment of the East Lothian Profile that provides a vast amount of information on the demography, economy, health and other quality of life measures.

The Plan has been developed within the context of major challenges faced by the people and communities of East Lothian and by East Lothian Council.

However, the Council Plan also takes account of the opportunities presented by the platform of policies and achievements created through previous Council Plans and other developments such as the City Region Deal.

The views and experience of East Lothian's citizens have been an important factor in the development of this Plan and the results of the East Lothian Residents Survey 2017 and the East Lothian Citizens' Panel surveys as well as a wide range of other consultations have influenced the objectives and priorities set out in the Plan.

## The Challenges

The Accounts Commission for Scotland has outlined the major challenges and changing local government environment faced by Scottish local authorities[1].

- Continuing resource constraints, against a backdrop of increasing demand and rising public expectations about the quality of public services.
- The implications of local government of the United Kingdom's decision to leave the European Union
- The potential impact on councils of the Scottish Government's Programme for Government
- The increasing complexity of service delivery often in partnership with others.
- The integration of health and social care, which is fundamentally changing the governance arrangements for this significant area of public service delivery.
- The re-emphasis on Community Planning and the Community Empowerment Act, which has the potential to fundamentally change the relationship between councils and local communities.

These challenges have influenced the focus and priorities of the Council Plan.

### Demographic Changes

East Lothian's population is projected to grow by about 1% a year over the next 20 years from just over 100,000 to over 125,000 by 2037. Significant growth is projected across all age groups but particularly among children and older people: the

[1] 'How Councils Work: Roles and Responsibilities, A Follow Up Report'; Accounts Commission, November 2016

0-16 year age group is projected to grow by almost a third; the over 75 year age group by almost 100%.

The Council has to plan for the impact this growth in population has on our public services such as:

- schools and support services for children and families
- services for older people and vulnerable adults
- demand for new infrastructure to cope with the new settlements and housing required e.g. roads, schools and community facilities
- development pressures on East Lothian's natural environment.

**Financial Constraints**

The Council's Financial Strategy Statement for 2017–2020, outlines the main opportunities, risks and constraints that face the Council over the next three years. The strategy forms the basis of the Council's stewardship of taxpayer's funds over a prolonged period of austerity that will likely continue as the UK's economic outlook faces a further period of uncertainty, in part driven by the UK's decision to leave the European Union. The Strategy has been influenced by four key variables:

- Scottish Government Grant funding
- Delivery of planned efficiencies/ Transformational Change Programme
- Pensions
- Accelerating growth and enabling infrastructure

- ***Scottish Government Grant funding***

Like all local authorities in Scotland, the Council continues to face substantial financial challenges. The latest Scottish Government budget provided only one-year figures relating to 2017/18, and there remains significant uncertainty around the future levels of grant. Within this one-year budget, the amount of funding available to Local Government through the core Revenue Support Grant for 2017/18 has reduced by a further £220 million, with independent forecasters suggesting that at best, future settlements will remain static in cash terms, with a high risk of further cash and real terms reductions in grant levels.

Within the 2017/18 settlement, East Lothian Council received additional 'ring-fenced' funding to be directed towards specific Government priorities, including Education and Social Work. However, the reduction in the Revenue Support Grant of £2.9m means that further savings have to be made across the Council to continue to deliver services.

- ***Delivery of planned efficiencies/ Transformational Change Programme***

The Council has always shown an ability to adapt and respond positively to the challenges posed by reductions in resources. Significant changes to how it is organised and how services are delivered have delivered around £24 million of efficiencies in recent years. These have been secured across a range of areas including: improved procurement practices, stringent workforce management measures and an ongoing review to the way in which services are managed and delivered.

In preparing the 2017 - 2020 budgets, provision to meet known contractual commitments has been made, but as in recent years, no general inflationary increase in budgets has been incorporated. Essentially, services are expected to absorb general inflationary pressures through the efficient management of the resources they have been allocated. This ‘cost containment’ continues to be an important element of the financial strategy.

Given the scale of further savings that will be required in future years it is vitally important that the Council maintains a disciplined approach to the implementation of its Transformational Change programme and does everything possible to deliver the financial efficiencies planned in accordance with that programme and the supporting budgets.

- ***Pensions***

The Council is a member of the Lothian Pension Scheme which administers the Local Government Pension Scheme for the Lothian region. The Council previously agreed to participate in a formal Contribution Stability Mechanism which has allowed the Fund to move towards 100% funding while at the same time remaining affordable for employers. The overall effect of this will see the Council’s total employer’s contribution rate frozen at existing levels for the first year of the planning period. However, it is expected that an increase in employer contributions will be required with effect from 2018/19, with a further increase expected in 2019/20.

- ***Accelerating growth and enabling infrastructure***

The Council continues to play an effective role in the development of a potential Edinburgh and South East City Region Deal. The UK Chancellor formally acknowledged in his 2016 Autumn Statement that there would be a deal and high level negotiations have been taking place between the Partnership Authorities and both UK and Scottish Governments. If successful and subject to affordability, the detailed structure of any deal will need to be more fully incorporated within our existing financial plans.

The Council has proposed a Local Development Plan (LDP) that meets the Structure Plan’s requirement for an additional 10,050 homes in East Lothian by 2024. The Council’s financial plans have been modified to reflect the additional enabling infrastructure costs that will fall due to the Council, in line with a revised Contribution Framework, which will be adopted in conjunction with the LDP.

**The impact of the recession and other economic factors**

The economic downturn in 2007 resulted in a significant increase in unemployment (measured by claimant count) in East Lothian by 225% from October 2007 to November 2011. Whilst the unemployment rate in East Lothian remained below the Scottish and UK rates the increase in the level of unemployment in this period was greater than the average increases across Scotland and the UK.

The impact of the recession was felt most acutely in the level of youth unemployment and the long term unemployed in East Lothian. Whilst these remained below the

Scottish and UK rates, the trend was running in the wrong direction and in late 2011 were increasing at faster rates.

A major challenge set out in the 2012-17 Council Plan was to reduce the long term unemployment count and in particular youth unemployment. Whilst national trends have improved and levels of unemployment have come down across the UK and Scotland, the trends in East Lothian improved faster.

The Scottish Index of Multiple Deprivation 2016 (SIMD 16) showed that between 2012 and 2016, the percentage of working age population counted as being 'employment derived' (claiming some form of unemployment related benefit) in East Lothian fell from 10.4% to 8.5% whilst the equivalent figure for Scotland fell from 12.8% to 11.3%

However, SIMD 16 also shows that levels of income deprivation in East Lothian (measured by the number of people on income related benefits) have not reduced at the same pace. The percentage of population counted as being 'income deprived' in East Lothian only fell from 10.6% in 2012 to 9.8% in 2016, compared to a slightly greater fall from 13.4% to 12.3% across Scotland.

Further research needs to be carried out into the causes and effects of the shift from unemployment to income deprivation, with particular consideration being given to the impact of 'In-work Poverty' - part-time work, zero hours contracts, self-employed contracted labour.

The SIMD 16 data, which shows the persistently high levels of income related benefits in parts of East Lothian, does not show the full picture of the impact of the recession and changes to welfare benefits over the last six years.

The introduction of 'full service' (digital by default) Universal Credit in East Lothian in March 2016 has had a significant negative impact on claimants. The Council has had to deploy additional staff resources to support vulnerable people to submit their on-line claims and to advise Council house tenants about the rent payments due from their Universal Credit. Despite these measures, the Council has seen an increase in rent arrears since the introduction of 'full service' Universal Credit along with increasing levels of Council Tax arrears.

East Lothian's economy will also feel the impact of the decision to leave the EU. Key sectors of East Lothian's economy – farming, food and drink and tourism – and Edinburgh's financial and Higher Education sectors, which employ a significant proportion of East Lothian's population, could be negatively impacted by 'Brexit' through loss of EU subsidies, changes in trade agreements and negative changes in currency values.

The uncertainty caused by 'Brexit' is compounded by continuing uncertainty about whether a second Independence Referendum is to be held and the economic and financial implications of a possible decision for Scotland to leave the UK which could impact on East Lothian's economy.

## Housing

East Lothian is growing and will continue to grow at a fast pace with over 10,000 new homes to be built over the next 10 years. A lack of affordable housing is a significant challenge for the Council. Comprehensive assessments published in 2011 and 2015 evidence the need to increase the stock of 'affordable housing'. High house prices continue to restrict those who can access the private housing market, with house prices generally rising across East Lothian in recent years and a pick-up in market activity. The average house price to earnings ratio in East Lothian is 5.2 and ranges from 5.06 to 7.63. House prices are higher in the east of East Lothian in part due to the greater level of affluence. As elsewhere, access to mortgage finance has been, and continues to be, challenging, particularly for first time buyers.

In March 2017 there were just over 11,000 'affordable homes' in East Lothian, comprising around 24% of the total housing stock. The Council owns the majority of these homes – 8,649 homes (31 March 2017), with housing associations owning the balance. The affordable housing stock has been increasing due to significant investment in new social rented housing – over the past 5 years, 630 new affordable homes (378 council homes) have been delivered.

While the number of households on the Council's housing list has been falling, there are still 3,700 households on the list. The number of council homes available to let saw an increase over the past 5 years as a result of this new build activity and other policy interventions – typically between 500 and 600 lets per annum, however this turnover has declined within the last two years to around 425 per year.

Due to significant investment in homeless prevention activity, homeless presentations have decreased from almost 1,200 in 2010/11, to around 700 in 2016/17. Homeless prevention activity will continue to be developed, particularly in the areas of housing options and advice.

Despite the decrease in applications, around 600 households are consistently found to be homeless every year. There remains significant pressure, in particular, on temporary accommodation due to lack of sufficient supply of housing which means the length of time households have to wait before being able to access permanent accommodation is increasing. This is creating financial pressure for the Council's General Service budget which funds homelessness services. This pressure is particularly acute in the west of East Lothian with a dearth of supply of 1 bedroom properties.

## Public Sector Reform and the Scottish Government's Programme for Government

The public sector in general and local government in particular is becoming increasingly complex. Public sector reform has never been higher up the public policy agenda. Whilst attempts have been made to simplify matters and create greater synergy between various public service providers (for example, through Community Planning) other policy imperatives push in the opposite direction.

East Lothian Council has embraced public sector reform over the last few years and has implemented major changes in governance around vital services. Most notably, East Lothian established a shadow Health & Social Care Partnership Board in advance of the legislative requirement. The Council has developed an innovative form of community engagement and empowerment through establishing Area Partnerships with significant funding to direct resources to local priorities. More recently the Council and the East Lothian Partnership have been managing the transfer of responsibility for Community Justice from a regional board to the Community Planning Partnership with the establishment of a new East Lothian Community Justice Partnership.

There is growing concern about centralisation, with decisions being taken at the Scottish Government level to meet national policy agendas rather than in the best interests of East Lothian. For example, the decision to close Haddington Sherriff Court against the advice and unanimous views of East Lothian Council; some key planning decisions being overturned on appeal to the reporter resulting in wind farm developments and housing developments in areas not zoned for housing in the Local Plan.  The Scottish Minister went against the unanimous views of the Council and accepted the Scottish Local Government Boundary Commission's flawed and short-sighted recommendation to cut the number of elected members on East Lothian Council from 23 to 22.

The Council also is concerned about the Scottish Government's proposals for education – moving responsibilities away from local authorities to new regional bodies.  This fragmentation of a core local public service flies in the face of the approach which is being developed to take a more holistic (less silo'ed) approach to people and services, and the generally accepted view that diverse services and factors impact on children's readiness to learn and achieve their best – health, housing, physical activities (sport, leisure, access to the countryside) culture and the arts all contribute to a child's well-being and readiness to learn.

The Community Empowerment (Scotland) Act 2015 has created new duties and responsibilities on local authorities and Community Planning partners that could bring about significant change in the local government environment.  However, even before these changes have been enacted, the Scottish Government is planning to carry out a major a review of local government and to introduce a Local Government and Democracy Bill.

East Lothian Council acknowledges and embraces the need for change if it will lead to improved outcomes and further our goals; as is demonstrated by our implementation of changes such as Health and Social Care integration, our support for partnership working and the vision and ambition set by the Council's Transformational Change Programme and Digital Strategy.

## The Opportunities

The Council and its partners in the East Lothian Partnership have delivered the commitments made in the 2012-2017 Council Plan and the Partnership's Single Outcome Agreement 2013-2023. These achievements form a solid foundation on which the new Council Plan 2017-2022 can be based.

The 2012-2017 Council Plan was underpinned by a commitment to five core principles which reflected the Council's commitment to the principles set out by the Christie Commission into public sector reform[2]:

- Services built around people and communities
- Working together to achieve better outcomes
- Prioritising prevention and promoting equality
- Effective, efficient and excellent services
- Sustainability.

**Services built around people and communities**

The Council has been committed to, and has developed, a range of ways in which it engages effectively with citizens, customers and communities in order to better develop services around the needs of people and communities. This has included support for Community Councils, Tenants and Residents Associations and Parent Councils, establishing a Citizens Panel, and working with a range of community care forums. It has also successfully engaged with our communities in relation to school consultation associated with the proposed Local Development Plan and revised/ new education policy such as the Parental Strategy, Accessibility Strategy and Play Strategy.

The Council's approach to community engagement pre-dates the Community Empowerment (Scotland) Act 2015, which established new responsibilities and duties to empower local communities.

A key element of the Council's approach to community empowerment was the establishment of six Area Partnerships with the active involvement of representatives from Community Councils, Parent Councils, Tenants and Residents Associations and other local community groups. The Area Partnerships have developed detailed Area Plans that set out the local priorities for improvements. The devolution of responsibility for almost £2m of funding to the Area Partnerships has allowed them to begin to address these priorities.

The Council has also established Area Manager positions to support the Area Partnerships and act as a focus for developing a more structured, area based approach to service delivery.

The Area Partnerships and Area Managers have established a solid foundation for further development of area based services and solutions to local issues.

[2] Report on the Future Delivery of Public Services by the Commission chaired by Dr Campbell Christie; June 2011

Despite working with constrained budgets, investment has been made in innovative services that are focussed on meeting the needs of its citizens and communities and can form the basis for further service improvements in future years. These have included:

- East Lothian Works – a partnership approach (the Council working with Skills Development Scotland, Edinburgh College and third sector organisations) to deliver employability services aimed at increasing employment opportunities and to deliver East Lothian's Young Workforce strategy

- Supporting the establishment of the innovative, award winning East Lothian Food and Drink Business Improvement District to provide a focus for support for this important and growing sector of East Lothian's economy

- Academies – an innovative partnership between the Council's Education service, Edinburgh College and Queen Margaret University which has created a suite of vocational academies providing be-spoke learning opportunities in subjects such as Tourism & Hospitality, Care and Technology and Construction

- The creation of the new communication provision at Meadowpark providing high-quality facilities and experiences for young people with additional needs

- The Hospital at Home service seeks to support the twin goals of avoiding unnecessary hospital admissions and, where an admission is necessary, to support the patient's prompt discharge from hospital back to home. The aim is to give patients appropriate care at their home whenever possible. A multidisciplinary team addresses the needs of the patient, setting goals and implementing a care plan to reach these goals through continuous review and a monitoring and review process that takes place each day.

- The delivery of a new waste collection service covering food waste, recycled paper, plastic and metals, green garden waste and household waste, which has resulted in a significant increase in the level of recycled waste from around 44% to well over 50%

- Integration of Customer Services and Libraries and the opening of the integrated Council Office and Library facilities at Bleachingfield (Dunbar) and George Johnstone Centre (Tranent).

**Working together to achieve better outcomes**

As is evidenced by some of the innovative services outlined above, partnership working has been integral to the Council's approach. The Council has taken the lead in developing the East Lothian Partnership and the Partnership's Single Outcome Agreement. This relies on ever closer working between all the partners, based on positive relations between the Council and its key partners – Police Scotland, Scottish Fire and Rescue Service, NHS Lothian, Edinburgh College, Queen

Margaret University, Community Councils and East Lothian Tenants and Residents Panel.

A key element of joint working in East Lothian has been the establishment of the Integration Joint Board (IJB) to provide the formal governance around the integration of social care and community health services within the Health and Social Care Partnership. The IJB has developed a Strategic Plan which forms the basis for joint funding from East Lothian Council and NHS Lothian to drive forward the integration of these services.

Partnership working has been integral to the development of the Children and Young People's Service Plan by the Children's Strategic Partnership.

In addition to these formal partnerships the Council has developed significant informal partnerships. For example, it has worked closely with Midlothian Council to explore and develop joint, shared and integrated services. Examples of this partnership working with our neighbouring local authority include, joint delivery of Public Protection services; East Lothian Council providing Midlothian Council's out-of-hours contact centre service; joint working around Health and Safety; and, Midlothian Council leading on the delivery of the Trading Standards service.

Also the Council has been working with the Scottish Futures Trust and its delivery vehicle, South East Scotland HubCo to identify and make use of alternative sources of capital financing for facilities such as the Gullane health and day centre and the new Wallyford Primary School.

**Prioritising prevention and promoting equality**

Early intervention and tackling inequalities are key priorities for East Lothian Council and the East Lothian Partnership.

The Council and its partners recognise the need to deliver a step change in how services are provided; moving from a model of public services that focuses on crisis intervention, to a model that concentrates on preventing failure at the earliest opportunity.

The shift in emphasis towards prevention and early intervention has been underway for some years. Many activities that can be described as 'prevention' or 'early intervention' are now core activities, which are embedded in the way the Council and its partners work. Key examples of this include:

- Shifting the balance of care for older people from hospitals and care homes to services such as the Hospital at Home service (see above) and telecare that allow people to remain in their homes

- Interventions such as diversionary activities for young people to reduce anti-social behaviour

- Programmes aimed at improving skills and employability to improve positive destinations for school leavers

- Delivery of 600 hours entitlement to free early learning and childcare and support for eligible, priority 2 year olds

- Sports development, the Active Schools programme and active travel initiatives that encourage and support people to be more physically active

- Targeted home fire and home safety activity by the Scottish Fire and Rescue Service

- Establishing a multi-agency Public Protection Unit which covers both East Lothian and Midlothian

- The new waste collection service that has increased household waste recycling to over 50%, thereby reducing our use of landfill.

The Council and key partners including the NHS, Police Scotland and third sector organisations have collaborated in the Musselburgh Total Place Project which has culminated in the establishment of a new Family Focus Service which will use an early intervention and prevention approach to working work with the most vulnerable families in the Musselburgh East area.

The introduction of a new Integrated Impact Assessment process supports services to assess the equalities, socio-economic and environmental impact of policies and processes.

**Effective, efficient and excellent services**

Resource maximisation, performance management, continuous improvement and customer excellence are key elements of the Council's way of working and have been crucial to allowing the Council to continue to deliver high quality services at a time of budget constraint; summarised as 'delivering more for less'.

This has involved the successful implementation of a range of programmes and strategies to improve effectiveness, efficiency and deliver excellent services, including:

- Worksmart – flexible working that allows staff to work in a more agile way thereby reducing overhead costs, increasing efficiency and allowing accommodation rationalisation which resulted in significant release of space for either sale or alternative use

- Buysmart and Procurement Improvement initiatives that have generated savings in the cost of procuring some goods and services such as photocopying services

- Efficient Workforce Management, including:
    - two phases of senior management re-structuring that reduced the number of senior managers in the Council by about one-third

- service reviews which have contributed to a significant reduction in staffing costs whilst protecting services
- prudent vacancy monitoring and more creative use of resources.

The Council's external auditors, KPMG, commenting on the 2015/16 Annual Accounts in their Report to Members (September 2016), stated that, faced with financial challenges over the past few years, the Council performed well ahead of budget and has maintained financial stability whilst reducing its reliance on the use of reserves. The auditors also commented that the Council has sound and well established governance arrangements that ensure effective scrutiny and challenge.

However, as the squeeze on public sector resources intensifies, the Council recognises that a focus on efficiency alone is no longer sufficient or sustainable and that, given the scale of the financial and demographic challenges ahead, more radical and sustainable solutions are required, focussed on transformational change.

Therefore, the Council has embarked on a range of transformational activity, which currently includes the following key elements:

- Review of Council accommodation requirements and new ways of working including partnership arrangements

- The redevelopment of the Council's website and provision of on-line services. The main focus of this project to date has been the procurement of a new fully responsive Council website that will support the development of on-line services and payments

- Exploiting opportunities for income generation and reducing expenditure; for example from exploiting renewable energy sources and developing the Council's expertise in 'trading operations'

- A programme of service redesign and options appraisal, which will take into consideration the potential to work in partnership with East Lothian voluntary organisations, businesses and social enterprises and use alternative service delivery models such as arms-length external organisations, trading companies, social enterprises and strategic partnerships with other local authorities.

The Council's Digital Strategy is fundamental to the Council's Transformation Programme, making services accessible to customers/ service users wherever they choose, whilst realising operational and cost efficiencies through improved and streamlined business processes. In parallel to the redesign of services and business processes the Digital Strategy acknowledges the importance of ensuring that East Lothian residents and businesses have access to superfast broadband that will allow them to fully exploit opportunities presented by having access to the 'internet of things' such as telecare and telehealth services.

The Strategy also recognises that support to people who may be 'digitally excluded' is key to reducing poverty and inequality.

**Sustainable and inclusive economic growth**

Sustainable and inclusive economic growth is fundamental to achieving the Council's vision. The Council and the Sustainable Economy Partnership involving the Council, Scottish Enterprise, Skills Development Scotland, Edinburgh College, Queen Margaret University and representatives of the Chamber of Commerce and Federation of Small Businesses have been implementing the Economic Development Strategy 2012-2022.

The Strategy has two strategic goals; to increase the number of businesses with growth potential; and, to increase the proportion of residents working in, and contributing to, East Lothian's economy – and five objectives:

- To be Scotland's leading coastal, leisure and food & drink destination
- To build on our proximity to Edinburgh to encourage study, work and spend in East Lothian
- To provide high quality employment pathways for East Lothian's workforce
- To be the best place in Scotland to set up and grow a business
- To become Scotland's most sustainable local economy.

Whilst progress has been made with these objective, in particular the first three, it is recognised that further work still needs to be done to fully achieve the ambitious objectives and goals of the strategy.

Two major opportunities have been put in place by the Council to assist in the delivery of the Strategy through supporting sustainable and inclusive economic growth.

***Local Development Plan***

The proposed Local Development Plan (LDP) sets out a development strategy for the future of East Lothian to 2024 and beyond. The proposed LDP sets out where new developments should and should not occur, including housing, education, economic and retail development, new transport links and other infrastructure.

As well as identifying sites to accommodate 10,050 new homes with their associated infrastructure the LDP also identifies sites for economic development with the aim of supporting sustainable economic development and business growth.

The LDP seeks to grow East Lothian's economy by encouraging employment generating development in town centres and on existing and proposed employment and business sites. Delivery of such development is key to securing sustainable and inclusive economic growth and job creation. The Plan takes a practical and flexible approach to support a wide range of appropriate economic development uses in sustainable locations, whilst safeguarding existing business uses.

***City Region Deal***

The Edinburgh and South East Scotland City Region (ESESCR) Deal aims to make a step change in economic growth across the region, through a wide-ranging programme of significant investment, alongside additional freedoms and powers devolved to a more local level.

In 2014, the Council agreed to support the development of an outline business case for a City Region Deal Infrastructure Fund, in partnership with the City of Edinburgh, Fife, Midlothian, Scottish Borders and West Lothian councils. Other partners involved in shaping the ESESCR Deal include universities and colleges, the private sector, the third sector and relevant public sector agencies.  A more detailed proposition was submitted to the UK and Scottish Governments in September 2015, with further, iterations in December 2015, April 2016 and November 2016.

The ESESCR Deal is built upon accelerating the region's rate of economic performance with a twin focus on Innovation and Inclusion.

***Innovation***
Innovation proposals are shaped around four inter-connected Innovation Hubs, targeting opportunities in sectors where the region has particular strengths:

- Data Driven Innovation
- Low carbon/Energy Resilience
- Creative/Culture and Tourism
- One Health

***Inclusion***
Inclusive growth is at the core of the Deal.  The partners want to ensure that the growth opportunities can be leveraged through scaled up investment in employer led skills and employability programmes, affordable housing (including targeting fuel poverty) in sustainable communities, public sector spend on infrastructure in targeted locations to accelerate private sector investment and ensure digital inclusion right across the region.

In addition, the Deal also includes proposals to accelerate the supply of affordable housing through innovative solutions to deliver enough new homes to meet demand and respond to the housing crisis facing the region.  The Regional Housing Programme will enable the development of major strategic housing sites and the delivery of affordable housing across sites identified in strategic housing investment programmes: a revolving Housing Infrastructure Fund; additional affordable housing grant funding; and a Regional Land and Property Commission with a start-up loan fund to enable site acquisitions between partners, with loans repayable post development.

## What our Citizens Say

The Council provides and supports a wide range of opportunities for East Lothian's people and communities to engage with the Council.  These include through Community Councils which represent every community in East Lothian, Parent Councils, Tenants and Residents Associations, pupil councils and the East Lothian Youth Council, the Champions Board for young people with care experience and various joint planning groups and forums for health and social care services, as well as our six active and increasingly influential Area Partnerships.

East Lothian's Citizen's Panel, made up of around 1,200 local people who take part in regular surveys provides a structured formal mechanism for surveying the views of a representative sample of residents on general topics or service specific issues.

The Council has an effective customer feedback policy that enables service users to make complaints and provide comments and or compliments that help the Council improve its service provision.

The priorities in the Council Plan reflect the views of the people and communities of East Lothian as reflected through these and other consultation and engagement opportunities.

The East Lothian Partnership undertook a large scale residents survey (over 1,500 respondents) in March 2017 to provide an insight into how East Lothian residents view public services and the quality of life in East Lothian and their views on the Partnership and Council priorities.

Respondents expressed very high levels of satisfaction with living in East Lothian, with 99% agreeing that East Lothian was either a 'very good' (72%) or 'fairly good' (27%) place to live.

The majority of respondents (88%) felt very or fairly strongly that they belonged to their immediate neighbourhood.

Respondents were shown a list of factors that might help make somewhere a good place to live and asked to identify which they felt were most important - the top choices were:

- Health services – 61%
- Affordable decent house – 47%
- Primary and secondary schools – 47%
- Jobs for local people – 43%
- The level of crime – 37%

The survey found generally high levels of satisfaction with council services. The percentages of those (who expressed a view) saying they were 'very' or 'fairly satisfied' with services ranges from 94% (parks, gardens and open spaces), to 69% (road maintenance).

Almost 80% of those surveyed agreed with the statement, 'My Council does the best if can with the money available'; 72% agreed that, 'My Council provides high quality services; and 70% agreed that 'My local Council designs services around the needs of the people who use them'.

The survey clearly showed a high level of support for the priorities set out in the Council Plan. Well over 90% of those surveyed agreed that the Council's objectives are 'very important' or important:

- Growing our people – 77%, very important; 22%, important
- Reducing inequalities – 74%, very important; 24%, important
- Growing our communities – 72%, very important; 24%, important
- Growing our economy – 70%, very important; 26%, important

The survey included a list of some of the ways in which the Council could meet the growing demand for services while budgets continue to reduce. The vast majority were in agreement (or strong agreement) with all of the options listed, but strongest support was expressed for:

- 'Focus on prevention and early intervention – taking action as soon as possible to tackle social problems before they become more difficult to turn around' (69% strongly agreed, 28% agreed)
- 'Focus resources on areas of East Lothian where the need is greatest (58% strongly agreed, 37% agreed).

Respondents were shown a list of characteristics and asked which most closely matched their hopes for East Lothian in the future, the most popular choices were, Prosperous (59%), Community Minded (51%), Fair (45%), Welcoming (42%).

When asked to pick just one of the options as their top priority, around 30% of respondents supported Community Minded (31%) and Prosperous (29%). The next most popular choice was Fair (13%).

## 2. The 2017-2022 Objectives and Strategic Goals

The East Lothian Council Plan 2017-2022 continues the journey towards realising the vision of ‘An even more prosperous, safe and sustainable East Lothian with a dynamic and thriving economy that enables our people and communities to flourish’, by building on the ambition and achievements of the 2012-2017 Plan and addressing the new challenges and opportunities faced the Council.

The key themes and objectives set out in the 2012-2017 Council Plan continue as the key themes and objectives of the new Council Plan 2017-2022.

> ***Growing our Economy*** *– to increase sustainable and inclusive economic growth as the basis for a more prosperous East Lothian.*
>
> ***Growing our People*** *– to give our children the best start in life and protect vulnerable and older people.*
>
> ***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 Capacity*** *– to deliver excellent services as effectively and efficiently as possible within our limited resources.*

***Reducing inequalities within and across our communities*** continues to be the Council Plan’s overarching objective.

In order to meet these objectives the Council Plan sets out strategic goals which will make the biggest impact in delivering these key themes and objectives.

- Reduce unemployment and improve the employability of East Lothian’s workforce.
- Reduce the attainment gap and raise the attainment and achievement of our children and young people.
- Improve the life chances of the most vulnerable people in our society.
- Extend community engagement and decision making and increase community and individual resilience.
- Deliver transformational change and harness the opportunities that technology offers in the provision of services.

Around 50 specific commitments and actions that will support the delivery of these objectives and strategic goals are detailed in the appendix.

**Reducing inequalities within and across our communities**

Reducing inequalities within and across our communities is the overarching objective of both the Council Plan and the East Lothian Plan. Analysis of the Scottish Index of Multiple Deprivation (SIMD 16) shows that progress has been made towards meeting this objective over the last four years. Across most indicators used to create the index there has been a reduction in the highest levels of deprivation and a consequent reduction in stark inequality between our most and least deprived communities. For example, SIMD 16 shows that the actual proportion of the population counted as being employment deprived (not in employment) in the most deprived datazone (smallest areas for which the SIMD data is produced) in East Lothian fell from 27% in 2012 to 21% in 2016. Similarly, the proportion of the population counted as income deprived (claiming income related benefits) in the most deprived datazone fell from 35% in 2012 to 31% in 2016.

Despite these improvements it is still clear that both actual and relative levels of poverty and inequality are too high and that further work needs to be done to break the persistent cycle of poverty.

The Council established the East Lothian Poverty Commission to examine poverty in East Lothian and to identify key actions that the Council and local organisations working in partnership could undertake to help people to move out of poverty or lessen its impact.

Key issues highlighted by the Commission included:

- the need to take a human rights approach to poverty summarised as 'the right to dignity and a decent life'
- the changing face of poverty with the growth of 'in work' poverty due to relatively low wages, part-time and zero hour contracts
- the impact of welfare and benefit changes, including Universal Credit
- the need to counter the stigma of poverty and too foster an understanding of poverty at all levels of decision making
- the need for policy changes at both Scottish and UK Government levels.

The report of the Poverty Commission provides the basis for an action plan that the Council and East Lothian Partnership will follow to help achieve their overarching objective of reducing inequality in East Lothian.

In order to ensure that it continues to meet its legal duties and requirements in relation to the Equality Act, and that it maintains a focus on equality the Council will deliver on the actions and commitments set out in the 2017-2022 Equalities Plan.

**Growing our Economy – to increase sustainable and inclusive economic growth as the basis for a more prosperous East Lothian**

Strategic goals:

- Reduce unemployment and improve the employability of East Lothian's workforce.

East Lothian Council remains committed to implementing the Economic Development Strategy 2012-2022 as the basis for developing sustainable and inclusive economic growth as foundation of a more prosperous East Lothian. The strategy will be reviewed and, if necessary, refreshed, to build on the success of key sectors such as Food and Drink and tourism, take advantage of new opportunities, such as the City Region Deal and the Cockenzie masterplan; and, to mitigate the impact of economic uncertainty caused by the recession, Brexit and constitutional change.

The Council will continue to support the implementation of the East Lothian Tourism Action Plan to focus investment in local tourism initiative and support for major events that increase tourist footfall across the county.

The projected growth in population needs to be matched by growth in the local economy and local job opportunities to reduce unemployment. Local jobs reduce commuting and help retain income within the county, supporting local businesses and jobs and helping to sustain local communities.

Therefore the Council will continue to promote and pursue ambitious plans that encourage and support the creation of new jobs in East Lothian through the City Region Deal, and the development of land for business growth as identified in the Local Development Plan; including consideration of the use of Compulsory Purchase Orders, if necessary.

The second strategic strand of this theme is to improve the employability of East Lothian's workforce; improving positive outcomes for school leavers and our young workforce but also ensuring that there is a match between the needs of local businesses and the skills and knowledge of the local workforce.

Improving the skills and knowledge of East Lothian's workforce, at the same time as new job opportunities are being developed will provide the best opportunity for reducing the impact of 'in-work poverty'.

**Growing our People – to give our children the best start in life and protect vulnerable and older people**

Strategic goals:

- Reduce the attainment gap and raise the attainment and achievement of our children and young people.

- Improve the life chances of the most vulnerable people in our society.

The Council remains committed to giving our children and young people the best possible start in life. While attainment levels in our schools are mostly above the Scottish average we recognise that attainment and achievement levels could be higher, particularly among pupils from deprived areas and backgrounds. So reducing the attainment gap between the highest and lowest attaining pupils and raising the attainment and achievement of our children and young people is a key priority.

The Council remains committed to ensuring that the additional funding provided by the Scottish Government through the Pupil Equity Fund is used as effectively and efficiently as possible to drive improvements in attainment and reduce the attainment gap in line with the priorities established by through the East Lothian Poverty Commission and Poverty Plan.

The Council's capital programme includes investment of over £97m in our schools infrastructure, including provision of a new Secondary School, new Primary schools and extensions to existing Secondary and Primary Schools to accommodate the growth in population. The capital programme also includes £5m investment in vital IT infrastructure, including schools IT.

The Integrated Children and Young People's Service Plan for 2016-2019 adopted by the East Lothian Partnership forms the basis for the Children's Strategic Partnership to improve services and outcomes for children and young people. The Council is committed to continuing to implement the 2016-2019 Integrated Children and Young People's Service Plan and to consult fully with stakeholders in reviewing and revising the Plan in 2019.

The growth of our older population means that the Council will be faced with significant increases in the cost of providing care services. The Council remains committed to providing services that give everyone the opportunity to live fulfilling, healthy, active and independent lives. The priority will be to focus resources where they are most needed, to shift the balance of care to provide enhanced quality of life for people in their own homes, and to invest in early intervention to reduce the demand for more costly crisis intervention.

Health and Social Care integration to deliver quality services and outcomes in East Lothian is being fully implemented under the leadership of the Integration Joint Board. The Board's Strategic Plan sets out how integration will be implemented to improve joint working and resource allocation between health and social care, making it easier to address health needs holistically and to ensure that resources follow people's needs for social care services.

The Council remains committed to:

- implementing the Integration Joint Board's Strategic Plan and developing fully integrated health and social care services which continue to shift the balance of care through developing community based options and maximising opportunities to live independently for as long as possible

- continuing to develop services that aim to reduce hospital admissions and delayed discharge of older people

- maximising the use of shared funding including the Integrated Care Fund to enable integrated health and care resources, such as the proposed Prestonpans community hub, to be developed.

The Council's 2017/18 budget includes additional investment of £1.8m in adult wellbeing services to bring total expenditure on these vital services to £49.4m and £147m over 3 years – to meet short terms needs and deliver sustainability in the years ahead.

Housing has a key role to play in helping to deliver East Lothian Health and Social Care Partnership's Strategic Plan and close collaboration will be critical to design and deliver products and services to meet need arising from demographic change, particularly in relation to older people.

The Council and its partners in the new Community Justice Board which sits within the East Lothian Partnership has taken on duties and responsibilities in relation to community justice, which will focus on supporting offenders with the aim of reducing re-offending as detailed in the new East Lothian Community Justice Outcome Improvement Plan 2017-2020.

**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**

Strategic goals:

- Extend community engagement and decision making and increase community and individual resilience.

Affordable housing, improved transport connectivity, roads and pavement maintenance and ensuring East Lothian's communities remain cohesive and resilient are key challenges identified in the context section of this Plan and also through the residents' survey.

The Council will make every effort to meet the need for affordable housing by maximising opportunities to increase the supply of affordable housing through the Local Development Plan.

A new East Lothian Local Housing Strategy 2017-2022 is being prepared with the key aims of increasing the supply of affordable housing, reduce homelessness and tackle fuel poverty. The Council's capital programme includes a record £144m package of investment in council housing to help to meet these aims.

An updated East Lothian Transport Strategy is being prepared to set out the Council's approach to improving transport links, including the road network, public transport and opportunities for active travel across the County. The Council's current capital programme includes investment totalling £27m over the next five years on the county's roads, plus £1.3m on parking improvements and £2.3m for protection from coastal erosion and flooding.

The Council will focus on how best we can contribute to the Scottish Government's ambitious climate change targets. Over the course of this plan, the Council will develop a Sustainable Energy and Climate Action Plan, which will give strategic direction to continuous improvement in relation to energy efficiency, climate adaption and sustainable transport. We cannot meet these targets alone and will work with our community planning partners and the private sector to implement low carbon plans and projects across housing, communities and the public and private sector.

The strong sense of community in every town and village is one of East Lothian's great strengths. The projected increase in population with significant housing developments being built across the county is an opportunity to strengthen and develop our communities. New settlements or significant additions to existing communities should be accompanied by good transport links and the community infrastructure that make thriving communities.

The establishment of six Area Partnerships has been key to the Council's approach to ensuring that communities have a real say in deciding priorities for their area; backed up with the devolution of funding that can be directed to meeting these local priorities. We know that what matters most to communities is feeling safe, community wellbeing, a strong sense of pride in the neighbourhood and the power to influence decisions that count for the area.

So it is even more important that community engagement and empowerment through the Area Partnerships and other mechanisms such as Community Councils and Tenants and Residents Associations continues to be supported – giving people and communities a strong voice and a real say in how their communities develop. This builds on East Lothian's proud tradition of strong and resilient communities, cooperatives and community associations. Therefore, the Council will continue to support the development of the six Area Partnerships with devolved funding to implement priorities identified in their Area Plans.

The Council also is committed to maximising the potential of East Lothian's already strong 'social capital' through supporting the volunteering ethos; strong community and neighbourhood cohesion and community assets base; community capacity building; the development of community resilience; and, the celebration of diversity across all communities in East Lothian

Common Good funds and assets can be a valuable resource for the towns that have these funds. The Council will review the use of the Common Good Funds and assets to ensure they are aligned with community and Council priorities and are used for the maximum benefit of the communities they serve.

The Council is committed to the principles of openness and accountability and transparency so therefore will continue to explore further ways in which to be extend accountability. For example, it will explore the cost and practicality of web casting of Council meetings and committees; it will publish its Annual Public Performance Report in the form of an annual "State of the Council" report; and it will consider appointing external members of the Audit & Governance Committee.

The Council will review and revise its Consultation and Engagement Strategy and practices to ensure that it meets the highest standard of community engagement and consultation and its duties and responsibilities under the Community Empowerment (Scotland) Act 2015.

**Growing our Capacity – to deliver excellent services as effectively and efficiently as possible within our limited resources**

Strategic goals:

- Deliver transformational change and harness the opportunities technology offers in the provision of services.

In order to deliver the ambitious agenda set out in this Plan the Council the Council must continue to grow its capacity to ensure it delivers excellent services as effectively and efficiently as possible.

It will continue to focus on its staff who must be capable, flexible, responsive, and performance focussed. Therefore the Council will adopt a Workforce Plan, incorporating a Workforce Development Plan that will ensure that it has the right people with the right knowledge, skills and behaviours deployed appropriately to deliver this Council Plan. In order to achieve the developments and improvements sought the Council will continue to work in partnership with the trade unions representing Council staff. This will include improving attendance management of employees to reduce the impact on services through the implementation of the Council's Managing Attendance Policy and continued support for the Healthy Working Lives agenda.

The Council will continue to take a strategic approach to its overall financial planning process through implementing the financial strategy to set balanced three-year budgets avoiding the use of reserves by the third year in order maximise revenue funding and to invest in and fund an ambitious, appropriate capital programme

The Council will maintain the current rigorous approach to controlling expenditure, ensuring that that it continues to 'live within its means' by operating as efficiently as possible. This will also ensure that investment is protected and is focused on key priority areas and protecting frontline services wherever possible.

East Lothian's Council Tax will be kept as low as is reasonably possible within the current economic climate and will only be increased where it can be demonstrated as necessary and provides protection to existing services, or introduces new ones.

The Council will continue to strive to maximise its resources and to introduce transformational change in the way it delivers services not only in order to meet ambitious savings targets but also to deliver high quality services in the digital age.

However, East Lothian Council cannot address the diverse needs of our population on its own. We recognise that due to limited resources, the changing demand for services and the increase in community and personal confidence to demand the right to participate in decision making we need to move away from the traditional model of the local authority always being the 'provider of first resort'.

The Council can no longer (if it ever could) do everything required or expected to meet the demand for public services. The development of person centred care services, self-directed support, community right to buy and the growth of community based and social enterprises are some examples of the changes in how services are provided and individuals and communities engage with their local authority.

This Plan is based on the understanding that East Lothian Council cannot address the diverse needs of our population on its own. At the heart of the Plan is the concept that the Council and the people and communities of East Lothian can best deliver these solutions in partnership – 'working together for a better East Lothian'. Therefore, over the next five year, the lifetime of this Plan, the Council will increasingly become:

- an enabling and empowering authority that works with its citizens and communities, the business and third sectors and other public sector partners to deliver the solutions that work best for East Lothian.

- a more entrepreneurial authority, developing new ways of ensuring services are provided in the most effective and efficient way possible;

- a 'digital' authority, fully embracing and exploiting opportunities to use technology to deliver services.

The Council will continue to embrace public sector reform, change and transformation if it contributes to achieving the vision for East Lothian. The Council supports the review of the governance arrangements of the East Lothian Partnership to take account of recent changes that impact on partnership arrangements such as the establishment of the Integrated Joint Board and the Community Justice Strategic Partnership.

Also, the Council fully supports the delivery of the East Lothian Partnership's Joint Asset Strategy to maximise use of, and achieve best value from, existing resources and assets, supporting co-location of service providers and identifying assets that could be used for housing development or to support business growth.

However, the Council will continue to resist central government attempts, directly and overtly, to move responsibilities away from local control and accountability. A 'one size fits all' approach to reforming local government may not be in the best interests of East Lothian. A 'one size fits all' approach to reforming local government may not be in the best interests of East Lothian.

East Lothian has a proud tradition of standing on its own as an effective, well run, responsive and accountable local authority. Any proposal to reform local government and public services in East Lothian will be measured against the impact that change would have on its citizens and communities. Reform proposals will only be supported if they are in the best interests of East Lothian and help to achieve our vision of '*An even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy that enables our people and communities to flourish.'*

## APPENDIX 1: Council Plan Actions

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| **Reducing inequalities within and across communities** | | |
| 1 | Implement the Council recommendations in the Poverty Commission Action Plan, including:<br><br>• supporting and developing breakfast, after-school and summer lunch clubs in schools<br>• working with Capital Credit Union to promote the benefits of credit unions and make the service more accessible to local residents<br>• investing in the provision of advice services | |
| **Growing Our Economy – Reduce unemployment and improve the employability of East Lothian's workforce** | | |
| 2 | Maximise the opportunities presented by the City Region Deal, particularly in relation to Innovation and Inclusion, and supporting new jobs and growth at the QMU Innovation Park | |
| 3 | Support the growth of East Lothian's economy, boosting the economic performance of the county, building on the success of key sectors, taking advantage of new opportunities and mitigating the impact of economic uncertainty caused by the recession and constitutional change | |
| 4 | Work with Visit Scotland and our local partners to increase investment in local tourism and support for major events, maximising the benefit from our proximity to Edinburgh | |
| 5 | Continue to support the county's farmers, rural enterprises and fishing communities through the food and drink and other initiatives and funding programmes | |
| 6 | Continue to engage pro-actively with local businesses, particularly SMEs, and potential investors in East Lothian to identify how we can support existing businesses to grow and to attract and support new businesses; including through the use of the Council's purchasing power and through an efficient planning system, better infrastructure and, where legislation allows, competitive rates | |
| 7 | Maximise the use of land identified for business growth in the Local Development Plan, exploring the use of Compulsory | |

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| | Purchase Orders to acquire land for business use if required; and exploit opportunities for business growth and maximise opportunities for jobs and apprenticeships from sites such as the former Cockenzie power station, Blindwells and the QMU business park as well as investing in developing business units at Gateside in Haddington and expanding the Spott Rd Business and Retail Park to create more local jobs | |
| 8 | Continue to work with the community to ensure their voice is heard in developing and delivering the Cockenzie Power Station masterplan | |
| 9 | Continue to work with partners and local employers to implement East Lothian's Young Workforce Strategy and Action Plan; maximising opportunities for young people through support for craft and modern apprenticeships, and school work experience within the Council and in local businesses; and, through the continued use of Community Benefit clauses in Council contracts | |
| 10 | Develop an East Lothian Workforce Plan in order to maximise the opportunities presented by the City Region Deal; assessing the requirement to upskill our workforce to ensure we have the skills required to address skills shortages and meet the requirements of the digital economy, and empower people to move out of 'in work poverty' | |
| 11 | Continue to work with the Scottish Government and the communications sector to support the faster roll out of superfast broadband and improvements in mobile communications across the county, including the most rural parts of the county | |
| 12 | Invest in town centre regeneration and work with Area Partnerships in supporting business associations in each town and ensuring that Area Plans incorporate and support Town Centre and local economic development strategies | |
| 13 | Continue to back initiatives that support High Street retailers and increase footfall through the County, including: 'Shop Local' promotional activity to encourage residents to shop locally; Shop Watch schemes; and, taking what action we can to ensure empty shops are filled quickly | |
| 14 | Look for opportunities to expand car parking in town centres and continue to support implementation of decriminalised parking enforcement | |
| 15 | Continue to work with the voluntary sector to create and develop local social enterprises | |

| **Growing Our People – Reduce the attainment gap and raise the attainment and achievement of our children and young people and improve the life chances of the most vulnerable people in our society** | | |
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| 16 | Continue to prioritise improving educational attainment and achievement and reducing the attainment gap at all stages; ensuring the secondary school curriculum meets the needs of young people; recognising the importance of supporting early intervention in improving pre-school children's readiness to learn, for example, through using the Council's library service to provide focussed support in reading skills in pre-school children and more vulnerable children | |
| 17 | Work with the Scottish Government to enable provision of 1140 hours of early learning and childcare for all 3 and 4 year old children, by continuing to support the provision of suitable childcare and early years facilities such as the Red School in Prestonpans, and continuing to support initiatives such as Support from the Start, and the implementation of the new play strategy, within the context of the Council's Early Learning and Childcare Strategy | |
| 18 | Meet stretching positive destinations targets and continue to develop the positive partnerships with Edinburgh College and Queen Margaret University and the business sector to further develop the senior phase and provide vocational opportunities through creating a common school day/ timetable and the development of vocational pathways and a 'digital school' to be based within the new secondary school | |
| 19 | Work with other local authorities to develop common approaches to improve practice and share educational resources and facilities where possible | |
| 20 | Build a new secondary school in Wallyford and new primary schools in Letham Mains, Wallyford and Craighall and extensions or upgrades at local secondary and primary schools as required | |
| 21 | Ensure that none of our small rural schools are threatened with closure. | |
| 22 | Evaluate the Musselburgh East Family Focus Service established to deliver sustained, improved life chances for the most vulnerable families; and, if successful, roll out the service model across East Lothian's most deprived communities | |
| 23 | Take concerted action to tackle obesity in children through a multi-agency and multi-faceted approach, including improved diet and nutrition in early years, exercise and physical activity | |

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| 24 | Continue to develop a strategic approach to commissioning adult and children's services, including care at home services, to ensure person centred services and value for money; piloting the Neighbourhood Networks model to encourage people with complex needs to connect with community resources and people | |
| 25 | Continue to develop technology enabled care and health services, building on the successful service already provided through the Council's Contact Centre | |
| 26 | Prioritise actions to reduce mental ill-health in our community, in particular amongst young people, and to tackle the challenges posed by Dementia and the social isolation of older people and other vulnerable groups | |
| 27 | Continue working with the Scottish Fire & Rescue Service and other partners to develop holistic, collaborative, early intervention services aimed at supporting vulnerable people from risk and harm in their homes | |
| 28 | Promote opportunities for Healthy Living throughout East Lothian by implementing the Physical Activity Strategy and maximising use of East Lothian's natural health service – the outdoors | |
| 29 | Work with NHS Lothian to ensure that local services meet the needs of our growing population e.g. through the expansion of Harbours Medical Practice in Cockenzie | |
| 30 | Protect, improve and expand care facilities for older people in East Lothian and implement the Day Centre Improvement Plan | |
| **Growing our Communities – Extend community engagement and decision making and increase community and individual resilience** | | |
| 31 | Increase the supply of affordable housing, as identified through the Local Development Plan, which, over the lifetime of the Plan aims to deliver a total of 2500 new affordable homes, including 2000 council or Housing Association houses for rent | |
| 32 | Ensure that significant new housing developments have the community infrastructure they need including transport links, schools, access to local shops, and community facilities; and, continue to campaign for much needed improvements to the nationally funded trunk road, rail, water and sewerage infrastructure in East Lothian, to ensure that the county can | |

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| | adequately cope with the levels of housing determined by national planning frameworks and the South East Scotland Structure Plan | |
| 33 | Oppose excessively high levels of housing being forced upon the county by national planning frameworks and the next South East of Scotland Structure Plan | |
| 34 | Ensure that planning decisions are sympathetic to the natural and built environment of East Lothian in order to protect and enhance our unique and beautiful landscape and settlements | |
| 35 | Continue to support the implementation of the Council's planning guidance on the siting of wind turbines | |
| 36 | Explore further development of better and more effective public transport and active travel initiatives including:<br><br>• community transport initiatives for rural communities such as Garvald, Morham and Oldhamstocks<br>• working with local bus providers to continue improving the local bus network including express services between Edinburgh and Port Seton/ Prestonpans/ Longniddry<br>• supporting efforts to increase passenger capacity on rail services within East Lothian<br>• supporting and lobbying for the opening of the new rail station at East Linton; the development of Dunbar Station, including new access from the south; and, the expansion of the station car parks at Drem, Longnidry and Dunbar<br>• exploring the provision of more bike parking facilities and a bike hire scheme at rail stations<br>• exploring ways to offer better parking and park & ride facilities across the county | |
| 37 | Extend the number of local charging points for electric vehicles | |
| 38 | Continue to actively lead and support the Scottish A1 Group with a view to securing junction improvements and dualling and the badly needed upgrade at Broxburn Junction, east of Dunbar | |
| 39 | Continue to support the development of the six Area Partnerships with devolved funding to implement priorities identified in their Area Plans, delivering community participation on local spending priorities, including, where appropriate, participatory budgeting | |

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| 40 | Continue to provide the maximum possible support to Community Councils, Area Partnerships and other community bodies and continue to promote and deliver greater partnership with local groups and active participation in community events supported by Council resources | |
| 41 | Support the imaginative and flexible use of, and community access to, facilities such as libraries and schools; and, where appropriate the community management of community facilities | |
| 42 | Continue to support initiatives to reduce crime and the fear of crime through a multi-agency, proactive intervention approach and taking a zero-tolerance approach to anti-social behaviour, including excessive noise | |
| 43 | Work closely with partners to meet our commitment to Climate Change targets, embedding sustainability principles into decision making and translating them into tangible actions, protecting and enhancing open spaces and habitats | |
| 44 | Increase waste recycling service provision to meet the 70% recycling target by 2025; insisting upon the best possible waste disposal and recycling facilities; working with local businesses and community groups to promote zero waste initiatives and reduce waste from takeaway packaging, and ensuring that domestic and commercial food waste does not go to landfill; and, clamping down on fly tipping and ensuring trade waste is disposed of properly | |
| 45 | Continue to encourage walking and cycling activity by both East Lothian residents and visitors and promoting green space as part of the promotion of healthy living; meeting our commitment to extending the provision of core paths, including the Drem-Gullane path | |
| 46 | Continue to work hard to reduce air pollution, including implementing the Air Quality Plan for Musselburgh | |
| 47 | Increase efforts to reduce the problems caused by dog fouling through enforcement of penalties for dog fouling, promoting the Green Dog Walkers scheme, and providing more and larger dog waste bins in car parks and parks | |
| 48 | Upgrade our first rate sports and leisure facilities, and synthetic pitches, and community facilities, including new pitches at Halhill, Dunbar; Port Seton Sports Hall; Haddington Corn Exchange; Whitecraig Community Centre; Fletcher Hall; Polson Park; Dunbar’s East Beach; and, Fraser Centre in Tranent | |

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| **REPORT TO:** | East Lothian Council |
| **MEETING DATE:** | 27 June 2017 |
| **BY:** | Depute Chief Executive (Resources & People Services) |
| **SUBJECT:** | 2016-17 End of Year Financial Review |

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## 1 PURPOSE

1.1 To inform Council of the draft annual accounts and unaudited financial position for the financial year ending 31 March 2017 prior to its submission to External Audit, and to finalise arrangements for any surplus funds moving into 2017-18.

## 2 RECOMMENDATIONS

2.1 The Council is recommended:

- to note the draft annual accounts for 2016-17, and approve submission to External Audit prior to 30 June 2017
- to note the draft financial results for 2016-17, including the impact on reserves and the Council's Financial Strategy
- pending the outcome of the final audit, to agree that any surplus General Fund reserves over and above any contribution which will be used to support future budgets be transferred to the Capital Fund, in line with the Council's agreed financial strategy
- to note the budget adjustments relating to 2017-18 approved budget
- to authorise me as the Council's Chief Finance Officer to make any required late changes to the unaudited financial statements prior to final submission as referenced in Section 3.3.

## 3 BACKGROUND

3.1 This report brings together the draft annual accounts and the financial review for the year ending 31 March 2017.

**Draft Annual Accounts 2016-17**

3.2 The Council's draft annual accounts, included within **Appendix 1** of this report, summarises the financial transactions made during 2016-17, and the Council's overall financial position as at 31 March 2017. The Council must prepare annual accounts in line with the Local Authority (Accounts) Scotland Regulations 2014, which requires these be prepared in accordance with proper accounting practice as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting.

3.3 The draft accounts must be considered by those charged with governance within the Council, prior to submission for audit by the statutory deadline of 30 June 2017. Whilst it is hoped that there will be no material changes prior to submission to audit, it is recommended that the authority for submission of the accounts incorporating any necessary changes be delegated to myself as Chief Financial Officer.

3.4 In accordance with statutory requirements, the draft accounts will also be made available for public inspection for a 3-week period commencing 1 July 2017.

3.5 The statutory audit will commence in July 2017 following receipt of the draft accounts, and it should be noted that the accounts and related financial results are also draft until the audit has concluded. The final audited accounts will be considered by Audit & Governance Committee at the end of September, in line with the draft External Audit report, with any subsequent changes reported to Council in October.

**Key Financial Results**

3.6 The main outcomes reflected within the financial accounts are set out within this report. These results must be considered alongside the narrative included within the Management Commentary at the front end of the accounts, which provides an explanation of both the wider financial context and the operating environment within which the Council operates, the key deliverables achieved during 2016-17, the main financial statements and associated financial results, and finally, the implications going into 2017-18.

3.7 A summary of the key financial results for the financial year ending 31 March 2017 are as follows:

- Overall, the Council's useable reserves (including General Services and HRA) have decreased by £4.736 million (General Services - £2.535 million, and HRA - £2.202 million), which was less than the planned budget assumptions. Taking into consideration the planned use of reserves, General Services have delivered an operational underspend against approved budget of £1.122 million and HRA have delivered an underspend of £2.016 million.

- Capital spending during the year totalled £41.492 million (£18.149 million relating to General Services and £23.343 million relating to HRA).

- Taking into account capital income and repayment of debt during the year external borrowing in the year has increased by £7.0 million, significantly less than capital spending. This is in line with the Council's financial strategy which aims to minimise any impact on the Council's Loans Fund Balance. The difference between capital spending and borrowing has been funded from capital grants, receipts and external contributions from the Council's cash balances.

- The debt charges in year totalled £27.6 million, (£18.5 million General Fund, and £9.1 million HRA).

- The Council's Pension liabilities are fully reviewed through triennial actuarial reviews and each year are subject to an annual assessment by the Pension Fund actuaries. In 2016-17, the Council's pension fund liabilities have increased by £63 million to £178 million. We continue to work closely with the Pension Fund Managers and take reassurance from the actuarial assessment that supports the continuation of the previously agreed stability mechanism. As a result, no change is required in respect of the employers contribution rates at this time.

- All of the Council's Trading Operations (Roads, Property Maintenance and Facility Services) have delivered an in-year surplus, and have met the statutory requirement to deliver a break even position over a rolling 3 year period.

- The Common Good Funds useable reserves increased by £0.423 million to £5.949 million.

3.8 The Council continues to operate in a very challenging financial environment with reduced levels of funding. These positive results relative to planned budget are therefore welcomed, and are also consistent with the continued delivery of the wider financial strategy. In broad terms, this outcome is a result of stringent monitoring and management of available resources by budget holders, a feature that will continue to be necessary given that financial austerity is likely to continue for some time. The Financial Strategy continues to serve the Council well, and remains on track to lessen the future dependency upon reserves.

3.9 Despite the positive in-year performance, there remain significant financial challenges ahead as financial austerity prevails, directly impacting on the overall grant settlement. At the same time, the Council is hoping to be part of a City Deal for Edinburgh and South East Scotland and will also face additional challenges in supporting unprecedented infrastructure requirements associated with the new Local Development Plan. Developing future sustainable operating budgets within a reduced cost base remains critical in order to accommodate new cost and demand pressures emerging within most service areas.

**Financial Review of Services 2016-17**

3.10 This report also sets out the financial review of the year, and highlights any key areas of movement following on from Quarter 3 report which was presented to Cabinet in February 2017. The report also highlights any financial implications that may affect 2017-18 financial year.

**Budget / Accounting Adjustments**

3.11 There are a number of ongoing service reviews, which have resulted in some small budget adjustments between services. In addition, one final budget adjustment was made in relation to the Revenue Support Grant, where additional funding of £100k was confirmed in relation the Council Tax Reduction Scheme to be used to fund an upgrade of the Council Tax system.

3.12 Traditionally as part of the year-end 'closedown' we are required by relevant statutory provisions to process a number of accounting adjustments in order that the statements we submit are in the approved format. For the 2016-17 annual accounts, there is a change to the requirement to report on a full 'cost of service', excluding the requirement to allocate Central support and shared accommodation costs. The accounts have therefore been prepared in line with our assessment of the new requirements, however many of our other reporting requirements including Local Financial Returns (LFR's), still require expenditure to be categorised in line with previous accounting practice. Given this, **Appendix 2** reflecting the financial position across Business Groups continues to reflect full year costs in line with previous year-end reports.

3.13 The most significant 'accounting' adjustments are set out below.

- Central Support Reallocations
- Shared accommodation charges
- Directorate / Service Recharges
- IAS19 Pension Adjustment / Credit
- Depreciation and impairment charges

**General Services Summary**

3.14 The overall General Services position reflects 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 variances during the year relative to approved budget.

3.15 Most of the wider corporate variances have been evident from previous quarterly reviews, and relate to lower than anticipated Council Tax yield, and changes within the Revenue Support Grant largely relating to lower than anticipated funding relating to Teachers Induction Scheme. The main additional changes arising from Q3 report are set out below:

- General Services Debt charges were £0.170 million less than budgeted. As part of the 2017-20 budget development process, officers had undertaken a detailed review of the management of the Council's Loans Fund covering both the General Services and HRA. This lead to revised debt charges projections with the recurring benefit of this already realised through the 2017-20 budget process.

- The Council benefited from additional 'profit' of £0.221million from the sale of a General Services assets.

- Most service areas delivered against their planned efficiencies, which were set within the approved budget. The exception areas are: Adults and Childrens Services; Building Standards, where the level of increase in Building Fees was lower than anticipated; Landscape and Countryside, due to lower than anticipated income in relation to Coastal Car Parking; and also Property Maintenance, which had delivered lower than anticipated surplus levels.

3.16 With regard to General Services, most service revenue budgets (excluding HRA) performed in line with expectations recorded within the Q3 Financial Review. The main movements in service areas are set out below. In total, the General Service delivered an underspend against budget of £1.112 million.

3.17 Overall the most significant cost variances relate to staff savings spread across a range of services amounting to nearly £2 million. These favourable variances are partly offset by significant overspending on service non-staffing budgets, (especially those service areas previously classified as High and Medium risk) as well as lower than anticipated corporate income in relation to Council Tax yield and Revenue Support Grant.

3.18 At the end of March 2017, **Resources and People Services** were reporting an overall underspend prior of £0.913 million. The Education Group covering; Pre-school, ASL, Primary, Secondary and School Support budgets is reporting an underspend against budget of £528k with further details below:

- Additional Support for Learning budget has delivered an overspend in the year of £119k. Most of this overspend relates to pressure relating to transport costs. A wider review of transportation charges for children is currently underway, the outcome of which will be closely monitored during 2017-18.

- In relation to Primary schools, the Primary 'client' budget delivered an overspend of £91k, largely relating to pressures which had been previously been reported relating to the on-going review of Janitorial Services as well as higher than anticipated non domestic rate charges for Primary schools. Individual Primary Schools has moved from the Q3 reported position of £263k underspend, to a collective underspend of £16k. Whilst a number of schools have delivered a deficit in year, previous DSM carry forward balances will offset most of these. Three primary schools go into 2017-18 with a small deficit balance.

- Relative to Q3, the Secondary schools group are reporting an increased underspend at the end of March 2017 from £344k to £419k. Within this, individual schools are now reporting a reduced underspend of £24k. Two of the six Secondary schools have ended the financial year in a deficit position, with only one not able to meet the overspend within carry forward limits. Across both Primary and Secondary schools, we will closely monitor this position during 2017-18 and will work collectively with all schools and the Head of Education to manage commitments within available resources. In line with quarterly reporting during the year, the PPP budget reported an underspend position of £238k, in part caused by vacancies within the team alongside a lower than anticipated insurance premium.

3.19 Within the **Health & Social Care Partnership** Directorate both service areas covering Children's and Adult's services have been categorised as High Risk, and enhanced financial monitoring and controls have been in place for much of 2016-17. As agreed at Quarter 2, in light of the pressures experienced in Adult Wellbeing service, and to support the delivery of a recurring programme of efficiencies, it was agreed to provide an additional non-recurring budget facility during 2016-17 of up to £1 million.

- With respect to Children's Services, the service has delivered an increased overspend from the previously reported Q3 position of £378k to an overspend at end of March 2017 of £505k (3.9%). Most of this increase is due to increased pressure relating to an increased number of children placed in external fostering placements and secure accommodation.

- With respect to Adult Wellbeing, the service reported an underspend against budget of £61k, and significant improvement from the Q3 position which reported an overspend of £690k. The reported position includes a budgeted overspend in relation to MELDAP of £152k, the cost of which will be met from earmarked reserves. As such the adjusted underspend position for the service is £213k. As highlighted above, this position includes an additional £1 million budgetary facility provided during the year; therefore, the actual additional resource required during the year to deliver a break-even budget was £787k.

- By far, the most significant contributory factor to the overall service position within Adult Wellbeing relates to the non-delivery of the planned efficiency programme. In addition, there remains pressure on the ELC care home budgets which collectively delivered an overspend of £291k. The service is currently undertaking a wider review of these budgets and it is hoped that this will deliver some efficiencies during the 2017-18 financial year. Some of these pressures have in part been offset by a number of efficiencies and underspends across other service areas including staffing and supplies and services. In addition, the service has been undertaking a wider review of financial processes and controls. This has delivered some improvements during the year and has allowed an enhanced focus on income collection and billing, which has generated an increase of over £161k in additional income relative to planned budget during the year.

- Clearly, the additional non-recurring investment provided by the Council during the year had a material impact on the year-end position of the Adult Wellbeing service. Additional resource has been secured through the 2017-18 budget for Childrens Wellbeing; however, there remains significant challenges across both service areas relating to demographics and service demand, as well as supporting the costs associated with the provision of the Living Wage within Home Care services. We are working closely with the Health & Social Care Director and Heads of Service as well as the wider Management Team around the delivery of recurring efficiencies to ensure that services can be delivered within available resources going forward. Nevertheless, it remains likely that both service areas will face substantial challenges as we progress through 2017-18 and the financial position will be kept under close monitoring and review.

3.20 The **Partnerships & Services for Communities** services are reporting an underspend against budget of just over £1.257 million, excluding the Housing Revenue Account. More details of service areas are set out below:

- Around £1.6 million of this relates to staffing underspends across most sub-service areas.
- The Community Housing (Non HRA) budget is has delivered an increased underspend to £179k, relative to the Q3 reported position. Most of this variance relates to increased income and reduction in service expenditure during the period.
- The Community and Area Partnership services reported an overspend against planned budget of £20k. Within this, Area Partnerships have delivered an overspend of £160k, most of which is offset by the utilisation of a previous year carry forward amounting to £200k. Some of this pressure is offset by a combination of service underspends and staff savings across the service including a vacant Service Manager post.
- Planning and Environmental Health service has delivered an increased underspend at the end of the financial year to £578k. Most of the underspend relates to a combination of service and staffing underspends across the service, in particular Environmental Health and Trading Standards which delivered an underspend of £190k. In addition planning fee income delivered an increase of £252k above expected budget, in line with Q3 projections.

- Asset Capital Planning & Engineering services is reporting an overspend against planned budget of £176k, a change from the previous Q3 reported position of £16k underspend. There are also savings relating to a combination of staff vacancies, and increased rental income. These savings have in part has been offset by pressures relating to lower than budgeted building warrant income of £71k, as well as significant pressures relating to on-going repairs and maintenance on our wider assets resulting in an overspend at the end of March 2017 of around £450k. We are working with the service to deliver improved financial monitoring reports, which will assist on-going monitoring of repairs across our wider assets, and will continue to work with the service area during 2017-18 to consider any potential recurring impact.

- Facilities Management includes both the Facilities Trading Account and the wider Facilities services. The Trading Account delivered a surplus of £419k largely due to higher than anticipated income relating to primary school meals.

- Landscape & Countryside Service area is reporting an overspend at the end of the financial year of £49k, a reduction from the Q3 reported position of £231k over. Most of the movement relates to increased income relating to the delivery of Grounds Maintenance / Amenity Services. As reported throughout the year, most of the overspend relates to lower than planned income of £159k relating to Coastal Car Parking which has been adversely affected by the delayed implementation of parking decriminalisation and related enforcement measures that are now in place.

- The Roads, Transportation and Waste services area collectively reported an underspend against budget of £508k. The underspend on Roads is largely relating to non-identification of specific efficiencies across the Roads, Transportation and Waste service area, where during the year it was agreed to manage the efficiency through flexibility across the wider service group. The Trading Operation has delivered under the planned budget surplus level, however this has in part been offset against wider savings have been derived across the service relating to staffing, and supplies and services including energy and fuel costs.

- Transport services has delivered an underspend of £207k, largely relating to savings on public transport services.

- Waste services have delivered an underspend of £566k. Around £185k of this relates to increased income largely due to increased charges relating to trade waste. Furthermore, an additional £232k of this relates to reduced costs associated with landfill as more waste is now being recycled.

## Housing Revenue Account

### Revenue

3.21 Overall, the Housing Revenue Account delivered an operational underspend in year of £2.016 million, an increase of £1.1 million from the previously reported Q3 position. Most of this movement relates to the following:

- Increase in rental income of £58k principally from new Council housing stock;

- The responsive repairs and maintenance and phasing of repair work, has delivered an operational underspend as at March 2017 of £276k. This position has improved significantly from the previous Q3 position which had reported a pressure of £170k. We will continue to work closely with Housing Managers to review the phasing and timing of this work during 2017-18.

- The increase in the bad debt provision relating to Housing Rents was lower than planned during the year by £191k. Despite this, given the roll out of Universal Credit there remains significant pressure on the collection of outstanding income and this position will continue to be closely monitored.

- The service has delivered a collective underspend of £379k on a number of operational expenditure headings including supplies and services, materials and running costs, as well as a reduction in the number of transfer incentive payment amounting to £206k.

- As highlighted in Q3, the wider review of the Council’s loans fund, has delivered a reduction in debt charges of £636k. The recurring impact of this has already been realised through the 2017-18 budget.

## Capital Investment and Borrowing

### General Services Capital Programme

3.22 The Gross Capital expenditure at the end of the 2016-17 inclusive of year-end fee adjustment was £18.149 million against the approved annual capital budget of £25.938 million (70%). This equates to a £7.885 million under spend on gross capital expenditure.

3.23 During the year, there was a reduction in budgeted income of £2.769 million, largely relating to the timing of expenditure and matching of developer contribution income to the relevant spend. This income will be allocated in the following year when the relevant spend is incurred.

3.24 Including capital fees and income the net General Fund capital underspend at the 31 March 2017 is £5.020 million.

3.25 The majority of the under spend relates to slippage and will be carried forward to the next financial year.

3.26 A significant number of projects were delayed due to additional work being carried out prior to project commencement to ensure that individual projects are aligned with the overall asset / service strategy.

3.27 The table below details the main projects where slippage has been identified, with details of the spend against planned budget set out in **Appendix 3** of this report.

| **Project** | **Slippage £'000** | **Narrative** |
|---|---|---|
| Port Seton Sports Hall | 294 | Extended consultation over Brief along with a savings exercise on the Cost Plan and some complex design issues around the interface of the new extension and existing building have resulted in delays to the design programme.<br>Planning submission has been submitted. Construction anticipated to be completed within 2017/18 Financial year with retention released the following year. |
| Whitecraig Community Centre | 409 | Extended Brief consultation with the Bowling Club has resulted in delays to the design programme.<br>Planning submission has been made with an anticipated tender period in June/July and approval to appoint a contractor in early August 2017 |
| Red School Prestonpans | 560 | Change of Brief from Communities Provision to Early Years resulted in delays to the design programme.<br>Now on site with anticipated completion in August 2017 |
| Support for Business – Land acquisition | 200 | Various opportunities pursued with unsuccessful outcome. A number of opportunities in progress. |
| Town Centre Regeneration | 442 | Refreshed, detailed longer term plan being put in place, profiling planned expenditure over the period, reviewing existing commitments.<br>Some expenditure has not been realised due to successful match funding offsetting planned capital contribution<br>Projects relate to regeneration works, detailed feasibility and matching |

| | | |
|---|---|---|
| | | external funding streams. Much of this work is subject to a long lead in time. |
| Dunbar Grammar | 142 | Due to start on site in June, subject to Lenders signing off Supplemental Agreement |
| Law Primary | 2164 | Main contract works now ongoing. |
| New Ways of Working | 198 | Costs carried forward to support newly approved Court Accommodation project |
| Carberry Landfill Gas Management | 250 | Works due to take place next financial year. 100% funded by Scottish Government. |
| Cemeteries | 887 | No land identified / agreements concluded |
| Pavilions (Ormiston Pavilion) | 661 | Contractor has been appointed. Works due to start on site in early June |
| East Saltoun School/Community Hall | 400 | Requirement brief being reviewed in conjunction with overall School estates strategy |
| Parking Improvements | 842 | Three major projects in North Berwick were identified. However due to ongoing planning issues these projects have been delayed. Projects now expected to be complete in 2017/18.<br>Additional project in Tranent at feasibility and pre-planning stages. Spend anticipated 2017/18. |

**Housing Capital**

3.28 The HRA capital spend and financing for the year is set out in **Appendix 4** of this report. Overall, the HRA capital programme delivered gross capital expenditure of £23.343 million, which is £835k over approved budget levels of £22.509 million. This overspend is offset during the year by increased grants of £869k as well as significant receipts from 89 properties amounting to £6.5 million relating to the end of the Right to Buy scheme for Council House owners in July 2016. A summary of the main areas within the HRA capital programme is set out below.

- The modernisation programme delivered an overspend against budget of £339k with expenditure of £11.272 million, with more details around expenditure against specific projects set out within **Appendix 4**. A number of planned programmes had been re-profiled during the year to address any previously identified slippage.

- £11.867 million was spent on Affordable Homes projects such as Hallhill Phase 2 and 3; Pinkie Phase 2 and also Mains Farm North Berwick. In total, an additional 109 houses were delivered during 2016-17.

- During the year, 2 Mortgage to Rent applications were progressed during 2016-17 resulting in an underspend against the approved budget for the year of £491k.

3.29 The Housing Capital Programme will continue to be directed by HRA Programme Board which meets on a regular basis to oversee the operational deliver and strategic direction of the programme.

**2017-18 Budget Adjustments**

3.30 Since the budget was approved in February 2017, there has been a number of funding announcements from the Scottish Government which will adjust the approved current budget proposals. Details of the main announcements are set out below.

- The Scottish Government has provided confirmation of revenue and capital funding allocations for 2017-18 relating to the delivery of Early Learning and Childcare – 1140 hours expansion. The funding allocations received are: £0.432 million (revenue) and £0.618 million (capital), and funding must be used in line with specific criteria set out within the funding award letter. These additional funding streams will be reflected in both the 2017-18 revenue and capital budgets.

- Furthermore, the Scottish Government has announced an increase to the statutory fee limits for planning applications effective from June 2017. This increase in fee limits coincides with significant uplift in applications overall and in particular with major housing applications, and it is anticipated that an increase in staff will be required to meet the on-going demand. The additional staff costs will be met from the increase in planning fees. We will continue to monitor the net increase in planning fee income during 2017-18, and any necessary budget implications.

## 4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report although on-going monitoring and reporting of the Council's financial performance is a key part of the approved Financial Strategy.

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – as described above

6.2 Personnel - none

6.3 Other – none

## 7 BACKGROUND PAPERS

7.1 Council 9 February 2016 – Item 1 – Council Financial Strategy 2016-19

7.2 Council 9 February 2016 – Item 5a – Budget Proposals – Administration

7.3 Cabinet 13 September 2016 – Item 3 – Financial Review 2016-17 Quarter 1

7.4 Cabinet 20 December 2016 – Item 3 – Financial Review 2016-17 Quarter 2

7.5 Cabinet 14 February 2017 – Item 3 – Financial Review 2016-17 Quarter 3

7.6 Council 21 February 2017 – Item 1 – Council Financial Strategy 2017-20

7.7 Council 21 February 2017 – Item 4a Budget Proposals - Administration

| | |
|---|---|
| **AUTHOR'S NAME** | Jim Lamond |
| **DESIGNATION** | Head of Council Resources |
| **CONTACT INFO** | jlamond@eastlothian.gov.uk |
| **DATE** | 16 June 2017 |

East Lothian Council

# Draft Annual Accounts 2016/17

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

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 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[I/We] certify that [I/we] have audited the financial statements of East Lothian Council and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the Council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Council Tax Income Accounts, and the Non-Domestic Rate Income Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2016/17 (the 2016/17 Code).

In [my/our] opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the council and its group as at 31 March 2017 and of the surplus (or deficit) on the provision of services of the council and its group for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 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.

**Basis of opinion**

[I/We] conducted [my/our] audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). [My/Our] responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of [my/our] report. [I am/We are] independent of the council and its group in accordance with the ethical requirements that are relevant to [my/our] audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and [I/we] have fulfilled [my/our] other ethical responsibilities in accordance with these requirements. [I/We] believe that the audit evidence [I/we] have obtained is sufficient and appropriate to provide a basis for [my/our] opinion.

**Responsibilities of the [insert job title of proper officer] for the financial statements**

As explained more fully in the Statement of Responsibilities, the [insert job title of proper officer] is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the [insert job title of proper officer] determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities for the audit of the financial statements**

[My/Our] responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require [me/us] to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the [insert job title of proper officer]; and the overall presentation of the financial statements.

[My/Our] objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes [my/our] opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Other information in the annual accounts**

The [insert job title of proper officer] is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and [my/our] auditor's report thereon. [My/Our] opinion on the financial statements does not cover the other information and [I/we] do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with [my/our] audit of the financial statements in accordance with ISAs (UK&I), [my/our] responsibility is to 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 [me/us] in the course of performing the audit. If [I/we] become aware of any apparent material misstatements or inconsistencies [I/we] consider the implications for [my/our] report.

**Report on other requirements**

**Opinion on other prescribed matters**

[I am/We are] required by the Accounts Commission to express an opinion on the following matters.
In [my/our] opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In [my/our] opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

**Matters on which we are required to report by exception**
[I am/We are] required by the Accounts Commission to report to you if, in [my/our] opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

[I/We] have nothing to report in respect of these matters.

[Signature]
[Name of individual auditor], (for and on behalf of [name of firm] - firms only)

[Full postal address]

[Full date]

## Foreword by the Head of Council Resources

Welcome to the Annual Accounts for East Lothian Council for the year ended 31 March 2017. These have been produced to provide the public, Elected Members and other stakeholders with information concerning the financial management, administration and performance for the Council in the financial year 2016-17.

The management commentary accompanying the Annual Accounts outlines:

- Who we are;
- How we are organised to deliver priorities;
- What our strategy and priorities are;
- Our financial position for 2016-17;
- Key aspects of our performance during 2016-17;
- Our plans for the future.

### Highlights of 2016-17

Against a continuing challenging financial environment, the Council has achieved a great deal during 2016-17 including:

- Delivered an increase to reserves relative to planned budget levels of over £3 million;
- Delivered capital investment of over £41m to support increased investment in schools, roads and community assets;
- Delivery of an additional £3.9 million recurring efficiencies, a cumulative total of just under £24 million since 2012;
- Supported the first full year of the Integration of Health & Social Care Services.

Despite a positive financial performance during 2016-17, the Council continues to face significant financial challenges, and there will be a need for us to continue to find ways to explore how we can maintain high quality service provision through an enhanced approach to transformation designed to deliver service improvements and savings that will help make the Council and its services sustainable within the reducing resource environment facing the Public Sector.

### Acknowledgements

I would like to thank all officers involved across the Council for their continued hard work during the year to ensure the continued sound management of the Council's finances and the production of the statutory accounts.

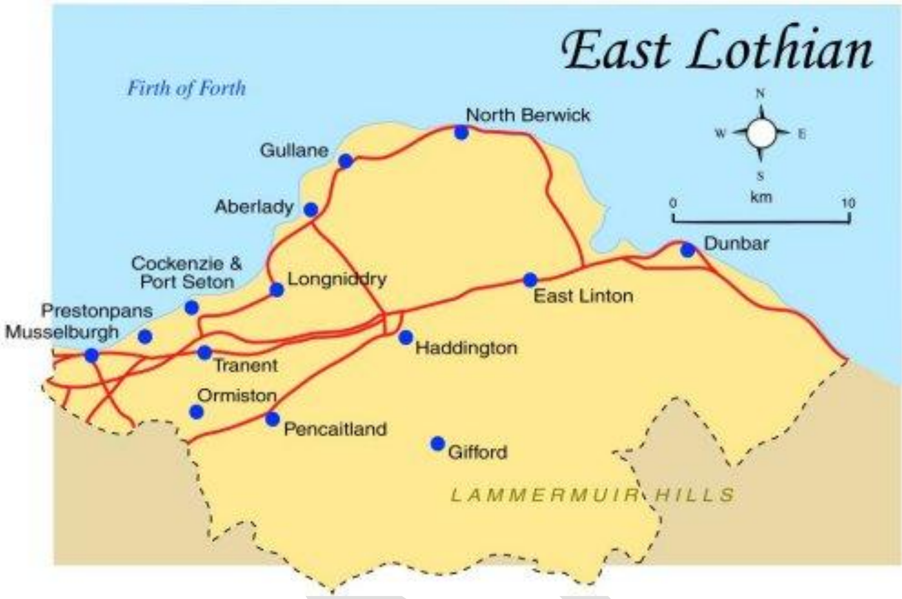
**Head of Council Resources (CFO)**

**East Lothian Council**

## Management Commentary

### Who are we and what do we do?

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




In 2016-17, East Lothian Council was made up of 23 elected members who were elected in May 2012. The political make up of the Council was: 10 Labour, 8 SNP, 3 Conservative, 1 Independent, 1 Independent Nationalist, with the Council Administration a Coalition of Labour, Conservatives and Independent members.

The Council's Management Team comprises of 11 senior officers and is lead by the Chief Executive, structured to cover 3 Directorates:

- Resources and People covering Education and Council Resources
- Partnership & Communities covering Infrastructure, Development and wider Communities
- Health & Social Care Partnership covering Children and Adult Services

These Directorates a lead by a Deputy Chief Executive / Director and includes a number of Heads of Services.

### 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. In addition the Council has a Police, Fire & Rescue and Community Safety Scrutiny Committee which scrutinises the performance of Police Scotland and the Scottish Fire & Rescue Service in East Lothian.

The East Lothian Integration Joint Board (IJB) was formally established on 1 July 2015. This is a partnership between East Lothian Council and NHS Lothian which has been established to integrate how health and social care services are planned, commissioned and delivered from 1 April 2016.

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

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

## Strategy & Priorities

### Our Vision

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.

The current vision for East Lothian sets out:

***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 Priorities

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 the foreseeable future, the Council will continue to work hard to satisfy increased public expectations and meet the growing demand for services that will flow from the rising population.

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

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

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

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

A review of the Council Plan was carried out in February 2017. This found that all the commitments made in the 2012-2017 Plan have either been delivered or are at advanced stages of being delivered. Several actions are categorised as being delivered as they relate to delivering long term plans such as the 10-year Economic Development Strategy. Only three actions were categorised as only partly delivered.

The review highlighted the following achievements from the previous year:

*Under Growing our People*

- The Construction and Technology Academy was established in Musselburgh with capacity for 160 places for pupils from East Lothian schools
- The Council supported the creation of the East Lothian Food and Drink Business Improvement District (BID)

*Growing our People*

- The Council invested over £1.4m in providing a new communications provision for children with additional support needs at Knox Academy

*Growing our Communities*

- Tendering exercises for supported bus services resulted in improved services with better and more frequent service in key routes
- The new waste collection service which has made a major contribution to increasing East Lothian's waste recycling rate from just under 43% to over 52%
- The Council adopted a proposed Local Development Plan which identifies preferred sites for over 10,000 new homes and business growth

*Growing the Capacity of our Council*

- The Council has established a Council-wide approach to transformation supported by a dedicated Programme Manager and Project Managers.

**Financial Strategy**

The Council's Financial Strategy forms the basis of the Council's stewardship over taxpayer's funds. The Strategy covers both the General Services and Housing Revenue Account (HRA) revenue and capital budgets over a rolling 3 year period and is updated and approved each year by Council as part of the annual budget setting process. The most recent strategy covers the period of 2017-18 to 2019-20 approved by Council on 21 February 2017. The Strategy is developed taking into consideration the main opportunities, risks and constraints facing the Council over the medium to longer term and seeks to enable the Council to deliver a sustainable level of service provision within a structured budgetary framework. The strategy aims to reduce any future reliance on reserves, and takes into consideration forecasts around the financial environment which the Council is currently and is likely to be operating within over the medium to longer term. The approved financial strategy focuses on:

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

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

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

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

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

**Financial Plans**

Alongside the Financial Strategy the Council annually considers and approves the General Services and HRA spending plans for the forthcoming year, and following years. The 2016-17 spending plans approved by Council included:

- General services net revenue expenditure of £227.033 million
- Assumed levels of Scottish Government general revenue grant of £169.058 million.
- Planned use of General Services reserves of £3 million
- The requirement to deliver £5.6 million of recurring efficiencies across Business Groups.
- Approved General Services capital spending plans of £24.6 million
- Housing capital spending plans of £22.5 million

The key financial results for the financial year ending 31 March 2017 is set out below:

- Overall the Council's useable reserves (including General Services and HRA) have decreased by £4.736 million (General Services - £2.535 million, and HRA - £2.202 million), which was less than planned budget assumptions. Taking into consideration the planned use of reserves, General Services have delivered an operational underspend against approved budget of £1.122 million and HRA have delivered an operational underspend of £2.016 million.

- Capital spending totalled £41.492 million (£18.149 million relating to General Services and £23.343 million relating to HRA).

- The Council benefited from additional profit of £3.460 million from the sale of assets, most of which relates to the end of the Right to Buy Council House Sales in HRA.

- The Council accounts for its pension fund liabilities in accordance with IAS 19, which means that it accounts for the costs of retirement benefits when entitlement to those benefits has been earned, rather than when they are actually paid to employees, which may be many years into the future. These future liabilities are to be met by fund assets which are acquired from employer and employee contributions and subsequently invested for a return. As at 31st March 2017, fund liabilities exceeded fund assets by £178 million, an increase of £63 million from 2015-16. This leaves a funding gap which has to be made good over time from a combination of improved investment performance, increases in employee and employer contributions and/or changes to scheme benefits. A triennial actuarial review assesses key assumptions and agrees any changes, including any increase to employer contributions, for a subsequent three year period with the aim of having a fully funded scheme over the longer term.

- All of the Council's Trading Operations (Roads, Property Maintenance and Facility Services) have delivered an in-year surplus, and have met the statutory requirement to deliver a break even position over a rolling 3 year period.

### Changes adopted during 2016-17 Annual Accounts

There are a number of significant changes which have been adopted during 2016-17. These relate to the introduction of the Expenditure and Funding Analysis statement, changes to the accounting treatment of Housing Capital Expenditure, as well as the introduction of the Integrated Joint Board through the Council's Group Accounts.

- **Expenditure and Funding Analysis**
  - The Expenditure and Funding Analysis is a new statement during 2016-17 and shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Housing Capital Expenditure**
  - The accounting treatment of recognising Housing Capital expenditure incurred during the year has been reviewed. This has resulted in impairment losses of £10.335 million during 2016-17 relating to a combination of non value adding enhancements of HRA assets and new build properties which have been adopted in the year and have been reduced in line with beacon values from the last valuation. The next full Housing stock valuation is due to be carried out as at 31 December 2018, and the Council will carry out a cycle of on-going valuations as new properties are brought onto the Council's balance sheet.

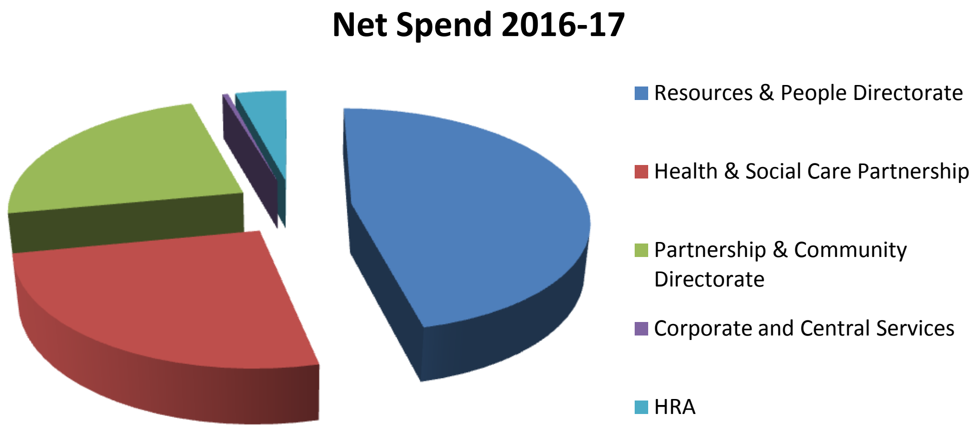
- **Integrated Joint Board (IJB)**
  - The East Lothian IJB was formally established in July 2015, with the adoption of the strategic plan and the associated budgets relating to delegated functions effective from 1 April 2016. Separate financial accounts are prepared for the IJB for the financial year ending March 2017, however the IJB has been formally recognised as a Joint Venture between East Lothian Council and NHS Lothian, and as such is treated within the wider Group accounts.

### Comprehensive Income and Expenditure Analysis

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation.

An accounting deficit of £19.306 million has been reported as at March 2017 (£20.052 million in 2015-16). This takes into account the cost of providing services of £231.157 million (£235.944 million in 2015-16) alongside the financing and investing income and expenditure.

The chart below breaks down the net spend in service areas for 2016-17.




The Housing Revenue Account is showing a net expenditure of £9.502 million as opposed to a surplus position of £0.133 million in 2015-16. This is due to the Council recognising impairment losses of £10.335 million relating to non value adding enhancements of HRA assets.

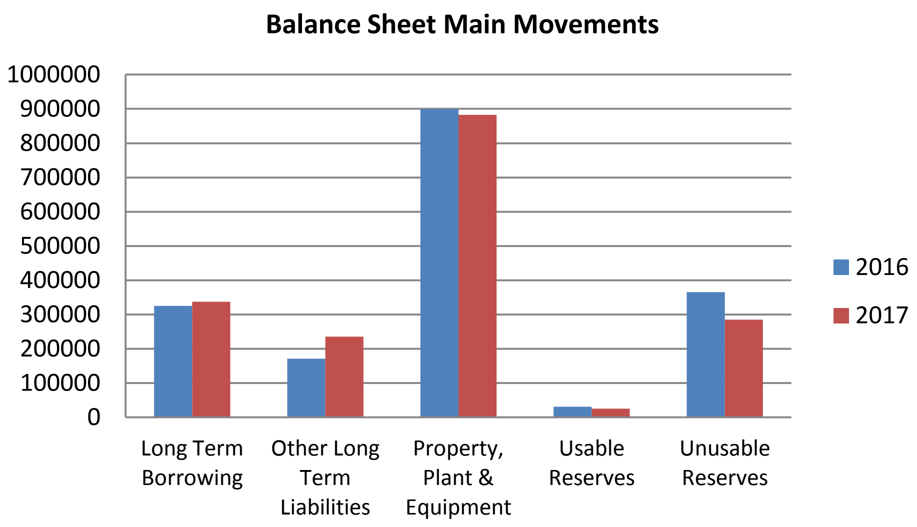
As part of the financing and investment income and expenditure analysis, there has been a large increase in the gains on disposal of assets. In 2016-17 the profit is £3.460 million and the comparative figure for 2015-16 was £0.547 million. This is largely due to the end of the Right to Buy scheme for Council House owners in July 2016 which saw an increased demand in people applying to buy their home.

The taxation and non specific grant income (as detailed in Note 7) has reduced by £8.504 million from £236.907 million in 2015-16 to £228.403 million in 2016-17. The Revenue Support Grant has decreased by £3.250 million during 2016-17, with the actual grant received in year lower than planned budget largely due to lower than anticipated grant relating to Teachers Induction scheme funding. The Council received specific grant funding relating to the Social Care Fund of £4.370 million in 2016-17 which has been shown as part of the Health and Social Care Partnership gross income and is therefore included in the Cost of Services. Despite an increase in Council Tax yield during 2016-17, the actual yield is lower than planned largely due to less than expected property completions. The Non Domestic Rates contribution from the national pool is reduced this year by £1.709 million in line with the financial settlement.

**Balance Sheet**

The net assets of the Council have decreased by over £85 million from £395.565 million at 31st March 2016 to £310.457 million at 31st March 2017.

The main balance sheet variations are shown below.




The increase in Long Term Borrowing of £12.022 million is largely due to increases in capital borrowing requirements.

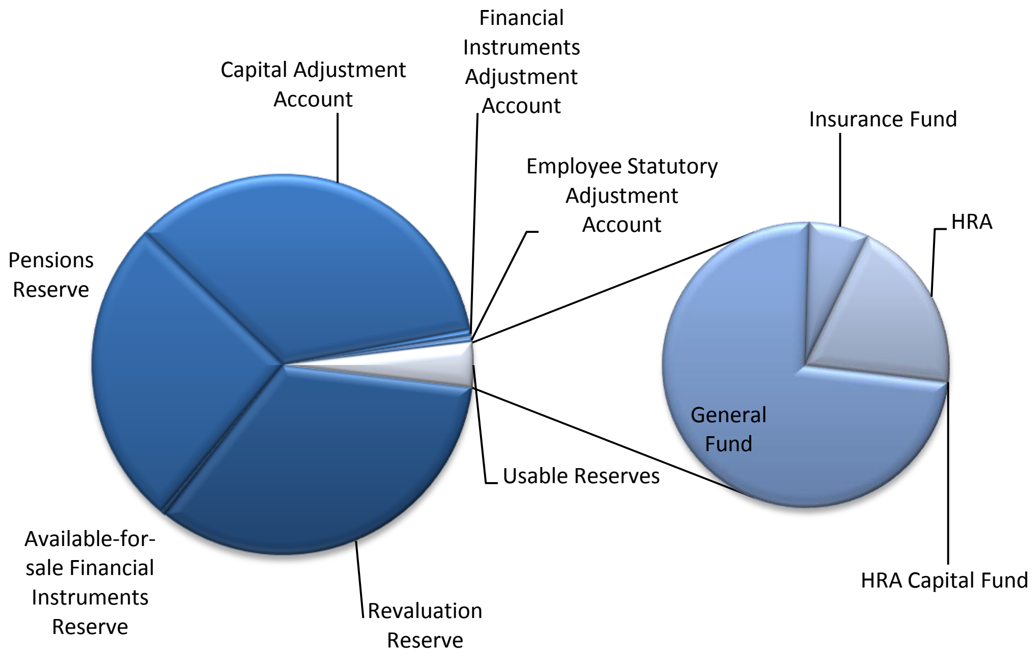
The increase to Other Long Term Liabilities is mostly due to the net Pensions liability increasing by £63.243 million. This liability reflects the underlying commitment that the Council has to pay towards retirement benefits which will be recovered from the Council in future years.

Property Plant & Equipment has decreased by £16.884 million. No major revaluations our asset base was carried out in 2016-17, with the main movements relating to depreciation charges, impairments, additions and disposals.

The Useable Reserves including the General Fund and the HRA Fund of the Council reduced by £4.736 million, which was £3.138 million lower than anticipated. The General Fund balance reduced by £2.535 million, meaning that the General Fund had performed £1.122 million better than expected. Included within the approved budget was a planned use of £3 million of reserves, as well as an additional £0.675 million earmarked reserves. The HRA reserves reduced by £2.202 million during 2016-17. As part of the 2016-17 HRA budget, it had been anticipated that the HRA would deliver a small surplus during the year, with a planned transfer of reserves to both the General Services, as well as utilising £3.2 million of reserves to defray the cost of borrowing. Operationally during the year, the HRA delivered an increase to planned reserves of £2.016 million.

The overall reserves of the Council are shown in the following chart.

## Reserves 2016-17




### Capital Infrastructure

Key to delivering our outcomes for our communities and supporting the wider economy is the investment which the Council makes in capital infrastructure including our school estate and wider asset base, as well as our housing stock. The budgeted capital programme against the actual expenditure incurred is set out in the table below.

### Capital Expenditure – Budget v Actual

| | **Budget** | **Actual** | **Variance** |
|---|---|---|---|
| | **£'m** | **£'m** | **£'m** |
| General Services | 24.938 | 18.149 | (7.789) |
| HRA | 22.509 | 23.343 | 0.834 |
| **TOTAL** | **48.447** | **41.492** | **(6.955)** |

The financing of both programmes is set out in the table below

| | **General Services £'m** | **HRA £'m** |
|---|---|---|
| Grants | 2.856 | 10.616 |
| Asset Sales | 6.497 | 0.410 |
| Other | 3.200 | 2.394 |
| Borrowing | 10.790 | 4.729 |
| **TOTAL** | **23.343** | **18.149** |

In relation to the General Services most of the reported under spend relates to slippage and will be carried forward to the next financial year. A significant number of projects were delayed due to additional work being carried out prior to project commencement to ensure that individual projects are aligned with the overall asset / service strategy.

The HRA capital programme delivered an overspend against planned budget during 2016-17, the cost of which was offset by increased grants of £869k as well as significant receipts from 89 properties amounting to £6.5 million relating to the end of the Right to Buy scheme for Council House owners in July 2016.

During the year, as a result of the continued review of the Council's Loans Fund and treasury management investment decisions, the actual General Services debt charges were £0.170 million lower than budgeted, and HRA £0.636 million lower than planned. In total the debt charges for 2016-17 were £27.6 million, (£18.5 million General Fund, and £9.1 million HRA). The recurring impact of these savings has already been reflected in future year budget implications. The difference between capital spending and borrowing has been funded from capital grants, receipts and external contributions from the Council's cash balances.

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

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

The Council's 2017 Employee Engagement Survey (carried out in February 2017) achieved a 58% response rate across all services. The survey showed an overall positive engagement (Strongly Agree and Agree responses across all 21 questions) of 78.4%, a slight increase on the 76.4% achieved in 2016. The survey results continue to provide evidence that East Lothian Council has a committed workforce. Highlights from this year's survey include:

- 92% of the workforce stated their work is interesting and uses their skills and capabilities
- 91% know how their job/ individual objectives contribute to the Council's objectives
- 89% feel trusted to make decisions in their role.

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

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

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

- The percentage of income due from Council Tax that was received by the end of the year rose from 96.6% in 2015-16 to 97.51% in 2016-17.
- The in-year Non Domestic Rates collection rate fell from 99% in 2015-16 to 97.8%.
- The percentage of invoices paid within 30 calendar days of receipt fell slightly to 89.5% in 2016-17 from 90% in the previous year.
- The amount owed in rent arrears increased significantly from £1,295,782 at March 2016 to £1,676,047 at March 2017. The rise is predominantly due to the roll out of 'full service' Universal Credit in East Lothian from March 2016.
- The percentage of household waste that is recycled increased slightly from 51.4% in 2015-16 to 51.8% in 2016-17.

## Risks

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

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

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

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

The 2016 Corporate Risk Register includes one Very High risk, 10 High risks and five Medium risks.

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

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

- three year General Services revenue budgets
- five year Housing Revenue Account revenue and capital budgets
- longer General Services capital plan 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 10 High Risks identified in the Corporate Risk Register are:

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

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

## Key Developments for the Next Year

As is highlighted in the Council's Financial Strategy 2017-18 to 2019-20, the Council will need to continue its programme of focussed work to maximise the efficiency and effectiveness of services provided to the public within the financial constraints faced by the Council. In order to ensure that progress is made in the key elements of the drive for further improvement and Best Value a defined Transformation Programme has been put in place with appropriate resources, including a Programme Manager and Project Managers to ensure the capacity to achieve the programme.

The Council adopted a Draft Council Plan in February 2017 which will form the basis of a new Council Plan that is to be adopted following the May 2017 Council Elections. The draft Plan affirmed the Council vision of: 'An even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy, that enables our people and communities to flourish."

The new plan will build upon the new administration manifesto commitments and will continue the journey towards realising the East Lothian vision by building on the ambition and achievements of the previous Council Plan, taking account of the challenges and new opportunities faced by the Council.

The Plan outlines the strategy the Council will follow and sets out the objectives and strategic goals it sets itself over the next five years to strive to meet the vision. It then lists the key actions it plans to undertake to achieve these objectives and goals.
The themes set out in the 2012-2017 Council Plan continue to be relevant and will continue to be the themes and objectives of Council Plan 2017-2022:

- Growing our Economy
- Growing our People
- Growing our Communities
- Growing our Capacity

The overarching objective of 'reducing inequalities within and across our communities' that was adopted in 2014 remains the overarching objective of the new Council Plan.

The Plan sets out the following strategic goals which will make the biggest impact in delivering these key themes and objectives.

- Reduce unemployment and improve the employability of East Lothian's workforce.
- Reduce the attainment gap and raise the attainment and achievement of our children and young people.
- Improve the life chances of the most vulnerable people in our society.
- Extend community engagement and decision making and increase community and individual resilience.
- Deliver transformational change and harness the opportunities technology offers in the provision of services.

This Council Plan 2017-2022 is both ambitious and aspirational. It is set within the context of the continuing financial, demographic and policy challenges faced by the Council and the county. It aims to maximise the benefits from the opportunities presented by the positive platform created by previous Council Plans and more recent developments such as the City Region Deal.

The Council is committed to maintaining high quality public services that are used and valued by all residents such as schools, services for vulnerable children, adults and older people, maintaining roads and pavements, street lighting and refuse collection services.

However, the Plan reflects the need to invest in, or re-direct resources to, new priorities through a preventative model of service delivery; investing in prevention and early intervention to avoid more costly crisis intervention. Crucially, the Council will prioritise measures that contribute to inclusive and sustainable growth that reduces inequality and helps to break the cycle of poverty.

This Plan is based on the understanding that East Lothian Council cannot address the diverse needs of our population on its own. At the heart of the Plan is the concept that the Council and the people and communities of East Lothian can best deliver these solutions in partnership – 'working together for a better East Lothian'. Therefore, the Council will increasingly become:

- an enabling and empowering authority that works with its citizens and communities, the business and third sectors and other public sector partners to deliver the solutions that work best for East Lothian.
- a more entrepreneurial authority, developing new ways of ensuring services are provided in the most effective and efficient way possible;
- a 'digital' authority, fully embracing and exploiting opportunities to use technology to deliver services.

**Summary**

Overall 2016-17 has been an important year for the Council, with the continued application of a financial strategy which has focussed on cost reduction and cost avoidance ensuring that services continue to be delivered in the most efficient way possible. Despite the ever tightening financial environment within which we operate, the Council is in a relatively good position to address the many challenges we face. Strong financial results during the year has helped provide an increase in reserves relative to planned performance, however the financial strategy is designed to ensure the future financial sustainability of the Council whilst reducing the on-going reliance of reserves, and the future use of which must be wisely managed.

Given the future financial prospects with falling levels of expected Government Grant, the Financial Strategy must ensure the delivery and long term sustainability of services by securing further reductions in the base operating costs. This will include reviewing the way in which we transform and deliver services, including the delivery of planned efficiencies which 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 (CFO) |
| September 2017 | September 2017 | September 2017 |

# Statement of Responsibilities for the Statement of Accounts

**The Authority's responsibilities**

The Authority is required to:

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

**The Chief Finance Officer's responsibilities**

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

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

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

**The Chief Finance Officer's Certification**

I certify that the Statement of Accounts present a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Jim Lamond (CPFA)
Head of Council Resources (CFO)
September 2017

Willie Innes
Council Leader
September 2017

## Annual Governance Statement

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

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

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

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

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

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

**Annual self-evaluation of Corporate Governance**

In 2016-17 the whole Council Management Team has undertaken an annual self-evaluation of corporate governance.

The team considers the extent to which the Council meets the principles and requirements of the local Code of Corporate Good Governance which was adopted by the Council in May 2010, by reviewing the documentary evidence and practice of each of the supporting principals and requirements of the corporate governance code. The findings of the 2016-17 review were reported to the Council's Audit & Governance Committee in June 2017.

The group reviewed progress made against the improvement points identified in the 2016 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 2016-17 self-evaluation has found that East Lothian Council continues to have good governance and control arrangements in place across the six principles. The self-evaluation has identified a number of areas of development and improvement, which build on existing good practice and improvement action already being implemented to ensure the Council's progress through continuous improvement.

**Declaration of Assurance**

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

The results of these assurances were that;

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

**Internal Audit Review**

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

http://www.eastlothian.gov.uk/meetings/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 June 2017 meeting of the Audit & Governance Committee. For 2016-17, the Internal Audit assurance statement concludes:

The 2017 corporate governance self-evaluation has found that East Lothian Council continues to have good governance and control arrangements in place across the six corporate good practice principles.

It should be noted that the Council was confirmed as an 'Established Investor in People' organisation in March 2017 and in April 2017 undertook an assessment which resulted in being awarded a Committed to Excellence Award by Quality Scotland.

The Council's governance self-evaluation and external assessments of governance, performance by Audit Scotland, Investors in People and Quality Scotland have identified several areas for further development and improvement. These actions build on existing good practice and improvement action already being implemented in order to ensure the Council's progress from continuous improvement through to excellence. These improvement actions are:

- Adopt a 2017-2022 Council Plan
- Support the East Lothian Partnership to prepare and adopt a new East Lothian Plan (meeting its statutory duty to prepare a Local Outcome Improvement Plan) and review the East Lothian Partnership governance structure
- Promote the Council's consultation and engagement strategy and opportunities for public engagement and participation, which meet the Community Empowerment Act's statutory requirements relating to 'Participation Requests'
- Prepare and adopt a Workforce Plan, incorporating a Workforce Development Plan
- Develop a regulatory services charter covering all services that provide regulatory services to business
- Review elected members' development needs and provide an ongoing training and development programme
- Review the Council's key performance indicators and targets
- Further develop staff communications and engagement building on positive programmes such as One Council Workshops

**Statement on the role of the Chief Finance Officer**

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

**Results**

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

| | | |
|---|---|---|
| Angela Leitch | Willie Innes | Jim Lamond (CPFA) |
| Chief Executive | Council Leader | Head of Council Resources (CFO) |
| September 2017 | September 2017 | September 2017 |

## 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 Audit Scotland.

- Senior Councillor Remuneration at Page 22
- Senior Officer Remuneration at Page 23
- 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 Audit Scotland to ensure that they were consistent with the financial statements.

**Remuneration of Councillors**

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

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

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

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17 the salary for the Leader of East Lothian Council is £28,157. 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 £171,048.

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

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members.

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

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

## Senior Councillor's Remuneration

| Office Held as at 31st March 2017 | | Salary, fees and Allowances 2015/16 (£) | Taxable Expenses 2015/16 (£) | Total 2015/16 (£) | Annualised Salary 2015/16 (£) | Salary, fees and Allowances 2016/17 (£) | Taxable Expenses 2016/17 (£) | Total 2016/17 (£) | Annualised Salary 2016/17 (£) |
|---|---|---|---|---|---|---|---|---|---|
| Willie Innes | Leader of the Council and Cabinet Spokesperson for Community Planning | 27,878 | 1,116 | 28,994 | 27,878 | 28,157 | 0 | 28,157 | 28,157 |
| Ludovic Broun-Lindsay | Provost | 20,909 | 1,045 | 21,954 | 20,909 | 21,118 | 750 | 21,868 | 21,118 |
| Jim Gillies | Depute Provost | 20,909 | 1,719 | 22,628 | 20,909 | 21,118 | 1,424 | 22,542 | 21,118 |
| Michael Veitch | Depute Leader and Cabinet Spokesman Transport and Roads | 20,909 | 613 | 21,522 | 20,909 | 21,118 | 534 | 21,652 | 21,118 |
| Shamin Akhtar | Cabinet Spokesman for Education and Children's Wellbeing | 20,909 | 735 | 21,644 | 20,909 | 21,118 | 0 | 21,118 | 21,118 |
| Tim Day | Cabinet Spokesman for Community Wellbeing | 20,909 | 1,905 | 22,814 | 20,909 | 21,118 | 1,615 | 22,733 | 21,118 |
| Donald Grant | Cabinet Spokesman for Health and Social Care | 20,909 | 286 | 21,195 | 20,909 | 21,118 | 340 | 21,458 | 21,118 |
| Norman Hampshire | Cabinet Spokesman for Housing & Environment | 21,909 | 0 | 21,909 | 20,909 | 22,118 | 0 | 22,118 | 21,118 |
| John McMillan | Cabinet Spokesman for Economic Development and Tourism | 20,909 | 0 | 20,909 | 20,909 | 21,118 | 0 | 21,118 | 21,118 |
| Stuart Currie | Leader of the Opposition | 20,909 | 3,352 | 24,261 | 20,909 | 21,118 | 2,254 | 23,372 | 21,118 |
| | | 217,059 | 10,771 | 227,830 | 216,059 | 219,219 | 6,917 | 226,136 | 218,219 |

## Total Councillor's Remuneration

| Type of Remuneration | 2015/16 (£) | 2016/17 (£) |
|---|---|---|
| Salaries | 433,497 | 437,828 |
| Allowances | 1,000 | 1,000 |
| Expenses | 34,185 | 30,750 |
| Total | 468,682 | 469,578 |

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 2016/17 is available to view on the Council's website at:
http://www.eastlothian.gov.uk/downloads/file/12406/01_april_2016-31_march_2017

## 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 2016/17 the Council paid the following amounts to senior employees

| Name | Post Title | Salary, fees and allowances 2015/16 (£) | Taxable expenses 2015/16 (£) | Total 2015/16 (£) | Salary, fees and allowances 2016/17 (£) | Taxable expenses 2016/17 (£) | Total 2016/17 (£) |
|---|---|---|---|---|---|---|---|
| Angela Leitch | Chief Executive | 115,728 | 438 | 116,166 | 119,721 | 285 | 120,006 |
| Monica Patterson | Depute Chief Executive-Partnership & Services for Communities | 97,962 | 339 | 98,301 | 99,254 | 284 | 99,538 |
| Alex McCrorie | Depute Chief Executive-Resources & People Services | 97,962 | 566 | 98,528 | 98,959 | 710 | 99,669 |
| Jim Lamond | Head of Council Resources | 87,552 | - | 87,552 | 90,689 | - | 90,689 |
| Douglas Proudfoot | Head of Development (Acting Head from 21st July 2014 to 21st June 2015) | 85,502 | 77 | 85,579 | 86,669 | 734 | 87,403 |
| Raymond Montgomery | Head of Infrastructure | 85,502 | - | 85,502 | 86,669 | - | 86,669 |
| Thomas Shearer | Head of Communities & Partnerships | 85,502 | 818 | 86,320 | 86,669 | 560 | 87,229 |
| Sharon Saunders | Head of Children & Adult Services | 85,502 | 1,028 | 86,530 | 86,669 | 246 | 86,915 |
| Darrin Nightingale | Head of Education (until 1st November 2015) | 48,944 | 484 | 49,428 | - | - | - |
| | | 790,156 | 3,750 | 793,906 | 755,299 | 2,819 | 758,118 |

The salary, fees and allowances for senior officers includes any payments made in respect of election roles. During 2016/17 the Heads of Service were all paid £86,079 (full time equivalent).

At its meeting of 25th June 2013, the Council agreed to pay 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 2016/17 the Council paid £63,056 as a shared cost of this post. Furthermore Alison MacDonald is the Head of Access and Older People, and whilst the post is part of the Council's Corporate Management Team, this post is fully funded by NHS Lothian.

Fiona Robertson was appointed Head of Education on 29th March 2016 on a 1 year secondment from Education Scotland. During 2016/17 the Council paid secondment costs of £118,824 for this post. Fiona was formally appointed to the Head of Education post with effect from 3rd April 2017.

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

| | 2015/16 | 2016/17 |
|---|---|---|
| £50,000 - £54,999 | 42 | 50 |
| £55,000 - £59,999 | 30 | 26 |
| £60,000 - £64,999 | 3 | 7 |
| £65,000 - £69,999 | 3 | 2 |
| £70,000 - £74,999 | 4 | 5 |
| £75,000 - £79,999 | 1 | 1 |
| £80,000 - £84,999 | 1 | - |
| £85,000 - £89,999 | 5 | 4 |
| £90,000 - £94,999 | - | 1 |
| £95,000 - £99,999 | 2 | 2 |
| £100,000 - £104,999 | - | - |
| £105,000 - £109,999 | - | - |
| £110,000 - £114,999 | - | - |
| £115,000 - £119,999 | 1 | - |
| £120,000 - £124,999 | - | 1 |
| | 92 | 99 |

## 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 Chief Executive of Musselburgh Racecourse is not a member of the Council's defined benefit pension scheme although he receives employer's pension contributions equivalent to 10% of pensionable salary on an annual basis. For 16/17 this totalled £9,245 (15/16 - £9,272).

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

| Name | Post Title | Salary 2015/16 | Bonuses 2015/16 | Expenses & Allowances 2015/16 | Total 2015/16 | Salary 2016/17 | Bonuses 2016/17 | Expenses & Allowances 2016/17 | Total 2016/17 |
|---|---|---|---|---|---|---|---|---|---|
| | | (£) | (£) | (£) | (£) | (£) | (£) | (£) | (£) |
| William Farnsworth | Chief Executive Musselburgh Racecourse | 92,723 | 200 | 14,000 | 106,923 | 93,488 | 200 | 14,000 | 107,688 |

### Pension Benefits

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

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

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

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

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

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

| Whole Time Pay | Range 2015/16 | Rate 2015/16 | Range 2016/17 | Rate 2016/17 |
|---|---|---|---|---|
| On earnings up to and including | £21,102 | 5.50% | £21,102 | 5.50% |
| On earnings above | £21,103 and up to £25,330 | 5.60%-5.80% | £21,103 and up to £25,330 | 5.60%-5.80% |
| On earnings above | £25,331 and up to £34,415 | 5.90%-6.50% | £25,331 and up to £34,415 | 5.90%-6.50% |
| On earnings above | £34,416 and up to £46,456 | 6.60%-7.30% | £34,416 and up to £46,456 | 6.60%-7.30% |
| On earnings above | £46,457 | 7.40%-11.20% | £46,457 | 7.40%-11.20% |

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

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

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

The estimated pension figures shown relate to the benefits that the person has accrued as a 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 2017 are shown in the table below, together with the contribution made by the Council during the year.

| | | **Pension Contributions** | | **Accrued Pension Benefits** | | | |
|---|---|---|---|---|---|---|---|
| | **Office Held as at 31st March 2017** | **For Year to 31st March 2016** | **For Year to 31st March 2017** | **As at 31st March 2017** | | **Difference from 31st March 2016** | |
| | | **(£)** | **(£)** | **Pension £000's** | **Lump Sum £000's** | **Pension £000's** | **Lump Sum £000's** |
| Willie Innes | Leader of the Council and Cabinet Spokesperson for Community Planning | 5,938 | 5,997 | 4 | 2 | - | - |
| Ludovic Broun-Lindsay | Provost | 4,454 | 4,498 | 3 | 1 | - | - |
| Jim Gillies (*) | Depute Provost | 4,454 | 4,498 | 3 | 1 | - | (1) |
| Michael Veitch | Depute Leader and Cabinet Spokesman Transport and Roads | 4,454 | 4,498 | 2 | - | 1 | - |
| John McMillan | Cabinet Spokesman for Economic Development and Tourism | 4,454 | 4,498 | 2 | - | 1 | - |
| Shamin Akhtar | Cabinet Spokesman for Education and Children's Wellbeing | 4,454 | 4,498 | 2 | - | 1 | - |
| Norman Hampshire | Cabinet Spokesman for Housing & Environment | 4,667 | 4,711 | 3 | 1 | - | - |
| Donald Grant (*) | Cabinet Spokesman for Health and Social Care | 4,454 | 4,498 | 3 | 1 | - | (1) |
| Total | | 37,329 | 37,696 | 22 | 6 | 3 | (2) |

(*) The accrued lump sum pension benefits for both councillors were overstated by £1k as at 31/3/16.

## Pension Benefits -Senior Employees

The estimated pension entitlements for senior employees for the year to 31 March 2017 are shown in the table below, together with the contribution made by the Council during the year.

| Office Held as at 31st March 2017 | | Pension Contributions: For Year to 31st March 2016 (£) | Pension Contributions: For Year to 31st March 2017 (£) | Accrued Pension Benefits: As at 31st March 2017 Pension £000's | Accrued Pension Benefits: As at 31st March 2017 Lump Sum £000's | Accrued Pension Benefits: Difference from 31st March 2016 Pension £000's | Accrued Pension Benefits: Difference from 31st March 2016 Lump Sum £000's |
|---|---|---|---|---|---|---|---|
| Angela Leitch | Chief Executive | 23,990 | 24,230 | 51 | 106 | 3 | 1 |
| Angela Leitch | Returning Officer | 660 | 699 | - | - | - | - |
| Monica Patterson | Depute Chief Executive-Partnership & Services for Communities | 20,807 | 21,015 | 47 | 98 | 3 | 1 |
| Alex McCrorie (*) | Depute Chief Executive-Resources & People Services | - | - | - | - | - | - |
| Sharon Saunders | Head of Children & Adult Services | 18,153 | 18,335 | 31 | 57 | 2 | - |
| Darrin Nightingale | Head of Education (until 1/11/15) | 10,589 | - | - | - | - | - |
| Douglas Proudfoot | Head of Development (Acting head from 21/7/14 to 21/6/15) | 18,153 | 18,335 | 31 | 71 | 2 | 1 |
| Ray Montgomery | Head of Infrastructure | 18,153 | 18,335 | 37 | 73 | 3 | - |
| Thomas Shearer | Head of Communities & Partnerships | 18,153 | 18,335 | 45 | 98 | 2 | 1 |
| Jim Lamond | Head of Council Resources | 18,153 | 18,335 | 35 | 70 | 2 | 1 |
| Total | | 146,811 | 137,619 | 277 | 573 | 17 | 5 |

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

## Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below for 2016/17, with comparative figures for 2015/16.

**Comparative Exit Packages 2015/16**

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

**Exit Packages 2016/17**

| Cost Banding | Number of Compulsory Redundancies | Number of Other Departures Agreed | Total Number by Cost Band | Total Cost of Exit Packages £000's |
|---|---|---|---|---|
| £0 - £20,000 | 5 | 1 | 6 | 27 |
| £20,001 - £40,000 | - | - | - | - |
| £40,001 - £60,000 | - | - | - | - |
| £60,001 - £80,000 | - | - | - | - |
| £80,001 - £100,000 | - | - | - | - |
| £100,001 - £150,000 | - | - | - | - |
| £150,001-£200,000 | - | - | - | - |
| Total | 5 | 1 | 6 | 27 |

| | | |
|---|---|---|
| Angela Leitch | Willie Innes | Jim Lamond (CPFA) |
| Chief Executive | Council Leader | Head of Council Resources (CFO) |
| September 2017 | September 2017 | September 2017 |

## 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 2016**

| | General Fund Balance £000's | Capital Receipts Reserve £000's | Insurance Fund £000's | Housing Revenue Account £000's | Housing Capital Fund £000's | **Total Usable Reserves £000's** | **Unusable Reserves £000's** | **Total Authority Reserves £000's** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2015 carried forward** | **(16,653)** | **-** | **(1,395)** | **(4,041)** | **(2,589)** | **(24,678)** | **(205,913)** | **(230,591)** |
| Movement in reserves during 2015/16 | | | | | | | | |
| Deficit on provision of services | 17,798 | - | - | 2,254 | - | **20,052** | - | 20,052 |
| Other Comprehensive Expenditure and Income | - | - | - | - | - | - | (185,026) | (185,026) |
| **Total Comprehensive Expenditure and Income** | **17,798** | **-** | **-** | **2,254** | **-** | **20,052** | **(185,026)** | **(164,974)** |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | (21,929) | - | - | (3,872) | - | (25,801) | 25,801 | - |
| **Net (Increase)/Decrease before Transfers to Other Statutory Reserves** | **(4,131)** | **-** | **-** | **(1,618)** | **-** | **(5,749)** | **(159,225)** | **(164,974)** |
| Transfers to/from Earmarked Reserves | (667) | - | (328) | 995 | - | - | - | - |
| Housing Revenue Account | (995) | - | - | 995 | - | - | - | - |
| Capital Funds | - | - | - | - | - | - | - | - |
| Insurance Fund | 328 | - | (328) | - | - | - | - | - |
| **(Increase)/Decrease in Year** | **(4,798)** | **-** | **(328)** | **(623)** | **-** | **(5,749)** | **(159,225)** | **(164,974)** |
| **Balance at 31 March 2016 carried forward** | **(21,451)** | **-** | **(1,723)** | **(4,664)** | **(2,589)** | **(30,427)** | **(365,138)** | **(395,565)** |

**For the year ended 31 March 2017**

| | General Fund Balance £000's | Capital Receipts Reserve £000's | Insurance Fund £000's | Housing Revenue Account £000's | Housing Capital Fund £000's | **Total Usable Reserves £000's** | **Unusable Reserves £000's** | **Total Authority Reserves £000's** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2016 carried forward** | **(21,451)** | **-** | **(1,723)** | **(4,664)** | **(2,589)** | **(30,427)** | **(365,138) -** | **(395,565)** |
| Movement in reserves during 2016/17 | | | | | | | | |
| Deficit on provision of services | 9,784 | - | - | 9,522 | - | **19,306** | - | 19,306 |
| Other Comprehensive Expenditure and Income | - | - | - | - | - | - | 65,802 | 65,802 |
| **Total Comprehensive Expenditure and Income** | **9,784** | **-** | **-** | **9,522** | **-** | **19,306** | **65,802** | **85,108** |
| Adjustments between accounting basis & funding basis under regulations (Note 6) | (5,754) | - | - | (11,404) | 2,589 | (14,569) | 14,569 | - |
| **Net (Increase)/Decrease before Transfers to Other Statutory Reserves** | **4,030** | **-** | **-** | **(1,882)** | **2,589** | **4,737** | **80,371** | **85,108** |
| Transfers to/from Earmarked Reserves | (1,495) | - | - | 1,495 | - | - | - | - |
| Housing Revenue Account | (1,495) | - | - | 1,495 | - | - | - | - |
| **(Increase)/Decrease in Year** | **2,535** | **-** | **-** | **(387)** | **2,589** | **4,737** | **80,371** | **85,108** |
| **Balance at 31 March 2017 carried forward** | **(18,916)** | **-** | **(1,723)** | **(5,051)** | **-** | **(25,690)** | **(284,767)** | **(310,457)** |

## 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.

| | 2015/16 | | | | 2016/17 | |
|---|---|---|---|---|---|---|
| **Gross Spend £000's** | **Gross Income £000's** | **Net Spend £000's** | | **Gross Spend £000's** | **Gross Income £000's** | **Net Spend £000's** |
| 111,963 | (4,628) | 107,335 | Resources & People Directorate | 111,884 | (4,801) | 107,083 |
| 79,293 | (10,010) | 69,283 | Health & Social Care Partnership | 73,150 | (13,874) | 59,276 |
| 71,914 | (13,198) | 58,716 | Partnership & Community Directorate | 68,107 | (13,875) | 54,232 |
| 27,352 | (26,609) | 743 | Corporate and Central Services | 24,522 | (23,458) | 1,064 |
| 25,461 | (25,594) | (133) | HRA | 36,519 | (27,017) | 9,502 |
| **315,983** | **(80,039)** | **235,944** | **Cost of Services** | **314,182** | **(83,025)** | **231,157** |
| | | (547) | (Gains)/Losses on the Disposal of Non Current Assets | | | (3,460) |
| | | 16,487 | Interest Payable and Similar charges | | | 16,477 |
| | | (507) | Interest Receivable and Similar Income | | | (531) |
| | | 5,582 | Interest Expense on Pension Defined Benefit Obligation | | | 4,066 |
| | | (236,907) | Taxation and Non Specific Grant Income (Note 7) | | | (228,403) |
| | | **20,052** | **(Surplus) / Deficit on Provision of Services** | | | **19,306** |
| | | (116,543) | (Surplus) or Deficit on Revaluation of Non-Current Assets | | | 9,020 |
| | | (1,005) | (Surplus) or Deficit on Revaluation of Available for Sale Financial Instruments | | | 146 |
| | | (67,478) | Actuarial (Gain) or Loss on Pension Assets/Liabilities | | | 56,636 |
| | | **(185,026)** | **Other Comprehensive Income and Expenditure** | | | **65,802** |
| | | **(164,974)** | **Total Comprehensive Income and Expenditure** | | | **85,108** |

## 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 2016 £000's | | Note | 31 March 2017 £000's |
|---|---|---|---|
| 899,749 | Property, Plant & Equipment | 12 | 882,865 |
| 801 | Heritage Assets | 14 | 1,052 |
| 3,770 | Long Term Investments | 20 | 3,625 |
| 11,454 | Long Term Debtors | 21 | 11,224 |
| **915,774** | **Long Term Assets** | | **898,766** |
| 2 | Short Term Investments | | 20 |
| 898 | Assets Held for Sale | 15 | 770 |
| 622 | Inventories | | 897 |
| 27,434 | Short Term Debtors | 22 | 25,555 |
| (12,026) | Bad & Doubtful Debt Provision | 22 | (11,885) |
| 5,881 | Cash and Cash Equivalents | | 12,175 |
| **22,811** | **Current Assets** | | **27,532** |
| (14,658) | Short Term Borrowing | 23 | (9,734) |
| (28,200) | Short Term Creditors | 24 | (28,237) |
| **(42,858)** | **Current Liabilities** | | **(37,971)** |
| (4,306) | Provisions | 25 | (4,726) |
| (325,119) | Long Term Borrowing | 23 | (337,141) |
| (170,657) | Other Long Term Liabilities | 26 | (235,855) |
| (80) | Capital Grants Receipts in Advance | 32 | (148) |
| **(500,162)** | **Long Term Liabilities** | | **(577,870)** |
| **395,565** | **Net Assets** | | **310,457** |
| (30,427) | Usable Reserves | 28 | (25,690) |
| (365,138) | Unusable Reserves | 29 | (284,767) |
| **(395,565)** | **Total Reserves** | | **(310,457)** |

The unaudited accounts were issued on 30th June 2017 and were authorised for issue on September 2017.

Jim Lamond (CPFA)
Head of Council Resources (CFO)
September 2017

## 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.

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| 20,052 | Net deficit/surplus on the provision of services | 19,306 |
| (63,129) | Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 33) | (58,713) |
| 24,539 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 34) | 23,104 |
| (18,538) | Net Cash flow from Operating Activities | (16,303) |
| | **Investing Activities** | |
| 50,486 | Purchase of property, plant and equipment | 41,905 |
| (439) | Proceeds from short term investments | (472) |
| (26,912) | Other receipts from investing activities | (17,973) |
| (3,682) | Proceeds from the sale of property, plant and equipment | (6,906) |
| 19,453 | Net cash flows from investing activities | 16,554 |
| | **Financing Activities** | |
| (21,916) | Cash receipts of short and long term borrowing | (20,684) |
| 1,060 | Cash payments for the reduction of the outstanding liability relating to finance lease and on-Balance Sheet PFI contracts | 1,187 |
| 19,310 | Repayments of short and long term borrowing | 12,919 |
| 3,400 | New loans made | 33 |
| 1,854 | Net cash flow from financing activities | (6,545) |
| 2,769 | Net decrease or (increase) in cash and cash equivalents | (6,294) |
| (8,650) | Cash and cash equivalents at the beginning of the reporting period | (5,881) |
| (5,881) | Cash and cash equivalents at the end of the reporting period | (12,175) |

# Notes to the Accounts

## Note 1 General Accounting Policies

### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 require to be in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

### ii. Accruals of Income and Expenditure

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

In particular:

- Revenues from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenues from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefit or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

### iii. Cash and Cash Equivalents

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

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

### iv. Charges to Revenue for Non Current Assets

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

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

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue to contribute towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance or the Statutory Repayment of Loans Fund Advances (Scotland). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### v. Employee Benefits

**Benefits Payable during Employment**

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

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

**Post Employment Benefits**

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

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

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

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

**The Local Government Pension Scheme**

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

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

- Liabilities are discounted to their value at current prices, using a discount rate of 2.6%
- The assets of the Lothian Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value :
  - Quoted securities - current bid price
  - Unquoted securities - professional estimate
  - Unitised securities - current bid price
  - Property - market value.

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

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past service cost – the increase in liabilities is a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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

- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in the net interest on the net defined liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - Contributions paid to the Lothian Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

**Discretionary Benefits**

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

## vi. Financial Instruments

**Financial Liabilities**

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

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

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

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

## vii. Financial Assets

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets -assets that have a quoted market price and/or do not have fixed or determinable payments.

**Loans and Receivables**

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

Where 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 Assets**

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

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

- Instruments with quoted market prices – market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss 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 effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment amortisation).

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

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

### viii. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is a reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 and Expenditure (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.

**Business Improvement Districts**

A business Improvement District (BID) scheme applies across the whole of the Authority. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

### ix. Interests in Companies and Other Entities

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

### x. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the (FIFO/weight average costing formula.

### xi. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

### xii. Leases

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

**The Authority as Lessee**

**Finance Leases**

Property, plant and equipment held under finance leases is recognised in the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception or the present value of the minimum lease payments if lower. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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 debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

**Operating leases**

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

**The Authority as lessor**

**Operating Leases**

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

## xiii. 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 Authority's arrangements for accountability and financial performance.

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

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

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

## xiv. Property, Plant and Equipment

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

**Recognition**

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

**Measurement**

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

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

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

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

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

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

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

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

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

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

**Impairment**

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

Where impairment losses are identified, they are accounted for by:

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

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

**Depreciation**

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

Deprecation is calculated on the following bases:

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

The estimated useful lives are as follows.

| | |
|---|---|
| Council Dwellings | 25-26 years |
| Council Garages | 12 years |
| Other Land and Buildings | 10-60 years |
| Vehicles, Plant, Furniture & Equipment | 1-25 years |
| Infrastructure | 1-25 years |
| Community Assets | 12-50 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 Other Operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is 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.

### xv. 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.

### xvi. Provisions

#### Provisions

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

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

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

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

## xvii. 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.

## xviii. 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.

## xix. 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.

## xx. Fair Value Measurement

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

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

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

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

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

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

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

## Note 2 Accounting Standards Not Yet Adopted

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

- IFRS 9 – Financial Instruments. This standard has been issued by the IASB with an effective date of 1st January 2018. It is therefore currently anticipated to be adopted in the 2018/19 code subject to EU adoption of the Standard by the effective date for that Code. This Standard is unlikely to have a financial impact on the Council as we do not hold investments which would fall within the available-for-sale class of financial assets.
- IFRS 15 – Revenue from Contracts with Customers. This Standard is effective from 1st January 2018 and is therefore expected to apply to Local Authorities from 2018/19 (subject to EU adoption in time for the 2018/19 Code). This Standard is unlikely to have a financial impact on the Council as for many contracts the accounting for revenue will remain unchanged. IFRS 15 will however introduce substantial new disclosure requirements for material transactions.
- IFRS 16 – Leases. This standard has an effective date of 1st January 2019 which means that, subject to CIPFA/LASAAC's considerations of the applicability to local authorities (and EU adoption), it will be adopted in the Code in the 2019/20 financial year. The Standard establishes a new accounting model for lessees in which all leases for substantial assets for more than 12 months will be accounted for by recognising a "right to use" asset on the Balance Sheet, together with a liability for the present value of the unavoidable lease payments. In overall terms, this means that leases currently accounted for as operating leases would be treated similarly to finance leases, but recognising only a proportion of the asset's overall value.
- The decision was taken on the 8th of March 2017 that the introduction of the Highways Network Asset Code into the Financial Reporting requirements for Local Authorities would not be proceeding. It was noted that further consideration will be given to the implementation of the Code if clear evidence that the benefits outweigh the costs for Local Authorities can be determined.

## Note 3 Critical Judgements Applied

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

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

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

- The implementation of the Expenditure and Finding Analysis has required the Comprehensive Income and Expenditure Statement to be based on the Council's organisational structure. The previous year's Comprehensive Income and Expenditure Statement has been restated for comparator purposes. This change has not been deemed as a prior year adjustment as there is no impact on the amount reported last year.

## Note 4 Future Assumptions

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming year are as follows;

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| **Pensions Liability** | Estimation of the net liability to pay pensions depends on a number of complex judgements including the discount rate chosen, the rate of salary increase, changes in retirement ages and mortality rates and expected returns on pension fund assets. The actual figure has proved to be variable over time and more detail regarding this has been referred to in Note 27. | If actual results are different from assumptions there is the potential for a significant change – either increasing or decreasing the potential liability. |
| **Property, Plant and Equipment** | Assets are valued and depreciated over their useful lives in line with advice taken from external and internal valuers. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. |
| **Debtors** | At 31 March 2017 the Council had balances of £8.5 million relating to Council Tax debt and £3.2 million relating to Council House rent debt. The Council believes it has provided for the potential of doubtful debts. However, it is possible that future economic conditions could have a detrimental impact on collection rates. | If collection rates were to deteriorate then there would be deterioration in cash inflows and the potential that income would not be realisable. |
| **Fair Value Measurements** | When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities.<br>Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. valuers).<br>Further information on fair value measurement is disclosed in Note 1. | The authority uses quoted prices for similar assets or liabilities in active markets to measure the fair value of some of its non-financial assets.<br>If the authority had to refer to unobservable inputs to measure fair value, any significant changes to these unobservable inputs would result in a significantly lower or higher fair value measurement. |

## Note 5 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2015-16 | Expenditure chargeable to Usable Reserves | | Adjustments between Funding & Accounting Basis | | Net Expenditure in the CIES | | Expenditure chargeable to Usable Reserves | Adjustments between Funding & Accounting Basis | Net Expenditure in the CIES |
|---|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| | GF | HRA | GF | HRA | GF | HRA | GF and HRA combined | | |
| Resources & People Directorate | 89,594 | - | 17,741 | - | 107,335 | - | - | - | - |
| Health & Social Care Partnership | 60,134 | - | 9,149 | - | 69,283 | - | - | - | - |
| Partnership & Community Directorate | 41,041 | - | 17,675 | - | 58,716 | - | - | - | - |
| Corporate and Central Services | 11,321 | - | (10,578) | - | 743 | - | - | - | - |
| HRA | - | (7,331) | - | 7,198 | - | (133) | - | - | - |
| **Net Cost of Service** | **202,090** | **(7,331)** | **33,987** | **7,198** | **236,077** | **(133)** | 194,759 | 41,185 | 235,944 |
| **Other Income & Expenditure** | (206,221) | 5,713 | (12,058) | (3,326) | (218,279) | 2,387 | (200,508) | (15,384) | (215,892) |
| **Surplus/Deficit on Provision of Services** | **(4,131)** | **(1,618)** | **21,929** | **3,872** | **17,798** | **2,254** | (5,749) | 25,801 | 20,052 |
| **Opening General Fund and HRA Balance at 1 April 2015** | (16,653) | (6,630) | | | | | (23,283) | | |
| Transfer to/from reserves | (667) | 995 | | | | | 328 | | |
| In year use of reserves | (4,131) | (1,618) | | | | | (5,749) | | |
| **Closing General Fund and HRA Balance at 31 March 2016** | **(21,451)** | **(7,253)** | | | | | (28,704) | | |

| 2016-17 | Expenditure chargeable to Usable Reserves | | Adjustments between Funding & Accounting Basis | | Net Expenditure in the CIES | | Expenditure chargeable to Usable Reserves | Adjustments between Funding & Accounting Basis | Net Expenditure in the CIES |
|---|---|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| | GF | HRA | GF | HRA | GF | HRA | GF and HRA combined | | |
| Resources & People Directorate | 94,562 | - | 12,521 | - | 107,083 | - | - | - | - |
| Health & Social Care Partnership | 57,989 | - | 1,287 | - | 59,276 | - | - | - | - |
| Partnership & Community Directorate | 41,895 | - | 12,337 | - | 54,232 | - | - | - | - |
| Corporate and Central Services | 12,297 | - | (11,233) | - | 1,064 | - | - | - | - |
| HRA | - | (5,274) | - | 14,776 | | 9,502 | - | - | - |
| **Net Cost of Service** | **206,743** | **(5,274)** | **14,912** | **14,776** | **221,655** | **9,502** | 201,469 | 29,688 | 231,157 |
| **Other Income & Expenditure** | (202,713) | 5,981 | (9,158) | (5,961) | (211,871) | 20 | (196,732) | (15,119) | (211,851) |
| **Surplus/Deficit on Provision of Services** | **4,030** | **707** | **5,754** | **8,815** | **9,784** | **9,522** | 4,737 | 14,569 | 19,306 |
| **Opening General Fund and HRA Balance at 1 April 2016** | (21,451) | (7,253) | | | | | (28,704) | | |
| Transfer to/from reserves | (1,495) | 1,495 | | | | | - | | |
| In year use of reserves | 4,030 | 707 | | | | | 4,737 | | |
| **Closing General Fund and HRA Balance at 31 March 2017** | **(18,916)** | **(5,051)** | | | | | (23,967) | | |

**2015-16**

| **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement** | **Adjustments between accounting basis and funding basis** | | | |
|---|---|---|---|---|
| | **Adjustment for capital purposes £000's** | **Net change for pension adjustment £000's** | **Other differences £000's** | **Total Adjustments £000's** |
| Resources & People Directorate | 16,622 | 1,248 | (129) | 17,741 |
| Health & Social Care Partnership | 7,961 | 1,188 | - | 9,149 |
| Partnership & Community Directorate | 15,395 | 2,280 | - | 17,675 |
| Corporate and Central Services | (10,584) | 6 | - | (10,578) |
| HRA | 7,057 | 141 | - | 7,198 |
| **Net Cost of Service** | 36,451 | 4,863 | (129) | 41,185 |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (20,966) | 5,582 | - | (15,384) |
| **Comprehensive Income and Exenditure Statement surplus/deficit** | 15,485 | 10,445 | (129) | 25,801 |

**2016-17**

| **Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement** | **Adjustments between accounting basis and funding basis** | | | |
|---|---|---|---|---|
| | **Adjustment for capital purposes £000's** | **Net change for pension adjustment £000's** | **Other differences £000's** | **Total Adjustments £000's** |
| Resources & People Directorate | 11,913 | 667 | (59) | 12,521 |
| Health & Social Care Partnership | 667 | 620 | - | 1,287 |
| Partnership & Community Directorate | 11,167 | 1,170 | - | 12,337 |
| Corporate and Central Services | (11,239) | 6 | - | (11,233) |
| HRA | 14,698 | 78 | - | 14,776 |
| **Net Cost of Service** | 27,206 | 2,541 | (59) | 29,688 |
| Other Income & Expenditure from the Expenditure and Funding Analysis | (19,185) | 4,066 | - | (15,119) |
| **Comprehensive Income and Exenditure Statement surplus/deficit** | 8,021 | 6,607 | (59) | 14,569 |

## Note 6 Adjustments between Accounting and Funding Basis under Regulations

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

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

| **2016/17** | General Fund Balance **£000's** | Housing Revenue Account **£000's** | Capital Receipts Reserve **£000's** | Insurance Fund **£000's** | Capital Fund **£000's** | **Movement in Usable Reserves £000's** |
|---|---|---|---|---|---|---|
| Depreciation (charged to the Surplus or Deficit on the Provision of Services) of non-current assets | (25,234) | (10,626) | - | - | - | **(35,860)** |
| Impairment and revaluation losses (charged to the Surplus or Deficit on the Provision of Services) of non-current assets | - | (10,335) | - | - | - | **(10,335)** |
| Capital grant and contributions applied | 12,870 | 2,856 | - | - | - | **15,726** |
| Differences re finance leases,stepped loans, premiums and discounts | 319 | - | - | - | - | **319** |
| Profit on sale of non-current assets | 211 | 3,249 | - | - | - | **3,460** |
| Statutory Provision relating to PPP | 1,398 | - | - | - | - | **1,398** |
| Net retirement benefits per IAS19 | (20,337) | (732) | - | - | - | **(21,069)** |
| Employee - Statutory Adjustments | 59 | - | - | - | - | **59** |
| Items not debited or credited to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | **-** |
| Loans Fund principal repayments and statutory premia | 11,008 | 3,063 | - | - | - | **14,071** |
| Employer's contributions payable to the Lothian Pension Fund | 13,952 | 510 | - | - | - | **14,462** |
| Capital expenditure charged against the General Fund and HRA balances | - | 3,200 | - | - | - | **3,200** |
| **Total Adjustments** | (5,754) | (8,815) | - | - | - | **(14,569)** |

## Note 7 Taxation and Non-Specific Grant Income

Grant Income can take many forms paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to East Lothian Council when there is an assurance that the council will comply with the necessary conditions attached to these payments. East Lothian Council credited the following grants, contributions and taxation income to the Comprehensive Income & Expenditure Statement:-

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| (42,790) | Council Tax | (43,937) |
| (26,079) | Non domestic rates | (24,370) |
| (147,620) | Non ringfenced government grants | (144,370) |
| (20,418) | Capital grants and contributions | (15,726) |
| (236,907) | Total | (228,403) |

## Note 8 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 £0.906 million.

| | 2014/15 £000's | 2015/16 £000's | 2016/17 £000's |
|---|---|---|---|
| Turnover | 8,480 | 8,749 | 9,057 |
| Surplus/(Deficit) | 360 | 127 | 419 |
| 3-year Cumulative Surplus | | | **906** |

**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. The cumulative position over the last three years is now a surplus of £1.253 million.

| | 2014/15 £000's | 2015/16 £000's | 2016/17 £000's |
|---|---|---|---|
| Turnover | 10,068 | 10,614 | 10,880 |
| Surplus/(Deficit) | 650 | 116 | 487 |
| 3-year Cumulative Surplus | | | **1,253** |

**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 £1.923 million and has met the statutory target.

| | 2014/15 £000's | 2015/16 £000's | 2016/17 £000's |
|---|---|---|---|
| Turnover | 6,786 | 7,221 | 6,131 |
| Surplus/(Deficit) | 731 | 529 | 663 |
| 3-year Cumulative Surplus | | | **1,923** |

## Note 9 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 2016/17 £17m (2015/16: £16.9m) 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 10 Related Parties

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

**Central Government**

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

**Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown in the Remuneration Report.

East Lothian Council approved Community Partnership Funding for 2016/17 of £2,195,556 and Area Partnership funding of £950,000. Adult Wellbeing payments to Voluntary Organisations of £659,798 were also approved. Of these amounts Partnership funding of £1,204,000 and £257,000 of Adult wellbeing payments were awarded to organisations in which Members have representation.

Further grants of £20,000 were awarded to organisations in which Members have representation.

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

| Name of Organisation | Partnership Funding £000's | Adult Wellbeing £000's | Other Grants £000's | Total Amount Awarded £000's |
|---|---|---|---|---|
| Anti-bullying East Lothian | 79 | - | - | 79 |
| Coastal Communities Museum Trust | 8 | - | - | 8 |
| Dunbar & District Twinning Association | - | - | 1 | 1 |
| Dunbar Community Development Company | 58 | - | - | 58 |
| Dunbar Day Centre | 1 | 52 | - | 53 |
| East Lothian Advice Consortium (note 1) | 527 | - | - | 527 |
| East Lothian Voluntary Organisation Network (now STRiVE) (note 2) | 14 | 28 | - | 42 |
| First Step | 226 | - | - | 226 |
| Fisherrow Trust | 30 | - | - | 30 |
| Haddington Garden Trust | 10 | - | - | 10 |
| Harlawhill Day Centre | - | 106 | - | 106 |
| Haddington Twinning Association | - | - | 1 | 1 |
| Hollies Day Centre | - | 71 | - | 71 |
| Lamp of Lothian Trust | 20 | - | 14 | 34 |
| Lothian Miners Convalescent Home | 7 | - | - | 7 |
| Musselburgh Twinning Association | - | - | 2 | 2 |
| Pennypit Trust | 168 | - | - | 168 |
| The Bridge Centre | 56 | - | - | 56 |
| Tranent Family Fireworks | - | - | 2 | 2 |
| | 1,204 | 257 | 20 | 1,481 |

Note 1 - Haddington Citizens Advice Bureau & Musslbrugh Citizens Advice Bureau were previously listed seperately, these now come under East Lothian Advice Consortium

Note 2 -East Lothian Voluntary Organisation Network changed its name to STRiVE and no longer requires elected member representation, this organisation will not be included for 2017-18

**Entities Controlled or Significantly Influenced by the Council**

| Entity | Nature of Related Party Relationship | Payments in the year 2015/16 £000's | Payments in the year 2016/17 £000's | Nature of transactions | Position at year-end 2015/16 Debtor Balances £000's | Position at year-end 2015/16 Creditor Balances £000's | Position at year-end 2016/17 Debtor Balances £000's | Position at year-end 2016/17 Creditor Balances £000's |
|---|---|---|---|---|---|---|---|---|
| Enjoy East Lothian Limited | Charitable organisation registered with Office of Scottish Charity Regulators | 2420 | 2,320 | Payment for provision of leisure services | 63 | - | 48 | - |
| East Lothian Investments | Company set up under the Companies Act 2006 with aim of encouraging enterprise and commercial activity | - | - | Loans provided to company | 4 | - | - | - |
| Brunton Theatre Trust | Charitable organisation registered with Office of Scottish Charity Regulators | 455 | 455 | Payment for provision of arts/cultural services | - | (295) | - | (433) |
| Common Goods | Council manages assets of historic burghs in line with statute | - | - | Cash balances relating to normal operations | - | (2,410) | - | (2,811) |
| Musselburgh Joint Racing Committee | Unincorporated organisation which organises racing on Musselburgh Links under Minute of Agreement with Council. | - | - | Cash balances relating to normal operations | 317 | - | 309 | - |
| 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 | - | (1,245) | - | (1,355) |
| Joint Boards | Statutory bodies set up by Scottish Ministers | 669 | 669 | Payments to run valuation services | - | - | - | - |

## Integration Joint Board

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

During 2016/17 the Council incurred Chief Officer costs of £31,528 and audit fees of £9,000 relating to the operation of the IJB.

The Chief Officer costs are included in the remuneration report cost for the Director of East Lothian Health and Social Care Partnership post. The audit costs are part of the note 11 figure below.

## Note 11 Audit Costs

Audit Scotland has been appointed as the Council’s external auditor by the Accounts Commission.

| Audit Fee | 2015/16 £000's | 2016/17 £000's |
|---|---|---|
| Statutory Audit Fee | 245 | 245 |

## Note 12 Property Plant and Equipment Movements

| Movements in 2015/16 | Council Dwellings £000's | Other land and buildings £000's | Vehicles, Plant, Furniture & Equipment £000's | Infra-structure Assets £000's | Comm-unity Assets £000's | Surplus Assets £000's | Assets Under Con-struction £000's | Total Property, Plant and Equipment £000's | PFI Assets Included in PPE £000's |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| At 1 April 2015 | 340,527 | 417,363 | 39,103 | 81,352 | 18,260 | 47 | 3,105 | **899,757** | 95,871 |
| Additions | 19,612 | 16,566 | 3,773 | 7,010 | 370 | - | 2,408 | **49,739** | 478 |
| Acc Dep & Imp WO to GCA | - | (53,950) | - | - | (106) | - | - | **(54,056)** | (14,775) |
| Revaluation increases recognised in the Revaluation Reserve | 106 | 116,031 | - | - | 114 | 125 | - | **116,376** | 44,701 |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | - | (16,259) | - | - | - | - | (1,377) | **(17,636)** | (4,505) |
| Derecognition - Disposals | (2,460) | - | (92) | - | - | (37) | - | **(2,589)** | - |
| Asset reclassified (to) Held for Sale | - | (112) | - | - | - | 1,220 | - | **1,108** | - |
| Other Movements in cost or valuation | (512) | 926 | - | - | (1,301) | 887 | - | - | - |
| **At 31 March 2016** | **357,273** | **480,565** | **42,784** | **88,362** | **17,337** | **2,242** | **4,136** | **992,699** | **121,770** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| At 1 April 2015 | (9,770) | (48,080) | (30,741) | (22,879) | (2,858) | - | (6) | **(114,334)** | (11,750) |
| Depreciation Charge | (9,723) | (14,822) | (3,434) | (3,845) | (287) | - | - | **(32,111)** | (3,025) |
| Acc Dep & Imp WO to GCA | - | 53,949 | - | - | 106 | - | - | **54,055** | 14,775 |
| Impairment (reversals) recognised in the Revaluation Reserve | (6) | (186) | - | - | - | - | - | **(192)** | - |
| Depreciation written out to the Surplus/Deficit on the provision of services | (22) | - | - | - | - | - | - | **(22)** | - |
| Impairment (reversals) recognised in the Deficit on the Provision of Services | - | (500) | - | - | - | - | - | **(500)** | - |
| Derecognition - Disposals | 49 | - | 82 | - | - | - | 1 | **132** | - |
| Impairments | - | - | - | - | - | - | - | - | - |
| Other movements in depreciation or | - | 22 | | | | | | **22** | - |
| Other movements in depreciation or | (5) | (151) | - | - | 151 | - | 5 | - | - |
| **At 31 March 2016** | **(19,477)** | **(9,768)** | **(34,093)** | **(26,724)** | **(2,888)** | **-** | **-** | **(92,950)** | **-** |
| **Net Book Value** | | | | | | | | | |
| At 31 March 2016 | 337,796 | 470,797 | 8,691 | 61,638 | 14,449 | 2,242 | 4,136 | **899,749** | 121,770 |
| At 1 April 2015 | 330,757 | 369,283 | 8,362 | 58,473 | 15,402 | 47 | 3,099 | **785,423** | 84,121 |

| Movements in 2016/17 | Council Dwellings £000's | Other land and buildings £000's | Vehicles, Plant, Furniture & Equipment £000's | Infra-structure Assets £000's | Comm-unity Assets £000's | Surplus Assets £000's | Assets Under Con-struction £000's | Total Property, Plant and Equipment £000's | PFI Assets Included in PPE £000's |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| At 1 April 2016 | 357,273 | 480,565 | 42,784 | 88,362 | 17,337 | 2,242 | 4,136 | **992,699** | 121,770 |
| Additions | 22,716 | 13,335 | 3,647 | 102 | 712 | - | 1,391 | **41,903** | 1,546 |
| Acc Dep & Imp WO to GCA | - | - | - | - | - | - | - | - | - |
| Revaluation increases recognised in the Revaluation Reserve | - | - | - | - | - | - | - | - | - |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Derecognition - Disposals | (3,616) | - | (120) | - | - | - | - | **(3,736)** | - |
| Asset reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - |
| Other Movements in cost or valuation | 2,737 | - | - | - | - | - | (2,737) | - | - |
| **At 31 March 2017** | **379,110** | **493,900** | **46,311** | **88,464** | **18,049** | **2,242** | **2,790** | **1,030,866** | **123,316** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| At 1 April 2016 | (19,477) | (9,768) | (34,093) | (26,724) | (2,888) | - | - | **(92,950)** | - |
| Depreciation Charge | (10,626) | (17,352) | (3,473) | (4,110) | (299) | - | - | **(35,860)** | (5,268) |
| Acc Dep & Imp WO to GCA | - | - | - | - | - | - | - | - | - |
| Impairment (reversals) recognised in the Revaluation Reserve | (9,108) | - | - | - | - | - | - | **(9,108)** | - |
| Depreciation written out to the Surplus/Deficit on the provision of services | - | - | - | - | - | - | - | - | - |
| Impairment (reversals) recognised in the Surplus/Deficit on the Provision of Services | (10,504) | - | - | - | - | - | - | **(10,504)** | - |
| Derecognition - Disposals | 322 | - | 99 | - | - | - | - | **421** | - |
| Impairments | - | - | - | - | - | - | - | - | - |
| Asset reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - |
| Other movements in depreciation or | 4 | - | - | - | - | - | (4) | - | - |
| **At 31 March 2017** | **(49,389)** | **(27,120)** | **(37,467)** | **(30,834)** | **(3,187)** | **-** | **(4)** | **(148,001)** | **(5,268)** |
| **Net Book Value** | | | | | | | | | |
| At 31 March 2017 | 329,721 | 466,780 | 8,844 | 57,630 | 14,862 | 2,242 | 2,786 | **882,865** | 118,048 |
| At 1 April 2016 | 337,796 | 470,797 | 8,691 | 61,638 | 14,449 | 2,242 | 4,136 | **899,749** | 121,770 |
| **Asset Manager Opening NBV 2016** | **337,796** | **470,797** | **8,691** | **61,638** | **14,449** | **2,242** | **4,136** | **899,749** | **121,770** |

## 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 | 25-26 years |
| Council Garages | 12 years |
| Other Land and Buildings | 10-60 years |
| Vehicles, Plant, Furniture & Equipment | 1-25 years |
| Infrastructure | 1-25 years |
| Community Assets | 12-50 years |

Assets under Construction are not depreciated.

### Capital Commitments

As at 31 March 2017, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to a value of £23.7m. Similar commitments in 2016/17 were £11.7 million. The gross commitments for the Council's major projects are:

| | 2016/17 £000's |
|---|---|
| Red School | 656 |
| Russell Walk Housing - HRA | 2,882 |
| Ormiston Pavilion | 679 |
| Wallyford Primary (HUB) | 19,490 |
| **TOTAL** | **23,707** |

### Revaluations

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

Details of previous and future valuation dates are provided below

| | Council Dwellings<br>Council Houses & Garages | Other Land & Buildings Non Operational<br>Industrial Lets etc | Other Land & Buildings Operational<br>Portfolio of schools, community centres etc |
|---|---|---|---|
| Date of last valuation | 31/03/2014 | 31/03/2015 | 31/03/2016 |
| Date of next valuation | 31/12/2018 | 31/12/2019 | 31/12/2020 |

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

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

- East Lothian Council has good and clear title to all the subjects under valuation;
- The appropriate planning consents are in place for the subjects to be used for their existing use;
- The subjects under valuation are in a state of repair and condition commensurate with their age;
- Mining operations nor any other environmental matters do not have a material impact on the valuations noted;
- No high alumina cement, asbestos, or other deleterious material was used in the construction of any property and that none has been subsequently incorporated;
- The properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good titles can be shown;
- The properties and their values are unaffected by any matters which would be revealed by a local search or inspection of any register and that the use and occupation are both legal;
- The inspection of those parts which have not been assessed would not cause an alteration in value;
- The land and properties are not contaminated nor adversely affected by radon.

## Note 14 Heritage Assets

| | 2015/16 Art Collection £000's | 2016/17 Art Collection £000's |
|---|---|---|
| **Cost or Valuation** | | |
| **Net carrying amount at the start of the year** | 605 | 801 |
| Additions | 196 | 164 |
| Revaluation increases recognised in the Revaluation Reserve | - | 87 |
| **Net carrying amount at end of year** | **801** | **1,052** |

## Note 15 Assets Held for Sale

| | 2015/16 £000's | 2016/17 £000's |
|---|---|---|
| **Balance outstanding at start of year** | **2,269** | **898** |
| Assets newly classified as held for sale | 89 | 71 |
| Assets declassified as held for sale | (1,220) | - |
| Assets sold | (240) | (199) |
| **Balance outstanding at end of the year** | **898** | **770** |

## 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 2016/17 was £0.18m (2015/16: £0.40m).

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

| | Minimum Lease Payments | |
|---|---|---|
| | **31 March 2016 £000's** | **31 March 2017 £000's** |
| Not later than one year | 358 | 253 |
| Later than one year and not later than five years | 800 | 133 |
| | 1,158 | 386 |

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 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| Other Land and Buildings | 14,007 | 13,533 |
| Vehicles, Plant, Furniture and Equipment | 204 | 185 |
| | 14,211 | 13,718 |

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 2016 | 31 March 2017 |
|---|---|---|
| | £000's | £000's |
| Finance lease liabilities (Net Present Value of Minimum Lease Payments) | | |
| Current | 55 | 57 |
| Non-Current | 1,108 | 1,014 |
| Finance costs payable in future years | 5,925 | 5,697 |
| Minimum Lease Payments | 7,088 | 6,768 |

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|---|---|---|---|
| | 31 March 2016 £000's | 31 March 2017 £000's | 31 March 2016 £000's | 31 March 2017 £000's |
| Not later than one year | 283 | 283 | 55 | 57 |
| Later than one year and not later than five years | 1,132 | 1,132 | 236 | 243 |
| Later than five years | 5,879 | 5,353 | 835 | 772 |
| | 7,294 | 6,768 | 1,126 | 1,072 |

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 2016/17 £14,700 in contingent rents were payable by the Council.

**Council as lessor**

Operating Leases

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

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

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

| | Minimum Lease Payments | |
|---|---|---|
| | 31 March 2016 £000's | 31 March 2017 £000's |
| Not later than one year | 1,785 | 1,963 |
| Later than one year and not later than five years | 2,676 | 2,602 |
| Later than five years | 23,609 | 24,631 |
| | 28,070 | 29,196 |

## 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 2017 are as follows:

| | Payment for Services | Reimbursement of Capital Expenditure | Interest | Total |
|---|---|---|---|---|
| | £000's | £000's | £000's | £000's |
| Payable in 2017/18 | 3,239 | 1,538 | 2,654 | 7,431 |
| Payable within 2-5 years | 14,356 | 5,705 | 9,662 | 29,723 |
| Payable within 6-10 years | 18,989 | 8,284 | 9,881 | 37,154 |
| Payable within 11-15 years | 17,141 | 13,346 | 6,666 | 37,153 |
| Payable within 16-20 years | 8,774 | 11,374 | 1,511 | 21,659 |
| Total | 62,499 | 40,247 | 30,374 | 133,120 |

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 2016 | 31 March 2017 |
|---|---|---|
| | £000's | £000's |
| Balance at start of year | 42,402 | 41,379 |
| Payments | (1,023) | (1,132) |
| Balance outstanding at year-end | 41,379 | 40,247 |

## Note 18 Capital Expenditure and Capital Financing

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

| | 31 March 2016 £000's | Re-stated 31 March 2016 £000's | 31 March 2017 £000's |
|---|---|---|---|
| **Opening Capital Financing Requirement** | **411,761** | **411,761** | **427,566** |
| | | | |
| **Capital Investment** | | | |
| Property , Plant and Equipment | 49,738 | 49,738 | 41,903 |
| Loans to Housing Associations | 3,550 | 3,550 | - |
| | | | |
| **Sources of finance** | | | |
| Capital receipts | (3,605) | (3,614) | (6,907) |
| Government grants | (16,801) | (16,801) | (13,472) |
| Other Contributions | (4,196) | (4,215) | (2,660) |
| Direct Revenue Contributions | (90) | (90) | (3,200) |
| Loans Fund | (14,017) | (12,763) | (15,258) |
| | | | |
| **Closing Capital Financing Requirement** | 426,340 | 427,566 | 427,972 |

## Note 19 Impairment Losses

During 2016/17 the Council recognised impairment losses totalling £10.335 million relating to non value adding enhancement of HRA assets. These impairment losses have been charged to as appropriate to within the Comprehensive Income and Expenditure Statement.

During 15/16 the Council recognised impairment losses totalling £18.137 million. The majority of this related to updated building valuations.

## Note 20 Long Term Investments

| | 31 March 2016 £000's | 31 March 2017 £000's | Details |
|---|---|---|---|
| Lothian Buses plc | 2,965 | 2,820 | 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 | 204 | 204 | The Council's interest, estimated as 40% was inherited from the former Lothian Investments Board. No dividends are received. |
| East Lothian Land | 601 | 601 | Set up in 2000 for the purpose of managing land to support economic development. The Council is the sole shareholder. No dividends are received. |
| Total | 3,770 | 3,625 | |

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 2016 £000's | 31 March 2017 £000's | Purpose |
|---|---|---|---|
| Public Private Partnerships - Prepaid lifecycle replacement costs | 772 | 691 | Prepaid lifecycle replacement costs - over 30 years |
| Private property owners - common repairs | 852 | 867 | Repairs to private property funded by secured ELC loans |
| Employees - car/other loans | 11 | 1 | Loans to employees repaid over 3-5 years |
| North Berwick Trust | - | - | Loan secured on land/Repaid 2015/16 |
| East Lothian Investments | 4 | - | Loan to be repaid over 3 years |
| East Lothian Housing Association | 9,801 | 9,651 | Loan secured on land and houses |
| Other | 14 | 14 | Loans secured on houses |
| Total | 11,454 | 11,224 | |

## 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 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| Central Government Bodies | 6,269 | 3,970 |
| Other local authorities | 765 | 1,030 |
| NHS bodies | 354 | 412 |
| Public corporations and trading funds | - | 6 |
| Other entities and individuals | 20,046 | 20,137 |
| Total | 27,434 | 25,555 |

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

| | 31 March 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| Taxpayers - Council Tax | (6,359) | (5,829) |
| Customers - Goods & Services | (3,025) | (3,142) |
| Tenants - Council House Rents | (2,642) | (2,914) |
| Total | (12,026) | (11,885) |

## 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 2016 | 31 March 2017 | 31 March 2016 | 31 March 2017 |
| | £000's | £000's | £000's | £000's |
| **Borrowings** | | | | |
| Financial liabilities (principal amount) | (324,005) | (336,034) | (13,158) | (8,211) |
| Accrued Interest | - | - | (1,500) | (1,523) |
| EIR & Finance Leases | (1,114) | (1,107) | - | - |
| **Total included in borrowings** | **(325,119)** | **(337,141)** | **(14,658)** | **(9,734)** |
| **Other Long term Liabilities** | | | | |
| PFI and finance lease liabilities | (41,319) | (39,724) | (1,186) | (1,595) |
| **Total other long term liabilities** | **(41,319)** | **(39,724)** | **(1,186)** | **(1,595)** |
| **Creditors** | | | | |
| Financial liabilities carried at contract amount | - | - | (28,200) | (28,237) |
| **Total creditors** | **-** | **-** | **(28,200)** | **(28,237)** |
| **Investments** | | | | |
| Available-for-sale financial assets | 3,771 | 3,625 | - | - |
| **Total investments** | **3,771** | **3,625** | **-** | **-** |
| **Debtors** | | | | |
| Loans and receivables | - | - | 2 | 20 |
| Financial assets carried at contract amounts | 11,454 | 11,224 | 27,434 | 25,555 |
| **Total debtors** | **11,454** | **11,224** | **27,436** | **25,575** |

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

## Financial Instruments Gains and Losses

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

**Financial Instruments Gains and Losses 2016/17**

| | Financial Liabilities | Financial Assets | | |
|---|---|---|---|---|
| | Liabilities measured at amortised cost | Loans and receivables | Available-for-sale assets | Total |
| | £000's | £000's | £000's | £000's |
| Interest expense | 2,729 | 13,748 | - | **16,477** |
| Fee expense | - | 7 | - | **7** |
| **Total expense in Surplus or Deficit on the Provision of Services** | **2,729** | **13,755** | **-** | **16,484** |
| Interest income | - | (531) | - | **(531)** |
| **Total income in Surplus or Deficit on the Provision of Services** | **-** | **(531)** | **-** | **(531)** |
| | | | | **-** |
| Net (Gains) / losses on revaluation | - | - | 146 | **146** |
| **Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure** | **-** | **-** | **146** | **146** |
| **Net gain/(loss) for the year** | **2,729** | **13,224** | **146** | **16,099** |

**Financial Instruments Gains and Losses 2015/16**

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

## Financial Liabilities and Financial Assets – Fair Value

As at 31st March 2017 the Council held £40.424m financial assets and £416.372m financial liabilities. The financial liabilities are held with PWLB, PFI and Market lenders. All of these borrowings were not quoted on an active market and a market valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in todays terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

| Financial Liabilities | 31 March 2016 | | 31 March 2017 | |
|---|---|---|---|---|
| | Carrying amount £000's | Fair value £000's | Carrying amount £000's | Fair value £000's |
| PWLB debt | 293,952 | 345,629 | 305,882 | 375,910 |
| Non-PWLB debt | 40,823 | 51,528 | 40,993 | 61,434 |
| Short term Borrowing | 5,000 | 5,001 | - | - |
| Short term creditors | 28,200 | 28,200 | 28,237 | 28,237 |
| Short term finance lease liability | 1,186 | 1,186 | 1,595 | 1,595 |
| Long term finance lease liability | 41,319 | 41,319 | 39,727 | 39,727 |
| **Total Liabilities** | **410,480** | **472,863** | **416,434** | **506,903** |

| Financial Assets | 31 March 2016 | | 31 March 2017 | |
|---|---|---|---|---|
| | Carrying amount £000's | Fair value £000's | Carrying amount £000's | Fair value £000's |
| Short term investments | 2 | 2 | 20 | 20 |
| Long term investments | 3,771 | 3,771 | 3,625 | 3,625 |
| Fair Value through the I&E | (1,005) | (1,005) | - | - |
| Short term debtors | 27,434 | 27,434 | 25,555 | 25,555 |
| Long term debtors | 11,454 | 11,454 | 11,224 | 11,224 |
| **Total Assets** | **41,656** | **41,656** | **40,424** | **40,424** |

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £375.91m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

## Key risks

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

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

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

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

## Credit risk

The Council does not generally allow credit for its customers, such that £4.934m of the £20.137m balance is past its due date for payment. The past due amount can be analysed by age as follows:

| | 31 March 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| Less Than Three Months (90 days) | 1,563 | 1,713 |
| Three To Six Months (91 - 182 days) | 351 | 177 |
| Six Months To One Year (183 - 365 days) | 315 | 113 |
| Greater Than One Year (greater than 365 days) | 2,506 | 2,931 |
| **Total** | **4,735** | **4,934** |

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

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2017 was £758k.

## Liquidity risk

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

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

All sums owing (£25.555m) are due to be paid in less than one year.

## Refinancing and Maturity risk

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

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

| | Approved minimum limits | Approved maximum limits | Approved maximum limits 2017 £000s | Actual 31 March 2016 £000s | Actual 31 March 2017 £000s |
|---|---|---|---|---|---|
| Less than 1 year | 0% | 20% | 70,430 | 13,158 | 8,211 |
| Between 1 and 2 years | 0% | 30% | 103,306 | 8,180 | 17,573 |
| Between 2 and 5 years | 0% | 40% | 137,742 | 52,409 | 55,644 |
| Between 5 and 10 years | 0% | 40% | 137,742 | 54,443 | 44,352 |
| More than 10 years | 0% | 75% | 258,266 | 208,971 | 218,467 |
| **Total** | | | | **337,161** | **344,247** |

## 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).

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

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

According to this assessment strategy, at 31 March 2017, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | March 2017 |
|---|---|
| | £000s |
| Increase in interest payable on variable rate borrowings | 132 |
| **Impact on Surplus or Deficit on the Provision of Services** | **132** |
| | |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | **48,076** |

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

### Price risk

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

However, it does have shareholdings to the value of £3.625m in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

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

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

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

### Foreign exchange risk

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

## Note 24 Short Term Creditors

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

| | 31 March 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| Central government bodies | (6,126) | (7,723) |
| Other local authorities | (2,595) | (2,414) |
| NHS bodies | (293) | (147) |
| Public corporations | (2) | (7) |
| Other entities and individuals | (19,184) | (17,946) |
| Total | (28,200) | (28,237) |

## Note 25 Provisions

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

| | Affordable Homes Development Fund £000's | Accumulated Absences Fund £000's | Municipal Mutual Fund £000's | Other Provision £000's | Total £000's |
|---|---|---|---|---|---|
| **Balance at 1 April 2015** | (248) | (3,523) | (186) | - | (3,957) |
| Provisions made in 2015/16 | (390) | (3,394) | - | (484) | (4,268) |
| Amounts used in 2015/16 | 319 | 3,523 | 77 | - | 3,919 |
| **Balance at 31 March 2016** | (319) | (3,394) | (109) | (484) | (4,306) |
| | | | | | |
| **Balance at 1 April 2016** | (319) | (3,394) | (109) | (484) | (4,306) |
| Provisions made in 2016/17 | (412) | - | - | (67) | (479) |
| Amounts used in 2016/17 | - | 59 | - | - | 59 |
| **Balance at 31 March 2017** | (731) | (3,335) | (109) | (551) | (4,726) |

### 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.

### Other Provision

A case has been lodged against the Authority.  A provision of £551,000 has been made for the possible settlement that the Authority will have to pay.

## Note 26 Long Term Liabilities

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

| | 31 March 2016 £000's | 31 March 2017 £000's | Details |
|---|---|---|---|
| Deferred Liabilities - Developers' Contributions | (13,281) | (15,229) | 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 | (450) | (416) | Income to be released over the lease period |
| Other | (612) | (711) | |
| PPP and Finance Lease Liabilities | (41,319) | (41,261) | This amount represents the outstanding obligations the Council has to make payments under finance and PFI leases. More details are provided at Note 16 and Note 17. |
| Net Pensions Liability | (114,995) | (178,238) | 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** | (170,657) | (235,855) | |

## Note 27 Defined Benefit Pension Schemes

### Participation in Pensions schemes

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

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

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

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

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

### Discretionary Post-retirement Benefits

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

### Transactions relating to retirement benefits

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

| | 2015/16 £000's | 2016/17 £000's |
|---|---|---|
| **Comprehensive Income and Expenditure Statement** | | |
| **Cost of Services comprising:** | | |
| Current service cost | 18,993 | 16,997 |
| Past service costs (including Curtailments) | 6 | 6 |
| (Gain)/Loss on Settlements | - | - |
| **Financing and Investment Income and Expenditure** | | |
| Net interest expense | 5,582 | 4,066 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 24,581 | 21,069 |
| | | |
| **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) | 7,474 | 86,283 |
| Actuarial gains and losses arising on changes in demographic assumptions | - | - |
| Actuarial gains and losses arising on changes in financial assumptions | 53,573 | (143,719) |
| Other remeasurement experience | 6,431 | 800 |
| Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement | 67,478 | (56,636) |
| **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. | 10,445 | 6,607 |
| | | |
| **Actual amount charged against the General Fund Balance for pensions in the year** | | |
| Employers Contributions Payable | 13,667 | 13,952 |

## 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:

| | 2015/16 £000's | 2016/17 £000's |
|---|---|---|
| **Pensions Assets and Liabilities Recognised in the Balance Sheet** | | |
| Present value of the defined benefit obligation | (566,444) | (732,394) |
| Fair value of plan assets | 451,449 | 554,156 |
| **Net liability arising from defined benefit obligation** | (114,995) | (178,238) |

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

| | 31 March 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| **Opening Fair Value of scheme assets** | 430,631 | 451,449 |
| Interest Income | 13,773 | 15,801 |
| Remeasurement gain/(loss): | | |
| Return on plan assets, excluding the amount included in the net interest expense | 7,474 | 86,283 |
| Contributions from employer | 14,136 | 14,462 |
| Contributions from employees into the scheme | 3,705 | 3,827 |
| Benefits paid | (18,270) | (17,666) |
| Closing Fair Value of Scheme Assets | 451,449 | 554,156 |

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

| | 31 March 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| **Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)** | | |
| Opening Balance at 1 April | (602,659) | (566,444) |
| Current Service Cost | (18,993) | (16,997) |
| Interest Cost | (19,355) | (19,867) |
| Contributions from Scheme participants | (3,705) | (3,827) |
| Remeasurement (gains) and losses: | | |
| Actuarial gains/losses arising from changes in demographic assumptions | - | - |
| Actuarial gains/losses arising from changes in financial assumptions | 53,573 | (143,719) |
| Other | 6,431 | 800 |
| Past Service Cost | (6) | (6) |
| Benefits Paid | 18,270 | 17,666 |
| Closing Balance at 31 March | (566,444) | (732,394) |

## Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £178.238 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 2018 is £13.251 million

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.
The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson, an independent firm of actuaries. The liabilities for the Lothian Pension Fund at 31st March 2017 have been assessed by rolling forward the value of the liability calculated at the latest formal valuation date (31st March 2014), allowing for the different financial assumptions required under the Accounting Standard at the reporting date.

The main financial assumptions in the actuaries' calculations were:

| | 2015/16 | 2016/17 |
|---|---|---|
| **Mortality assumptions** | | |
| **Longevity at 65 for current pensioners** | | |
| Male | 22.1 | 22.1 |
| Female | 23.7 | 23.7 |
| **Longevity at 65 for future pensioners** | | |
| Male | 24.2 | 24.2 |
| Female | 26.3 | 26.3 |
| **Rate of inflation** | | |
| Rate of increase in salaries | 4.2% | 4.4% |
| Rate of increase in pensions | 2.2% | 2.4% |
| Rate for discounting scheme liabilities | 3.5% | 2.6% |

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** Actuarial Assumptions Sensitivity Analysis | Approximate % increase to Defined Benefit Obligation | Approximate Monetary Amount (£000) |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 11% | 78,213 |
| 0.5% increase in Salary increase rate | 4% | 26,347 |
| 0.5% increase in Pension increase rate | 7% | 49,505 |

Lothian Government Pension Scheme Assets comprised:

| | 31 March 2016 £000's | % | 31 March 2017 £000's | % |
|---|---|---|---|---|
| **Local Government Pension Scheme Assets comprised:** | | | | |
| Cash and Cash Equivalents | 27,899 | 6% | 25,703 | 5% |
| Private Equity | 19,743 | 4% | 17,900 | 3% |
| Derivatives | (26) | 0% | - | 0% |
| Equity Securities: | | | | |
| Consumer | 68,753 | 15% | 83,195 | 15% |
| Manufacturing | 53,245 | 12% | 84,008 | 15% |
| Energy and Utilities | 35,860 | 8% | 41,120 | 7% |
| Financial Institutions | 38,237 | 8% | 38,695 | 7% |
| Health and Care | 30,010 | 7% | 32,483 | 6% |
| Information Technology | 27,048 | 6% | 27,426 | 5% |
| Other | 25,840 | 6% | 38,186 | 7% |
| Sub-total Equity Securities | 278,993 | 62% | 345,113 | 62% |
| Debt Securities: | | | | |
| Corporate Bonds (investment grade) | - | 0% | - | 0% |
| UK Government | 29,052 | 6% | 55,645 | 10% |
| Other | 11,420 | 3% | 1,151 | 0% |
| Sub-total Debt Securities | 40,472 | 9% | 56,796 | 10% |
| Real Estate: | | | | |
| UK Property | 38,617 | 9% | 37,390 | 7% |
| Overseas Property | - | 0% | - | 0% |
| Sub-total Real Estate | 38,617 | 9% | 37,390 | 7% |
| Investment Funds and Unit Trusts: | | | | |
| Equities | - | 0% | - | 0% |
| Bonds | 3,658 | 1% | 8,218 | 1% |
| Commodities | 1,251 | 0% | 1,625 | 1% |
| Infrastructure | 30,026 | 7% | 49,589 | 9% |
| Other | 10,816 | 2% | 11,822 | 2% |
| Sub-total Investment Funds and Unit Trusts | 45,751 | 10% | 71,254 | 13% |
| **Total Assets** | 451,449 | 100% | 554,156 | 100% |

| **Scheme Assets Fair Value** | 31 March 2016 | 31 March 2017 |
|---|---|---|
| Quoted Prices in Active Markets | 357,380 | 440,443 |
| Quoted Prices not in Active Markets | 94,069 | 113,713 |
| **Total** | 451,449 | 554,156 |

**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 2016/17, the Council paid £6.28m (2015/16: £5.92m) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 17.2% of pensionable pay (2015/16: 14.9% from 1 April 2015 increasing to 17.2% from 1 September 2015).

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 the Annual 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 2016/17, the Council paid £0.654m (2015/16: £0.628m) to Teachers' Pensions in respect of these retirement benefits.

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**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 2016/17, the Council paid £0.06m (2015/16: £0.07m) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.632m.

## Note 28 Usable Reserves

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

**General Fund Balance**

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

**Housing Revenue Account balance**

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

## Note 29 Unusable Reserves

| | 31 March 2016 £000's | 31 March 2017 £000's |
|---|---|---|
| Revaluation Reserve | (249,337) | (229,561) |
| Available-for-sale Financial Instruments Reserve | (2,771) | (2,625) |
| Pensions Reserve | 114,995 | 178,238 |
| Capital Adjustment Account | (235,347) | (237,818) |
| Financial Instruments Adjustment Account | 3,928 | 3,664 |
| Employee Statutory Adjustment Account | 3,394 | 3,335 |
| **Total** | **(365,138)** | **(284,767)** |

### 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 2016 £000's | | 31 March 2017 £000's |
|---|---|---|
| **(138,504)** | **Balance at 1 April** | **(249,337)** |
| (121,184) | Upward revaluation of assets | (90) |
| 4,641 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 9,110 |
| (116,543) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 9,020 |
| 5,457 | Difference between fair value depreciation and historical cost depreciation | 10,104 |
| 253 | Accumulated gains on assets sold or scrapped | 652 |
| **(249,337)** | **Balance at 31 March** | **(229,561)** |

### 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 2016 £000's | | 31 March 2017 £000's |
|---|---|---|
| **(1,766)** | **Balance at 1 April** | **(2,771)** |
| (1,005) | Upward revaluation of investments | - |
| - | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 146 |
| (1,005) | | 146 |
| - | Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | - |
| **(2,771)** | **Balance at 31 March** | **(2,625)** |

## 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 2016 £000's | | 31 March 2017 £000's |
|---|---|---|
| **172,028** | **Balance at 1 April** | **114,995** |
| (67,478) | Actuarial gains or losses on pensions assets and liabilities | 56,636 |
| 24,581 | 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 | 21,069 |
| (14,136) | Employer's pensions contributions and direct payments to pensioners payable in the year | (14,462) |
| **114,995** | **Balance at 31 March** | **178,238** |

## Capital Adjustment Account

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

| 31 March 2016 £000's | | 31 March 2017 £000's |
|---|---|---|
| **(245,394)** | **Balance at 1 April** | **(235,347)** |
| 32,111 | Charges for depreciation of non-current assets | 35,860 |
| 18,137 | Revaluation and impairment losses on Property, Plant and Equipment | 10,335 |
| (800) | Assets written off on disposal or sale | (4,112) |
| 49,448 | | 42,083 |
| (5,457) | Adjusting amounts written out of the Revaluation Reserve | (10,104) |
| 43,991 | Net amounts written out of the cost of non-current assets consumed in the year | 31,979 |
| | *Capital Financing applied in the year* | |
| - | Use of the Capital Receipts Reserve to finance new capital expenditure | - |
| (20,418) | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (15,726) |
| (13,436) | Statutory provison for the financing of capital investment charged against the General Fund and HRA balances | (15,524) |
| (90) | Capital expenditure charged against the General Fund and HRA balances | (3,200) |
| **(33,944)** | | **(34,450)** |
| **(235,347)** | **Balance at 31 March** | **(237,818)** |

### Financial Instruments Adjustment Account

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

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

| 31 March 2016 £000's | | 31 March 2017 £000's |
|---|---|---|
| **4,200** | **Balance at 1 April** | **3,928** |
| (16) | Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | (8) |
| (256) | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory provisions | (256) |
| (272) | 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 | (264) |
| **3,928** | **Balance at 31 March** | **3,664** |

### 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 2016 £000's | | 31 March 2017 £000's |
|---|---|---|
| **3,523** | **Balance at 1 April** | **3,394** |
| (3,523) | Settlement or cancellation of accrual made at the end of the preceding year | (3,394) |
| 3,394 | Amount accrued at the end of the current year | 3,335 |
| (129) | 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 | (59) |
| **3,394** | **Balance at 31 March** | **3,335** |

## Note 30 Transfer to and from Earmarked Reserves

| | Mid and East Lothian Drugs & Alchohol Project £000's | Other Balances £000's | Devolved School Management Balances £000's | Cost Reduction Fund £000's | TOTAL £000's |
|---|---|---|---|---|---|
| **Balance at 1 April 2015** | **363** | **181** | **262** | **3,082** | **3,888** |
| Transfers Out during 2015/16 | - | (56) | (42) | (85) | (183) |
| Transfers In during 2015/16 | 92 | 350 | - | - | 442 |
| **Balance at 31 March 2016** | **455** | **475** | **220** | **2,997** | **4,147** |
| Transfers Out during 2016/17 | (152) | (275) | - | (230) | (657) |
| Transfers In during 2016/17 | - | 231 | 38 | - | 269 |
| **Balance at 31 March 2017** | **303** | **431** | **258** | **2,767** | **3,759** |

## Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

| | 2015/16 £000's | 2016/17 £000's |
|---|---|---|
| **Credited to Taxation & Non-Specific Grant Income** | | |
| General Capital Grant | (11,484) | (8,886) |
| Contributions from developers | (3,498) | (2,206) |
| Mortgage to Rent scheme/Housing Grants | (3,760) | (2,856) |
| Other Grants & Contributions | (1,676) | (1,778) |
| **Total** | **(20,418)** | **(15,726)** |
| **Credited to Services** | | |
| Housing Benefit Subsidy/Admin Grant & Housing Payments/Department for Work & Pensions | (25,783) | (22,888) |
| Resource Transfer Funds/NHS Integration | (3,226) | (7,596) |
| Criminal Justice Grant/Criminal Justice Authority | (1,213) | (1,301) |
| Leader Programme/ European Union | (160) | - |
| Change Funds | (723) | (150) |
| Private Sector Housing Grant/Scottish Government | (628) | (628) |
| Funding for Drugs & Alcohol Teams/NHS | (818) | (601) |
| HEEPS | (978) | (978) |
| Educational Maintenance Allowance Funding/Scottish Government | (335) | (350) |
| Active Schools/Sports Scotland | (233) | (233) |
| Developing Youth Scotland | (460) | (383) |
| Youth Music Initiative | (339) | (146) |
| **Total** | **(34,896)** | **(35,254)** |

## Note 32 Capital Grant Receipts in Advance

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

| | 2015/16 £000's | 2016/17 £000's |
|---|---|---|
| **Capital Grants & Contributions Receipts in Advance** | | |
| Scottish Government - Housing Projects | - | (68) |
| National Health Service | (80) | (80) |
| **Total** | **(80)** | **(148)** |

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

| | 2015/16 £000's | 2016/7 £000's |
|---|---|---|
| Depreciation | (32,111) | (35,860) |
| Impairments and downward valuations | (18,137) | (10,335) |
| Carrying amount of non-current assets held for sale, sold or derecognised | (2,904) | (3,447) |
| Net charges made for retirement benefits in accordance with IAS 19 | (24,581) | (21,069) |
| Employer's contributions payable to the Lothian Pension Fund | 14,136 | 14,462 |
| Increase in revenue long term-debtors & liabilities | (296) | (78) |
| (Increase)/Decrease in provisions | (960) | (279) |
| Increase/(Decrease) in inventories | 108 | 273 |
| (Increase)/Decrease in revenue creditors | 1,039 | (501) |
| Increase in revenue debtors | 577 | (1,879) |
| **Total** | **(63,129)** | **(58,713)** |

## 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

| | 2015/16<br>£000's | 2016/17<br>£000's |
|---|---|---|
| Proceeds from capital grants | 20,418 | 15,726 |
| Proceeds from short-term investments | 439 | 472 |
| Proceeds from sale of PPE, Assets Held for Sale and other non-current assets | 3,682 | 6,906 |
| **Total** | **24,539** | **23,104** |

## 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.

| | 2015/16 | 2016/17 |
|---|---|---|
| Depreciation charged on assets | 32,111 | 35,860 |
| Impairments and downward valuations | 18,137 | 10,335 |
| Housing Benefit Paid | 25,634 | 23,284 |
| Unitary Charge/PPP payments to contractor | 9,079 | 8,918 |

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

## Note 36 Fair Value Hierarchy

Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2017 are as follows:

| *Recurring fair value measurements using:* | Quoted prices in active markets for identical assets (Level 1)<br>£000's | Other significant observable inputs (Level 2)<br>£000's | Significant unobservable inputs(Level 3)<br>£000's | Fair value as at 31 March 2017<br>£000's |
|---|---|---|---|---|
| Non-Financial Assets | | 2,242 | | |
| Total | | 2,242 | | |

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

**Significant Observable Inputs – Level 2**

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

# Housing Revenue Account, Council Tax and Non Domestic Rate Income Account.

## 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.

The HRA Income and Expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

### HRA Income and Expenditure Account

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| | **Income** | |
| (24,569) | Dwelling rents | (25,820) |
| (428) | Non-dwelling rents | (479) |
| (435) | Service charges | (481) |
| (108) | Other income | (176) |
| (25,540) | **Total Income** | (26,956) |
| | **Expenditure** | |
| 7,447 | Repairs and Maintenance | 7,167 |
| 5,786 | Supervision and Management | 5,833 |
| 9,723 | Depreciation, impairment and revaluation losses of Non-Current Assets | 20,961 |
| 512 | Impairment of Debtors | 419 |
| 1,791 | Other expenditure | 1,920 |
| 25,259 | **Total Expenditure** | 36,300 |
| (281) | **Net Expenditure/Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement** | 9,344 |
| 148 | HRA services share of Corporate and Democratic Core | 158 |
| 0 | HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services | 0 |
| (133) | **Net Income/Expenditure of HRA Services** | 9,502 |
| | **HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement** | |
| 274 | (Gains)/Losses on sale of HRA Non-Current assets | (3,249) |
| 5,739 | Interest Payable and Similar Charges | 6,003 |
| (25) | HRA Interest and Investment income | (22) |
| 160 | Pensions Interest Cost and Expected Return on Pensions Assets | 144 |
| (3,761) | Capital Grants and Contributions receivable | (2,856) |
| 2,254 | **(Surplus)/Deficit for the year on HRA services** | 9,522 |

## Movement on the HRA Statement

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| (4,041) | Balance on the HRA at the end of the previous period | (4,664) |
| 2,254 | (Surplus)/Deficit for the year on the HRA Income and Expenditure Statement | 9,522 |
| (3,872) | Adjustments between Accounting Basis and Funding Basis under Legislative Framework | (8,815) |
| (1,618) | Net (Increase)/Decrease in the Balance before Transfer to or from Reserves | 707 |
| 995 | HRA Balance Transferred to General Services | 1,495 |
| - | Transfers into HRA from Capital Fund | (2,589) |
| (623) | Increase/Decrease in year on the HRA | (387) |
| (4,664) | **Balance on the HRA at the end of the current period** | (5,051) |

## Note to the Movement of the HRA Statement

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| | **Adjustments between Accounting Basis and Funding Basis under Regulations** | |
| (9,723) | Depreciation and impairment of fixed assets | (20,961) |
| 3,760 | Capital grant and contributions applied | 2,856 |
| (274) | Gain or (loss) on sale of HRA Non-Current assets | 3,249 |
| (160) | Net charges made for retirement benefits in accordance with IAS 19 | (144) |
| (6,397) | | (15,000) |
| | **Items not included in the HRA Account but included in the movement on HRA Balance for the year** | |
| (141) | Employer's contributions payable to the Lothian Pension Fund | (78) |
| 2,666 | Loans fund principal | 3,063 |
| - | Capital expenditure funded by the HRA | 3,200 |
| 2,525 | | 6,185 |
| (3,872) | **Net additional amount required by statute to be debited/credited to the HRA Balance for the year** | (8,815) |

## Housing Stock

| | 2 Apt | 3 Apt | 4 Apt | 5 Apt | 8 Apt | Total |
|---|---|---|---|---|---|---|
| **Property** | 1803 | 4437 | 2188 | 220 | 1 | 8649 |
| | 1803 | 4437 | 2188 | 220 | 1 | 8649 |

## Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from the Council taxes levied and deductions made under the Local Government Finance Act 1992. The Resultant net income is transfer to the Comprehensive Income and Expenditure Statement of the Authority.

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.

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| (53,112) | **Gross Council Tax Levied and Contributions in Lieu** | (53,717) |
| | Adjusted For: | |
| 5,156 | Council Tax Reduction Scheme | 4,810 |
| 4,333 | Other Discounts and Reductions | 4,371 |
| 772 | Provision for Non Collection | 532 |
| (42,851) | | (44,004) |
| 61 | Adjustments to Previous Years' Council Tax | 67 |
| (42,790) | Transfer to General Fund | (43,937) |

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 | 938 | 7,747 | 13,077 | 5,288 | 5,415 | 4,487 | 3,599 | 609 | 41,160 |
| Ratio to Band D | 6/9 | 7/9 | 8/9 | 9/9 | 11/9 | 13/9 | 15/9 | 18/9 | |
| Band D Equivalents | 625 | 6,025 | 11,624 | 5,288 | 6,618 | 6,481 | 5,998 | 1,218 | 43,877 |
| Provision for non-payment (2%) | | | | | | | | | (878) |
| **Council Tax Base** | | | | | | | | | **42,999** |

### Council Tax Base

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

A full council tax charge assumes there are two or more adults, aged 18 or over, living in a property as their main home. If 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.

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| (33,325) | Gross Rates Levied & Contributions in Lieu | (34,580) |
| 9,361 | Reliefs and Other Deductions | 9,243 |
| 5 | Write Offs of Un-collectable Debts & Allowance for Impairment | 7 |
| (23,959) | **Net Non-Domestic Rate Income** | (25,330) |
| 1,410 | Adjustments to Previous Year National Non-Domestic Rates | (29) |
| (22,549) | **Total Non-Domestic Rate Income (before authority retentions)** | (25,359) |
| (22,549) | **Contribution to the National Non-domestic Rate Pool** | (25,359) |
| (26,079) | **Contribution from the National Non-domestic Rate Pool** | (24,370) |

### Business Rate Incentivisation Scheme (BRIS)

The Business Rate Incentivisation Scheme permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government. This scheme has been revised and the Authority has had no financial benefit from this scheme in 2016/17

### Rateable Values

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

| | Number | Rateable Value £000's |
|---|---|---|
| Shops, Offices and other Commercial Subjects | 1,724 | 32,374 |
| Industrial and Freight Transport | 875 | 12,666 |
| Miscellaneous (Schools etc) | 891 | 30,105 |
| | 3,490 | 75,145 |

### 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 51p (2015/16: 49.1p) per pound for properties with rateable value of £35,000 or more and 48.4p (2015/16: 48p) for those with a rateable value of less than £35,000.

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

## Common Good, Trust Funds and Group Accounts



## Common Good Account

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

**Movements in Reserves Statement**

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

| | Common Good Balance £000's | **Total Usable Reserves £000's** | Financial Instruments Adjustment £000's | Revaluation Reserve £000's | Capital Adjustment Account £000's | **Unusable Reserves £000's** | **Total Authority Reserves £000's** |
|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2016 brought forward** | **(5,526)** | **(5,526)** | **(463)** | **(929)** | **(2,774)** | **(4,166)** | **(9,692)** |
| Movement in reserves during 2016/17 | | | | | | | |
| Surplus or (deficit) on provision of services | (329) | **(329)** | - | - | - | **-** | **(329)** |
| Other Comprehensive Expenditure and Income | - | **-** | (493) | 3 | - | **(490)** | **(490)** |
| **Total Comprehensive Expenditure and Income** | **(329)** | **(329)** | **(493)** | **3** | **-** | **(490)** | **(819)** |
| Adjustments between accounting basis & funding basis under regulations | (94) | **(94)** | - | 19 | 75 | **94** | **-** |
| Charges for depreciation of non-current assets | (94) | **(94)** | - | 19 | 75 | **94** | **-** |
| Impairment/revaluation losses (charged to CI&ES) | - | **-** | - | - | - | **-** | **-** |
| Profit/loss on sale of non current assets | - | **-** | - | - | - | **-** | **-** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(423)** | **(423)** | **(493)** | **22** | **75** | **(396)** | **(819)** |
| Transfers to/from Reserves | - | **-** | - | - | - | **-** | **-** |
| **Increase/Decrease in Year** | **(423)** | **(423)** | **(493)** | **22** | **75** | **(396)** | **(819)** |
| **Balance at 31 March 2017 carried forward** | **(5,949)** | **(5,949)** | **(956)** | **(907)** | **(2,699)** | **(4,562)** | **(10,511)** |

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

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| | **Income** | |
| (821) | Rents and other income | (503) |
| (821) | | (503) |
| | **Expenditure** | |
| 2 | Employees | 2 |
| 62 | Premises-related expenditure | 84 |
| 62 | Supplies and services | 54 |
| 205 | Third party payments | 68 |
| 91 | Depreciation | 94 |
| 422 | | 302 |
| **(399)** | **Cost of Services** | **(201)** |
| 17 | Gains/Losses on the disposal of non current assets | (36) |
| (92) | Financing and investment income and expenditure | (92) |
| (474) | (Surplus) or Deficit on Provision of Services | (329) |
| (63) | Surplus or deficit on revaluation of Property, Plant and Equipment | 3 |
| 23 | Surplus or deficit on revaluation of available for sale financial instruments | (493) |
| (40) | Other Comprehensive Income and Expenditure | (490) |
| **(514)** | **Total Comprehensive Income and Expenditure** | **(819)** |

## Balance Sheet

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| 3,295 | Property, Plant & Equipment | 3,267 |
| 2,806 | Long Term Investments | 3,340 |
| 1,113 | Long Term Debtors | 1,068 |
| 7,214 | Long Term Assets | 7,675 |
| 71 | Sundry debtors | 53 |
| 2,410 | Short-term loans | 2,810 |
| 2,481 | Current Assets | 2,863 |
| (3) | Short-term creditors | (28) |
| | **Long-term Liabilities** | |
| - | Grants Deferred | - |
| (3) | Current Liabilities | (28) |
| **9,692** | **Net Assets** | **10,511** |
| (463) | Financial Instruments Adjustment Reserve | (956) |
| (929) | Revaluation Reserve | (907) |
| (2,774) | Capital Adjustment Account | (2,703) |
| (5,526) | Common Good Fund | (5,946) |
| **(9,692)** | **Total Reserves** | **(10,511)** |

## Non-current Assets

The value of assets changed in the following way:

| Community Assets | £000's |
|---|---|
| Net book value of assets at 31 March 2016 | 3,295 |
| Movement in 2016/17 | - |
| Additions | - |
| Disposals | - |
| Revaluations | 67 |
| Depreciation | (94) |
| Impairments | - |
| Internal Transfers | - |
| **Net book value of assets at 31 March 2017** | **3,268** |

### Finance Lease

Details of Common Good Finance Leases

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

| | £000's |
|---|---|
| Income receivable in 2017/18 | 243 |
| Income receivable between 2018/19 and 2021/22 | 972 |
| Income receivable after 2021/22 | 5,153 |
| | 6,368 |

### Fund Analysis

The four separate funds are valued at 31 March 2017 as:

| | Dunbar £000's | Haddington £000's | Musselburgh £000's | North Berwick £000's | Total £000's |
|---|---|---|---|---|---|
| Balance brought Forward on 1 April 2016 | (94) | (539) | (4,582) | (311) | **(5,526)** |
| (Surplus) / deficit in the year | 8 | (32) | (355) | (44) | **(423)** |
| Fund Balance as at 31 March 2017 | (86) | (571) | (4,937) | (355) | **(5,949)** |
| Net assets | 1,029 | 657 | 7,985 | 840 | **10,511** |

## Trust Funds Account

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

### Movement in Reserves Statement

| | Accumulated Funds £000's | Total Usable Reserves £000's | Unusable Reserves £000's | Total Fund Reserves £000's |
|---|---|---|---|---|
| **Balance at 31 March 2016 carried forward** | **(2,364)** | **(2,364)** | **(2,298)** | **(4,662)** |
| **Movement in reserves during 2016/17** | | | | |
| (Surplus) or deficit on provision of services | (141) | **(141)** | - | **(141)** |
| Other Comprehensive Expenditure and Income | - | - | (448) | **(448)** |
| **Total Comprehensive Expenditure and Income** | **(141)** | **(141)** | **(448)** | (589) |
| **Adjustments between accounting basis & funding basis under regulations** | (12) | (12) | 12 | - |
| Charges for depreciation of non-current assets | (12) | **(12)** | 12 | - |
| Impairment/revaluation losses (charged to CI&ES) | - | - | - | - |
| Profit/loss on sale of non current assets | - | - | - | - |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(153)** | **(153)** | **(436)** | **(589)** |
| Transfers to/from Earmarked Reserves | - | - | - | - |
| **Increase/Decrease in Year** | **(153)** | **(153)** | **(436)** | **(589)** |
| **Balance at 31 March 2017 carried forward** | **(2,517)** | **(2,517)** | **(2,734)** | **(5,251)** |

### Comprehensive Income and Expenditure Statement

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| | **Income** | |
| (48) | Rents and Other Income | (49) |
| **(48)** | | **(49)** |
| | **Expenditure** | |
| 1 | Premises-related expenditure | 1 |
| 21 | Supplies and Services | 21 |
| 18 | Third Party Grants and Payments | 17 |
| 2 | Depreciation | 12 |
| **42** | | **51** |
| (6) | **Cost Of Services** | 2 |
| (33) | (Gains)/Losses on the disposal of non-current assets | (46) |
| (87) | Financing and investment income and expenditure | (97) |
| **(126)** | **(Surplus) or Deficit on Provision of Services** | **(141)** |
| 11 | (Surplus) or Deficit on Revaluation of Property,Plant & Equipment | - |
| 197 | (Surplus) or Deficit on Revaluation of Available for Sale Financial Instruments | (448) |
| **208** | **Other Comprehensive Income and Expenditure** | **(448)** |
| **82** | **Total Comprehensive Income and Expenditure** | **(589)** |

Balance Sheet

| 31 March 2016 | | 31 March 2017 |
|---|---|---|
| £000's | | £000's |
| 737 | Property Plant & Equipment | 725 |
| 2,807 | Long Term Investments | 3,289 |
| 96 | Long Term Debtors | 92 |
| 3,640 | **Long Term Assets** | 4,106 |
| 1,245 | Short Term Investments | 1,355 |
| - | Short Term Debtors | - |
| 1,245 | **Current Assets** | 1,355 |
| (1) | Short Term Creditors | (1) |
| (1) | **Current Liabilities** | (1) |
| (222) | Other Long Term Liabilities | (209) |
| (222) | **Long Term Liabilities** | (209) |
| **4,662** | **Net Assets** | **5,251** |
| (1,649) | Financial Instruments Adjustment Reserve | (2,097) |
| (649) | Property Revaluation Reserve | (639) |
| - | Capital Adjustment Account | 2 |
| (2,364) | Usable Reserves | (2,517) |
| **(4,662)** | **Total Reserves** | **(5,251)** |



### Financial Performance

During the year 2016/17, the Trust Funds operated at a surplus of £141,000 (2015/16: surplus of £126,000). The overall asset book value increased from £4.66 million to £5.25 million by 31 March 2017.

### 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 2017 were:

| 2015/16 £000's | Investment | 2016/17 £000's |
|---|---|---|
| 111 | UBS Global Assets Mgt US Equity | 159 |
| 98 | Vanguard Inv Serv 500 Ucits | 129 |
| 85 | Shell Ord Shares Euro 0.07 | 92 |
| 66 | Mercantile Investment Ord 0.25 | 91 |
| 87 | JP Morgan IT Ordinary | 90 |
| 57 | Findlay Park Fds American USD | 74 |
| 34 | National Grid 1.25% | 74 |
| 59 | HSBC Holdings Ord USD | 72 |
| 2,210 | Other stocks, shares and cash | 2,508 |
| 2,807 | | 3,289 |

# 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, subsidiaries and joint venture.

**For the year ended 31 March 2017**

| | Authority's Own Usable Reserves Page 12 | Authority's Share of Usable Reserves of Subsidiaries, Associates and Joint Venture | Total Usable Reserves | Total Unusable Reserves | Authority's Own Unusable Reserves Note 29 | Authority's Share of Unusable Reserves of Subsidiaries, Associates and Joint Venture | Total Reserves |
|---|---|---|---|---|---|---|---|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| **Balance at 31 March 2016** | **(30,427)** | **(9,550)** | **(39,977)** | **(371,867)** | **(365,138)** | **(6,729)** | **(411,844)** |
| **Movement in reserves during 2016/17** | | | | | | | |
| (Surplus) or deficit on provision of services | 19,306 | (411) | **18,895** | - | - | - | **18,895** |
| Other Comprehensive Expenditure and Income | | - | - | 66,314 | 65,802 | 512 | **66,314** |
| **Total Comprehensive Expenditure and Income** | **19,306** | **(411)** | **18,895** | **66,314** | **65,802** | **512** | **85,209** |
| Adjustments between Group Accounts and Authority Accounts | - | - | - | - | - | - | - |
| **Net Increase/Decrease before Transfers** | **19,306** | **(411)** | **18,895** | **66,314** | **65,802** | **512** | **85,209** |
| Adjustment for Opening Balances | - | **(222)** | (222) | 225 | - | **225** | 3 |
| Adjustments between accounting basis & funding basis under regulations | (14,569) | (339) | (14,908) | 14,908 | 14,569 | 339 | (0) |
| **Net Increase/Decrease before Transfers to Other Statutory Reserves** | **4,737** | **(972)** | **3,765** | **81,447** | **80,371** | **1,076** | **85,212** |
| **(Increase)/Decrease in Year** | **4,737** | **(972)** | **3,765** | **81,447** | **80,371** | **1,076** | **85,212** |
| **Balance at 31 March 2017 carried forward** | **(25,690)** | **(10,522)** | **(36,212)** | **(290,420)** | **(284,767)** | **(5,653)** | **(326,632)** |

### 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, subsidiaries and joint venture.

| 2015/16 | | 2016/17 | | |
|---|---|---|---|---|
| Net Expend-iture | | Gross Expend-iture | Gross Income | Net Expend-iture |
| £000's | | £000's | £000's | £000's |
| 107,339 | Resources & People Directorate | 111,935 | (4,849) | 107,086 |
| 69,283 | Health & Social Care Partnership | 73,150 | (13,874) | 59,276 |
| 58,352 | Partnership & Community Directorate | 70,249 | (16,238) | 54,011 |
| 743 | Corporate and Central Services | 24,522 | (23,458) | 1,064 |
| (133) | HRA | 36,519 | (27,017) | 9,502 |
| **235,584** | **Cost of Services** | **316,375** | **(85,436)** | **230,939** |
| (563) | (Gains)/Losses on the disposal of non current assets | | | (3,542) |
| 21,382 | Financing and investment income and expenditure | | | 19,822 |
| - | (Surplus) or deficit of discontinued operations | | | - |
| (236,907) | Taxation and non specific grant income | | | (228,403) |
| 19,496 | **Deficit on Provision of Services** | | | 18,816 |
| 229 | Share of the (surplus) or deficit on the provision of services by Associates and Joint Venture | | | 79 |
| - | Tax expenses of Subsidiaries, Associates and Joint Venture | | | - |
| **19,725** | **Group (Surplus) / Deficit** | | | **18,895** |
| (116,606) | (Surplus) or deficit on revaluation of Property, Plant and Equipment | | | 9,023 |
| (785) | (Surplus) on revaluation of available for sale financial instruments | | | (795) |
| (67,478) | Actuarial losses on pension assets/liabilities | | | 56,636 |
| (1,654) | Share of other comprehensive income and expenditure of Associates and Joint Venture | | | 1,450 |
| **(186,523)** | **Other Comprehensive Income and Expenditure** | | | **66,314** |
| **(166,798)** | **Total Comprehensive Income and Expenditure** | | | **85,209** |

### 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.

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| 20,052 | Deficit for the year on the Authority Comprehensive Income & Expenditure Account | 19,306 |
| 229 | Associates and Joint Venture | 79 |
| (556) | Subsidiaries | (490) |
| **19,725** | **(Surplus) / Deficit for the year on the Group Income & Expenditure Account** | **18,895** |

### 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 16 £000's | | 31 March 17 £000's |
|---|---|---|
| 903,797 | Property Plant & Equipment | 886,858 |
| 801 | Heritage Assets | 1,052 |
| - | Assets Held for Sale | - |
| 8,799 | Long Term Investments | 9,653 |
| 1,897 | Investments in Associates and Joint Venture | 349 |
| 12,663 | Long Term Debtors | 12,384 |
| 927,957 | **Long Term Assets** | 910,296 |
| 2 | Short Term Investments | 20 |
| 898 | Assets Held for Sale | 770 |
| 622 | Inventories | 897 |
| 28,033 | Short Term Debtors | 26,238 |
| (12,026) | Bad & Doubtful Debt Provision | (11,885) |
| 6,670 | Cash and Cash Equivalents | 12,694 |
| 24,199 | **Current Assets** | 28,734 |
| - | Bank Overdraft | - |
| (11,108) | Short Term Borrowing | (5,646) |
| (28,820) | Short Term Creditors | (28,818) |
| (39,928) | **Current Liabilities** | (34,464) |
| - | Long Term Creditors | - |
| (4,306) | Provisions | (4,726) |
| (325,119) | Long Term Borrowing | (336,997) |
| (170,879) | Other Long Term Liabilities | (236,064) |
| (80) | Capital Grants Receipts in Advance | (148) |
| (500,384) | **Long Term Liabilities** | (577,935) |
| **411,844** | **Net Assets** | **326,631** |
| - | Called Up Share Capital | - |
| (39,977) | Usable Reserves | (36,211) |
| (371,867) | Unusable Reserves | (290,420) |
| **(411,844)** | **Total Reserves** | **(326,631)** |

## 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.

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| 19,496 | Net deficit on the provision of services | 18,816 |
| (63,368) | Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 5) | (58,728) |
| 24,539 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 23,104 |
| (19,333) | Net Cash flow from Operating Activities | (16,808) |
| | **Investing Activities** | |
| 50,880 | Purchase of property, plant and equipment | 41,905 |
| 17 | Purchase of investments | - |
| - | Dividends from joint ventures and associates | - |
| (487) | Proceeds from short term investments | (472) |
| (26,913) | Other Receipts from investing activities | (17,973) |
| (3,682) | Proceeds from the sale of property, plant and equipment | (6,906) |
| 19,815 | Net cash flow from investing activity | 16,554 |
| | **Financing Activities** | |
| (22,021) | Cash received from short and long term borrowing | (20,684) |
| 1,060 | Capital element of finance leases and PFI Contracts | 1,187 |
| 19,319 | Repayments of short and long term borrowing | 13,224 |
| 3,760 | New loans made | 502 |
| 2,118 | Net cash flow from financing activity | (5,771) |
| 2,600 | Net increase or decrease in cash and cash equivalents | (6,025) |
| (9,270) | Cash and cash equivalents at the beginning of the reporting period | (6,669) |
| (6,670) | Cash and cash equivalents at the end of the reporting period | (12,694) |

## 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 and a joint venture. 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 2015/16 | Percentage Share 2016/17 | Carrying Value at 31 March 2017 £000's | Share of (Surplus) or Deficit on Provision of Services for 2016/17 £000's | Other CI&ES items for 2016/17 £000's |
|---|---|---|---|---|---|
| East Lothian Investments | 40.00% | 40.00% | 204 | 0 | - |
| Enjoy East Lothian Limited | 33.33% | 33.33% | 1,388 | 99 | 726 |
| Brunton Theatre Trust | 28.57% | 28.57% | 125 | (38) | - |
| Lothian Valuation Joint Board | 12.50% | 12.50% | (1,368) | 18 | 723 |
| **Total** | | | **349** | **79** | **1,449** |

The summarised financial information of the various associates for the financial year 2016/17 has been presented below;

| | Assets at the end of the year £000's | Liabilities at the end of the year £000's | Net Assets at the end of the year £000's | Revenues during year £000's | (Surplus) or Deficit for the year £000's |
|---|---|---|---|---|---|
| East Lothian Investments | 514 | (4) | 510 | (4) | 1 |
| Enjoy East Lothian Limited | 8,332 | (4,169) | 4,163 | (6,661) | 297 |
| Brunton Theatre Trust | 564 | (126) | 438 | (1,411) | (131) |
| Lothian Valuation Joint Board | 2,409 | (13,349) | (10,940) | (8,276) | 145 |

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 2017 show net current assets of £601,000 (2016: £602,000), and a loss before taxation of £2,000 (31 March 2016: Loss of £2,000). 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 77-81.

The net value of the Trusts included within the Group Accounts is £5.21 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 2015 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. Joint Venture**

The East Lothian Integration Joint Board (IJB) was formed under the terms of The Public Bodies (Joint working) (Scotland) Act 2014. This is a Joint Venture between East Lothian Council and NHS Lothian.

The IJB is governed by The Local Government (Scotland) Act 1973 along with the 2014 regulations and is required to prepare financial statements in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom.

The IJB received financial allocations for the first time in 2016/17 from both partners to the Joint Venture (East Lothian Council and NHS Lothian). Expenditure was incurred by both partners to the Joint Venture by way of directions from the IJB.

During 2016/17 East Lothian Council contributed £49.0 million to the annual running costs. No assets or liabilities were held at 31 March 2017 meaning no change to Council's Group Balance Sheet as a result of the Joint Venture.

**5. Financial Impact of Consolidation**

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

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

| 2015/16 £000's | | 2016/17 £000's |
|---|---|---|
| (32,214) | Depreciation | (35,860) |
| (18,137) | Impairments and downward revaluations | (10,335) |
| (2,904) | Net gains on sale of fixed assets | (3,447) |
| (24,581) | Net charges made for retirement benefits in accordance with IAS 19 | (21,069) |
| 14,136 | Employer's contributions payable to the Lothian Pension Fund | 14,462 |
| (341) | (Increase)/decrease in revenue long term-debtors & liabilities | (78) |
| (960) | Change in Provisions | (279) |
| 108 | Change in stock | 273 |
| 1,200 | Change in revenue debtors | (629) |
| 325 | Change in revenue creditors | (1,766) |
| **(63,368)** | **Total** | **(58,728)** |

## 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. Accruals – The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

3. 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.

4. 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.

5. Associate - An entity, which is not a subsidiary or joint-venture, in which the council has a participating interest, or over whose operating and financial policies the Council is able to exercise significant influence.

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

7. 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.

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

9. 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.

10. Capital Receipt - Proceeds from the sale of land, buildings or other non-current assets.

11. 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.

12. The Code of Practice on Local Authority Accounting – The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC under the oversight of Financial Reporting Advisory Board.

13. 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.

14. 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.

15. 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.

16. 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.

17. Depreciation – A charge measuring 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.

18. 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.

19. 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.

20. 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.

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

22. 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.

23. 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.

24. 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.

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

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

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

28. 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.

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

30. National Non-Domestic Rates Pool - All rates paid by businesses based on the rateable value of the premises they occupy collected by local authorities are remitted to the national pool and thereafter distributed to Councils by the Scottish Government.

31. 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.

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

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

34. 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.

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

36. 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.

37. 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).

38. 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.

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

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

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

Council.

42. 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 monetary value of any other benefits received other than cash.

43. 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.

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

45. Revenue Expenditure - The day-to-day running costs associated with the provision of services within one financial year.

46. 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.

**REVENUE BUDGET PERFORMANCE at 31 MARCH 2017**

| | Budget for the year | Actual for the period | Budget for the period | (Surplus) / Deficit for period | (Surplus) / Deficit |
|---|---|---|---|---|---|
| **Resources & People Services** | | | | | |
| Pre-school Education & Childcare | 6,604 | 6,395 | 6,604 | -209 | -3.2% |
| Additional Support for Learning | 8,162 | 8,281 | 8,162 | 119 | 1.5% |
| Schools - Primary | 42,227 | 42,285 | 42,227 | 58 | 0.1% |
| Schools - Secondary | 39,361 | 38,942 | 39,361 | -419 | -1.1% |
| Schools Support Services | 3,375 | 3,298 | 3,375 | -77 | -2.3% |
| Financial Services | 0 | 0 | 0 | 0 | 0.0% |
| Revenues & Benefits | 2,288 | 2,136 | 2,288 | -152 | -6.6% |
| Human Resources & Payroll | 0 | 0 | 0 | 0 | 0.0% |
| IT Services | 0 | 0 | 0 | 0 | 0.0% |
| Legal & Procurement | 0 | 0 | 0 | 0 | 0.0% |
| Licensing, Admin and Democratic Services | 2,756 | 2,523 | 2,756 | -233 | -8.5% |
| | **104,773** | **103,860** | **104,773** | **-913** | **-0.9%** |
| **Health & Social Care Partnership** | | | | | |
| Children's Wellbeing | 14,071 | 14,576 | 14,071 | 505 | 3.6% |
| Adult Wellbeing | 52,046 | 51,985 | 52,046 | -61 | -0.1% |
| | **66,117** | **66,561** | **66,117** | **444** | **0.7%** |
| **Partnerships & Services for Communities** | | | | | |
| Community Housing | 1,996 | 1,817 | 1,996 | -179 | -9.0% |
| Housing Revenue Account (HRA) | 0 | 2,202 | 0 | 2,202 | 0.0% |
| Customer Services | 3,408 | 3,353 | 3,408 | -55 | -1.6% |
| Commuity & Area Partnerships | 8,572 | 8,592 | 8,572 | 20 | 0.2% |
| Arts | 847 | 795 | 847 | -52 | -6.1% |
| Corporate Policy & Improvement | 119 | 329 | 119 | 210 | 176.5% |
| Planning & Environmental Services | 2,543 | 1,963 | 2,543 | -580 | -22.8% |
| Asset Planning & Engineering | 2,880 | 3,056 | 2,880 | 176 | 6.1% |
| Economic Development & Strategic Development | 3,680 | 3,500 | 3,680 | -180 | -4.9% |
| Facility Trading | -97 | -419 | -97 | -322 | 332.0% |
| Facility Services | 492 | 509 | 492 | 17 | 3.5% |
| Landscape & Countryside Management | 5,717 | 5,766 | 5,717 | 49 | 0.9% |
| Healthy Living | 5,826 | 5,795 | 5,826 | -31 | -0.5% |
| Property Maintenance | -663 | -487 | -663 | 176 | -26.5% |
| Roads, Transportation & Waste Services | 18,598 | 18,089 | 18,598 | -509 | -2.7% |

| | | | | | |
|---|---|---|---|---|---|
| | **53,918** | **54,860** | **53,918** | **942** | **1.7%** |
| **Total of all departments** | **224,808** | **225,281** | **224,808** | **473** | **0.2%** |
| **Corporate Management** | | | | | |
| Revenue Support Grant (inc. NNDR) | -169,113 | -168,740 | -169,113 | 373 | -0.2% |
| Council Tax | -49,039 | -48,747 | -49,039 | 292 | -0.6% |
| Social Care Fund | -4,370 | -4,370 | -4,370 | 0 | 0.0% |
| Debt Charges/Asset Management / Other | 1,540 | 2,139 | 1,540 | 599 | 38.9% |
| Joint Board Requisitions | 669 | 669 | 669 | 0 | 0.0% |
| HRA Transfer | -1,495 | -1,495 | -1,495 | 0 | 0.0% |
| Transfer to Reserves | -3,000 | 0 | -3,000 | 3,000 | -100.0% |
| | **-224,808** | **-220,544** | **-224,808** | **4,264** | **-1.9%** |
| **Total All Council** | **0** | **4,737** | **0** | **4,737** | **0.0%** |

| | |
|---|---|
| General Services | 2,535 |
| HRA | 2,202 |
| **TOTAL** | **4,737** |
| **Funded from Reserves** | |
| General Services | |
| - General | -3,000 |
| - Earmarked | -657 |
| **TOTAL SURPLUS - GENERAL SERVICES** | **-1,122** |
| HRA | |
| - General | -3,200 |
| - Other Transfer | -1,495 |
| - Planned Surplus | 478 |
| **TOTAL SURPLUS - HRA** | -2,015 |

Appendix 3

**GENERAL SERVICES CAPITAL SPEND AS AT 31 MARCH 2017**

| Name of Project | Budget for the year £000 | Actual for the period £000 | Over/(Under) (£000s) £000 |
|---|---|---|---|
| Crookston Care Home | 80 | 134 | 54 |
| Haddington Town House - Steeple Work | 13 | 15 | 2 |
| Torness Strategic Coordination Centre | 15 | 53 | 38 |
| Property Renewals | 900 | 948 | 48 |
| Port Seton Sports Hall | 300 | 6 | (294) |
| Whitecraig Community Centre | 440 | 31 | (409) |
| Community Intervention | 200 | - | (200) |
| Prestonpans IS | 377 | 385 | 8 |
| Red School Prestonpans | 574 | 14 | (560) |
| Support for Business - Land Acquisition/Infrastructure/Broadband | 200 | - | (200) |
| Support for Business - Mid Road Industrial Estate | 22 | 26 | 4 |
| Town Centre Re-Generation/Growing our Economy | 481 | 39 | (442) |
| Acquisition of St. Josephs | - | - | - |
| Dunbar - Lochend Campus/Additional Classrooms | 570 | 525 | (45) |
| Dunbar Grammar | 1,126 | 984 | (142) |
| Secondary School Communication Provision | 78 | 321 | 243 |
| Letham Primary (temp prov'n Knox Academy) | 131 | - | (131) |
| Letham Primary | 100 | - | (100) |
| Pinkie St Peter's PS Extension | 214 | 206 | (8) |
| Law Primary School | 3,845 | 1,681 | (2,164) |
| Windygoul PS - Permanent Additional Classrooms | 352 | - | (352) |
| Wallyford PS - Temp Units | 30 | - | (30) |
| Wallyford PS | 500 | 557 | 57 |
| Replacement Vehicles | 1,850 | 1,976 | 126 |
| Synthetic pitches | 98 | 73 | (25) |
| Pavilions | 679 | 18 | (661) |
| Sports Centres - refurbishment & equipment | 200 | 201 | 1 |

| | | | |
|---|---|---|---|
| IT Program (corporate and schools) | 1,375 | 1,351 | **(24)** |
| Core Path Plan Implementation | 50 | 136 | **86** |
| Polson Park restoration | 40 | - | **(40)** |
| Cemeteries - Extensions/Allotments | 887 | - | **(887)** |
| Coastal Car Parks/Toilets | 150 | - | **(150)** |
| Peppercraig Depot Haddington | - | 18 | **18** |
| Coastal Protection/Flood | 197 | 63 | **(134)** |
| Promenade Improvements - Fisherrow | 23 | - | **(23)** |
| Pencaitland Footpaths | 60 | 483 | **423** |
| Cycling Walking Safer Streets | 112 | 112 | **-** |
| East Linton Rail Stop/Infrastructure | 25 | - | **(25)** |
| Roads | 5,400 | 5,754 | **354** |
| Parking Improvements / North Berwick phase 1 | 842 | - | **(842)** |
| Purchase of New Bins/Food Waste Collection | 141 | 137 | **(4)** |
| Early years provision | 339 | - | **(339)** |
| Construction Academy | 295 | 252 | **(43)** |
| New ways of working | 414 | 184 | **(230)** |
| Prestonpans Shared Facility | 93 | - | **(93)** |
| Carberry Landfill Gas management | 250 | - | **(250)** |
| Town Centre Toilets re-furbishment/New Provision | 100 | - | **(100)** |
| East Saltoun School/Community Hall | 400 | - | **(400)** |
| **sub-total before year end allocations** | **24,568** | **16,683** | **(7,885)** |
| **Capital Plan Fees/Internal Recharges** | **1,370** | **1,466** | **96** |
| **TOTAL** | **25,938** | **18,149** | **(7,789)** |

**HOUSING CAPITAL SPEND & FINANCING AS AT 31 MARCH 2017**

Appendix 4

| | Budgeted (£000s) | Actual (£000s) | Over/(Under) (£000s) |
|---|---|---|---|
| Mortgage to Rent | 695 | 204 | (491) |
| Modernisation Spend (also see below) | 10,933 | 11,272 | 339 |
| Gross Affordable Homes spend | 10,881 | 11,867 | 986 |
| **Gross Total Housing Capital Spend** | **22,509** | **23,343** | **834** |

| | Budgeted (£000s) | Actual (£000s) | Over/(Under) (£000s) |
|---|---|---|---|
| **Modernisation Programme - Detailed** | | | |
| Disabled Adaptations | 600 | 480 | (120) |
| Central Heating | 2,100 | 1,971 | (129) |
| Electrical Re-wiring | 1,180 | 1,727 | 547 |
| Structural surveys | 60 | 87 | 27 |
| Fencing Programme | 100 | 284 | 184 |
| Energy Efficiency | 350 | 7 | (343) |
| Kitchen Replacement Prog. | 1,600 | 1,860 | 260 |
| Project Works | 350 | 327 | (23) |
| Roofing / Roughcasting / external fabric | 400 | 501 | 101 |
| Stair Improvement Programme | 50 | 12 | (38) |
| Sheltered Housing | 100 | 134 | 34 |
| Roads / Walkway pre-adoption works | 100 | 103 | 3 |
| Dispersed Alarms | - | | - |
| Local Initiatives:Projects | 200 | 42 | (158) |
| Window & Door Replacement Prog. | 100 | 349 | 249 |
| Bathroom Replacement | 2,020 | 2,115 | 95 |
| Extensions | 250 | 81 | (169) |
| Lead Water Pipes | - | 22 | 22 |
| Asbestos Works | 500 | 326 | (174) |
| IT Projects | - | - | - |
| Open Market Acquisition Remedial Works | - | 51 | 51 |
| Service Improvements | 200 | 85 | (115) |
| **Sub Total** | 10,260 | 10,564 | 304 |
| Internal Fees | 673 | 708 | 35 |
| **TOTAL** | **10,933** | **11,272** | **339** |

East Lothian Council

**REPORT TO:** East Lothian Council

**MEETING DATE:** 27 June 2017

**BY:** Depute Chief Executive (Resources and People Services) **5**

**SUBJECT:** Common Good Funds – Budget 2017/18 to 2019/20

---

## 1 PURPOSE

1.1 To approve the budgets for the Dunbar, Haddington, Musselburgh and North Berwick Common Good Funds for 2017/18 to 2019/20, and to recommend that the Fund Committees consider any grant application proposals within these budgets.

## 2 RECOMMENDATIONS

2.1 The Council is recommended to:

- Note the draft financial results for 2016/17 on each of the Common Good Funds.
- Approve the 2017/18 to 2019/20 budgets.

## 3 BACKGROUND

3.1 The financial performance of the Common Good Funds to end of March 2017 is included within the Council's annual statutory accounts. As highlighted in the 2016/17 Financial Review paper considered earlier by Council, the accounts are still subject to audit finalisation and whilst we do not expect any material changes that would affect the reported position, the figures within this report should still be considered as subject to change pending the outcome of the audit.

3.2 As at 31 March 2017, the accumulated funds for each of the Common Good funds based on the unaudited accounts are set out below:

| **Common Good Fund** | **£'000** |
|---|---|
| Dunbar | 86 |
| Haddington | 571 |
| Musselburgh | 4,937 |
| North Berwick | 355 |
| **TOTAL** | **5,949** |

3.3 The Scheme of Administration requires the Council to approve an updated budget for each of the four Common Good Funds. The Council approved a three year budget covering the financial years 2017/18 and 2018-19 budgets at its meeting on 23 August 2016.

3.4 The budgets set out in Appendices 1a to 1d are rolled forward from the previous year and are based largely on historical spending patterns and any known commitments for 2017/18 and beyond. In the first instance, income is used to maintain the common good asset base with any surplus funds being used to benefit the inhabitants of the area covered by the fund.

3.5 Each of the Common Good Funds is administered by a committee which has the authority to award grants of up to £10,000 provided they meet the criteria detailed in the Scheme. Any decisions regarding award of grants over £10,000 must be approved by Council.

**Investments**

3.6 East Lothian Council currently uses an external investment broker Investec Wealth & Investment Ltd to manage the Common Good balances investment portfolio. The fund investment balances as at 31 March 2017 are set out below alongside an indication as to the projected income level. The investment policy is to balance growth in income and capital over the longer term alongside a medium level of risk. Given the wider economic conditions particularly following 'Brexit' and the calls for a second referendum for Scotland, our Investment Fund Managers suggest that they expect future income levels to be maintained broadly in line with current income projections.

| Common Good Fund | Valuation as at 31 March 2017 | Projected Income 2017/18 |
|---|---|---|
| Dunbar | 28,260 | 766 |
| Haddington | 77,714 | 2,107 |
| Musselburgh | 3,080,307 | 83,522 |
| North Berwick | 176,623 | 4,789 |
| **TOTAL** | **3,362,904** | **91,184** |

## 4 POLICY IMPLICATIONS

4.1 None.

## 5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – as described above

6.2 Personnel - none

6.3 Other - none

## 7 BACKGROUND PAPERS

7.1 Council 23 August 2016 – Item 5 – Common Good Funds – Budgets 2016/17 to 2018/19


| | |
|---|---|
| **AUTHOR'S NAME** | Jim Lamond |
| **DESIGNATION** | Head of Council Resources |
| **CONTACT INFO** | jlamond@eastlothian.gov.uk |
| **DATE** | 19 June 2017 |

## Appendix 1a

## Dunbar Common Good

## Income & expenditure Budget

| | Actual 2016/17 | Budget 2017/18 | Budget 2018/19 | Budget 2019/20 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Employees | 2 | | | |
| Premises Repair & Maintenance | 25 | 19 | 19 | 19 |
| Supplies & Services | 3 | 3 | 3 | 3 |
| Grants | 4 | 4 | 4 | 4 |
| **Total Expenditure** | **34** | **26** | **26** | **26** |
| **Income** | | | | |
| Rents & Other Income | -25 | -25 | -25 | -25 |
| Interest / Investment Income | -1 | -1 | -1 | -1 |
| **Total Income** | **-26** | **-26** | **-26** | **-26** |
| **Cost of Services** | **8** | **0** | **0** | **0** |
| **Other Accounting Entries*** | | | | |
| **Net Surplus for the year** | **8** | **0** | **0** | **0** |
| Common Good Fund Opening Balance | -94 | -86 | -86 | -86 |
| **Accumulated Fund** | **-86** | **-86** | **-86** | **-86** |

* Accounting entries including: assets and profit / loss on investments

## Appendix 1b

## Haddington Common Good

## Income & expenditure Budget

| | Actual 2016/17 | Budget 2017/18 | Budget 2018/19 | Budget 2019/20 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Premises Repair & Maintenance | 1 | 1 | 1 | 1 |
| Supplies & Services | 5 | 4 | 4 | 4 |
| Grants | 1 | 10 | 10 | 10 |
| **Total Expenditure** | **7** | **14** | **14** | **14** |
| **Income** | | | | |
| Rents & Other Income | -36 | -36 | -36 | -36 |
| Interest / Investment Income | -2 | -2 | -2 | -2 |
| **Total Income** | **-38** | **-38** | **-38** | **-38** |
| **Cost of Services** | **-31** | **-24** | **-24** | **-24** |
| **Other Accounting Entries*** | -1 | | | |
| **Net Surplus for the year** | **-32** | **-24** | **-24** | **-24** |
| Common Good Fund Opening Balance | -539 | -571 | -595 | -619 |
| **Accumulated Fund** | **-571** | **-595** | **-619** | **-643** |

* Accounting entries including: assets and profit / loss on investments

## Appendix 1c

## Musselburgh Common Good

## Income & expenditure Budget

| | Actual 2016/17 | Budget 2017/18 | Budget 2018/19 | Budget 2019/20 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Premises Repairs & Maintenance | 41 | 40 | 40 | 40 |
| Premises - Rates | 16 | 16 | 16 | 16 |
| Supplies & Services | 43 | 43 | 43 | 43 |
| Grants | 63 | 150 | 150 | 150 |
| **Total Expenditure** | **163** | **249** | **249** | **249** |
| **Income** | | | | |
| Rents & Other Income | -370 | -360 | -360 | -360 |
| Interest / Investment Income | -84 | -78 | -78 | -78 |
| **Total Income** | **-454** | **-438** | **-438** | **-438** |
| **Cost of Services** | **-291** | **-189** | **-189** | **-189** |
| **Other Accounting Entries*** | -64 | | | |
| **Net Surplus for the year** | **-355** | **-189** | **-189** | **-189** |
| Common Good Fund Opening Balance | -4582 | -4937 | -5126 | -5315 |
| **Accumulated Fund** | **-4937** | **-5126** | **-5315** | **-5504** |

* Accounting entries including: assets and profit / loss on investments

## Appendix 1d

## North Berwick Common Good

## Income & expenditure Budget

| | Actual 2016/17 | Budget 2017/18 | Budget 2018/19 | Budget 2019/20 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Premises Repairs & Maintenance | 2 | 3 | 3 | 3 |
| Supplies & Services | 3 | 3 | 3 | 3 |
| Grants | | 10 | 10 | 10 |
| **Total Expenditure** | **5** | **16** | **16** | **16** |
| **Income** | | | | |
| Rents & Other Income | -42 | -41 | -41 | -41 |
| Interest / Investment Income | -5 | -4 | -4 | -4 |
| **Total Income** | **-47** | **-45** | **-45** | **-45** |
| **Cost of Services** | **-42** | **-29** | **-29** | **-29** |
| **Other Accounting Entries*** | -2 | | | |
| **Net Surplus for the year** | **-44** | **-29** | **-29** | **-29** |
| Common Good Fund Opening Balance | -311 | -355 | -384 | -413 |
| **Accumulated Fund** | **-355** | **-384** | **-413** | **-442** |

* Accounting entries including: assets and profit / loss on investments

East Lothian Council

**REPORT TO:** East Lothian Council

**MEETING DATE:** 27 June 2017

**BY:** Depute Chief Executive (Resources and People Services)

6

**SUBJECT:** Outcome of the School Consultation on the Proposed Closure and Re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class

---

## 1 PURPOSE

1.1 To approve the recommendation set out within the Consultation Report (Appendix 1) to close Levenhall Nursery School as a stand-alone nursery school and re-designate to a nursery stage within Pinkie St Peter's Primary School.

## 2 RECOMMENDATIONS

2.1 The Council is asked to approve, on the basis of the outcome of the school consultation and taking account of the educational and social benefits of the proposal, that:

i. subject to the conclusion of the Scottish Ministers eight-week call-in period or the notification of the outcome of a call-in, as appropriate, Levenhall Nursery School will be closed and re-designated to Pinkie St Peter's Primary School Nursery Class;

ii. the Care Inspectorate will be notified of the change in registration details and the transfer to the planned new facility;

iii. the re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class will take effect from August 2017, or as soon as possible thereafter; and

iv. children attending the re-designated nursery class will transfer to a new facility within the Pinkie St Peter's Primary School campus from August 2018, or as soon as possible thereafter.

## 3 BACKGROUND

3.1 The *Education (Scotland) Act 1980* places a legislative duty on the Council to provide sufficient school accommodation, including the provision of education for eligible pre-school children, and plan for growth in our communities. In addition, the Council has a statutory duty to secure best value in terms of the Local Government in Scotland Act 2003.

3.2 The Council must consult on certain changes in arrangements for educating children and young people in its area before it can commit to delivering them. This includes when proposing a permanent change to any of their schools, including nursery schools, such as closure, relocation or change of catchment area.

3.3 In August 2014 the Head Teacher of Pinkie St Peter’s Primary School assumed the role of Head Teacher of Levenhall Nursery School under a shared headship arrangement following the retirement of the previous Head Teacher. East Lothian Council’s long-term vision at that time was to carry out a statutory consultation to close Levenhall Nursery School as a stand-alone facility at Moir Place, Musselburgh and re-designate as a new nursery stage at Pinkie St Peter’s Primary School where alternative accommodation would be provided in a new purpose-built nursery facility.

3.4 Following site surveys and a health & safety visit to Levenhall Nursery School building at Moir Place during the 2014/15 school session, a structural engineer recommended that intrusive structural investigation work be carried out on the building which could take some time.

3.5 Given the urgency of the work and the long-term vision for the school, it was agreed that the children attending Levenhall Nursery School would relocate to the Pinkie St Peter’s Primary School under a temporary “hosting” arrangement to enable this to be carried out and avoid further unnecessary disruption to the children. Due to the immediacy of the relocation it was not possible to undertake a statutory consultation on a proposal to close and re-designate prior to the move into the temporary accommodation.

3.6 On 21 February 2017, East Lothian Council approved its 3-year capital spend as part of the Council’s Financial Strategy 2017/18 – 2019/20 which includes funding for a new facility to provide permanent replacement accommodation for Levenhall Nursery School.

3.7 Due to legislation it is not appropriate for the length of temporary “hosting” arrangements to exceed a period of 36 months. As the new facility will not be delivered until after the 36 month period has expired, it is necessary for the re-designation to take place prior to the transfer to a new facility.

3.8 The statutory consultation closure and re-designation of Levenhall Nursery School commenced at 12.00am on Wednesday 1 March 2017 and lasted until 12.00am on Wednesday 26 April 2017, being a period of eight weeks, which also included the statutory minimum 30 school days. This was in line with the Schools (Consultation) (Scotland) Act 2010. Notification of the consultation was given to all statutory consultees prior to the commencement of the consultation. The Consultation Document was published on East Lothian Council’s Consultation Hub and paper copies distributed on Wednesday 1st March 2017.

3.9 Representations were sought from statutory consultees and the wider public by the completion of an online questionnaire available on the East Lothian Council Consultation Hub. The Consultation Hub also stored all relevant consultation documentation for public viewing. Paper copies of the questionnaire were also distributed at Council buildings around the Musselburgh area. Sealed boxes were also located at Pinkie St Peter’s Primary School, Levenhall Nursery School and Musselburgh East Community Learning Centre for their return.

3.10 Publicity material detailed an East Lothian Council email address, phone number and postal address, to which representations and any other queries could be submitted.

3.11 HM Inspectors from Education Scotland undertook their statutory duties in accordance with the Schools (Consultation) (Scotland) Act 2010, by reviewing the educational aspects of the proposal and completing their report. A full copy of the report can be found in Appendix 6 of the Consultation Report (Appendix 1).

3.12 All submitted representations, including the Education Scotland report, were analysed by East Lothian Council Officers, summarised and answered to in the Consultation Report (Appendix 1). The Consultation Report, summarising all representations and East Lothian Council’s response, was published on the East Lothian Council Consultation Hub on 5 June 2017. This was made publicly available for a period of three weeks, in line with the Schools (Consultation) (Scotland) Act 2010.

3.13 At the end of the consultation process, Section 15 of the Schools (Consultation) (Scotland) Act 2010 enables Scottish Ministers to call-in a decision to implement the proposed closure and re-designation of Levenhall Nursery School to Pinkie St Peter’s Primary Nursery Class. Beginning on the day that a final decision has been taken, the Council must notify Scottish Ministers of this decision within a period of six working days. Scottish Ministers then have a period of eight weeks from and including the date of decision to decide if they will call-in the proposal. The Council may not proceed with the implementation of the proposal until this eight-week period has passed.

3.14 If the Scottish Ministers decide to call in a closure proposal, it is then referred to the Convener of the School Closure Review Panels who has a period of seven days after a call in notice is issued to constitute a School Closure Review Panel. The Panel may decide to refuse consent to the proposal, refuse consent and remit it to the education authority for a fresh decision or grant consent to the proposal, either subject to conditions, or unconditionally. The Panel must notify the education authority of its decision within eight weeks from when the Panel was constituted or within 16 weeks if the Panel has issued a notice to the education authority that a decision has been delayed. The Council may not proceed with the implementation of the proposal until the outcome of the call-in has been notified to the Council.

**Summary**

3.15 The Council received 20 responses to the questionnaire during the consultation period. No written responses were received during the consultation period.

3.16 Of the 20 questionnaire responses, a clear majority of respondents (90%) support the proposal. 5% of the questionnaire respondents oppose the proposal while 5% have no opinion. A summary of responses by demographic is provided in the Consultation Report (Appendix 1).

3.17 A number of themes emerged from the questionnaire and oral responses, and can be grouped as follows:

- Insufficient detail advertised on the proposal
- Why re-designation is taking place prior to transfer to new facility
- East Lothian Council's Early Years Strategy
- Consultation Process
- Location of the new facility
- Staff concerns over redeployment to another stage within Pinkie St Peter's Primary School after re-designation to a nursery class
- Staff involvement in plans for the new facility

East Lothian Council’s response to these themes is detailed in Section 7 of the Consultation Report (Appendix 1).

3.18 In line with the Schools (Consultation) (Scotland) Act 2010, Education Scotland considered the educational aspects of the proposal and submitted a report to East Lothian Council. As part of this consideration, Education Scotland met with children, staff and parents who may be affected by the proposal. The full report from Education Scotland can be found in Appendix 6 of the Consultation Report (Appendix 1). Education Scotland stated that the proposal offers significant potential educational benefits for children as follows:

- It will help staff to liaise more effectively and more regularly with a wider group of professionals to strengthen pastoral and curricular transitions for children aged 3 to 6 years supported by staff who know children well;
- It has the potential to provide better continuity and progression across the early level of learning within the Curriculum for Excellence framework;
- A new purpose-built nursery has the potential to better support the delivery of a higher quality and richer learning experience for children across a range of important dimensions;
- It also has the potential to provide staff with a much improved working environment in which to support children's learning.

3.19 Education Scotland stated that it also has the potential to provide a more accessible facility for all users which will better support out-of-hours learning and leisure opportunities and activities for the local community. It will also provide additional capacity to help meet the growing demand for places locally and in response to government policy expectations.

3.20 Education Scotland reported that stakeholders who met with HM Inspectors are very positive about the proposal.

3.21 Education Scotland noted that East Lothian Council should provide clear opportunities for stakeholders to input to the design of the new facility in line with their plans for the introduction of a user reference group. In taking its proposal forward, the Council should also consider further stakeholders’ clear desire to have a linked and not separate facility to further strengthen the educational benefits.

3.22 Following receipt of a total of 20 questionnaire responses and consideration of feedback from consultees and Education Scotland, officers from the Council’s Education and Property Services, reviewed the proposal. This ensured that the Council met the requirements of sections 9(1), 12 and 13(3)(b) of the 2010 Act.

3.23 Following completion of the statutory school consultation exercise, the Council has 3 options to consider, namely:

i. approve, on the basis of the outcome of the school consultation and taking account of the educational and social benefits of the proposal, that:

   a. subject to the conclusion of the Scottish Ministers eight-week call-in period or the notification of the outcome of a call-in, as appropriate, Levenhall Nursery School will be closed and re-designated to Pinkie St Peter's Primary School Nursery Class;

   b. the Care Inspectorate will be notified of the change in registration details and the transfer to the planned new facility;

   c. the re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class will take effect from August 2017, or as soon as possible thereafter; and

   d. children attending the re-designated nursery class will transfer to a new facility within the Pinkie St Peter's Primary School campus from August 2018, or as soon as possible thereafter.

ii. withdraw the proposal, close Levenhall Nursery School and make no further provision for early learning and childcare within the area, which is not in line with the Council's vision;

iii. undertake a further consultation exercise on a new proposal.

3.24 On the basis of the feedback received and taking account of the educational and social benefits of the proposal, it is concluded that the following proposal remains the best solution to allow the school estate to be managed in light of a growing community with high quality provision within the local area. It will improve the continuity and progression in learning across all curriculum areas and stages of learning and bring Levenhall Nursery into the heart of the community. It is therefore recommended that the Council approves the following:

- subject to the conclusion of the Scottish Ministers eight-week call-in period or the notification of the outcome of a call-in, as appropriate, Levenhall Nursery School will be closed and re-designated to Pinkie St Peter's Primary School Nursery Class;

- the Care Inspectorate will be notified of the change in registration details and the transfer to the planned new facility;

- the re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class will take effect from August 2017, or as soon as possible thereafter; and

- children attending the re-designated nursery class will transfer to a new facility within the Pinkie St Peter's Primary School campus from August 2018, or as soon as possible thereafter.

## 4 POLICY IMPLICATIONS

4.1 None

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report has been through the Integrated Impact Assessment process. Potential impacts have been identified and will be addressed.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – The new facility is an identified project in East Lothian Council's 3 year capital spend and funding of £2.2m will be made available for this as approved by Council on 21st February 2017. The Proposed LDP 2016 has established development related impacts on education capacity, including pre-school provision, based on a cumulative assessment of impact and the need for mitigation. Developer contributions will be sought from the developers of relevant sites towards the funding required for the new facility to ensure there is sufficient capacity to meet the increase in roll as a result of planned housing developments. Developer contributions will be the subject of legal agreement with relevant landowners.

School revenue budgets, including nursery, within East Lothian Council are set in line with the pupil roll and calculated in accordance with the Council's Devolved School Management policies and the approved Scheme of Delegation for Schools. In August 2014 the Head Teacher of Pinkie St Peter's Primary School assumed the role of Head Teacher at Levenhall Nursery School under a shared headship arrangement. Due to the shared operational management arrangements, the budgets for Levenhall Nursery School and Pinkie St Peter's Primary School were brought together in 2016/17.

The Council will incur additional revenue costs associated with the day to day running of the required increase in education capacity, as a result of increased rolls from planned and committed housing in the area. Any increases in the pupil rolls due to an increase in nursery and primary aged children arising from committed and planned housing in the area will be reflected within the Pinkie St Peter's Primary School revenue budget.

6.2 Personnel – The staffing entitlement for the proposed re-designated nursery class will be set in line with the nursery roll in accordance with the approved Scheme of Delegation for Schools and the Council's devolved school management (DSM) policies. Any increases in the nursery roll due to an increase in nursery aged children arising from committed and planned housing in the area will be reflected within the staffing complement.

The Education Service closely monitors school rolls and plans staff recruitment in response to increases in rolls. Revised staffing arrangements are managed in accordance with the Council's policies and procedures. No reconfiguration of existing core staffing arrangements is required as a result of this proposal.

6.3 Other – None

## 7 BACKGROUND PAPERS

7.1 Consultation Report on the outcome of the consultation on the proposed closure and re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class (Appendix 1).

| | |
|---|---|
| **AUTHOR'S NAME** | Fiona Robertson |
| **DESIGNATION** | Head of Education |
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| **DATE** | 5th June 2017 |

**Appendix 1**

# EAST LOTHIAN COUNCIL

## RESOURCES AND PEOPLE SERVICES

## EDUCATION

## CONSULTATION REPORT

# REPORT ON THE OUTCOME OF THE CONSULTATION ON THE PROPOSED CLOSURE AND RE-DESIGNATION OF LEVENHALL NURSERY SCHOOL TO PINKIE ST PETER'S PRIMARY SCHOOL NURSERY CLASS

**June 2017**

This Consultation Report has been issued by East Lothian Council in accordance with the Schools (Consultation) (Scotland) Act 2010.

## Contents



**List of Appendices**

**EAST LOTHIAN COUNCIL**

**RESOURCES AND PEOPLE SERVICES**

**EDUCATION**

This report has been prepared following consultation on the following proposal:

- The closure and re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class.

This proposal **directly affected** the following schools:

- Levenhall Nursery School
- Pinkie St Peter's Primary School

Having had regard (in particular) to:

a) Relevant written representations received by the Council (from any person) during the consultation period
b) Oral representations made to it (by any person) at the public meeting held on 21st March 2017
c) Oral representations made to it at the public drop-in session
d) Oral representations made to it at the pupil voice sessions
e) Education Scotland's report on the proposal

## 1. INTRODUCTION

1.1 This is a Consultation Report prepared in compliance with the Schools (Consultation) (Scotland) Act 2010 on the above proposal.

1.2 The purpose of this report is to:

- Provide a record of the total number of written responses made during the Statutory Consultation period;
- Provide a summary of the written responses;
- Provide a summary of oral representations made at the public meeting held on 21st March 2017;
- Provide a statement of the Council's response to those written and oral representations;
- Provide the full text of Education Scotland's report and a statement of the Council's response to this report;
- State how the Council reviewed the above proposal following the representations received during the Statutory Consultation period and the report from Education Scotland;
- Provide details of any omission from, or inaccuracy in, the Consultation Proposal Document and state how the Council acted upon it; and
- State how the Council has complied with Section 12 of the Schools (Consultation) (Scotland) Act 2010 when reviewing the above proposal.

## 2. BACKGROUND

2.1 Education Authorities have a statutory duty in terms of the Education (Scotland) Act 1980 to make adequate and efficient provision of school education across their area, including the provision of education for eligible pre-school children and includes any school or Early Learning & Childcare centre (e.g. nursery school), which are run by the Education Authority. This duty applies in respect of both the current school population and anticipated pattern of demand. In addition, Councils have a statutory duty to secure best value in terms of the Local Government in Scotland Act 2003. Most importantly, the Education Authority would wish to optimise the educational experience to ensure:

- East Lothian's young people are successful learners, confident individuals, effective contributors and responsible citizens;
- East Lothian's children have the best start in life and are ready to succeed;
- East Lothian's children experience equality of opportunity within an inclusive educational experience'

- East Lothian's children's care, welfare and personal and social development is central to raising their attainment and achievements; and
- In East Lothian we live healthier, more active and independent lives.

2.2 East Lothian Council is committed to raising educational attainment and ensuring that all children and young people have the best start in life and are ready to succeed. The educational benefits that will arise from this proposal for children affected or likely to be affected are outlined in the Consultation Proposal Document.

2.3 In August 2014 the Head Teacher of Pinkie St Peter's Primary School assumed the role of Head Teacher of Levenhall Nursery School under a shared headship arrangement following the retirement of the previous Head Teacher. East Lothian Council's long-term vision at that time was to carry out a statutory consultation to close Levenhall Nursery School as a stand-alone facility at Moir Place, Musselburgh and re-designate as a new nursery stage at Pinkie St Peter's Primary School where alternative accommodation would be provided in a new purpose-built nursery facility.

2.4 There has been no local authority managed nursery class historically at Pinkie St Peter's Primary School as Levenhall Nursery School contributed towards the nursery provision in the local area.

2.5 Following site surveys and a health & safety visit to Levenhall Nursery School building at Moir Place during the 2014/15 school session, a Structural Engineer recommended that intrusive structural investigation work be carried out on the building which could take some time.

2.6 Given the urgency of the work and the long-term vision for the school, it was agreed that the children attending Levenhall Nursery School would relocate to the Pinkie St Peter's Primary School under a temporary "hosting" arrangement to enable this to be carried out and avoid further unnecessary disruption to the children.

2.7 On 5$^{th}$ May 2015, information was sent to parents regarding the move and meetings were held with Care Inspectorate Inspectors regarding the temporary accommodation. Levenhall Nursery School ceased operating out of their premises at Moir Place at the close of the afternoon session on Thursday 14$^{th}$ May 2015 and moved into temporary accommodation at Pinkie St Peter's Primary School on Monday 18$^{th}$ May 2015. Due to the immediacy of the relocation it was not possible to undertake a statutory consultation on a proposal to close and re-designate prior to the move into the temporary accommodation.

2.8 On 21$^{st}$ February 2017, East Lothian Council approved its 3-year capital spend as part of the Council's Financial Strategy 2017/18 – 2019/20 which includes funding for a new facility to provide permanent replacement accommodation for Levenhall Nursery School.

2.9 The Council must consult on certain changes in arrangements for educating children and young people in its area before it can commit to delivering them. This includes when proposing a permanent change to any of their schools, including nursery schools, such as closure, relocation or change of catchment area.

2.10 The proposed closure and re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class will **directly affect** the following schools and was considered in the Consultation Proposal Document:

- Levenhall Nursery School
- Pinkie St Peter's Primary School

**3. CONSIDERATIONS**

3.1 The main considerations relating to the closure and re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class are fully explained in the Consultation Proposal Document and the main points are highlighted below:

- The need to address the permanent re-provision of Levenhall Nursery School;
- The condition and suitability of the establishments to facilitate learning and teaching processes in the 21st century;
- The need to develop inspirational learning environments which raise the aspirations of children and young people, staff and the wider community;
- The need to address early learning & childcare provision for the local area and create a sustainable school estate for future generations; and
- The increasing eligible pre-school populations in the local area.

**4. THE CONSULTATION PROCESS**

4.1 The Council has met the minimum requirements set out in the Schools (Consultation) (Scotland) Act 2010 with regards to ensuring the views of all members of the community were listened to and their views are included in this report. The Council believes that this report accurately reflects the views of the community, which have been gathered through a range of engagement events and response mechanisms. It is for members of East Lothian Council to decide to adopt the proposal, withdraw it or seek to consult on another proposal.

4.2 On 24$^{th}$ February 2015, approval was given by East Lothian Council to undertake consultations regarding the school estate (i.e. schools, catchment areas, locations) relating to the LDP, where there is likely to be a need for new or re-provisioned facilities, without further reference to or approval by Council; and to report back to Council on the outcomes of such consultations in order that the Council can make a decision on any proposed changes.

4.3 Notification of the consultation was given to all statutory consultees prior to the commencement of the consultation.

4.4 The Consultation Proposal Document was published on East Lothian Council's website and paper copies distributed on 1st March 2017 to:

- Pinkie St Peter's Primary School
- Levenhall Nursery School
- Campie Primary School
- Loretto RC Primary School
- Musselburgh Burgh Primary School
- Stoneyhill Primary School
- Wallyford Primary School
- Whitecraig Primary School
- Almond Park Nursery
- First Step Community Project
- Fisherrow Community Nursery
- Honest Toun Nursery
- Links Nursery
- Loretto Private Nursery
- Musselburgh Private Nursery
- Fisherrow Playgroup
- Stoneyhill Playgroup
- Wallyford Playgroup
- Whitecraig Playgroup
- Musselburgh Primary Care Centre
- Musselburgh East Community Learning Centre
- Olivebank Child and Family Centre, and
- John Muir House, Haddington.

4.5 The consultation period commenced at 12.00am on **Wednesday 1st March 2017** and lasted until 12.00am on **Wednesday 26th April 2017**, being a period of eight weeks, which also included the statutory minimum 30 school days.

4.6 The proposal on which consultation took place was to:

- close Levenhall Nursery School as a stand-alone nursery school and re-designate it to a nursery stage within Pinkie St Peter's Primary School.

4.7 The requirements for consulting on a relevant proposal relating to schools are set out in the Schools (Consultation) (Scotland) Act 2010.

4.8 An information leaflet setting out details about the proposal and consultation meetings was issued to the consultees listed in the Consultation Proposal Document.

Advice on where the complete Consultation Proposal Document could be obtained was included and was published on East Lothian Council's Consultation Hub http://www.eastlothianconsultations.co.uk/education/levenhall-nursery-consultation

4.9 If requested, copies of the proposal would have been made available in alternative formats or translated for readers whose first language is not English.

4.10 A "Frequently Asked Questions" document was also prepared which was available at the same location on East Lothian Council's Consultation Hub: http://www.eastlothianconsultations.co.uk/education/levenhall-nursery-consultation

4.11 An advertisement was placed in the local newspaper on **2nd March 2017** and **16th March 2017**. A pre-announcement was also made on the Council's website and social media posts on the **28th February 2017**. In addition, there were announcements related to the consultation process on East Lothian Council's website, linked via a Facebook page and Twitter feeds.

4.12 The public meeting was held at **Musselburgh Grammar School** on **Tuesday 21st March 2017 at 7.00pm**.

4.13 In addition to specific meetings with statutory consultees, a drop-in session was held in respect of the proposal at the venue below, at which any members of the public and staff were welcome to attend:

| **Venue** | **Date** | **Time** |
|---|---|---|
| Pinkie St Peter's Primary School | 8th March 2017 | 12:00pm – 5:00pm |

4.14 In accordance with statutory requirements, the following persons, including those indirectly affected, were consulted:

- The Parent Council of Pinkie St Peter's Primary School
- The parents of pupils at Pinkie St Peter's Primary School and Levenhall Nursery School
- The parents of any children expected to attend Pinkie St Peter's Primary School and Levenhall Nursery School within two years of the date of publication of the proposal paper
- The pupils at Pinkie St Peter's Primary School and Levenhall Nursery School
- The staff at Pinkie St Peter's Primary School and Levenhall Nursery School
- The trade union representatives of the above staff
- Musselburgh Area Partnership
- Musselburgh & Inveresk Community Council
- Wallyford Community Council
- Whitecraig Community Council.

4.15 The following schools are **directly affected** by the proposal:

- Levenhall Nursery School

- Pinkie St Peter’s Primary School

4.16 Representations were sought from statutory consultees and the wider public in the following ways:

- An online questionnaire on East Lothian Council's Consultation Hub. The questionnaire asked specific questions and enabled general comments and views to be entered. The Consultation Hub stored all relevant consultation documentation for public viewing;
- Widely distributed paper copies of the same questionnaire, at Council buildings around the Musselburgh area. Sealed boxes were also located at Pinkie St Peter’s Primary School, Levenhall Nursery School and Musselburgh East Community Learning Centre for their return;
- Paper and digital flyers, in addition to the press adverts and Council web and social media announcements linked to the Consultation Hub. These flyers also detailed a specific Education Consultations email inbox, to which any queries could be submitted during the consultation period;
- Flyer distribution to pupils at Pinkie St Peter’s Primary School and Levenhall Nursery School as well as all local authority managed nursery classes and partner providers within the Musselburgh cluster area. The Head Teacher of the affected schools used established methods of communication to engage/remind parents about the consultation and the Education Scotland independent evaluation visit.
- In addition to the public meeting and public drop-in session, staff at both the affected schools were also invited to attend a staff voice session held at Pinkie St Peter’s Primary School to discuss the proposal;
- A representative group of pupils from Pinkie St Peter’s Primary School attended a workshop where they were able to express their views on the proposal;
- Meeting held with Pinkie St Peter’s Primary School Parent Council.

4.17 This Consultation Report is the Council’s response to the issues raised during the consultation period on the Consultation Proposal Document.

4.18 This Consultation Report will be published for a period of three weeks before a final decision is taken by East Lothian Council on 27th June 2017.

**5. THE PUBLIC MEETING**

5.1 A public meeting was held in Musselburgh Grammar School on Tuesday 21st March 2017 which was attended by three members of the community. A full note of the meeting is attached at Appendix 1. There were no questions and issues raised at the meeting.

5.2 Additionally, a drop-in session was arranged during the consultation period, enabling any member of the public and staff to ask questions and discuss the proposal, the consultation process and how they could make representations.

## 6. RESPONSES TO THE CONSULTATION EXERCISE

6.1 As part of the consultation process, the Council sought the views of a wide range of stakeholders. Information about the consultation was placed in a local newspaper, on the Council's website and at the affected schools, as well as all Musselburgh primary schools and nursery classes, partnership nurseries, libraries and other centres within the Musselburgh area.

6.2 The Council provided stakeholders with a short online or paper questionnaire and also made good arrangements for receiving additional written responses. The Council received twenty responses to its questionnaire. A clear majority of respondents to the questionnaire (90%) support the proposal. 5% of questionnaire respondents oppose the proposal while 5% have no opinion.

6.3 Although the responses to the questionnaire capture the flavour of opinions regarding the consultation and are all valued, it is important to note that such a small sample size is not statistically significant.

6.4 A summary of all questionnaire responses has been included in Appendix 2. The comments made as part of these questionnaires are also included in Appendix 3, apart from submissions which consultees did not wish East Lothian Council to share publicly. Even if a submission is not shared publicly, it has still been included in the collation of stakeholder's views and informed the response as detailed in paragraph 6.8.

6.5 The Council did not receive any written submissions to its consultation during the consultation period.

6.6 The summary of questionnaire responses categorised by demographic are as follows:

- **Parents of pupils <u>currently</u> at schools:**

  Eighteen of the respondents identified themselves as parents of pupils currently at school. A greater proportion agreed with the proposal than disagreed overall with 80% supporting the proposal and 10% opposing the proposal. 100% of parents of pupils currently at Pinkie St Peter's Primary School and Levenhall Nursery School supported the proposal.

- **Parents of <u>future</u> pupils at schools:**

  Nine of the respondents identified themselves as parents of future pupils. 100% supported the proposal.

- **Parent respondents (with stage banding of pupils):**

  Most parents of pupils across all the stage bandings supported the proposal (75.0%) with the exception of respondents with pupils in S1-S6 where there were equal proportions supporting/opposing the proposal (50%/50%).

- **Pupils <u>currently</u> attending school:**

  There were no respondents within this demographic.

- **Members of Staff:**

  Five of the respondents identified themselves as members of staff. 100% of respondents within this demographic support the proposal.

- **"Other" Respondents:**

  Only two respondents identified themselves within this demographic. One respondent was in support of the proposal while the other opposed the proposal.

6.7 During the consultation period, Council officers visited Pinkie St Peter's Primary School and Levenhall Nursery School providing good opportunities for pupils and staff to discuss their views. Overall, pupils showed support for the proposal. A note of the staff and pupil voice sessions are included as Appendices 4 and 5.

6.8 A number of common themes emerged from the written and oral responses and can be grouped as follows:

- Insufficient detail advertised on the proposal
- Why re-designation is taking place prior to transfer to new facility
- East Lothian Council's Early Years Strategy
- Consultation Process
- Location of new facility
- Staff concerns over redeployment to another stage within Pinkie St Peter's Primary School after re-designation to a nursery class
- Staff involvement in plans for the new facility

## 7. EDUCATION AUTHORITY RESPONSE TO QUESTIONNAIRE AND ORAL REPRESENTATIONS

### 7.1 Insufficient detail advertised on the proposal

7.1.1 One representation made during the consultation stated there was insufficient detail in advertised material to comment on what the proposal will mean for impacted children. In accordance with the *Schools (Consultation) (Scotland) Act 2010*, the Council prepared a Consultation Proposal Document on the proposal which provided a summary of the consultation process and detailed information on the proposal itself. This information included:

- background information on the affected schools;
- the reasons for the proposal;
- the different factors considered in the development of the proposal;
- what the implementation of the proposal will mean;
- an Educational Benefits Statement for those affected by the proposal;
- Transition and Management arrangements;
- consideration of alternative options; and
- Staff and financial implications.

7.1.2 As stated earlier in paragraph 4.4, the Consultation Proposal Document was published on East Lothian Council's website on East Lothian Council's Consultation Hub on 1st March 2017:
http://www.eastlothianconsultations.co.uk/education/levenhall-nursery-consultation

Paper copies were also distributed to all primary schools in the Musselburgh cluster including the two affected schools (Levenhall Nursery School and Pinkie St Peter's Primary School), all Musselburgh Partnership Nurseries and Playgroups, Musselburgh Primary Care Centre, Musselburgh East Community Learning Centre, Olivebank Child and Family Centre, and John Muir House, Haddington. The complete distribution list is set out on page 3 of the Consultation Proposal Document and earlier in paragraph 4.4.

7.1.3 As stated in paragraph 4.8 of this report, an information leaflet setting out the basic details of the proposal, consultation period and public meeting/drop-in session dates was issued to the affected consultees. Paper copies were also distributed to all Musselburgh Primary Schools, Musselburgh Partnership Nurseries and Playgroups, Tots and Teens at Musselburgh Grammar School, Musselburgh Primary Care Centre, Musselburgh East Community Learning Centre, Olivebank Child and Family Centre, Musselburgh Library, Brunton Hall and John Muir House, Haddington. While this leaflet did not contain the detailed information provided in the proposal document, it did contain advice on where more information and copies of the Consultation Proposal Document could be obtained, in paper format or online via a web link to the East Lothian Council's Consultation Hub.

7.1.4 Social media announcements on East Lothian Council's Facebook and Twitter feeds /page throughout the consultation period also provided links to the consultation proposal documentation on East Council's Consultation Hub for consultees to request more information and respond to the consultation.

7.2 **Why re-designation is taking place prior to transfer to new facility**

7.2.1 As stated in the Consultation Proposal Document, Levenhall Nursery School relocated to the Pinkie St Peter's Primary School under a temporary "hosting" arrangement on Monday 18th May 2015 to enable intrusive structural investigation work to be carried out on the nursery school building at Moir Place. Due to legislation it is not appropriate for the length of temporary "hosting" arrangements to exceed a period of

36 months. As the new facility will not be delivered until after the 36 month period has expired, it is necessary for the re-designation to take place prior to the transfer to the new facility.

7.3 **East Lothian Council's Early Years Strategy**

7.3.1 The Scottish Government commits to providing 1140 hours of early learning and childcare for all three and four year olds, and eligible two–year–olds for the beginning of the academic year, August 2020. To assist Local Authorities in this task the Scottish Government has published an action plan. "A Blue Print for 2020: The expansion of early learning and childcare in Scotland" 2017–18 Action Plan. The above document makes it clear that quality provision benefits all children, however, quality does not sit with the structure of a building but what goes on within. We should also remind ourselves that early learning does not begin when children are three but starts from birth in the home. In acknowledgement of this, East Lothian Council support a number of community initiatives working to support parents to be, parents and young children within their own homes and communities.

7.3.2 Working with parents and young children in the community is acknowledged as an investment, with the positive effects and outcomes from this support evidence as children progress through school.

7.3.3 The Early Development Instrument (EDI), a study which relates to all P1 children and considers Social Competence, Physical Health and Wellbeing, Emotional Maturity, Language and Cognitive Development, and Communication Skills, gives an indication of vulnerability across clusters. Having carried out this assessment in 2012 and again in 2016 we are able to confirm a drop of 12% in children's vulnerability in the Musselburgh area. Whilst we are not able to attribute all of this change to work with parents and children in the community, there is no doubt that this, along with the Government's initiative to provide early learning and childcare for eligible two year olds, and a greater understanding of the importance of early years, is beginning to reflect a change in outcome for children and families.

7.3.4 The Scottish Government commits to the early learning and childcare workforce, through increased training opportunities at degree level and making available additional qualified teacher or graduate posts in areas where children would benefit most. The graduates may be practitioners holding a BA in Childhood Practise. These, along with qualified teachers, bring a mix of knowledge and skills into the nursery. In addition the Scottish Government "will increase support for the M. Ed Early Years Pedagogy course from the 2018 – 2019 academic year".

7.3.5 East Lothian Council's Tots & Teens initiative provides S3 pupils at Musselburgh Grammar with an opportunity to work with young children, giving real life practical hands on experience, to complement the childcare elective undertaken in the classroom. This introduces early learning and childcare as a career to pupils.

7.3.6 East Lothian Council, as with all Authorities across Scotland, has begun the journey towards the provision of 1140 hours of early learning and childcare by 2020. As trials begin and we move away from the conventional nursery times and provision, there will be opportunities for staff to work in different ways.

7.3.7 The Scottish Government commits not only to provide 1140 hours of early learning and childcare by 2020, but also to support parents in their choice of provision, “provider neutral” an “enhanced role for childminders” and through a “choice of settings” provide “increased flexibility”. East Lothian Council, in their planning for 1140 hours, are considering a number of trials, the majority of which are to be finalised before announcements to parents and communities will be made.

7.3.8 East Lothian Council in rising to the challenge of providing 1140 hours of early learning and childcare by 2020, will, between 2017 and 2020, consult with parents and trial different models of provision in cluster areas. This will include more flexibility and choice for parents and involve Local Authority and Partnership Centres, as well as Childminders and other registered childcare providers within the community. Trials will begin slowly so that feedback, from staff working in different ways and parents using different models, can be taken into account before rolling out across the county.

## 7.4 Consultation Process

7.4.1 One representation made on the final day of the consultation period through the online questionnaire stated there was a factual inaccuracy relating to the Scottish Ministers Call-in Process set out in paragraph 18 of the Consultation Proposal Document. This inaccuracy was also identified by the Council during the statutory consultation period prior to receiving this representation. The inaccuracy occurred due to a lack of clarity on the UK Legislation website regarding the pdf version of the act that was accessed via a web link from the Scottish Government website. East Lothian Council has informed both the Scottish Government and the National Archives of this. The Council publicly notified the inaccuracy in the documentation by publishing the details along with the correct process in the ‘Omissions, Corrections & Amendments’ document on the Consultation Hub. An amended proposal document was also issued to address the inaccuracies and uploaded to the Consultation Hub on 23rd March 2017.

## 7.5 Location of the new facility

7.5.1 The definitive decision on the location of the Nursery hasn’t been made yet. Design proposals have been drawn up. Consultation with the Head Teacher and relevant departments to decide what the preferred option is (stand-alone or part of the school), are ongoing.

7.6 **Staff Concerns over redeployment to another stage within Pinkie St Peter's Primary School after re-designation to a nursery class**

7.6.1 The Council does not foresee the need to redeploy staff from the nursery to another stage within Pinkie St Peter's Primary School following the re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School. If any staff redeployment is required in the future, this would be carried out in line with the Council's policies on surplus staff and redeployment.

7.7 **Staff involvement in plans for the new facility**

7.7.1 A user reference group will be set up once a preferred option has been identified for the location of the new facility. Members of the current nursery staff will be invited to participate on this group.

## 8. EDUCATION SCOTLAND REPORT

8.1 In accordance with the *Schools (Consultation) (Scotland) Act 2010*, a report was produced by Education Scotland on the educational aspects of the proposal. A full copy of the report can be found in Appendix 6.

8.2 In preparing this report, HM Inspectors undertook the following activities:

- consideration of all relevant documentation provided by the Council in relation to the proposal, specifically the educational benefits statement and related consultation documents, written and oral submissions from parents and others; and
- visits to the sites of Levenhall Nursery School and Pinkie St Peter's Primary School, including discussion with relevant consultees.

8.3 The Education Scotland consideration of the proposal is summarised as follows:

- Education Scotland stated that stakeholders who met with HM Inspectors are very positive about the proposal. Staff considered the move to the new site would support greater access to the school facilities and outdoor spaces to support a richer learning experience and environment. Parents are pleased with the proposal in that it would reduce children's anxieties in transitioning to primary school and would support greater integration of nursery and primary children, including with older siblings. Children understand the need for the move as the old Levenhall building was unsuitable and the move to the new site would allow children from the nursery to join whole school events including assemblies more easily and often. They recognised that relationships between children and staff in the nursery and school would be strengthened and that this would make for a happier learning and working environment for all.

- Education Scotland stated that the proposal offers significant potential educational benefits for children. It will strengthen pastoral and curricular transitions for children aged 3 to 6 years supported by staff who know children well. It has the potential to provide better continuity and progression across the early level of learning within the Curriculum for Excellence framework. It also has the potential to provide a more accessible facility for all users which will better support out-of-hours learning and leisure opportunities and activities for the local community. It will also provide additional capacity to help meet the growing demand for places locally and in response to government policy expectations.

- Education Scotland also stated that the Council should provide clear opportunities for stakeholders to input to the design of the new facility in line with their plans for the introduction of a user reference group.

8.4 Education Scotland concluded that the Council's proposal to close and re-designate Levenhall Nursery School to Pinkie St Peter's Primary School and Nursery Class is of clear educational benefit. A new purpose-built nursery has the potential to better support the delivery of a higher quality and richer learning experience for children across a range of important dimensions. It also has the potential to provide staff with a much improved working environment in which to support children's learning. It will help staff to liaise more effectively and more regularly with a wider group of professionals to strengthen planning and transition arrangements across the early level educational experience. In taking its proposal forward, the Council should consider further stakeholders' clear desire to have a linked and not separate facility to further strengthen the educational benefits.

8.5 **East Lothian Council's Response to Education Scotland's Report**

East Lothian Council welcomes the report from Education Scotland and accepts its findings. The points raised by Education Scotland within the Education Scotland Report were also key themes identified through the consultation process and are addressed in Section 7 of this report.

## 9. TRANSITION ARRANGEMENTS

9.1 Subject to the conclusion of the Scottish Ministers eight-week call-in period or the notification of the outcome of a call-in, as appropriate, if approved, the closure and re-designation of Levenhall Nursery School as a stand-alone nursery school to Pinkie St Peter's Primary School Nursery Class will take effect from August 2017, or as soon as possible thereafter.

9.2 Children currently attending Levenhall Nursery School and Pinkie St Peter's Primary School will not be significantly affected by the closure and re-designation as Levenhall Nursery School has been operating under a shared headship in temporary accommodation within the Pinkie St Peter's Primary School campus since 18th May 2015.

9.3 Parents of eligible pre-school children would continue to apply for early learning and childcare provision at the re-designated Pinkie St Peter's Primary Nursery Class through the Council's existing Nursery Admissions processes.

9.4 Current management operations that are already in place through the shared headship will be formalised under a single management structure within Pinkie St Peter's Primary School.

9.5 Children attending the re-designated nursery class will transfer to a new permanent facility from August 2018, or as soon as possible thereafter.

9.6 All early years practitioners and support staff in post at the point of movement will transfer into the new facility.

## 10. ALLEGED OMMISSIONS OR INACCURACIES

10.1 Section (10) (3) of the Schools (Consultation) (Scotland) Act 2010 also places a requirement on the Council to provide details of any inaccuracy or omission within the Consultation Proposal Document which has either been identified by the Council or raised by consultees. This section of the 2010 Act also requires the Council to provide a statement on the action taken in respect of the inaccuracy or omission, or, if no action was taken, to state that fact and why.

10.2 As stated earlier in section 7.4, the Council identified an inaccuracy within the Consultation Proposal Document during the statutory consultation period relating to the time-frame of the Scottish Ministers call-in period and the procedure following a decision to call-in a closure proposal. The inaccuracy occurred due to a lack of clarity on the UK Legislation website regarding the pdf version of the act that was accessed via a web link from the Scottish Government website. East Lothian Council has informed both the Scottish Government and the National Archives of this. The Council publicly notified this inaccuracy in the documentation by publishing the details along with the correct period and call-in procedure in the 'Omissions, Corrections & Amendments' document on the Consultation Hub. An amended proposal document was issued to address the inaccuracies and uploaded to the Consultation Hub.

10.3 There were no other areas identified by the Council or respondents as being inaccurate or omitted from the Consultation Proposal Document during the consultation period.

## 11. COMPLIANCE WITH SECTION 9(1) OF THE SCHOOLS (CONSULTATION) (SCOTLAND) ACT 2010

11.1 Section 9(1) of the Schools (Consultation) (Scotland) Act 2010 states that:

*After the Education Authority has received Education Scotland's report, the Authority is to review the relevant proposal having regard (in particular) to:*

*(i) written representations received by the Authority (from any person) during the consultation period,*

*(ii) oral representations made to it (by any person) at the public meeting,*

*(iii) Education Scotland's report.*

11.2 Following receipt of twenty questionnaire responses officers reviewed the proposal. There were no oral representations made at the public meeting held during the consultation period.

11.3 The feedback from the consultation was considered by relevant officers within the Council's Education and Property Services. This ensured that the Council met the requirements of sections 9(1), 12 and 13(3) (b) of the 2010 Act.

11.4 Officers of the Education Authority have considered carefully the written representations, including the Education Scotland report. Having reviewed the feedback from consultees, officers conclude that the basis of the original proposal remained the best solution to allow the school estate to be managed in light of a growing community with high quality provision within the local area. It will improve the continuity and progression in learning across all curriculum areas and stages of learning and bring Levenhall Nursery into the heart of the community.

**12. LEGAL ISSUES**

12.1 The Council has complied in full with the requirements of the Schools (Consultation) (Scotland) Act 2010 throughout this statutory consultation.

12.2 The Council is mindful of its duties in respect of equality and the Equality Impact Assessment did not identify that any parent, child or young person would be treated less favourably as a result of this proposal.

12.3 Under the terms of the Schools (Scotland) (Consultation) Act 2010, it is a legal requirement that the Council should not reach any formal decision without having reviewed the relevant proposal having regard, in particular, to:

a) relevant written representations received from any person during the consultation period;
b) oral representation made to it by any person at the public meeting held on 21st March 2017;
c) the Education Scotland report;
d) preparing a Consultation Report; and
e) waiting until a period of three weeks starting on the day on which this Consultation Report is published in electronic and printed form has expired.

12.4 As it is the intention that this Consultation Report should be published, both electronically and in written form, if required, on 5th June 2017, this meets the statutory requirement to publish this report more than three weeks before consideration of the proposal by East Lothian Council.

## 13. SCOTTISH MINISTERS CALL-IN CLOSURE PROCEDURE

13.1 At the end of the consultation process, Section 15 of the *Schools (Consultation) (Scotland) Act 2010* enables Scottish Ministers to call-in a decision to implement the proposed closure and re-designation of Levenhall Nursery School to Pinkie St Peter's Primary Nursery Class.

13.2 Beginning on the day that a final decision has been taken, the Council must notify Scottish Ministers of this decision within a period of six working days. Scottish Ministers then have a period of eight weeks from and including the date of decision to decide if they will call-in the proposal. The Council must publish the fact that the Scottish Ministers have been notified and that representations can be made to the Scottish Ministers within the first three weeks of the eight-week period. The Scottish Ministers will take into account any relevant representations that were made to them by any person within the first three weeks. The Council may not proceed with the implementation of the proposal until this eight-week period has passed.

13.3 If the Scottish Ministers decide to call in a closure proposal, it is then referred to the Convener of the School Closure Review Panels who has a period of seven days after a call in notice is issued to constitute a School Closure Review Panel. The Panel may decide to refuse consent to the proposal, refuse consent and remit it to the education authority for a fresh decision or grant consent to the proposal, either subject to conditions, or unconditionally. The Panel must notify the education authority of its decision within eight weeks from when the Panel was constituted or within 16 weeks if the Panel has issued a notice to the education authority that a decision has been delayed. The Council may not proceed with the implementation of the proposal until the outcome of the call-in has been notified to the Council.

## 14. PERSONNEL ISSUES

14.1 No personnel issues have been identified with regard to this proposal.

## 15. ENVIRONMENTAL ISSUES

15.1 The impact of the proposals is assessed as set out above and any relevant technical information is published alongside the Proposed LDP. The interim environmental assessments, site assessments and other technical documents for the Main Issues Report and Proposed LDP are available on the Council's website.

## 16. CONCLUSION

16.1 The Council now has 3 options to consider, namely:

a) adopt the proposal;

b) withdraw the proposal, close Levenhall Nursery School and make no further provision for early learning and childcare within the area, which is not in line with the Council's vision;

c) undertake a further consultation exercise on a new proposal.

16.2 Education Scotland has identified that the proposal would lead to clear educational benefits for children. This includes strengthening the pastoral and curricular transitions for children aged 3 to 6 years supported by staff who know children well. It has the potential to provide better continuity and progression across the early level of learning within the Curriculum for Excellence framework. A new purpose-built nursery has the potential to better support the delivery of a higher quality and richer learning experience for children across a range of important dimensions and provide staff with a much improved working environment in which to support children's learning.

16.3 If the Council adopts the proposal, it would be on the basis that the educational benefits set out in the Consultation Proposal Document would materialise.

16.4 The key messages deriving from the consultation period are as follows:

- A clear majority of respondents to the questionnaire (90%) support the proposal. 5% of questionnaire respondents oppose the proposal while 5% have no opinion.

- During the consultation period, Council officers visited Pinkie St Peter's Primary School and Levenhall Nursery School, providing good opportunities for staff and pupils to discuss their views. Overall, pupils showed support for the proposal.

## 17. RECOMMENDATIONS

17.1 On the basis of the feedback received and taking account of the educational and social benefits of the proposal, it is concluded that the following proposal is the most suitable option.

17.2 Following the conclusion of the Scottish Ministers eight-week call-in period or the notification of the outcome of a call-in, as appropriate, it is recommended that the Council approves the following:

- Levenhall Nursery School will be closed and re-designated to Pinkie St Peter's Primary School Nursery Class;

- the Care Inspectorate will be notified of the change in registration details and the transfer to the planned new facility;

- The re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class will take effect from August 2017 or as soon as possible thereafter; and
- Children attending the re-designated nursery class will transfer to a new facility within the Pinkie St Peter's Primary School campus from August 2018, or as soon as possible thereafter.

Fiona Robertson
Head of Education
June 2017

**Appendix 1: Note of Public Meeting, 21st March 2017**

**STATUTORY PUBLIC CONSULTATION MEETING**

**PROPOSAL – CLOSURE AND RE-DESIGNATION OF LEVENHALL NURSERY SCHOOL TO PINKIE ST PETER'S PRIMARY SCHOOL NURSERY CLASS**

**TUESDAY 21st MARCH 2017**
**MUSSELBURGH GRAMMAR SCHOOL**

**PRESENT:**
Chris Webb, Independent Adviser - Chair of Meeting
Fiona Robertson, Head of Education
Liz Shaw, Corporate Finance Manager David Scott, Quality Improvement Officer
Richard Parker, Service Manager, Education
Pauline Smith, Principal Officer (Information & Research)
Valerie McIntyre, Principal Officer (Business Unit)
Rob Lewis, Senior Information Officer
Katy Johnstone, Graduate Intern
Calum Murray, Business Support Officer (Education)
David Gilmour, Web Officer
3 members of the public

Chris Webb welcomed everyone to the meeting in relation to the proposed closure and re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School Nursery Class.

Chris Webb introduced himself and outlined the purpose of the meeting. He informed the attendees that the meeting was being recorded to allow the Council to have an accurate record of any issues raised so they can answer any questions fuller at a later date. The views recorded will form part of the consultation exercise.

Chris Webb advised that the purpose of the meeting is to give members of the public the opportunity to hear more about the proposal, ask questions about the proposal and have their views recorded and noted and taken account of as part of the consultation process. Fiona Robertson reiterated that this evening's meeting was being held to discuss the following proposal:-

- To close Levenhall Nursery School as a stand-alone nursery school and re-designate as a nursery stage within Pinkie St Peter's Primary School.

**Background to the Proposal**

- In August 2014 the Head Teacher of Pinkie St Peter's Primary School assumed the role of Head Teacher of Levenhall Nursery School under a shared headship arrangement.

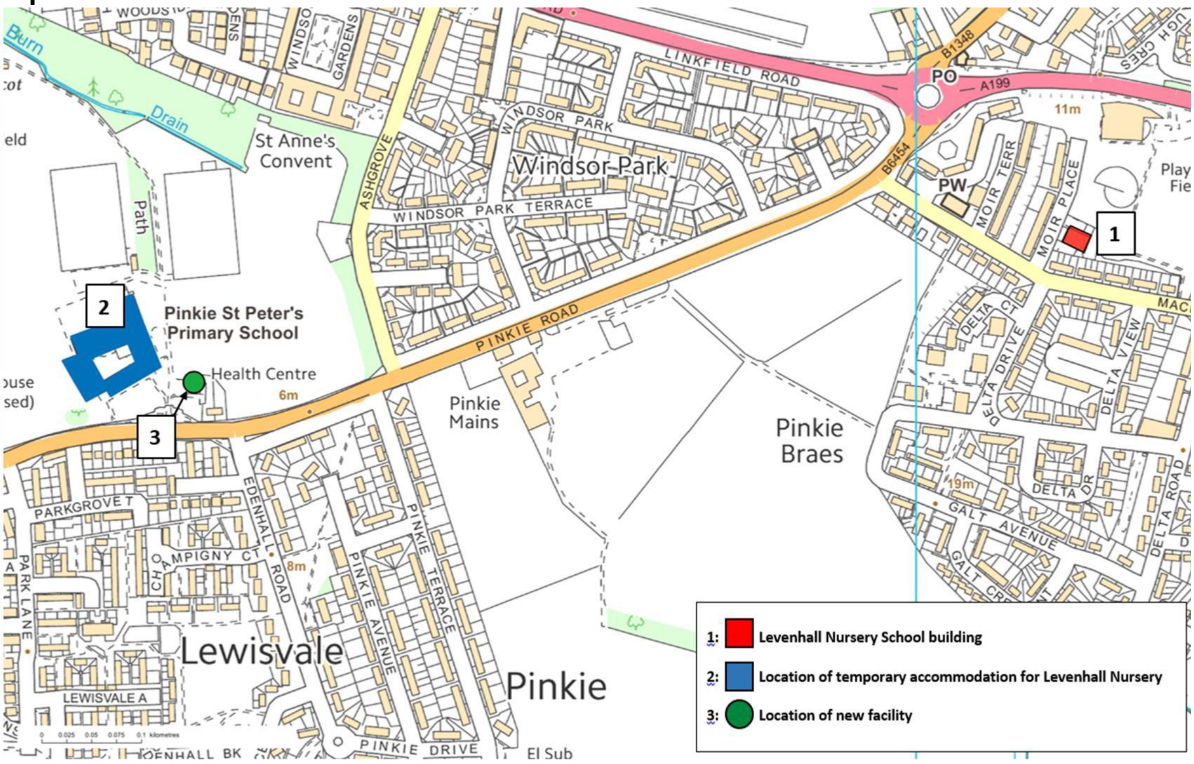
- East Lothian Council's long-term vision at that time was to carry out a statutory consultation to close Levenhall Nursery School as a standalone facility and re-designate it as a new nursery stage at Pinkie St Peter's Primary School.
- Following a site survey and health & safety visit to the Levenhall Nursery building at Moir Place, Musselburgh, a Structural Engineer recommended that urgent, intrusive, structural investigation work be carried out.
- Given the urgency of the work and the long-term vision for the school it was agreed that the nursery should move to Pinkie St Peter's under a temporary 'hosting' arrangement.
- This move occurred in May 2015 and due to the immediacy of the relocation it was not possible to undertake a statutory consultation at that time.
- Although Levenhall Nursery School is still registered as a standalone nursery school, the current staffing, budget and management operation is in line with the nursery class model operated in primary schools.
- On 21st February 2017, East Lothian Council approved its 3-year capital spend as part of the Council's Financial Strategy 2017/18-2019/20 which includes funding for a new facility to provide permanent replacement accommodation for Levenhall Nursery School.

**Evidence**

- Nursery classes are well established in Scotland and are an effective model for delivering high quality nursery provision.
- Within East Lothian, Early Learning and Childcare provision is delivered through 2 standalone nursery schools, 31 Local Authority nursery classes and 19 private and voluntary sector Partnership Centres.
- The Education Authority aims to offer ELCC provision wherever possible within local communities. 93% of eligible pre-school children in East Lothian attend ELCC provision within the cluster area in which they reside.
- Pinkie St Peter's Primary School is the only primary school within the Musselburgh cluster that does not have its own local authority nursery class as Levenhall has historically contributed to provision in the local area.
- Condition and suitability of the Levenhall Nursery School building at Moir Place is rated as "D – Bad, Life Expired".
- Levenhall Nursery School has a current capacity for 100 children (50 morning & 50 afternoon). The number of children attending as at February 2017 is 100.
- The roll for Levenhall Nursery school is expected to increase over the next four years to a peak of 167 pupils. This is due to an expected increase in the number of nursery children arising from committed and planned housing in the local area as a result of the emerging Local Development Plan (LDP).
- A new facility is planned to permanently accommodate the proposed re-designated Pinkie St Peter's Primary School Nursery Class within the Pinkie St Peter's Primary School campus (identified by the green circle (3) on the map of locations).

- This will replace the existing Levenhall Nursery and provide additional capacity for projected nursery children arising from committed and planned housing developments in the local area.
- The new facility will be included in the Council’s strategic planning for delivery of 1140 hours by 2020 – the Scottish Government’s intended annual provision per child.

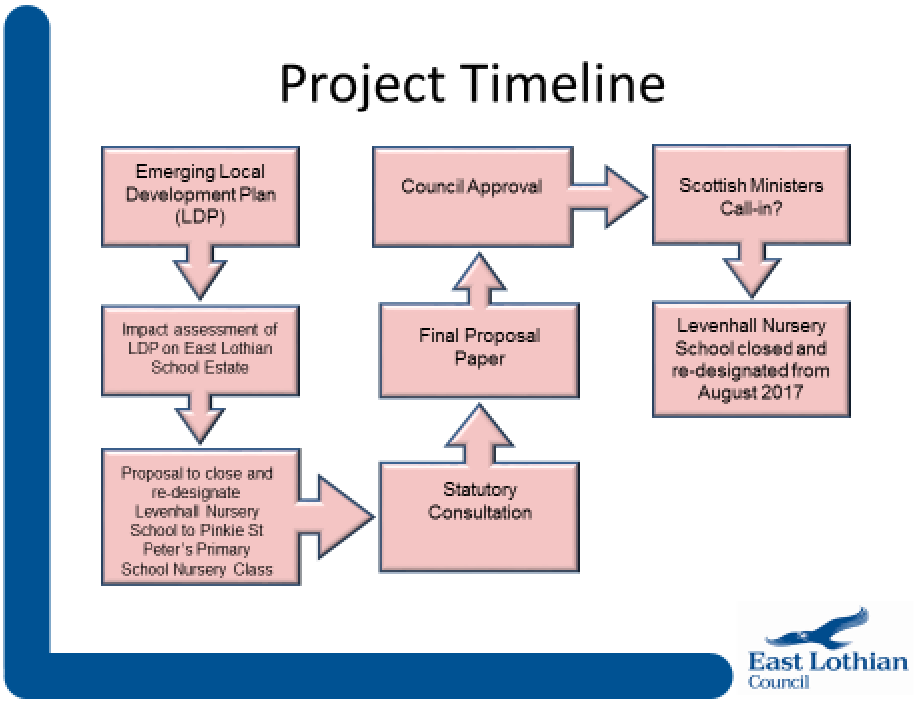
**Map of Locations**




**Educational Benefits**

The proposed closure and re-designation of Levenhall Nursery School to Pinkie St Peter’s Primary School Nursery Class will have educational benefits through:

- Supporting continuity and progression in young children’s learning
- Seamless transition between pre-school and primary with staff and management who know them well – smoother curricular and pastoral transitions
- Developing coherent and progressive curriculum from Early Level through to Second Level
- Developing consistent learning and teaching experiences




Questions were invited from the members of the public, no questions were asked.

Chris Webb drew the meeting to a close and thanked everyone who attended the meeting.

**Appendix 2:**

This is a summary of each category of respondent, in relation to the extent to which they agree/disagree. Please Note: A respondent can identify as more than one category - therefore the totals in the tables below do not add up to the total number of responses received via questionnaire (20)

**Q - To what extent do you agree or disagree with the proposal to close and re-designate Levenhall Nursery School to Pinkie St Peter's Primary Nursery Class?**

Table 1

| **All responses:** | Strongly Agree | Agree | No opinion | Disagree | Strongly disagree | Grand Total | | **% STRONGLY AGREE/AGREE** | **% STRONGLY DISAGREE/DISAGREE** |
|---|---|---|---|---|---|---|---|---|---|
| | **14** | **4** | **1** | | **1** | **20** | | 90.0% | 5.0% |

Table 2

| **Parent of Pupil at:** | Strongly Agree | Agree | No opinion | Disagree | Strongly disagree | Grand Total | | **% STRONGLY AGREE/AGREE** | **% STRONGLY DISAGREE/DISAGREE** |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **12** | **4** | **1** | | **1** | **18** | | 80.0% | 10.0% |
| Levenhall Nursery School | 7 | 3 | 1 | | | 11 | | 100.0% | |
| Pinkie St Peter's Primary | 3 | | | | | 3 | | 100.0% | |
| Other School | 2 | 1 | | | 1 | 4 | | 75.0% | 25.0% |

Table 3

| **Parent of Future Pupil at:** | Strongly Agree | Agree | No opinion | Disagree | Strongly disagree | Grand Total | | **% STRONGLY AGREE/AGREE** | **% STRONGLY DISAGREE/DISAGREE** |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **7** | **2** | | | | **9** | | 100.00% | |
| Levenhall Nursery School | 4 | 1 | | | | 5 | | 100.00% | |
| Pinkie St Peter's Primary | 3 | 1 | | | | 4 | | 100.00% | |
| Other School | | | | | | | | | |

Table 4 ..../

Table 4

| **Parent of Pupil Aged:** | Strongly Agree | Agree | No opinion | Disagree | Strongly disagree | Grand Total | | **% STRONGLY AGREE/AGREE** | **% STRONGLY DISAGREE/DISAGREE** |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **17** | **5** | **1** | | **1** | **24** | | 91.7% | 4.2% |
| Not yet in Education | 3 | 1 | | | | 4 | | 100.0% | |
| Pre-school Education (3-5 year old) | 8 | 3 | 1 | | | 12 | | 91.7% | |
| P1 - P3 | 3 | 1 | | | | 4 | | 100.0% | |
| P4 - P7 | 2 | | | | | 2 | | 100.0% | |
| S1 - S6 | 1 | | | | 1 | 2 | | 50.0% | 50.0% |
| No longer in school Education | | | | | | | | | |

Table 5

| **Member of Staff at:** | Strongly Agree | Agree | No opinion | Disagree | Strongly disagree | Grand Total | | **% STRONGLY AGREE/AGREE** | **% STRONGLY DISAGREE/DISAGREE** |
|---|---|---|---|---|---|---|---|---|---|
| **TOTAL** | **4** | **1** | | | | **5** | | 100.00% | |
| Levenhall Nursery School | 1 | | | | | 1 | | 100.00% | |
| Pinkie St Peter's Primary | 3 | | | | | 3 | | 100.00% | |
| Other School | | 1 | | | | 1 | | 100.00% | |

Table 6

| **"Other" Category** | Strongly Agree | Agree | No opinion | Disagree | Strongly disagree | Grand Total | | **% STRONGLY AGREE/AGREE** | **% STRONGLY DISAGREE/DISAGREE** |
|---|---|---|---|---|---|---|---|---|---|
| **All "Other" Categories** | 1 | | | | 1 | 2 | | 50.0% | 50.0% |

**Appendix 3 Comments from Questionnaire responses**

Of the 20 questionnaire responses, 1 declined permission to publish their comments. However, their representations have been taken account of and responded to in this Consultation Report. The summary of comments below, were made from the remaining 19 responses who gave permission to share their comments.

| COMMENT |
|---|
| As Levenhall nursery is currently based within Pinkie Primary School it makes sense to fully include the nursery as part of the school rather than a separate nursery. A new purpose based facility would give a great start to future children's school career. |
| Have no idea what this will mean for impacted children. When advertising these changes it would be really helpful to provide overview of what it will mean. Additionally why is re-designation taking place in Aug 2017 but transfer not happening until Aug 2018. Ultimately you are advising what is happening but not providing any details. |
| One campus-one school.<br><br>It's basically already there, other than the name and the budget. It'll mean complete inclusion for both primary and nursery schools |
| Having the nursery in today school gives the nursery children the opportunity to get used to the school, teachers, older children and participate in assemblies. |
| I think that it is a huge backward step to do away with the final standalone nursery in East Lothian. Given that we are at a time of intense change in the early years sector and are facing significant expansion whilst also needing to maintain and increase quality, this shows a complete lack of foresight. Getting rid of Nursery Head Teachers was clearly a way of saving money, at the expense of quality.<br><br>It is not surprising that East Lothian is not looked upon favourably in the Early Years sector. As identified in the Review of the Scottish Early Learning and Childcare Workforce and Out of School Care Workforce (Siraj, 2015) There is a significant lack of knowledge of and training in appropriate nursery pedagogy amongst many Primary Head Teachers and specifically there are no roles within the authority for "expert" Early Years leaders. Of course Levenhall has already lost its Head Teacher and its experienced Early Years Principal Teacher. This step is the final nail in the coffin.<br><br>The lack of promotion opportunities means that teachers who are interested in Early Years are being advised to move out of nursery as it is seen as a dead end. Those who are specialists in this area are being snapped up by other authorities. This brain drain is not beneficial to the children of East Lothian.<br><br>If East Lothian really wants to serve its children well, it should look at really investing in the early years sector, which we know has a huge impact on attainment particularly from children in areas of deprivation. There should be stand-alone nurseries, led by experienced Early Years Head Teachers, which offer the possibility of creating hubs of early years excellence and knowledge which could then be cascaded out to other settings within Primary Schools. |

| COMMENT |
| --- |
| East Lothian is so behind in its thinking about quality early learning and childcare.<br><br>Losing Levenhall is a tragedy. |
| Moir Place is a quiet residential street with no through road. Pick up and dropping off of pupils causes increased noise and air pollution to the local residents at peak hours. There is also lack of on street parking for locals and parents alike. |
| I think there is an error in paragraph 18 of the consultation document, which is factually incorrect. The legislation has been updated in 2015 and Ministers no longer have the option to refuse consent, instead they can refer a closure proposal to the Convener of the School Closure Review Panels.<br><br>I think it is a shame the consultation is so long after the temporary move - it has affected lots of families whose children have now moved on to school without being given the courtesy of being consulted.<br><br>�hope that the new facility provides the opportunity for the Council to deliver not just high quality but also flexible early learning and childcare. Working families find it incredibly difficult to use an inflexible offer of 5 afternoons/five mornings, with no possibility of buying extra hours or choosing sessions that match working hours. This would make a great difference and avoid children either missing out on attending their school nursery, or having to rely on informal grandparent care to get them to/from it. I appreciate that this is a change from what has 'always been done', but it would be very much in children and families' interests and is being done in many other areas by local authorities. |
| Makes life easier for all parents with children attending both the school and nursery in terms of drop-offs.<br>My children will attend Pinkie St Peter's Primary so it's good for them to be used to the school surroundings from nursery age as this will help with transitions.<br>The nursery children have access to great outdoor facilities/spaces e.g. the woods for 'Nature Nurture' and the playground for 'play on Pedals'.<br>The nursery children regularly see school staff and pupils so this helps with integration, which will also help with the transition to school.<br>help with transitions. |
| Since the nursery has already moved to Pinkie it would seem even more of a disruption to move it somewhere else for the staff and children. |
| Good for child and parents if more than one child. |
| I don't agree with the proposal of the clinic area being used as the new site for the nursery. The area is big enough for the nursery better being used for more parking spaces and joining the nursery onto the existing school and not make the nursery a separate building. |

**Appendix 4 – Staff Voice Session**

# STAFF VOICE SESSION

## Pinkie St Peter's Primary School and Levenhall Nursery School

**8th March 2017**

**David Scott (DS), Katy Johnstone, Anna Bennett and Rob Lewis met with a group of staff. David Scott described the proposal and then there was a group discussion:**

The staff had questions around the location of the new facility and whether it would be attached to the school building. DS answered that it would not, it would be a separate facility on the campus.

Nursery staff asserted that Levenhall Nursery School will be undergoing a Care Commission Inspection/Report in the coming weeks, and asked whether the outcome will have an influence on how quickly the building will go ahead. DS said he thought it unlikely but it would inform what the new facility needed.

There was a positive feeling about the separate facility as it was felt that there will be better communications and connections with families at a different site on campus.

Staff feel that having the nursery so close to the school has allowed the children to be more involved in the school.

They feel that having the schools as one would be lovely school wise.

However the nursery staff feel sad to see standalone nurseries closing.

They feel that the standalone nursery has never felt isolated from the primary – but that now the special quality about a nursery school has been diluted and lost.

The nursery staff felt that the move to Pinkie had to be undertaken very quickly due to an emergency situation and there was no recognition from John Muir House/the Council about how difficult this had been and the work put in by Levenhall Nursery staff.

Nursery staff believe that it will make a difference when the nursery has its own "place" rather than the two former classrooms it occupies just now.

There was an acknowledgement that currently occupying temporary accommodation which is not specifically designed for nursery gives the staff a better idea of what they actually need in a facility.

Nursery staff had concerns over being pulled out of nursery and put somewhere else in the school after the re-designation. DS said that he could not give a guarantee that this would not happen – but given the potential rise in roll this would be an unlikely situation.

There was a worry about things that need to be considered when incorporated that wouldn't have been an issue in a standalone nursery.

Staff felt that losing the Levenhall name is sad and would be keen to have something to recognise that the school is moving on, giving everyone a bit of closure.

They would also be keen to be involved in any plans involving the new facility to ensure that it is practical from a nursery point of view.

**Appendix 5 – Pupil Voice Interview**

The Pupil Voice Interview was a structured workshop session with a representative group of pupils from the school. The following are summaries of the discussions and questions/answers.

**PUPIL VOICE**

**PINKIE ST PETER'S PRIMARY SCHOOL**
**P1 –P7 PUPIL REPRESENTATIVES**

**8th March 2017**

**David Scott, Katy Johnstone, Anna Bennett and Rob Lewis met with a group of pupils. David Scott described the proposal and then there was a group discussion:**

**What do you think of the proposal?**

- It's a good idea, the nursery children have seen faces and know the teachers
- They would know where everything in the school is, so transition is easier
- I was really upset when the nursery moved from the old Levenhall building
- It is easier for parents who have children in nursery and primary because they are in the same place
- It's a good idea because it would make the school bigger
- There would be more help in the school for the staff
- I like having the nursery children in the assemblies, they are nice and quiet
- It's good for the nursery children to see the older pupils
- The nursery are really lucky to have big rooms
- It's a good thing for the health centre because now it's never open and never gets used

**Appendix 6: Education Scotland Report**

**Report by Education Scotland addressing educational aspects of the proposal by East Lothian Council to close and re-designate Levenhall Nursery School to Pinkie St Peter's Primary School and Nursery Class.**

## 1. Introduction

1.1 This report from Education Scotland has been prepared by HM Inspectors in accordance with the terms of the *Schools (Consultation) (Scotland) Act 2010* and the amendments contained in the *Children and Young People (Scotland) Act 2014*. The purpose of the report is to provide an independent and impartial consideration of East Lothian Council's proposal to close and re-designate Levenhall Nursery School to Pinkie St Peter's Primary School and Nursery Class. Section 2 of the report sets out brief details of the consultation process. Section 3 of the report sets out HM Inspectors' consideration of the educational aspects of the proposal, including significant views expressed by consultees. Section 4 summarises HM Inspectors' overall view of the proposal. Upon receipt of this report, the Act requires the council to consider it and then prepare its final consultation report. The council's final consultation report should include a copy of this report and must contain an explanation of how, in finalising the proposal, it has reviewed the initial proposal, including a summary of points raised during the consultation process and the council's response to them. The council has to publish its final consultation report three weeks before it takes its final decision. Where a council is proposing to close a school, it needs to follow all legislative obligations set out in the 2010 Act, including notifying Ministers within six working days of making its final decision and explaining to consultees the opportunity they have to make representations to Ministers.

1.2 HM Inspectors considered:

- the likely effects of the proposal for children and young people of the centre and school; any other users; children likely to become pupils within two years of the date of publication of the proposal paper; and other children and young people in the council area;
- any other likely effects of the proposal;
- how the council intends to minimise or avoid any adverse effects that may arise from the proposal; and
- the educational benefits the council believes will result from implementation of the proposal, and the council's reasons for coming to these beliefs.

1.3 In preparing this report, HM Inspectors undertook the following activities:

- consideration of all relevant documentation provided by the council in relation to the proposal, specifically the educational benefits statement and related consultation documents, written and oral submissions from parents and others; and

- visits to the sites of Levenhall Nursery School and Pinkie St Peter's Primary School, including discussion with relevant consultees.

## 2. Consultation Process

2.1 East Lothian Council undertook the consultation on its proposal(s) with reference to the *Schools (Consultation) (Scotland) Act 2010* and the amendments in the *Children and Young People (Scotland) Act 2014*.

2.2 The consultation period ran from 1 March until 26 April 2017. A public meeting was held in Musselburgh Grammar School on 21 March 2017 in connection with the proposal. Three members of the public attended the meeting. A drop in session was arranged at Pinkie St Peter's Primary School on the afternoon of 8 March 2017 which provided an additional opportunity for stakeholders to hear about the proposal and ask questions. Members of the council staff also met with a group of children from Pinkie St Peter's Primary School and a group of staff from Levenhall Nursery School and Pinkie St Peter's Primary School to discuss and gather their views about what the council was proposing. Adverts pertaining to the proposal were placed in local print media and notices displayed in relevant council buildings. The proposal document was distributed to a range of key consultees, published on the council website and made available at educational establishments. There were 20 responses to the consultation, with 18 being in favour, one against and one with no particular view. Those stakeholders in favour considered that as the nursery had moved to the current site at the school two years ago, the proposal did not represent a significant change. They welcomed the commitment to build a new facility and thought the move made sense. It would make the drop-off of children easier and safer, would provide greater opportunities for integrating children with the primary pupils and would support stronger transitions for them into P1 at school. Stakeholders considered that the move would provide better access to outdoor spaces and the natural environment supporting improved learning. However, they did not consider a separate facility to be the best solution and preferred a new nursery which adjoined the existing primary school building. They recognised that the existing Levenhall Nursery building was no longer suitable or fit for purpose. The one response that disagreed with the proposal considered the move away from a stand-alone nursery to be a backward step and represented a lack of investment by the council in the early year's sector.

## 3. Educational Aspects of Proposal

3.1 The existing Levenhall Nursery building is no longer fit for purpose and has been graded as category D - economic life expired. The site is difficult to access being located in the middle of a housing estate at the end of cul-de-sac. A new purpose-built, modern nursery will better support learning in 21st Century Scotland. A sustainable and energy efficient new build on the same campus as the primary school represents best value in terms of the council's resources. Such a move formalises the existing temporary management arrangements which have been in place for the past two years. It will strengthen pastoral and curricular transitions for children aged 3 to 6 years supported by staff who know children well. It has the potential to provide better continuity and progression across the early level of learning within the Curriculum for Excellence framework. It also has the potential to provide a more accessible facility for all users which will better support out-of-hours learning and leisure opportunities and activities for the local community. It will provide additional capacity to help meet the growing demand for places locally and in response to government policy expectations.

3.2 In considering the educational benefits of the proposal as outlined, HM Inspectors believe that there are significant potential educational benefits for children in the closure and re-designation of Levenhall Nursery School to Pinkie St Peter's Primary School and Nursery Class.

3.3 Stakeholders who met with HM Inspectors are very positive about the proposal overall. Staff considered the move to the new site would support greater access to the school facilities and outdoor spaces to support a richer learning experience and environment. They were very much looking forward to having new purpose-built facilities. They were keen that the new nursery was built adjoining the existing school building to ensure there was easy and safe access for both staff and children from the nursery to the school. This would encourage even greater integration of children in the nursery and school and easier and ready access to school facilities and events. They considered the interim arrangement where the nursery had been operating from the school building for almost the last two years had worked well overall. It had supported stronger links and improved planning across the early level curriculum pathway from nursery into P1. It had supported many more interactions between staff and children from the nursery and the school providing mutual benefit. The proposal, should it go ahead, would allow this good work to be built on further. Parents are pleased with the proposal in that it would reduce children's anxieties in transitioning to primary school and would support greater integration of nursery and primary children, including with older siblings. They too would prefer that the new nursery was built as an extension to the school building. Children understand the need for the move as the old Levenhall building was unsuitable and the move to the new site would allow children from the nursery to join whole school events including assemblies more easily and often. It would also allow nursery children to meet older pupils on a more regular basis and to become more acquainted with the way the school operated and the layout of the building. They recognised that relationships between children and staff in the nursery and school would be strengthened and that this would make for a happier learning and working environment for all.

3.4 During the consultation period the council was notified of alleged inaccuracies and omissions in the proposal. The council has taken the necessary steps to address these inaccuracies and omissions through the release of further information in the form of an amended proposal.

## 4. Summary

East Lothian Council's proposal to close and re-designate Levenhall Nursery School to Pinkie St Peter's Primary School and Nursery Class is of clear educational benefit. The council outlines the benefits for children very well. The proposal is welcomed by key stakeholders. A new purpose-built nursery has the potential to better support the delivery of a higher quality and richer learning experience for children across a range of important dimensions. It has the potential to provide staff with a much improved working environment in which to support children's learning. It will help staff to liaise more effectively and more regularly with a wider group of professionals to strengthen planning and transition arrangements across the early level educational experience. In taking the proposal forward the council should consider further stakeholders' clear desire to have a linked and not separate facility to further strengthen the educational benefits. The council should also provide clear opportunities for stakeholders to input to the design of the new facility in line with their plans for the introduction of a user reference group.

In its final consultation report, the council will need to, once again, set out the actions it has taken to address the inaccuracies and omissions notified to it.

**HM Inspectors**
**Education Scotland**
**May 2017**

East Lothian Council

**REPORT TO:** East Lothian Council

**MEETING DATE:** 27 June 2017

**BY:** Depute Chief Executive (Resources and People Services)

**SUBJECT:** Appointments to Committees, etc. and Appointment of Representatives to Outside Bodies – Follow-up Report

7

## 1 PURPOSE

1.1 To request the Council to approve further appointments to the Council's committees, sub-committees, associated committees and partnerships, and to approve the appointment of representatives to outside bodies.

## 2 RECOMMENDATIONS

That the Council:

2.1 approves the appointments of Conveners/Depute Conveners of the Education and Planning Committees and the Licensing Sub-Committee, as set out in Section 3.2 of the report; and

2.2 approves the appointment of representatives to outside bodies, as set out in Section 3.3 of the report.

## 3 BACKGROUND

3.1 At its meeting on 23 May 2017 the Council approved appointments to the Council's committees, sub-committees, associated committees and partnerships. At that meeting the Leader of the SNP Group, Councillor Currie, indicated that he would like more time to consider nominations from his group to a number of those committees, as set out below:

Audit & Governance Committee – [3 SNP]

Policy & Performance Review Committee – [3 SNP]

Licensing Sub-Committee – [2 SNP]

Joint Consultative Committee – [1 SNP]

Resilient People Partnership – [1 SNP]

Safe and Vibrant Communities Partnership – [1 SNP]

Sustainable Economies Partnership – [1 SNP]

Councillor Currie has now confirmed that he will not be making any further nominations at this meeting. It should be noted that, as regards the Audit & Governance Committee and Policy & Performance Review Committee, in appointing to these committees the Council shall seek to achieve political balance. As it stands, only five of the eight places of these committees have been filled, with four Conservative Members and one Labour Member on each (the quorum for both committees is five).

3.2 In addition to those nominations listed in 3.1 above, the Council is asked to approve convenerships/depute convenerships as follows:

Education Committee (Depute Convener) – Councillor Dugdale

Planning Committee (Depute Convener) – Councillor McMillan

Licensing Sub-Committee – Councillor McGinn (Convener) and Councillor McMillan (Depute Convener)

3.3 At the same meeting, the Council proposed and approved Elected Member nominations to a number of outside bodies. Since that meeting, requests have been received from the Coastal Communities Museum Trust and from the Scottish National War Memorial (via CoSLA) seeking Elected Member representation, and from SESTRAN, seeking a named substitute. In addition to these requests, Councillor Currie was asked to nominate two SNP Councillors to represent the Council on the East Lothian Education Trust. However, he has indicated that he will not be making any nominations at this meeting.

Members are therefore asked to approve the following nominations:

Coastal Communities Museum Trust – Councillor Goodfellow

Scottish National War Memorial (nomination to be submitted to CoSLA) and Armed Forces Champion – Councillor Goodfellow

SESTRAN (named substitute) – Councillor Innes

## 4 POLICY IMPLICATIONS

4.1 None.

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – none.

6.2 Personnel – none.

6.3 Other – none.

## 7 BACKGROUND PAPERS

7.1 East Lothian Council's Standing Orders

| | |
|---|---|
| **AUTHOR'S NAME** | Lel Gillingwater |
| **DESIGNATION** | Team Manager - Democratic & Licensing |
| **CONTACT INFO** | lgillingwater@eastlothian.gov.uk x7225 |
| **DATE** | 19 June 2017 |

**REPORT TO:** East Lothian Council

**MEETING DATE:** 27 June 2017

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Schedule of Meetings 2017/18

**8**

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## 1 PURPOSE

1.1 To set the Schedule of Meetings of the Council, Committees and other forums for 2017/18.

## 2 RECOMMENDATIONS

2.1 The Council is asked:

i. to approve the proposed Schedule of Meetings for 2017/18; and

iii. to note that the schedule is subject to change, and that any changes will be communicated to Members and officers as soon as practicable.

## 3 BACKGROUND

3.1 The annual Schedule of Meetings for 2017/18 is presented to Members for approval. There will be approximately 125 committee meetings during 2017/18. The schedule largely follows the pattern set for previous years, with a week-long mid-term break in October, a two-week winter break over Christmas/New Year, and a two-week break over the Easter period.

3.2 A number of additional meetings of the Planning Committee have been scheduled, to take account of the anticipated increase in planning applications generated by the Local Development Plan. Compared to 2016/17, there will be a decrease in the numbers of meetings of the Cabinet, Education Committee, Audit & Governance Committee, Policy & Performance Review Committee and Police, Fire & Community Safety Scrutiny Committee.

3.3 Members should note that the Integration Joint Board (IJB) and Musselburgh Joint Racing Committee set their own meeting dates and these are included on the schedule for noting rather than approval.

3.4 A number of dates have been scheduled for Members' briefing sessions. The briefing session topics will be communicated to Members in due course.

3.5 On approval of the dates, venues for meetings and briefings will be booked and confirmed with Members and officers. Members are asked to note that the schedule is subject to change and that any changes will be communicated as soon as practicable.

## 4 POLICY IMPLICATIONS

4.1 None

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## 6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

## 7 BACKGROUND PAPERS

7.1 East Lothian Council Standing Orders

| | |
|---|---|
| **AUTHOR'S NAME** | Lel Gillingwater |
| **DESIGNATION** | Team Manager – Democratic & Licensing |
| **CONTACT INFO** | lgillingwater@eastlothian.gov.uk x7225 |
| **DATE** | 12 June 2017 |

**Appendix 1**

## East Lothian Council
## Draft Schedule of Meetings 2017/18

| Day | Date | Time | Committee/Meeting | Venue |
|---|---|---|---|---|
| | | | | |
| Tues | 15 August 2017 | 10.00 | Planning Committee | |
| Tues | 22 August 2017 | 10.00<br>14.00 | East Lothian Council<br>Members' briefing | |
| Thurs | 24 August 2017 | 10.00<br>14.00 | East Lothian Licensing Board<br>East Lothian Integration Joint Board | |
| Tues | 29 August 2017 | 10.00 | Musselburgh Common Good Committee | |
| Thurs | 31 August 2017 | 14.00 | Local Review Body | |
| | | | | |
| Tues | 5 September 2017 | 09.15<br>10.00 | Haddington Common Good Committee<br>Planning Committee | |
| Wed | 6 September 2017 | 14.00 | Joint Consultative Committee | |
| Thurs | 7 September 2017 | 10.00<br>14.00 | Employee Appeals Sub-Committee<br>North Berwick Common Good Committee | |
| Mon | 11 September 2017 | 14.00 | Safe & Vibrant Communities Partnership | |
| Tues | 12 September 2017 | 10.00<br>14.00 | Cabinet<br>IJB Audit & Risk Committee | |
| Wed | 13 September 2017 | 14.00 | Resilient People Partnership | |
| Thurs | 14 September 2017 | 10.00<br>14.00 | Licensing Sub-Committee<br>Petitions Committee | |
| Tues | 19 September 2017 | 09.00 | Musselburgh Joint Racing Committee | |
| Wed | 20 September 2017 | 14.00 | Sustainable Economy Partnership | |
| Thurs | 21 September 2017 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Tues | 26 September 2017 | 10.00<br>14.00 | Audit & Governance Committee<br>East Lothian Partnership | |
| Thurs | 28 September 2017 | 10.00<br><br><br>14.00 | East Lothian Licensing Board + Joint Meeting with East Lothian Local Licensing Forum<br>Dunbar Common Good Committee | |
| | | | | |
| Tues | 3 October 2017 | 10.00 | Planning Committee | |
| Thurs | 5 October 2017 | 10.00 | Employee Appeals Sub-Committee | |
| Wed | 11 October 2017 | 10.00 | Policy & Performance Review Committee | |
| Thurs | 12 October 2017 | 10.00 | Licensing Sub-Committee | |
| *Autumn Recess: 16 – 20 October 2017* | | | | |
| Thurs | 26 October 2017 | 10.00<br>14.00 | East Lothian Licensing Board<br>East Lothian Integration Joint Board | |
| Tues | 31 October 2017 | 10.00<br>14.00 | East Lothian Council<br>Members' Briefing | |
| | | | | |
| Thurs | 2 November 2017 | 10.00 | Employee Appeals Sub-Committee | |
| Tues | 7 November 2017 | 10.00 | Planning Committee | |
| Thurs | 9 November 2017 | 10.00 | Licensing Sub-Committee | |
| Tues | 14 November 2017 | 10.00 | Cabinet | |
| Thurs | 16 November 2017 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Tues | 21 November 2017 | 10.00<br>14.00 | Education Committee<br>Members' Briefing | |
| Wed | 22 November 2017 | 14.00 | Resilient People Partnership | |

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|---|---|---|---|---|
| Thurs | 23 November 2017 | 10.00<br>14.00 | East Lothian Licensing Board<br>Dunbar Common Good Committee | |
| Tues | 28 November 2017 | 10.00<br>14.00 | Audit & Governance Committee<br>Musselburgh Common Good Committee | |
| Wed | 29 November 2017 | 10.00 | Police, Fire and Community Safety Scrutiny Committee | |
| | | | | |
| Tues | 5 December 2017 | 09.15<br>10.00 | Haddington Common Good Committee<br>Planning Committee | |
| Wed | 6 December 2017 | 14.00 | Sustainable Economies Partnership | |
| Thurs | 7 December 2017 | 10.00<br>14.00 | Employee Appeals Sub-Committee<br>North Berwick Common Good Committee | |
| Tues | 12 December 2017 | 09.00<br>14.00 | Musselburgh Joint Racing Committee<br>IJB Audit & Risk Committee | |
| Wed | 13 December 2017 | 14.00 | Joint Consultative Committee | |
| Thurs | 14 December 2017 | 10.00<br>14.00 | Licensing Sub-Committee<br>Petitions Committee | |
| Tues | 19 December 2017 | 10.00 | East Lothian Council | |
| Thurs | 21 December 2017 | 10.00<br>14.00 | East Lothian Licensing Board<br>East Lothian Integration Joint Board | |
| *Winter Recess: 25 December 2017 – 5 January 2018* | | | | |
| Tues | 9 January 2018 | 10.00 | Planning Committee | |
| Tues | 16 January 2018 | 10.00<br>14.00 | Cabinet<br>Members' Briefing | |
| Wed | 17 January 2018 | 14.00 | Safe & Vibrant Communities Partnership | |
| Thurs | 18 January 2018 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Wed | 24 January 2018 | 14.00 | East Lothian Partnership | |
| Thurs | 25 January 2018 | 10.00 | East Lothian Licensing Board | |
| | | | | |
| Thurs | 1 February 2018 | 10.00 | Employee Appeals Sub-Committee | |
| Tues | 6 February 2018 | 10.00 | Planning Committee | |
| Thurs | 8 February 2018 | 10.00 | Licensing Sub-Committee | |
| Tues | 13 February 2018 | 10.00 | Council – budget-setting | |
| Thurs | 15 February 2018 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Tues | 20 February 2018 | 10.00<br>14.00 | Audit & Governance Committee<br>Musselburgh Common Good Committee | |
| Wed | 21 February 2018 | 10.00 | Policy & Performance Review Committee | |
| Thurs | 22 February 2018 | 10.00<br>14.00 | East Lothian Licensing Board<br>East Lothian Integration Joint Board | |
| Tues | 27 February 2018 | 10.00<br>14.00 | East Lothian Council<br>Members' Briefing | |
| | | | | |
| Thurs | 1 March 2018 | 10.00<br>14.00 | Employee Appeals Sub-Committee<br>North Berwick Common Good Committee | |
| Tues | 6 March 2018 | 09.15<br>10.00<br>14.00 | Haddington Common Good Committee<br>Planning Committee<br><br>IJB Audit & Risk Committee (tbc) | |
| Wed | 7 March 2018 | 14.00 | Joint Consultative Committee | |
| Thurs | 8 March 2018 | 10.00<br>14.00 | Licensing Sub-Committee<br>Petitions Committee | |

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|---|---|---|---|---|
| Tues | 13 March 2018 | 10.00<br>14.00 | Cabinet<br>Education Committee | |
| Thurs | 15 March 2018 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Tues | 20 March 2018 | 09.00 | Musselburgh Joint Racing Committee | |
| Thurs | 22 March 2018 | 10.00<br>14.00 | East Lothian Licensing Board<br>East Lothian Integration Joint Board (budget-setting) | |
| Tues | 27 March 2018 | 10.00<br>14.00 | Planning Committee<br>Members' Briefing | |
| Thurs | 29 March 2018 | 10.00 | Dunbar Common Good Committee | |
| *Spring Recess: 2 April – 13 April 2018* | | | | |
| Thurs | 19 April 2018 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Tues | 24 April 2018 | 10.00<br>14.00 | East Lothian Council<br>Members' Briefing | |
| Thurs | 26 April 2018 | 10.00 | East Lothian Licensing Board | |
| | | | | |
| Tues | 1 May 2018 | 10.00 | Planning Committee | |
| Thurs | 3 May 2018 | 10.00<br>14.00 | Employee Appeals Sub-Committee<br>North Berwick Common Good Committee | |
| Tues | 8 May 2018 | 10.00 | Cabinet | |
| Thurs | 10 May 2018 | 14.00 | Licensing Sub-Committee | |
| Thurs | 17 May 2018 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Thurs | 24 May 2018 | 10.00<br>14.00 | East Lothian Licensing Board<br>Dunbar Common Good Committee | |
| Tues | 29 May 2018 | 10.00<br>14.00 | Musselburgh Common Good Committee<br>Members' Briefing | |
| Wed | 30 May 2018 | 10.00 | Police, Fire & Community Safety Scrutiny Committee | |
| | | | | |
| Tue | 5 June 2018 | 09.15<br>10.00 | Haddington Common Good Committee<br>Planning Committee | |
| Wed | 6 June 2018 | 14.00 | Joint Consultative Committee | |
| Thurs | 7 June 2018 | 10.00 | Employee Appeals Sub-Committee | |
| Tue | 12 June 2018 | 10.00<br>14.00 | Cabinet<br>Audit & Governance Committee | |
| Thurs | 14 June 2018 | 10.00<br>14.00 | Licensing Sub-Committee<br>Petitions Committee | |
| Tue | 19 June 2018 | 10.00<br>14.00 | Education Committee<br>Members' Briefing | |
| Wed | 20 June 2018 | 10.00 | Policy & Performance Review Committee | |
| Thurs | 21 June 2018 | 10.00<br>14.00 | Homelessness Appeals Sub-Committee<br>Local Review Body | |
| Tue | 26 June 2018 | 10.00<br>14.00 | East Lothian Council<br>Planning Committee | |
| Thurs | 28 June 2018 | 10.00<br>14.00 | East Lothian Licensing Board<br>East Lothian Integration Joint Board | |
| | | | | |
| Tue | 3 July 2018 | 09.00 | Musselburgh Joint Racing Committee | |



14 June 2017

REPORT TO: East Lothian Council

MEETING DATE: 27 June 2017

BY: Depute Chief Executive (Resources and People Services)

9

SUBJECT: Summer Recess Arrangements 2017

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## 1 PURPOSE

1.1 To advise Members of the arrangements for dealing with Council business during the summer recess 2017.

## 2 RECOMMENDATIONS

Council is requested to:

2.1 Approve the application of the recess business arrangements, in accordance with Standing Order 15.5, effective from the close of this meeting until the Council meeting of 22 August 2017 (outlined at Section 3.1); and

2.2 Note that a summary of business carried out during the recess period will be brought to the Council meeting of 22 August 2017, and that copies of all reports approved during the recess period will be lodged in the Members' Library.

## 3 BACKGROUND

3.1 Rule 15.5 of the Council's Standing Orders states that:

> Between the last scheduled Council meeting prior to the summer/election recess and the first meeting following the summer/election recess, a minimum of two of the Provost, Depute Provost, Leader, Depute Leader, together with the Convener/Depute Convener of the appropriate committee, will deal in their discretion with the urgent business of the Council presented to them for consideration by the Chief Executive, or officers authorised by him/her to act on his/her behalf.

For the avoidance of doubt, matters that require approval of two-thirds of Councillors cannot be dealt with under this Standing Order.

3.2 It is advised that a report outlining the business that has occurred over the recess period and that have required the application of Rule 15.5 will be brought to the Council meeting of 22 August 2017 for noting.

3.3 Business dealt with under delegated powers and submitted to the Members' Library will continue to be processed using the normal procedures.

## 4 POLICY IMPLICATIONS

4.1 None

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel – None

6.3 Other - None

## 7 BACKGROUND PAPERS

7.1 East Lothian Council's Standing Orders

| | |
|---|---|
| **AUTHOR'S NAME** | Lel Gillingwater |
| **DESIGNATION** | Team Manager – Democratic and Licensing |
| **CONTACT INFO** | lgillingwater@eastlothian.gov.uk |
| **DATE** | 12 June 2017 |

East Lothian Council

| | |
|---|---|
| **REPORT TO:** | East Lothian Council |
| **MEETING DATE:** | 27 June 2017 |
| **BY:** | Depute Chief Executive (Resources and People Services) |
| **SUBJECT:** | Submissions to the Members' Library Service<br>11 May – 14 June 2017 |

**10**

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## 1 PURPOSE

1.1 To note the reports submitted to the Members' Library Service since the last meeting of Council, as listed in Appendix 1.

## 2 RECOMMENDATIONS

2.1 Council is requested to note the reports submitted to the Members' Library Service between 11 May and 14 June 2017, as listed in Appendix 1.

## 3 BACKGROUND

3.1 In accordance with Standing Order 3.4, the Chief Executive will maintain a Members' Library Service that will contain:

(a) reports advising of significant items of business which have been delegated to Councillors/officers in accordance with the Scheme of Delegation, or

(b) background papers linked to specific committee reports, or

(c) items considered to be of general interest to Councillors.

3.2 All public reports submitted to the Members' Library are available on the Council website.

## 4 POLICY IMPLICATIONS

4.1 None

## 5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## 6 RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel – None

6.3 Other - None

## 7 BACKGROUND PAPERS

7.1 East Lothian Council's Standing Orders – 3.4

| | |
|---|---|
| **AUTHOR'S NAME** | Lel Gillingwater |
| **DESIGNATION** | Team Manager - Democratic & Licensing |
| **CONTACT INFO** | lgillingwater@eastlothian.gov.uk |
| **DATE** | 14 June 2017 |

**Appendix 1**

## MEMBERS' LIBRARY SERVICE RECORD FOR THE PERIOD
## 11 May – 14 June 2017

| Reference | Originator | Document Title | Access |
|---|---|---|---|
| 65/17 | Depute Chief Executive (Partnerships and Community Services) | Building Warrants Issued under Delegated Powers between 1 April 2017 to 30 April 2017 | Public |
| 66/17 | Head of Council Resources | Creation of an Additional Community Care Worker for 6 Months | Private |
| 67/17 | Head of Council Resources | Increase in establishment as a result of an increase in School Roll | Private |
| 68/17 | Director of Health and Social Care Partnership | Non-Residential Social Care Charging Policy 2017/18 | Public |
| 69/17 | Director of Health and Social Care Partnership | Revisions to Non-Residential Charges for 2017/18 | Public |
| 70/17 | Head of Children and Adult Services | Children and Young Peoples Service Plan 2017-2020 | Public |
| 71/17 | Head of Infrastructure | Sale of Land Adjacent to Stoneyhill Primary School, Clayknowes Way, Musselburgh | Private |
| 72/17 | Depute Chief Executive (Partnerships and Community Services) | Response to Police Scotland Consultation: 'Serving a Changing Scotland' – 10 Year Strategy for Policing | Public |
| 73/17 | Head of Communities and Partnerships | Creation of Temporary Development Officer Post (New Build) | Public |
| 74/17 | Head of Council Resources | Temporary Change to Staffing Requirements within Wallyford Nursery Class | Private |
| 75/17 | Head of Council Resources | Review of Service Review Team, Human Resources | Private |

14 June 2017