MINUTES OF THE MEETING OF EAST LOTHIAN COUNCIL

TUESDAY 24 APRIL 2018
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

1a

Committee Members Present:
Provost J McMillan (Convener)
Councillor S Akhtar
Councillor L Bruce
Councillor S Currie
Councillor F Dugdale
Councillor J Findlay
Councillor A Forrest
Councillor N Gilbert
Councillor J Goodfellow
Councillor N Hampshire
Councillor J Henderson
Councillor G Mackett
Councillor K Mackie
Councillor C McGinn
Councillor P McLennan
Councillor K McLeod
Councillor F O'Donnell
Councillor B Small
Councillor T Trotter
Councillor J Williamson

Council Officials Present:
Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources and People Services)
Ms M Patterson, Depute Chief Executive (Partnerships and Community Services)
Mr J Lamond, Head of Council Resources
Mr D Proudfoot, Head of Development
Ms F Robertson, Head of Education
Ms S Saunders, Head of Communities and Partnerships
Ms J Tait, Head of Adult & Children's Services
Ms L Brown, Quality Improvement Manager (Education)
Mr S Cooper, Team Manager – Communications
Ms S Fortune, Service Manager – Business Finance
Mr P Forsyth, Team Leader – Assets & Regulatory (Transportation)
Mr C Grilli, Service Manager – Legal and Procurement
Mr E John, Service Manager – Sport, Countryside and Leisure
Mr I McFarlane, Service Manager – Planning
Mr P Iannetta, Service Manager – Engineering Services
Ms E McLean, Service Manager – Strategic Asset and Capital Plan Management
Mr R Montgomery, Project Manager
Ms P Smith, Principal Officer (Information and Research) (Education)
Mr A Stewart, Principal Planner (Policy & Projects)
Mr P Vestri, Service Manager – Corporate Policy and Improvement

Visitors Present:
None

Clerk:
Mrs L Gillingwater

Apologies:
Councillor W Innes
Councillor S Kempson

Declarations of Interest:
Councillor McLennan declared an interest in respect of Item 3 (Report on Examination of Proposed East Lothian Local Development Plan) due to his employment status, and advised that he would leave the meeting for the duration of this item.

1. MINUTES FOR APPROVAL

The minutes of the Council meeting specified below were approved:

East Lothian Council – 13 February 2018

East Lothian Council – 27 February 2018

Matter arising: Item 4 – Financial Review 2017/18 Quarter 3 – the Head of Council Resources advised of the need to seek the guidance/support of Members in relation to a matter affecting Adult Wellbeing services provided under the direction of the Integration Joint Board (IJB). He informed Members that the IJB had approached the Council seeking assurances that any 2017/18 overspending on IJB–Council-related activity would not be carried forward and held against the IJB as a negative reserve. He reminded Members of a similar situation last year, where the Council had agreed a level of protection by supporting a supplementary estimate of £1m budgetary provision during the 2016/17 financial year. Mr Lamond pointed out that the Council and NHS Lothian had previously supported this action on the basis that it may be counter-productive to impose a financial burden which may impact negatively on service delivery going forwards. However, he argued that the process of integration had, through greater delegation, been established to provide greater service effectiveness and efficiency, which should also include overall accountability and financial responsibility.

Mr Lamond reported that the year-end financial position had been closely monitored and ways of minimising the projected overspend were being examined, including negotiating with NHS Lothian with a view to securing a funding contribution that would better reflect the progress made in shifting the balance of care. It was anticipated that the negotiations would be concluded by the end of the w/b 23 April. He indicated that discussions between the senior managers of the Council, the IJB and NHS Lothian on resource allocation associated with shifting the balance of care would continue during the new financial year.

In response to a series of questions from Councillor O'Donnell, Mr Lamond noted that he was unable to confirm the details of the arrangement agreed between the City of Edinburgh Council and NHS Lothian. On the reduction in delayed discharges in East Lothian and shifting the balance of care, Mr Lamond made reference to the significant pressures this had placed upon the provision of care in the community, noting that the Council would continue to press NHS Lothian to make proper resource transfer in this area. He advised that he had not made a direct approach to CoSLA, but that this could be considered.

Councillor Small asked for guidance on the Council's negotiating stance with NHS Lothian as regards reaching a settlement. Mr Lamond reported that the negotiations were almost concluded but that he still anticipated a net overspend position.

Councillor Currie asked a number of questions relating to the impact on the Council's approved budget and the ability for the Adult Wellbeing service to deliver planned efficiencies. Mr Lamond explained that he did not have the final year-end figures as yet, but that the unadjusted overspend was likely to be in the region of £1m. He hoped that a settlement would be agreed with NHS Lothian that would significantly reduce this figure, but that he would not have the preliminary figure before mid-May. He indicated that, should the Council be minded to meet the IJB's request, the overspend would effectively have to be absorbed by the Council, but that this should not have any significant impact upon delivery and funding of other services. Members were informed that the Adult Wellbeing 2017/18 efficiency programme would not be fully achieved, but that the Director of Health and Social Care was hopeful that it would be achieved in future years. Mr Lamond noted that, should the Council wish, there was scope for dialogue with CoSLA and that he was prepared to take this matter forward.

Decision

The Council agreed:

i. to approve, in principle, to support the non-allocation of any Council-related IJB overspending that would effectively allow the IJB to commence the new financial year without any legacy burden associated with this overspending; and

ii. to support the Head of Council Resources' continued efforts to maximise any amount recoverable from NHS Lothian in order to minimise the final level of overspending.

2. MINUTES FOR NOTING

The minutes of the Local Review Body (Planning) meetings of 16 November 2017 and 15 February 2018 were noted, subject to a change to the sederunt of the meeting of 15 February 2018 to reflect Councillor Bruce's attendance at the meeting.

3. REPORT ON THE EXAMINATION OF THE PROPOSED EAST LOTHIAN LOCAL DEVELOPMENT PLAN

A report was submitted by the Depute Chief Executive (Partnerships and Community Services):

- requesting that the Council notes the findings of the Scottish Ministers' Examination in Public of the proposed East Lothian Local Development Plan (LDP), set out as conclusions within each section of the completed Report of Examination (as previously made available to Elected Members and available to view on the Council's website within the Local Development Plan web pages);

- advising the Council of the Reporter's consequent recommended post-examination modifications to the proposed LDP, also set out within the Report of Examination and in the Table of Reporter's Recommendations by Issue (attached as Appendix 1 to the report);

- advising the Council that the Reporter's recommended post-examination modifications were largely binding on the Council as they finalise the content of the LDP for adoption, as set out in Section 19 (10-11) of the Town and Country Planning (Scotland) Act 1997 and Regulation 2 of the Town and Country Planning (Grounds for Declining to Follow Recommendations) (Scotland) Regulations 2009;

- advising the Council that, in the context of the paragraph above, before the LDP could be adopted by the Council, all the Reporter's recommended post-examination modifications should be fully incorporated within the LDP, unless any one of them falls within a category that means the Council should decline to follow it, as defined within Regulation 2 of the Town and Country Planning (Grounds for Declining to Follow Recommendations) (Scotland) Regulations 2009;

- advising the Council that it should make any requisite minor consequential modifications to the proposed LDP arising as a consequence of the Reporter's modifications themselves (e.g. minor mapping changes or changes to policy, proposal or paragraph references, etc.) and that, other than this and in the circumstances described in the paragraph above, no further modifications to the proposed LDP could be made by the Council before it adopts the LDP; and

- advising Council of the requirement within the Town and Country Planning (Scotland) Act 1997 (as amended) for a decision of the Council on whether it intends to adopt the LDP (as modified following Examination in Public) within three months of received the Report of Examination. A decision to this effect would be sought at a separate and later Council meeting.

Declaration of Interest: Having declared an interest due to his employment status, Councillor McLennan left the Chamber for the duration of this item.

The Service Manager – Planning, Iain McFarlane, presented the report. He reminded Members of the scope and purpose of the Examination, and drew attention to the findings and the recommended modifications, as set out in Sections 3.20-3.21 of the report. He noted that further technical work was required in response to the recommended modifications and that this would be reported back to Council. Mr McFarlane pointed out that the Reporter had endorsed the Council's spatial strategy and the sites, with the exception of three sites recommended for removal from the Plan. He was of the view that the Examination Report was positive.

Councillor Small asked if the removal of the three sites would affect the Council's housing land supply. Mr McFarlane indicated that he had expected the Howe Mire site to be removed. As regards the Humbie North and East Saltoun sites, he noted that the Reporter had determined that there was not a required need for additional housing in those areas. However, the Reporter had also made it clear that there was no requirement for the Council to provide additional sites, as the Council's housing land supply was adequate.

In response to questions from Members as regards the former Cockenzie Power Station site, Mr McFarlane advised that the Reporter had taken a view on National Planning Framework 3 (NPF3), and that separate discussions would need to take place with the Scottish Government as regards the implications of NPF4. On the Scottish Government's decision to call in the RedRock Ltd planning application for onshore transmission works associated with the Inch Cape offshore windfarm, he believed this was not linked to the Reporter's recommendations. He added that a submission, with the input of Members, would be made to Ministers on the Council's position on the RedRock application. As regards the timing, he indicated that the LDP may be adopted prior to the determination of the RedRock application.

Councillor Akhtar asked about the implications should the Council not agree to note the Reporters findings. Mr McFarlane pointed out that this could delay the LDP process, and that without an adopted LDP, the Council would be at risk of developers applying to develop sites not included in the Plan.

Councillor Bruce asked about the technical work to be carried out at Blindwells and about the process for reviewing the LDP. Mr McFarlane explained that a retail study was required, and that, as the Reporter had approved the safeguarding of land at Blindwells, work on the future expansion of the site would also be undertaken, with a view to allocating sites as part of the next LDP. The timescales were dependent on the progress of the Strategic Development Plan (SDP), and Mr McFarlane anticipated that it would be approved within the next year, with the Council required to bring forward the next LDP within two years of that approval.

Councillor Hampshire paid tribute to officers, particularly Mr McFarlane and Andrew Stewart, for their work on the LDP. He summarised the journey of the LDP to date, highlighting the extensive public engagement work. He voiced his disappointment that a number of sites had been removed by the Reporter, noting that he would be writing to the relevant Minister expressing his concerns, whilst stressing the need to have the LDP approved and adopted.

Councillor Small echoed Councillor Hampshire's comments about the removal of sites from the Plan, especially in the context of protecting small rural schools. He highlighted the importance of effective communication with communities when taking the LDP forward.

Councillor Currie thanked officers for their work on this complex process, which would affect many aspects of people's lives in East Lothian. He questioned the inclusion of thermal generation on the site of the former Cockenzie Power Station, and looked forward to making representation to the Scottish Government on this matter. He highlighted the importance of the Council taking ownership of the Plan once it is adopted.

Councillor O'Donnell praised the public engagement process, and hoped this would continue going forward. She also welcomed the potential economic benefits associated with the Cockenzie site. Her comments were supported by Councillor Akhtar.

Decision

The Council agreed to note the findings of the Scottish Minister's Report of Examination in respect of the proposed East Lothian Local Development Plan, in particular its conclusions and recommended post-examination modifications to the proposed LDP.

Sederunt: Councillor McLennan returned to the Chamber.

4. OUTCOME OF THE STATUTORY SCHOOL CONSULTATION ON THE PROPOSED CLOSURE OF HADDINGTON INFANT SCHOOL AND KING'S MEADOW PRIMARY SCHOOL AND THE ESTABLISHMENT OF A NEW PRIMARY SCHOOL AND ITS ASSOCIATED CATCHMENT AREA FOR HADDINGTON

A report was submitted by the Depute Chief Executive (Resources and People Services) advising of the outcome of the proposal to close Haddington Infant School and King's Meadow Primary School and establish a new primary school for Haddington. The report also sought approval for the recommendation set out within the Consultation Report to close Haddington Infant School and King's Meadow Primary School and establish a new primary school for Haddington covering Nursery to P7 and its associated catchment area.

The Head of Education, Fiona Robertson, presented the report, advising of the proposal to establish a new primary school for Haddington, which, if approved, would be implemented by August 2018, or as soon as possible thereafter. She highlighted the key aspects of the report, including the rationale for change, the consultation process and outcome, the views of Education Scotland on the proposal, and the options available to the Council, as set out in Section 3.29. She noted that, if approved, the proposal would be subject to an eight-week call-in period by the Scottish Government. She also indicated that head teacher recruitment would take place as a priority, and that all staff from the existing schools would be eligible to be matched into posts in the new school.

In response to a question from Councillor Small on the recruitment of the new head teacher, Ms Robertson advised that the school community would be involved in the recruitment and that social media and video would be used to attract candidates. She was confident that the post would attract suitable candidates.

Councillor Akhtar asked questions about the impact on the Empowering Schools strategy of keeping the status quo, about the practicalities of the change and about the consultation process. Ms Robertson anticipated that the outcome of the Empowering Schools consultation would be available in June, after which head teachers could potentially be able to develop their own curriculum. She highlighted the benefits of having one head teacher in terms of continuity of learning. She advised that once the head teacher had been recruited, a Transition Action Group, led by the head teacher and involving parents and pupils, would take forward the transition process. On the consultation exercise, she noted that additional meetings of the PCC had been held to discuss the proposals, as well as drop-in sessions for school staff.

Councillor Trotter asked about the level of responses from each school. Pauline Smith, Principal Officer (Information and Research) reported that c. 80 parents who had responded had children at Haddington Infant School and c. 60 had children at King's Meadow Primary School.

Responding to a question from Councillor McMillan as regards the timing of the proposed changes, Ms Robertson advised that any closure was subject to Scottish Government call in. However, she confirmed that the proposal was in line with the Empowering Schools strategy and the Scottish Government's proposed model for school leadership and management.

Councillor Small spoke in support of the proposal, which he believed would benefit pupils.

Councillor Trotter expressed his disappointment in the low level of response to the consultation. He was of the view that having one head teacher would improve the transition process for pupils and that it would be a positive step for the children's education. His comments were supported by Councillor McMillan.

Councillor Akhtar concluded the debate by thanking staff in Education for their work on this proposal. She highlighted the concerns that had been raised during the consultation process, and welcomed the engagement with staff, parents and pupils, adding that concerns raised would be taken forward by the Transition Action Group. She believed that the proposals would contribute to reducing inequality and raising attainment.

Decision

The Council agreed to approve, on the basis of the outcome of the school consultation, and taking account of the education 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, Haddington Infant School and King's Meadow Primary School would be closed and a new primary school covering Nursery to PA and its associated catchment area would be established for Haddington; and

ii. the closure of Haddington Infant School and King's Meadow Primary School and the establishment of a the new primary school and its associated catchment area would take effect from August 2018, or as soon as possible thereafter.

5. OUTCOME OF THE STATUTORY SCHOOL CONSULTATION ON THE PROPOSED CLOSURE AND RE-DESIGNATION OF NORTH BERWICK NURSERY SCHOOL TO LAW PRIMARY SCHOOL NURSERY CLASS

A report was submitted by the Depute Chief Executive (Resources and People Services) advising of the outcome of the proposal to close North Berwick Nursery School as a standalone nursery school and re-designate to a nursery stage within Law Primary School, and seeking approval for the recommendation to close North Berwick Nursery School as a standalone nursery school and re-designate to a nursery stage within Law Primary School.

The Head of Education, Fiona Robertson, presented the report, advising of the proposal to formalise the current shared headship arrangement across North Berwick Nursery School and Law Primary School and the re-designation of North Berwick Nursery School to Law Primary School Nursery Class. She referred to the consultation process undertaken in this regard, and drew attention to the consultation responses and the views submitted by Education Scotland. She noted that the Council had three options to consider, as set out in Section 3.25 of the report.

Councillor Findlay asked if the proposed changes would have an impact on the expansion of early learning and childcare to 1140 hours, and requested that the concerns highlighted during the consultation be reviewed after a period of twelve months in order to ensure that they were being addressed. Ms Robertson confirmed that the changes would have no impact on the expansion of nursery hours and that the Quality Improvement Manager would ensure that any concerns were addressed.

Councillor Akhtar spoke in support of the proposal, believing that it would allow for a smoother transition for pupils. Her views were shared by Councillor Goodfellow, who commented that the shared headship arrangement that had been in place since 2013 had worked well.

Decision

The Council agreed 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, North Berwick Nursery Class would be closed and re-designated to Law Primary School Nursery Class; and

ii. the Care Inspectorate would be notified of the change in registration details; and

iii. the re-designation of North Berwick Nursery School to Law Primary School Nursery Class would take effect from August 2018, or as soon as possible thereafter.

6. OUTCOME OF THE STATUTORY SCHOOL CONSULTATION ON THE PROPOSED ALTERATION OF THE SCHOOL CATCHMENT AREAS OF DIRLETON PRIMARY SCHOOL AND LAW PRIMARY SCHOOL

A report was submitted by the Depute Chief Executive (Resources and People Services) advising of the outcome of the proposal to extend Law Primary School catchment area to include the whole of the new residential development at Ferrygate Meadow and the houses in the area of Westerdunes Park and remove the area of land affected from the Dirleton Primary School catchment area, and seeking approval of recommendation set out within the Consultation Report to extend Law Primary School catchment area to include the whole of the new residential development at Ferrygate Meadow and the houses in the area of Westerdunes Park and remove the area of land affected from the Dirleton Primary School catchment area.

The Head of Education, Fiona Robertson, presented the report, advising of the proposal to adjust the Law Primary School catchment boundary to include all properties within the Ferrygate Meadow development and Westerdunes area of North Berwick. She referred to the consultation process undertaken in this regard, and drew attention to the consultation responses and the views submitted by Education Scotland. She noted that the Council had three options to consider, as set out in Section 3.23 of the report.

In response to questions from Members, it was noted that there had been no objections to the proposals by residents in the Westerdunes area and that there was capacity at Law Primary School to accommodate additional children.

Local Members indicated that they were supportive of the proposal.

Decision

The Council agreed to approve the following, on the basis of the outcome of the school consultation and taking account of the education and social benefits of the proposal:

i. to extend Law Primary School catchment area to include the whole of the new residential development at Ferrygate Meadow and the houses in the area of Westerdunes Park and remove the area of land affected from the Dirleton Primary School catchment area; and

ii. that the new catchment and admission arrangements for Dirleton Primary School and Law Primary School would become operational with immediate effect.

7. MEMBERSHIP OF THE JOINT CONSULTATIVE COMMITTEE

A report was submitted by the Depute Chief Executive (Resources and People Services) seeking approval of the appointment of Councillor Neil Gilbert to the Joint Consultative Committee.

Decision

The Council agreed to approve the appointment of Councillor Neil Gilbert to the Joint Consultative Committee.

8. MUSSELBURGH RACECOURSE – GOVERNANCE REVIEW

A report was submitted by the Depute Chief Executive (Resources and People Services) providing an update in connection with the implementation of the Governance Review, and seeking approval of the next steps.

The Service Manager – Legal and Procurement, Carlo Grilli, presented the report. He informed Members that, since the last Council meeting, the British Horseracing Authority (BHA) had determined not to extend the licence for Musselburgh Racecourse beyond 8

April, and that, should the BHA not grant a licence by 25 April, the fixtures scheduled for 3 and 4 May would not go ahead. He advised that a number of meetings had taken place in recent weeks involving Council officers and the Lothian Racing Syndicate (LRS), and that a joint statement had been issued to the BHA on 17 April. It was hoped that, at their next meeting, the BHA would now take a favourable view on issuing a new licence. Mr Grilli drew attention to a revised Minute of Agreement, which had been drawn up by the LRS and Council officers – the LRS had until close of business on 24 April to sign this revised Minute of Agreement. He highlighted the importance of Council approval of this document in order to demonstrate to the BHA that the Council was complying with their conditions.

Mr Grilli advised that the LRS had nominated Mr Ray Anderson Green and Mr Robert Miller-Bakewell as their representatives on the Musselburgh Racing Associated Committee. He further advised that a working group would be established to take forward plans for the long-term future of the Racecourse, and proposed the appointment of Councillors Currie, O'Donnell and Small as the Council's representatives on this group; there would also be involvement of the LRS and Racecourse staff. He concluded his presentation by noting that there would be costs associated with the procurement of external legal advice, the majority of which would be met by the Racecourse.

Councillor McLeod voiced his concern that one of the LRS members, Robert Miller-Bakewell, was also a director at Kelso Racecourse, and asked if his appointment to the MRAC would conflict with his other appointment. Mr Grilli confirmed that the LRS had nominated Mr Miller-Bakewell, noting that he had already been a member of the MJRC. He added that Mr Miller-Bakewell would be expected to declare any interests, and that he was comfortable with the appointment.

Councillor McLeod also questioned the inclusion of car parking charges within the revised Minute of Agreement. Mr Grilli advised that there were currently no parking charges at the Racecourse, but there may a requirement to introduce them at a later date, hence their inclusion.

Councillor O'Donnell questioned the process for changing the name from Musselburgh Joint Racing Committee to Musselburgh Racing Associated Committee. Mr Grilli explained that the transfer of licences, contracts, etc. was currently being explored, and that there should not be any impact on the day-to-day business of the Racecourse.

In response to a question from Councillor Akhtar as regards the application of a code of conduct to MRAC members, Mr Grilli advised that all councillor members of the MRAC would be required to abide by the Councillors' Code of Conduct.

Councillor Currie asked about the indemnification of councillors. Mr Grilli noted that councillors would be indemnified, and that previous MJRC members had been indemnified by the Council.

On the proposed delegation to the Chief Executive to implement recommendations from the Working Group, the Chief Executive stressed that this delegation was proposed in order to quickly implement recommendations reached by consensus, without reference to Council. However, she undertook to report back to Members on any actions taken.

Councillor O'Donnell thanked all those involved for their efforts in reaching an agreement on the way forward. She looked forward to working with the Working Group to determine the long-term future of the Racecourse.

Councillor Currie spoke of the importance of finding a positive solution for the future of the Racecourse, and hoped that the BHA would view the Council's efforts positively. His views were echoed by Councillor Mackie, who commended officers for their work.

Mr Grilli pointed out an error in the terms of reference, namely that the clause 'the Chairman of the MRAC could call meetings of the MRAC as and when appropriate' should be deleted. The Provost also advised that, as report recommendations 2.1 and 2.2 sought to rescind decisions made by the Council in February in relation to the Minute of Agreement and the Scheme of Administration, the support of two-thirds of Members present was required to approve these recommendations. The Council agreed unanimously to rescind the decisions made by Council on 27 February in relation to the Minute of Agreement and a number of aspects of the Scheme of Administration.

Decision

The Council agreed:

i. to approve the replacement of the Minute of Agreement (as amended) and authorise the Service Manager – Legal and Procurement to enter into the Minute of Agreement in the terms set out in Appendix A of the report;

ii. to note that the replacement Minute of Agreement makes changes to the Scheme of Administration for Musselburgh Racing Associated Committee, particularly in relation to the Remit and Powers, and Quorum, and to delegate to the Chief Executive to make all necessary changes to the Scheme of Administration required as a consequence of approving the changes to the Minute of Agreement;

iii. to approve the appointment of Robert Miller-Bakewell and Ray Anderson Green, as the Lothians Racing Syndicate Limited representations to become the non-Council members of the MRAC, and to note that the Councillor representation, as approved by Council on 27 February 2018, would be Councillors O'Donnell (Convener), Forrest, Mackie and Currie; and

iv. to note that a working group would be created, and to approve the appointment Councillors O'Donnell, Small and Currie to this working group, as detailed in Section 3.7 of the report;

v. to delegate to the Chief Executive to implement the recommendations from the working group and to report back to the Council meeting on 26 June 2018; and

vi. to approve the Council incurring legal costs to assist in addressing the governance issues, including supporting the working group to deliver the optimum long-term operating model, and to note that some of these costs would be charged to the Racecourse.

9. NOTICE OF MOTION – BURIAL CHARGES FOR CHILDREN

A motion was submitted to the Council by Councillors Currie and Gilbert:

> The Council is asked to agree that at time of unimaginable loss, that we should do all we can to assist families who have sadly lost a child under the age of 18. The current burial charges are £100 for a child under 5 years old and £200 for a child aged 5-17 years old.
>
> Council is therefore asked to agree to remove charges for the burial of children under the age of 18 with immediate effect.

> Council is also asked to agree to make representations, both directly and through CoSLA, to the Scottish Government for child burial charges to be met from central resources when the devolution of funeral payment benefit to Holyrood from Westminster takes place in 2019.

Councillor Currie presented the Motion, expressing his disappointment at the recent decision taken by officers under delegated powers to increase the charges for child burials. He noted that approximately ten Scottish local authorities still charged for child burials, with varying fee levels, and he felt that such charges were not appropriate. He also noted that he had made contact with the charity SIMBA, who had felt that any charges imposed should be no more than a nominal sum; Councillor Currie argued that the level of increase in the charges went beyond the level of a nominal sum. He proposed that the charges should be removed with immediate effect, and called on the Council to make representation to have the costs of child burials met centrally.

Councillor Gilbert seconded the Motion, speaking in support of Councillor Currie's statement, and urging Members to support the removal of child burial charges.

The Provost referred to an amendment to the Motion that had been submitted by the Administration. The amendment, which was concerned with revising the final paragraph of the Motion, stated:

> Council is also asked to agree to make representation both directly and through CoSLA, to the Scottish Government to follow the lead taken by the Westminster and Welsh Governments and meet all Scottish child burial charges from Scottish Government resources immediately.

Councillor Hampshire presented the amendment. He indicated that he was supportive of the Motion; however, he asked that the Council should call on the Scottish Government immediately to fund the costs of child burials, which was in line with other areas of the UK.

The amendment was seconded by Councillor O'Donnell, who commented that the Council should do what it could to help families dealing with the death of a child. She supported the suggestion that the Scottish Government should meet the costs of child burials across Scotland.

Councillor Bruce spoke in support of the proposed amendment of centralised funding for child burials, which would see Scotland aligned with England and Wales on this issue. He paid tribute to the work done by SIMBA, and suggested that the Council should explore establishing links with this charity in order to provide people with the best possible services.

Summing up, Councillor Currie thanked all Members for their support. He stated that he would be happy to write to Scottish Ministers to make the case for centralised funding, and also welcomed Councillor Bruce's suggestion as regards Council links with SIMBA. He declared that he would support the amendment to his Motion.

The Provost then moved to the vote on the amendment, which was approved unanimously.

Decision

The Council agreed to approve the motion, as amended:

> The Council is asked to agree that at time of unimaginable loss, that we should do all we can to assist families who have sadly lost a child under the age of 18. The current burial charges are £100 for a child under 5 years old and £200 for a child aged 5-17 years old.

Council is therefore asked to agree to remove charges for the burial of children under the age of 18 with immediate effect.

Council is also asked to agree to make representation both directly and through CoSLA, to the Scottish Government to follow the lead taken by the Westminster and Welsh Governments and meet all Scottish child burial charges from Scottish Government resources immediately.

10. SUBMISSIONS TO THE MEMBERS' LIBRARY, 15 FEBRUARY – 11 APRIL 2018

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.

Decision

The Council agreed to note the reports submitted to the Members' Library Services between 15 February and 11 April 2018, as listed in Appendix 1 to the report.

SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION

The Council unanimously agreed to exclude the public from the following business containing exempt information by virtue of Paragraphs 6 and 9 (information concerning the financial or business affairs of any particular person other than the Authority; terms proposed or to be proposed in the course of negotiations for a contract for the acquisition or disposal of property) of Schedule 7A to the Local Government (Scotland) Act 1973.

Former Cockenzie Power Station Site

A private report advising of the acquisition of the former Cockenzie Power Station site, and the current situation with the site, was approved by the Council.

Referral to Council by Musselburgh Common Good Committee

A private report referred to Council from Musselburgh Common Good Committee in respect of an application for funding was approved by the Council. The Council agreed to award funding of up to a maximum of £170,000 to fund repairs at Fisherrow Harbour.

East Lothian Council

MINUTES OF THE SPECIAL MEETING OF EAST LOTHIAN COUNCIL

TUESDAY 29 MAY 2018
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

1b

Committee Members Present:
Provost J McMillan (Convener)
Councillor S Akhtar
Councillor L Bruce
Councillor S Currie
Councillor F Dugdale
Councillor A Forrest
Councillor N Gilbert
Councillor J Goodfellow
Councillor N Hampshire
Councillor J Henderson
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Ms M Patterson, Depute Chief Executive (Partnerships and Community Services)
Mr J Lamond, Head of Council Resources
Mr D Proudfoot, Head of Development
Ms F Robertson, Head of Education
Mr T Shearer, Head of Infrastructure
Ms P Bristow, Communications Officer
Ms R Colston, Commercial Development Officer
Mr P Forsyth, Team Leader – Assets & Regulatory (Transportation)
Ms C Galvin, Planner (Policy & Strategy)
Mr C Grilli, Service Manager – Legal and Procurement
Mr I McFarlane, Service Manager – Planning
Ms E McLean, Service Manager – Strategic Asset and Capital Plan Management
Ms J Sheerin, Planner (Policy & Strategy)
Ms J Squires, Planner (Policy & Strategy)
Mr A Stewart, Team Manager, Policy & Strategy
Mr A Stubbs, Service Manager - Roads
Mr L Taylor, Planner (Policy & Strategy)
Mr P Zochowski, Principal Planner (Policy & Strategy)

Visitors Present:
None

Clerk:
Mrs L Gillingwater

Apologies:
Councillor J Findlay
Councillor W Innes
Councillor G Mackett
Councillor P McLennan

Declarations of Interest:
None

1. EAST LOTHIAN LOCAL DEVELOPMENT PLAN 2018

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) seeking Council approval of the East Lothian Local Development Plan (as modified following Examination in Public) (ELLDP 2018) as the Local Development Plan (LDP)_the Council intends to adopt. The report also sought approval to publish and submit the ELLDP 2018 to Scottish Ministers for their review, as required by Section 19(10) of the Town & Country Planning (Scotland) Act 1997 (as amended). The report recommended that the Council should adopt the ELLDP 2018 if the Scottish Ministers give clearance to the Council that it may adopt this plan. As such, as soon as the Scottish Ministers give clearance to the Council that their review of the ELLDP 2018 is complete and that the Council may adopt that LDP without any further modification, the ELLDP 2018 would become constituted as the adopted ELLDP 2018.

Iain McFarlane, Service Manager – Planning, presented the report. He began his presentation by paying tribute to his team and to officers throughout the Council for their work on developing the Local Development Plan as a corporate, Council document. He made reference to the LDP Plan journey, and to the recently completed Public Examination, which had been undertaken over six months by four Reporters, who had endorsed both the Council's strategy and the proposed sites. He advised that further technical work had been undertaken to take account of the Reports' recommended modifications. Mr McFarlane explained that the Council was required to express its intention to adopt the Local Development Plan, which, if approved by Council, would then be submitted to Scottish Ministers, who could propose further modifications. In the event that no further modifications were required by Ministers, the Plan would be adopted by the Council at that point.

Mr McFarlane drew attention to an error in the maps referencing Whitecraig, and noted that this would be rectified prior to submission to Ministers.

Councillor Small asked about the risks to the Council of not delivering the required number of homes by 2024. Mr McFarlane explained that there was a sufficient land supply to deliver the 10,050 homes required by the Plan, that circumstances were favourable for the development industry, and that the Council would work with developers to deliver the affordable housing component.

In response to a series of questions from Councillor Currie, Mr McFarlane pointed out that housing allocations not delivered through the current Local Plan would be included in the provision for the new Plan. He advised that there was no specific additional allocation for extra care housing, although there was land available that could potentially be used for health and social care provision. He confirmed that, other than at Blindwells, there was no requirement to seek further developer contributions for health and social care provision, noting that most GP practices were independent businesses and it would not be competent to seek contributions for these. On air quality, Mr McFarlane explained that developers were required to address any air quality issues, adding that significant improvements had already been made in Musselburgh. As regards the transport infrastructure, he advised that the Local Transport Strategy would link with the LDP, and would include the timing of transport interventions in order to accommodate growth. It was anticipated that the railway station at East Linton would be delivered by 2023/24. Mr McFarlane also provided an explanation on areas for potential windfarms/small scale wind turbines, reminding Members that the Council had a robust policy on this, which had been endorsed by the Reporter. He reiterated the requirement for the Plan to comply with National Planning Framework 3 (NPF3) as regards the use of the former Cockenzie Power Station site, stressing the importance of the Council working with the Scottish Government as regards the policy context for NPF4. On planning applications for sites not included in the Plan, Mr McFarlane stated that the Plan provided for a generous land supply for housing and economic development, and that the Planning Committee would have to carefully consider any application that departed from the Plan.

Councillor O'Donnell asked if health and social care services could be provided on land not included in the Plan. Mr McFarlane advised that there were a number of sites within the control of the Council or the NHS which could potentially be developed for this use, provided they could be accessed and serviced.

As regards environmental protections provided under EU regulations, Mr McFarlane noted that the Plan would take account of current provisions and any changes that follow the UK's departure from the EU.

Councillor McLeod questioned the timing of the delivery of the proposed distributor road to the south of Tranent. Mr McFarlane advised that this would depend on the development of the housing. Peter Forsyth, Team Manager – Assets and Regulatory (Transportation), added that the delivery of the road would be carried out in accordance with an assessment of the delivery and sales of housing, and that further analysis on this was required.

Councillor Akhtar sought reassurance in relation to fracking and opencast mining. Mr McFarlane explained that the Council could not have its own moratorium on fracking, and that it was important to ensure that robust policies were in place for both fracking and opencast mining.

Responding to a question from Councillor Goodfellow on speculative planning applications, Mr McFarlane believed that the Plan would provide the strongest defence against such applications.

Councillor Henderson asked how much of the land supply was on prime agricultural land. Mr McFarlane reported that the vast majority of sites were situated on agricultural land; the reason for this was that there were very few brown-field sites in East Lothian.

Councillor Bruce questioned whether there was an onus on Network Rail to lengthen railway platforms. Mr McFarlane indicated that that there would be a requirement for developer contributions to lengthen platforms and that the Council would be working with Network Rail to realise the improvements.

In response to a question from Councillor Gilbert as regards the impact of the Plan on commuters, Mr McFarlane accepted that there may be an increase in journey times pending delivery of the infrastructure improvements.

Before moving to the debate, the Provost thanked Mr McFarlane and his staff for their work in developing the Local Development Plan.

Councillor Hampshire opened the debate by declaring that it was a fantastic achievement for the Council to get the Local Development Plan to this stage, and praised all those who had been involved in its development. He thanked, in particular, Mr McFarlane, Mr Stewart and the Planning Team for their work, highlighting the challenge and complexity of the task. He accepted that delivering the infrastructure to support 10,050 homes would be a challenge, but believed that the Council would achieve it. He informed Members that the development industry was satisfied with the Plan, and that the general public were also largely supportive of it. He stressed the importance of approving the Plan for submission to Scottish Ministers.

Councillor Small also congratulated those involved in getting the Plan to this stage. He commented that it was important to have a Plan agreed by the Council in order that the Council could ensure the availability of a suitable housing land supply, and to create economic development opportunities for East Lothian. He also referred to the importance of delivering the required infrastructure. Councillor Small called on the Council to adhere to the Plan and to resist supporting planning applications for sites not included in the Plan. He also spoke of future development of areas not included in the Plan in order that rural schools could be protected. On community engagement, he remarked that improvements could be made in this area. He also expressed concern about future healthcare provision.

Describing the Plan as ambitious and aspirational, Councillor Akhtar highlighted how it would support the projected increase in population, through 2500 new affordable homes, new and expanded schools and increased economic development opportunities. She also welcomed the policies on fracking and opencast mining. She thanked officers for their work and communities for their input during the consultation process.

Councillor Currie warned about future economic uncertainty and how this could impact on the delivery of the Plan. He expressed the need to deliver the infrastructure to support the increase in population, especially in the west of county where 68% of the new housing would be situated. He believed that regardless of improvements to infrastructure, there would be an adverse impact on people living in the Musselburgh area, and stressed the need for improvements to be made to trunk roads. He also expressed concern about health and social care provision, especially that there was no requirement to deliver additional land for this purpose. He believed it was important for the Council to adopt the Plan, with well-defined policies. He hoped that all mitigations outlined in the Plan would be delivered and that the Council could defend the Plan. He reiterated his concerns, but stated that they were not a reflection of the work undertaken by Planning officers. However, he noted that he would not be supporting Recommendations 2.4 and 2.5.

Councillor Bruce echoed comments made by Members as regards the importance of having an approved Local Development Plan in order to protect the Council against speculative planning applications. He noted his disappointment in relation to the site of the former Cockenzie Power Station, but welcomed the proposals for retail development at Blindwells, which would help create a vibrant community and boost the local economy.

The Plan was welcomed by Councillor O'Donnell, who was confident that the Council could meet the challenges in delivering the required housing and infrastructure. She highlighted the importance of working with partners and other agencies, and also of protecting the historic environment of East Lothian.

Councillor Forrest spoke of the wide public consultation and was pleased that a public inquiry would not be required, which was testament to the work of officers and the input of communities.

Councillor Goodfellow also welcomed the Plan, particularly the provision of a generous housing land supply, which would protect East Lothian from speculative development. He looked forward to the delivery of an additional 2500 affordable homes. On the concerns raised by Members with regard to the delivery of infrastructure, he sought to reassure Members by noting the completion of the new Law Primary School and the distributor road, both of which had been delivered in advance of the completion of housing developments in North Berwick.

The Provost concluded the debate by highlighting the positive aspects of the Plan, including the creation of job opportunities within communities, and the protection of the coastline and countryside. He viewed the Plan as a significant achievement.

The Provost then moved to the vote on Recommendations 2.1-2.3, for which there was unanimous support.

He then moved to the vote on Recommendations 2.4 and 2.5:

For:	13
Against:	5

The report recommendations were therefore carried.

Decision

The Council agreed:

i. to incorporate all of the Report of Examination's recommended post-examination modification within the proposed Local Development Plan (LDP), with the exception of only very minor changes in the use of terminology on the application of the 'Habitats Regulations' to those recommended within the Report of Examination for:

- Issue 21: Wind (Modification 1); and
- Issue 22a: Energy Generation and Transmission: Proposal EGT1 – land at Former Cockenzie Power Station (only in respect of the last sentence of Modification 5); and

to accept the alternative wording for these modifications recommended by officers at Annex 1 to the report and Sections 3.15 – 3.27 of the report for the reasons set out there;

ii. to make all other requisite and consequential and minor typographical / mapping modifications to the proposed LDP as recommended by officers;

iii. to modify the proposed LDP as recommended at (i) and (ii) above, as presented at Annex 3 to the report, as the East Lothian Local Development Plan 2018 (as modified following Examination in Public) (ELLDP 2018);

iv. to approve the ELLDP 2018 as the Local Development Plan it intends to adopt, in accordance with Section 19(10) of the Town & Country Planning (Scotland) Act 1997 (as amended);

v. to adopt the ELLDP 2018 and constitute the plan as the adopted East Lothian Local Development Plan 2018, subject to:

- the Council agreeing all the recommendations at (i) to (iv) above; and additionally
- the Scottish Ministers providing clearance to the Council such that the Council may adopt the ELLDP 2018 following the Scottish Ministers period of review (or any extended period for that review)

in accordance with Section 20 of the Town & Country Planning (Scotland) Act 1997 (as amended).

2. EAST LOTHIAN LOCAL DEVELOPMENT PLAN 2018 – SUPPLEMENTARY GUIDANCE / SUPPLEMENTARY PLANNING GUIDANCE CONSULTATION

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) seeking approval for consultation of statutory Supplementary Guidance and non-statutory Supplementary Planning Guidance associated with the proposed East Lothian Local Development Plan as modified following Examination in Public (i.e. the East Lothian Local Development Plan 2018 (ELLDP 2018)), namely:

- an updated draft of the statutory Supplementary Guidance: Developer Contributions Framework;
- an updated draft of the non-statutory Supplementary Planning Guidance: Development Briefs;
- a draft of the non-statutory Supplementary Planning Guidance: Cultural Heritage and the Built Environment; and
- a draft of the non-statutory Supplementary Planning Guidance: Farmsteading Design Guide

Iain McFarlane, Service Manager – Planning, presented the report, advising that the above-mentioned documents would require to go out to consultation, and that on conclusion of that process the finalised versions would come back to Council for approval.

Councillor McLeod asked for an update on the consultation on the Local Transport Strategy. Peter Forsyth, Team Manager – Assets and Regulatory, reported that the consultation had now closed that that a report on the consultation responses would be brought to Council in the autumn; that report would include information on costings.

In response to questions from Councillor Small as regards the above-mentioned documents, Mr McFarlane confirmed that the consultation timescale would be six weeks and that updated versions would require Council approval.

Councillor Hampshire stressed the importance of the consultation documents, and highlighted the amount of work that had gone into preparing the guidance. He noted that the development industry was happy with the guidance.

Councillor Currie expressed concern about the level of developer contributions for health and social care services, given the projected population growth. He believed that it was crucial to have a robust developer contribution framework in place so that developers understood what was expected of them, and hoped that this would help simplify the planning process.

Councillor O'Donnell made reference to historical buildings in East Lothian, which she hoped could be preserved for the future.

Decision

The Council agreed to approve for consultation the following draft consultation documents:

- an updated draft of the statutory Supplementary Guidance: Developer Contributions Framework;
- an updated draft of the non-statutory Supplementary Planning Guidance: Development Briefs;

- a draft of the non-statutory Supplementary Planning Guidance: Cultural Heritage and the Built Environment; and
- a draft of the non-statutory Supplementary Planning Guidance: Farmsteading Design Guide

Signed ....

Provost John McMillan
Convener of the Council

MINUTES OF THE MEETING OF THE LOCAL REVIEW BODY

THURSDAY 15 MARCH 2018
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

2a

Committee Members Present:
Councillor B Small (Chair)
Councillor L Bruce
Councillor F O'Donnell

Advisers to the Local Review Body:
Mr L Taylor, Planning Adviser to the LRB
Mr C Grilli, Legal Adviser/Clerk to the LRB

Others Present
None

Committee Clerk:
Mrs F Stewart

Declarations of Interest
None

Apologies
Councillor Trotter

Councillor Small, elected to chair the meeting by his colleagues, welcomed everyone to the meeting of the East Lothian Local Review Body (ELLRB).

A site visit had been carried out for the one planning application on the agenda prior to the meeting.

1. PLANNING APPLICATION 17/00528/P – REVIEW AGAINST DECISION CHANGE OF USE OF AGRICULTURAL LAND TO DOMESTIC GARDEN GROUND, ERECTION OF FENCING AND WALL (PART RETROSPECTIVE) AT 1 AND 2 ROSE BANK, SETON MAINS, LONGNIDDRY

The Chair invited the Planning Adviser, who had had no involvement in the original decision, to present a summary of the planning policy considerations in this case.

The Planning Adviser stated that the planning application related to land approximately 0.14 ha. in area which previously lay beyond the eastern garden boundaries of residential properties known as 1 and 2 Rose Bank, Seton Mains. This land was designated in the East Lothian Local Plan 2008 as being within a DC1 (countryside) area, outside the defined settlement boundary of Seton Mains. This small settlement, situated between Port Seton and Longniddry, was surrounded by agricultural land which provided clearly defined settlement edges. The change of use occurred when an area of this land was brought into use as garden ground at both 1 and 2 Rose Bank. A new post and wire fence had been erected to define a new eastern garden boundary and a new 2m high rubble wall had been erected to separate the plots.

The Planning Adviser advised that the two dwellings had been the subject of planning application 05/00156/FUL, granted in April 2005. This application had proposed building the dwellings within the eastern edge of the red boundary line. The land to the east of this was in the ownership of the applicant but was intended to remain outside the gardens of both 1 and 2 Rose Bank. The Case Officer had considered that the plots were able to accommodate the buildings, access and parking, and that the plots provided adequate garden ground. Planning permission had been granted subject to the land, which is the subject of this application, remaining as agricultural land, as it was important to retain a separation between the new dwellings, the settlement edge, and the field beyond. A condition had been attached to the planning consent to ensure that a post and wire fence was erected on the eastern edge to define the garden boundary and to prevent encroachment of garden ground into the countryside.

The Planning Adviser advised that the Case Officer had determined, that whilst the post and wire fencing itself did not conflict with Local Plan Policy, the change of use of the agricultural land to domestic garden ground had resulted in a prejudicial encroachment into the countryside, with harmful impact on landscape character and visual amenity, contrary to policy DC1 of the Local Plan 2008. The Case Officer had also considered that the erection of a rubble wall beyond the established garden grounds (within land subject to this application) was an unacceptable and intrusive addition to the landscape of the eastern edge of Seton Mains, and was out of keeping with the character of the area, contrary to policy DC1 and DP2 of the Local Plan 2008. The proposal would also set a precedent for further encroachment into the countryside. A previous application (14/00494/P) for a change of use of agricultural land to domestic garden ground at Plot 2 (northernmost) had been refused by Officers

and enforcement action was taken. Officers also recommended enforcement action if the review today was not upheld. A further application (16/00058/P) for a change of use to domestic garden ground for both plots (a larger area than the application being considered today) was also refused by Officers, a decision that was upheld by the Local Review Body in September 2016.
Finally, the Planning Adviser stated that the Examination Report on the proposed Local Development Plan (LDP) had now been issued. The LDP had been subject to a previously unresolved representation regarding the boundary of Seton Mains settlement and this representation has now been resolved. There had been no material change in planning policy terms since this application was determined and the Reporter for the LDP had agreed with East Lothian Council that the defined settlement boundary of Seton Mains should be maintained and that proposals for encroachment of garden ground into the open countryside should be resisted.

The Chair invited questions for the Planning Adviser.

Councillor O'Donnell asked, in the event that the Case Officer's decision was upheld today, if the applicant would have access to the ground outside the defined settlement boundary and the Planning Adviser replied that there would be no restrictions to access; the principle was that the land could not be used as garden ground. Councillor O'Donnell also sought clarification on what evidence was needed by local authorities before a planning application could be refused on the grounds of adverse precedent. She also asked if it was possible to impose a condition prohibiting construction on the land outwith the boundary of the plots and the Planning Adviser confirmed that it was open to Members to impose such a condition. In response to further questions, the Planning Adviser stated that Scottish Planning Policy seeks to only allocate land for development which would not result in the loss of character to the area. Residential developments in the countryside were generally considered unacceptable.

Councillor Bruce enquired if decisions with regard to 'visual amenity' were simply judgement calls and the Planning Adviser replied that judgement was based on an assessment of planning policy DP1 and DP2. Councillor Bruce asked if the Case Officer's decision was based on the relationship between the size of the properties and the area of land, and the Planning Adviser stated that, when assessing planning applications, an Officer will assess if the application complies with design policies and consider if the area of garden ground is appropriate.

The Chair noted the footprint of the properties within the garden area and received clarification from the Planning Adviser on the boundary lines shown on the plans.

The Chair asked his colleagues if they now had sufficient information to proceed to determine the application today and they unanimously agreed to proceed. Comments on the application followed.

Councillor O'Donnell stated that the planning advice not to alter the defined boundary of the garden was compelling and she was concerned that upholding the review would set a precedent. Having established that the applicant would still have access to the land beyond the boundary of the garden, Councillor O'Donnell was minded to uphold the original decision of the Case Officer.

Councillor Bruce agreed with his colleague. As the proposals were contrary to planning policy, he too was minded to uphold the original decision.

The Chair was similarly minded. He had not been persuaded to disregard planning policy and had concerns regarding the retrospective nature of the application. He stated that the family would still have access to the land beyond the garden boundary.

Decision

The ELLRB unanimously agreed to uphold the decision of the Planning Officer for the reasons set out in the original Decision Notice dated 13 October 2017.

Signed ....

Councillor B Small
Convener of Local Review Body (Planning)

MINUTES OF THE MEETING OF THE LOCAL REVIEW BODY

2b

THURSDAY 19 APRIL 2018
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

Committee Members Present:
Councillor N Hampshire (Chair)
Councillor K McLeod
Councillor J Findlay

Advisers to the Local Review Body:
Mr L Taylor, Planning Adviser to the LRB
Mr C Grilli, Legal Adviser/Clerk to the LRB
Ms M Haddow, Transportation Planning Officer

Others Present
None

Committee Clerk:
Mrs F Stewart

Declarations of Interest
None

Apologies
Councillor McMillan

Councillor Hampshire, elected to chair the meeting by his colleagues, welcomed everyone to the meeting of the East Lothian Local Review Body (ELLRB).

A site visit had been carried out for the one planning application on the agenda prior to the meeting.

1. PLANNING APPLICATION 17/01091/P – REVIEW AGAINST CONDITION REMOVAL OF CONDITION 1 OF PLANNING PERMISSION 17/01091/P FOR ALTERATIONS AND CHANGE OF USE OF FORMER BANK (CLASS 2) USE TO FORM RESTAURANT (CLASS 3) USE AND HOT FOOD TAKEAWAY (SUI GENERIS) AT 100 HIGH STREET, TRANENT TO ALLOW THE USE OF THE SITE AS A HOT FOOD TAKEAWAY.

The Chair invited the Planning Adviser, who had had no involvement in the original decision, to present a summary of the planning policy considerations in this case.

The Planning Adviser stated that today's review related to a condition that was applied to planning permission 17/01091/P granted by East Lothian Council on the 8 February 2018. The premises was located close to the busy junction of Tranent High Street and Ormiston Road with a bus stop immediately outside the front. It was also situated within the Tranent Conservation Area. Applicable to the determination of the application was Scottish Planning Policy, Strategic Development Plan Policy 1B, and Local Plan 2008 policies ENV2, ENV4, DP6 and T2.

The Planning Adviser advised that, when considering the application, the Case Officer had consulted the Council's Transportation Service and Environmental Health Service. Transportation had raised an objection to the takeaway aspect of the proposal based on potential for illegal parking on the footway and dangerous manoeuvring of vehicles, particularly during peak travel times. No objection had been raised by Transportation Officers to the restaurant use as they accepted that there would be parking available either at the rear of the premises or in other car parks in the town centre. Environmental Health had raised concerns over the takeaway use and requested conditions to protect neighbour amenity, specifically conditions relating to restricting noise levels from plant and equipment, and for details of extraction systems. No representations had been received from members of the public or external agencies.

The Planning Adviser stated that, whilst the applicant stated arrangements were in place to make two parking spaces available at the rear of the premises for take-away customers, the Case Officer considered that the applicant had not demonstrated to the satisfaction of the Planning Authority that the parking and access issues could be resolved. Policy T2 of the adopted Local Plan 2008 requires new development to have no adverse impact upon road safety and the amenity of other neighbouring properties or land uses. The takeaway use was considered contrary to Policy T2. Consequently planning permission had been granted for restaurant use only with a condition applied preventing the use of the premises as a takeaway.

The Chair invited questions for the Planning Adviser.

Councillor Findlay noted that Road Services stated that peak demand for takeaway use was expected to start at around 5pm when road and pedestrian traffic was still high. The applicant in his supporting statement disputed this, stating that the peak time for takeaways was from 6.30pm when pedestrian and traffic volumes were lower. He asked the Planning Adviser for his view and the Planning Adviser stated that the Case Officer would have based her decision on evidence from other takeaway businesses in East Lothian. It had been established that many customers visit takeaways on finishing work, which would occur during the period 5-6.30pm.

The Chair noted that the applicant was critical of Road Services for submitting a list of events which could happen without offering evidence to verify the claims made. He asked the Planning Adviser if it was normal practice for the Council to highlight potential issues and the Planning Adviser replied that, as traffic flow and parking was already under pressure in Tranent, the Transport Department had deemed that removing Condition 1 would create significant problems.

The Chair asked his colleagues if they had sufficient information to proceed to determine the application today and they agreed unanimously that they had. Comments on the application followed.

Councillor McLeod was pleased that the premises would operate as a restaurant but had concerns about a takeaway operation due to traffic and parking issues. He was therefore minded to uphold the decision of the Case Officer to include Condition 1 which was attached to the consent given to this planning application.

Councillor Findlay noted that policy T2 of the adopted Local Plan requires that new development must have no significant adverse consequences for road safety. In his view, the proposed takeaway was located close to a set of traffic lights and a busy junction. He too would therefore vote to uphold the decision of the Case Officer.

The Chair was similarly minded. He stated that there were bus stops and restricted parking on both sides of the road and inconsiderate parking could pose a threat to public safety.

Decision

The ELLRB unanimously agreed to uphold the decision of the Case Officer to include Condition 1 in the planning consent granted as per the Decision Notice dated 8 February 2018.

Signed ....

Councillor N Hampshire
Convener of Local Review Body (Planning)

REPORT TO:	East Lothian Council	
MEETING DATE:	26 June 2018	**3**
BY:	Depute Chief Executive (Resources & People Services)	
SUBJECT:	2017-18 End of Year Financial Review	

1 PURPOSE

1.1 To inform Council of the draft annual accounts and unaudited financial position for the financial year ending 31 March 2018 prior to its submission to External Audit, and to finalise arrangements for any movement in balances going into 2018-19.

2 RECOMMENDATIONS

2.1 The Council is recommended to:

- Note the draft annual accounts for 2017-18, and approve their submission to External Audit prior to 30 June 2018.
- Note the draft financial results for 2017-18, including the impact on reserves and the Council's Financial Strategy.
- Pending the outcome of the final audit, agree that any surplus General Fund reserves over and above the contribution used to support future budgets will be transferred into the General Fund balances with further detail on the utilisation of these balances to be determined as part of the 2018-19 in-year quarterly financial reviews.
- Authorise 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 The Council continues to operate in a very challenging financial environment with reduced levels of real terms funding and increasing policy and demand related growth for services. The previous quarterly financial reviews reported during 2017-18 demonstrated the ongoing challenges faced by services, and reflected the expectation that the financial position was finely balanced and that the Council would broadly break even. Building upon the previous quarterly reviews, this report sets out the closing financial position for the year 2017-18, also bringing together the draft annual accounts for the year ending 31 March 2018. Part 1 of this report sets out requirements and key results contained within the draft annual accounts. Part 2 of this report sets out the financial performance of services against approved budgets.

Part 1 - Draft Annual Accounts 2017-18

3.2 The Council's draft annual accounts are included in their entirety as **Appendix 1** to this report. These accounts summarise the financial transactions made during 2017-18, and the Council's overall financial position as at 31 March 2018. They also include the consolidated Group accounts for a number of entities where the Council has a controlling interest in. The Council must prepare annual accounts in line with the Local Authority (Accounts) Scotland Regulations 2014 and therefore must be prepared in accordance with proper accounting practice as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting.

3.3 Prior to submission for audit by the statutory deadline of 30 June, the draft accounts must be reviewed and considered by those charged with governance within the Council. Although it is hoped there will be no material changes prior to submission to audit, it is recommended that 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 2018.

3.5 The statutory audit will commence in July 2018 and it should be noted that the accounts and related financial results remain draft until the audit has concluded. Audit & Governance will consider the final audited accounts at the end of September, alongside the draft External Audit report. Any subsequent changes arising during the course of the audit will be reported to Council in October.

Key Financial Results - Accounts

3.6 A summary of the key financial results included within the accounts for the financial year ending 31 March 2018 are set out below.

- Overall, the Council's reserves have decreased by £1.122 million from £25.554 million to £24.432 million (£19.038 million General Services and £5.394 million HRA).

- Spending on General Services continues to be higher than total income receivable.

- Relating to General Services, the Council's approved budget for 2017-18 included the planned utilisation of £2.530 million of reserves to balance expenditure commitments. The actual useable reserves have decreased by £1.496 million to £19.038 million, £1.034 million less than planned. This apparently favourable position has been affected by a number of key factors that emerged late in the financial year and are set out below:

    - Additional income amounting to £0.181 million received from the Scottish Government after 31 March 2018 relating to the increased costs associated with the severe weather.

    - Additional contribution of £0.325 million received from NHS Lothian relating to the delivery of IJB delegated functions.

    - Due to a material change in circumstance, the Council has released a provision amounting to £0.551 million that was previously held on the Balance Sheet.

    - The Council has received what was effectively an early payment of Revenue Support Grant (RSG) from the Scottish Government amounting to £0.654 million, which had already been budgeted for in 2018-19.

- The HRA reserves have increased during the year by £0.374 million to a balance of £5.394 million.

- Total gross capital spending during 2017-18 totalled £50.938 million, £29.636 million relating to General Services and £21.302 million relating to HRA.

- During 2017-18, the Council received total asset sales amounting to £2.329 million (£0.275 million in General Services and £2.054 million in HRA) all of which has been used to reduce our in-year borrowing requirement.

- The Council's Pension liabilities are reviewed through triennial actuarial reviews. The latest valuation was carried out at 31 March 2017, and shows a decrease of £36 million in the Council's pension fund liabilities to a value of £142 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 additional change is required in respect of the employer's contribution rates from the approved budget levels.

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

- During 2017-18, the Council provided additional support to the Integrated Joint Board amounting to £0.611 million, and recognised net expenditure of £44.589 million relating to Integrated Joint Board (IJB) functions.
- The Common Good Fund useable reserves increased by £0.381 million to £6.170 million.

3.7 The draft unaudited General Fund reserves position as at 31 March 2018 has been updated and is outlined in **Appendix 2** of this report.

Part 2 - 2017-18 Financial Review

3.8 The purpose of this part of the report is to summarise the financial performance of services against the approved budget during 2017-18. A summary of the financial position across each of the Business Groups is provided within **Appendix 3**. The appendix also shows the assessment of the delivery of planned efficiencies using a 'RAG' rating.

3.9 A number of the budgets, which are shown in Appendix 3, have changed relative to the approved budgets. These adjustments are necessary to reflect a number of 'accounting' adjustments reflected in actual expenditure costs shown through service areas, but are not chargeable to the Council Tax and Rent payer. In summary we have adjusted the budgets to ensure that the surplus or deficit on service areas reflects only costs that are chargeable direct to the taxpayer. The most significant of these adjustments relate to IAS19 Pension requirements, and depreciation and impairment charges.

3.10 Overall the Council delivered an underspend against planned budget for General Services of £0.380 million amounting to only 0.2% of total expenditure and was therefore broadly in line with previously reported expectations. However, this position includes benefit derived from a number of non-recurring items that only emerged late in the financial year including additional grant from Scottish Government in respect of Severe Weather, release of a provision previously held on the balance sheet, and an additional contribution from NHS Lothian to support the IJB related functions. Without these items, the Council would actually have overspent on General Services by £0.677 million. The significant key variables across the service areas are set out below.

3.11 At the end of March 2018, **Resources and People Services** were reporting an overall underspend of £1.375 million.

3.12 The Education Group covering; Pre-school, ASL, Primary, Secondary and School Support budgets is reporting an underspend against budget of £0.615 million with further details below:

- Additional Support for Learning budget delivered an overspend of £0.524 million (4.2%), an increase of £0.267 million from the Quarter 3 position. Most of the overspend relates to the cost of travel and external residential placements reflecting the increased demand for additional support services which continue to put pressures on the service. A wider review of transportation charges for children is ongoing.

- Overall, the Primary "schools" budget reported an overspend of £0.036 million (0.1%), a movement from the Quarter 3 position that forecast an underspend of £0.253 million. Most of this movement relates to the application of guidance mandating carry forward of funds relating to Pupil Equity Fund (PEF). The Primary "client" budget had an overspend of £0.179 million (0.4%), most of which reflected pressures in facilities, transportation and the final number of classes provided. Most of the Primary Schools delivered an in-year surplus amounting to £0.127 million, when combined with the previous DSM carry forward, limits the overall DSM primary balances to £0.278 million.

- Overall the Secondary Schools delivered an underspend of £0.612 million (1.6%), an increase of £0.100 million from the Quarter 3 position. Most of this was due to PPP costs, which was underspent by around £0.392 million. Only two out of the six secondary schools delivered an in year surplus, however combined with previous year's DSM balances only one school enters 2018-19 with a deficit balance, and Education management are already working with the Head Teacher to mitigate any pressures during this current financial year.

- Schools Support Services reported an underspend of £0.277 million (1.6%), a movement of £0.126 million from the Quarter 3 position. This movement was mainly due to a combination of; 1140 spend, and lower than anticipated spend relating to Curriculum for Excellence, Technology (TIC), and Future Technologies Centre.

3.13 Across Council Resources, all service areas operated within approved budgets, and as at March 2018 reported a total underspend of £0.760 million (6.3%), an increase of £0.186 million from the reported Quarter 3 position. The majority of these underspends relate to underspending on staffing budgets driven through vacancy management in anticipation of planned service review as well as increased income from the Salary Sacrifice Schemes, seconded staff and e-recruitment income.

3.14 Within the **Health & Social Care Partnership Directorate** both service areas covering Children's and Adult's Services had been categorised as High Risk, and enhanced financial monitoring and controls have been in place for much of 2017-18. As at 31 March 2018, the Health and Social Care Partnership delivered an overspend against budget of £1.769 million (£0.667 million (4.7%) Children, Adult Wellbeing £1.101 million (2.1%)). With respect to Adult Wellbeing, this overspend was offset against a number of one-off benefits totalling £0.876 million, relating to the release of a care provision as well as additional funding of £0.325 million received from the NHS relating to the delivery of IJB delegated functions. Given this, the actual reported position across the partnership is an overspend of

£0.892 million (£0.667 million Children, Adult Wellbeing £0.225 million), with more detail set out within the sections below.

- The challenges relating to Children's Services have been reported during the quarterly financial reviews for 2017-18 and are mainly due to pressures in external residential placements, external Fostering, Transport Costs and Care at Home costs due to increased demand for services and increased complexities and needs of clients. This has been partially offset by underspends in staff costs due to vacancies, internal fostering due to a shortage of foster carers in the area, secure where there are currently no clients and income generated through selling a residential place at Lothian Villa.

- With respect to Adult Wellbeing, there remains pressure in the following areas; increased demand for care services, particularly external care for elderly clients and clients with learning and physical disabilities, as well as increased transport costs. These pressures were in part, mitigated by savings in staff due to vacancies and increased income recovery from clients. Furthermore, the Adult Wellbeing budget for 2017-18 was balanced on the requirement to deliver an ambitious efficiency programme, in part relating to unachieved efficiencies from 2016-17. A detailed and updated efficiency plan was progressed during 2017-18, but given the level of overspending across the service, it remains likely that further plans will need to be developed to ensure that future spending commitments can be delivered within available budget during 2018-19.

- With respect to the East Lothian Integrated Joint Board (IJB), members will be aware that the majority of the Adult Wellbeing budget is devolved to the IJB alongside a small number of other Council budgets. At the meeting held on 24 April 2018, Council approved in principle to provide non-recurring financial support to the IJB and offset any overspending on Council delegated functions. During 2017-18, the Council effectively provided additional support to the Integrated Joint Board amounting to £0.611 million. Most of this overspending occurred within the Adult Wellbeing service (£0.817 million) offset by a small number of compensating underspends in Community Housing and HRA delegated budgets. Members should be aware that the non-recurring benefit relating to a release of an established provision is not a delegated responsibility for the IJB and has not been applied to the IJB outturn.

- Across the Health and Social Care Partnership, given the financial results, it remains likely that both service areas will face substantial challenges as we progress through 2018-19 and the financial position will be kept under close monitoring and review.

3.15 The **Partnerships & Services for Communities** services are reporting an underspend against budget of £0.351 million**.** In total £0.408 million had been planned to be drawn down from earmarked reserves within the Cost Reduction, but these costs have instead been met from within the overall Directorate positon. More details of service areas are set out below:

- Economic Development showed an underspend of £0.274 million (8.3%). This was mainly due to additional Historic Scotland funding for Haddington CARS, underspends in supporting Graduate and Modern Apprentice placements and additional ESF funding. These underspends were partly offset by costs relating to Cockenzie Power Station site.

- Community Housing showed an overspend of £0.018 million (0.8%) a movement of £0.088 million from Quarter 3. This was mainly due to additional costs for Bed and Breakfast accommodation, and associated costs relating to the increased demand for homeless services.

- Planning delivered an underspend of £0.047 million (3.1%) however planning fee income remains lower than anticipated with fee income for six major projects delayed until 2018-19.

- Property Maintenance Trading Activity delivered a position of £0.025 (3.5%) million below budgeted surplus level but still satisfied the statutory financial target.

- The Customer Services Group reported an underspend of £0.248 million (3.5%) compared to a forecast overspend of £0.008 million at Quarter 3. Most of this was due to staffing variances, lower than anticipated expenditure on supplies and services and additional income that was not expected.

- The Community and Area Partnership Service budgets includes the Area Partnership, Community Development and Trading Standards. In total the service reported an underspend of £0.164 million (1.7%) most of which relates to staff savings, and increased recovery of fees within Protective Services.

- Corporate Policy & Improvement reported an overspend of £0.332 million (31.7%) compared to an underspend of £0.017 million at Quarter 3. The reason for the overspend and movement relates to the costs associated to support the Transformation Team, and CRM Project has now been met from available resources across the Directorate rather than being drawn from the Cost Reduction Fund. The Landscape and Countryside service had an underspend of £0.370 million (4.9%) an increase of £0.262 million on the Quarter 3 position. Most of this variance relates to staff turnover, lower transport costs and additional burial fees and other income.

- Asset Planning and Engineering reported an overspend of £0.050 million (1.2%). Additional costs associated with the revenue repairs of Council buildings amount to £0.332 million, which have been largely offset by staff savings, and additional income relating to investment properties as well as Building Warrant income.

- Roads Network reported an overspend of £0.833 million (8.2%) an increase of £0.712 million from Quarter 3. The mains reasons for this increase were significant additional costs relating to the severe weather in February and March 2018. The costs relating to decriminalised Care Parking and Coastal Car Parking are reflected within the Roads Network service financial position. Decriminalised Car Parking costs increased by £0.100 million largely due to enforcement costs exceeding income recovered, some of which may relate to delays in pursuit with outstanding claims passed to Sheriff Officers. Furthermore, Coastal Car Parking charges were £0.176 million under planned budget for the year.

- Roads Trading Activity achieved a higher than planned surplus of £0.037 million. This was mainly due to the increased income from winter maintenance activities and additional Scottish Government income received to offset winter pressures. These additional elements were offset by under recovery of income in planned and capital works.

- Transportation reported an underspend of £0.252 million (17.2%) mainly due to reduced public transport costs.

- Waste Services had an underspend of £0.022 million (0.3%) compared to a Quarter 3 position of £0.200 million. The main reason for this movement was mainly due to assumptions relating to the collection of trade income and higher than anticipated disposal costs.

3.16 With regards to items included within Corporate Management, the main changes are set out below:

- ➢ General Services Debt charges were £19.068 million, £0.048 million less than budgeted. Total Council Tax yield was £0.096 million (0.2%) under planned income; however, this was offset by lower than anticipated increase in Council Tax bad debt provision in line with an improved in year Council Tax collection rate, taking the net Council Tax variance to be £0.030 million more than planned.

- ➢ Unusually, and as part of the final grant settlement for 2018-19, the Scottish Government effectively made an early payment of RSG amounting to £0.654 million that the Council had included within its budget for 2018-19. Through discussions with External Audit and following on from the approach taken by Scottish Government, this funding must be reflected through the Council's financial accounts for 2017-18, but actually reflects funding that relates to 2018-19. This income has been shown as a separate line within **Appendix 2**, and must be taken into consideration when reconciling the overall position to the overall movement in reserves.

Housing Revenue Account

Revenue

3.17 HRA approved spending plans had anticipated delivering an in-year surplus of £1.622 million, which was to be used to support HRA capital investment plans. During 2017-18, the Housing Revenue Account delivered a surplus in year of £2.874 million, a significant increase from the previously reported Q3 position. Most of this movement relates to the following:

- Decrease in rental income of £0.089 million principally from delays in the delivery and tenancy occupation of new Council housing stock.
- Increase in the underspend on repairs and maintenance of £0.319 million to £0.971 million under planned budget.
- Increase in staffing underspends by a further £0.064 million to £0.353 million largely caused by delays in recruitment and pending the outcome of a wider service review across the service.
- The increase in the bad debt provision relating to Housing Rents was lower than planned during the year by £0.269 million. 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 £0.534 million (12.2%), (an increase of £0.153 million from the quarter 3 position) on the operational budgets including supplies and services, materials and running costs, as well as a reduction in the number of transfer incentive payments amounting to £0.198 million.
- Actual loan charges for the year were £0.544 million under planned budget, an increase of £0.162 million from the reported Q3 position. The recurring impact of any saving has been factored into budgeted debt charges for 2018-19.

Capital Investment and Borrowing

General Services Capital Programme

3.18 The Gross Capital expenditure at the end of the 2017-18, inclusive of year-end fee adjustment was £29.636 million against the approved annual capital budget was £37.659 million. This equates to a £8.023 million (21.3%) under spend on gross capital expenditure.

3.19 There was an increase in budgeted income of £1.310 million. This mainly relates to the re-profiling of developer contribution income and additional minor project income.

3.20 Including additional Income, the net General Fund capital underspend compared to budget at the 31 March 2018 is £9.333 million.

3.21 The most significant under spend relates to delayed project starts at both the new Wallyford Primary School and Dunbar Grammar School.

3.22 The Roads budget was adversely impacted due to the unplanned displacement of the workforce to manage the severe weather events in late February and March 2018.

3.23 The table below details the main projects where variances have been identified, with details of individual project expenditure against planned budget set out in **Appendix 4** of this report.

Project	**Narrative**
Support for Business/ Town centre regeneration	Due to legal complexities, the land purchases anticipated to complete in 2017-18 will not be finalised until 2018-19.
Dunbar Grammar	Contractual issues resulted in delays to the start of the project, resulting in additional legal costs. Project completion is now estimated to be October 2018, two months later than originally planned. Budget will be re-profiled/carried forward accordingly.
Law Primary School	A rigorous tendering process resulted in contractors arriving on site later than planned; These works and budget are carried forward into 2018-19.
Windygoul Primary	Project complete, with saving of £298k against overall budget realised.
New Wallyford Primary	Contractual issues in site transfer resulted in the start of the project being delayed. Contractor now on site and build in progress. Overall project still expected to be delivered on time and within budget provision. Budget will be re-profiled accordingly.
Cemeteries	Nil spend this year due to protracted negotiations with landowners. Budget re-profiled accordingly.

Coastal Car Parks/Toilets	Construction work rescheduled into 2018-19.
Roads	Severe weather in late February and throughout March disrupted planned work and caused difficulties in completing planned capital projects to end of year.
Parking Improvements	Due to difficulties in finding suitable land resulted in only minor work being carried out in 2017-18. The remainder of the work has been carried forward into future years.
Replacement - CRM Project (Customer Services)	Due to user design requirements changing during 2017-18, project spend was delayed. Project now scheduled for completion in 2018-19, and budget has been re-profiled accordingly.

Housing Capital

3.24 The HRA capital spend and financing for the year is set out in **Appendix 5** of this report. Overall, the HRA capital programme delivered gross capital expenditure of £21.302 million, which is £2.119 million under approved budget levels of £23.421 million. A summary of the main areas of variance within the HRA capital programme is set out below.

- The modernisation programme delivered a total underspend against budget of £1.509 million (inclusive of internal fees) with expenditure of £10.608 million. More details around expenditure against specific projects set out within **Appendix 5**. Slippage on a number of project areas including Central Heating, Disabled Adaptations, Roofing & Roughcasting and Asbestos work most of which is unplanned, has been offset against higher than planned expenditure on kitchens, bathrooms and rewires.

- Expenditure of £10.434 million was spent on Affordable Homes projects compared to a budget of £10.553m. This included projects such as Pinkie Phase 3 and Russell Walk North Berwick. Responding to slippage in other parts of the programme, a total of £3.4 million was spent on purchasing open market acquisitions during the year. In total, an additional 79 houses were delivered during 2017-18.

- During the year, two Mortgage to Rent applications were progressed during 2017-18 resulting in an underspend against the approved budget for the year of £490k.

- Government grants amounting to £3.6 million was received, as well as £2.036 million relating to asset sales. These, alongside the planned utilisation of £2.5 million of reserves were used to reduce the annual borrowing requirement. The actual results at 31 March 2018 after applying the planned £2.5 million of reserves delivered an in year increase in reserves of £0.374 million.

3.25 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.

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 21 February 2017 – Item 1 – Council Financial Strategy 2017-18 – 2019-20

7.2 Council 21 February 2017 – Item 4a – Budget Proposals – Administration

7.3 Council 27 June 2017 – Item 4 – 2016/17 End of Year Financial Review

7.4 Members Library Report 102/17 – Financial Review 2017/18 – Quarter 1

7.5 Cabinet 14 November 2017 – Item 2 – Financial Review 2017/18 – Quarter 2

7.6 Council Budget 2018-2023 – 13 February 2018

7.7 Council 27 February 2018 – Item 4 - Financial Review – Quarter 3

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DATE	14 June 2018

East Lothian Council

Draft Annual Accounts
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Report on the audit of the financial statements

Opinion on financial statements

Audit Scotland
102 West Port
Edinburgh
EH3 9DH

Foreword by the Head of Council Resources

Welcome to the Annual Accounts for East Lothian Council for the year ended 31 March 2018. 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 2017-18.

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 2017-18;
- Key aspects of our performance during 2017-18;
- Our plans for the future.

Highlights of 2017-18

Against a continuing challenging financial environment, the Council has achieved a great deal during 2017-18 including:

- Delivered a lower than anticipated draw down from reserves;
- Delivered capital investment of just under £51 million to support increased investment in schools, roads and wider assets to support the communities we live;
- Delivery of an additional £1.9 million recurring efficiencies, a cumulative total of just under £26 million since 2012.

Despite a positive financial performance during 2017-18, 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 an increasing population now in excess of 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.

Following local government elections in May 2017, the political landscape for East Lothian Council changed. The number of elected members reduced from 23 to 22 following a change to ward boundaries, and the political make-up of the Council is now: 9 Labour, 7 Conservative and 6 SNP, and the Council Administration formed by Labour members.

The Council's Management Team comprises of 11 senior officers and is led 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 are led by a Deputy Chief Executive / Director and include 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 22 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

The Council Plan sets out a clear vision for East Lothian which is to develop '***an even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy, that enables our people and communities to flourish'.***

Our Priorities

The East Lothian Council Plan 2017-2022 was refreshed in June 2017 to take account of the manifesto commitments of the new Administration. It is both ambitious and aspirational, and is set within the context of the continuing financial, demographic and policy challenges faced by the Council and the county, and provides a statement setting out what the Council wants to achieve over that period. 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 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.*

At the heart of the Council Plan is for people and communities to work together in partnership to deliver solutions, and through working together the Council can increasingly move to become:

- *An enabling and empowering authority – working with citizens, communities, business and other public service partners to deliver solutions that work best for East Lothian*
- *A more entrepreneurial authority – developing new ways to ensure that the services are provided in the most effective and efficient way possible*
- *A 'digital' authority – embracing and exploiting opportunities to use technology to deliver services where it can.*

Financial Strategy

The Council's Financial Strategy forms the basis of the Council's stewardship over tax payer's funds. It sets out the financial challenges which the Council are faced with in the years ahead resulting from an expected reduction in the level of grant funding which we receive from the Scottish Government at the same time we are seeing a rapidly expanding population and sets out a clear direction on how the Council will manage its financial resources in the medium to long term, ensuring that resources are focussed on delivering the Council's key priorities and statutory obligations.

The most recent Strategy was approved in December 2017, and has been extended to cover a five year financial planning period from 2018 to 2023. The Strategy is used to inform the development of financial plans, and covers; the General Services and Housing Revenue Account (HRA) financial plans, as well as the Strategy for the use of the Council's Reserves. The approved financial strategy focuses on the following:

General Services

- Delivering an enhanced Transformational Change Programme that will change the way we deliver services;
- Maximising the income generation available to the Council;
- Continue to explore options for the Council to become more entrepreneurial including developing new ways of ensuring service are provided in the most effective way possible.
- Continue to progress opportunities for partnership and collaborative working;
- Continuing to constrain cost growth – through effective demand management, good financial control by managers and by effective negotiation with suppliers;

- Continue to focus spend on prevention and early intervention, which is designed to reduce future demand for council services by stopping problems arising or by addressing problems early on;

- Maximising the use of the Council's assets, reviewing our existing asset base to ensure that it meets the new ways of working, and work in partnership with other public agencies to make best use of our assets and provide a more joined up service.

- Continuing to invest where appropriate in the Capital investment programme, ensuring the plans will support the Council's key priorities, and remain affordable based on a clear understanding of both capital and future revenue costs.

- Continuing to manage the General Services Loans Fund balance, maximising the use and application of capital receipts, capital grant, and any flexibility arising from revenue balances, in order to minimise the future impact of debt charges.

- Develop a sustainable three year General Services budget avoiding the use of reserves in year three (2020-21).

HRA

- Ensuring rental income and any future rental increase remains affordable for tenants, whilst benchmarked against national average;

- Ensuring that the HRA can sustainably support the required housing capital programme associated with building new Council Houses and modernising existing homes.

- Moving towards a position whereby the HRA is self-financing a larger proportion of its capital expenditure – typically by direct funding rather than borrowing;

- Continuing to meet on-going statutory requirements, including; Scottish Housing Quality Standards and EESSH (Energy Efficiency Standard in Social Housing);

- Delivering the efficiencies required across the housing management and repairs service;

- Ensuring that the Council stays within the recommended upper limit for the ratio of debt charges to income of 40%;

- Ensuring that the reserve or balance left on the HRA should not fall below £1.0million.

Financial Plans and Financial Position

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 2017-18 spending plans included:

- Spending on General Services amounting to £209.924 million
- Assumed levels of Scottish Government general revenue support grant of £166.852 million to support existing services.
- Assumed combined Council Tax income of £54.318 million.
- Additional Scottish Government funding of £9.377 million, to be used to support a number of specific and 'ring-fenced' areas including: Social Care, Criminal Justice, Pupil Equity Funding devolved directly to individual schools, and additional grant provided to support the delivery of Early Learning and Childcare – 1140 hours expansion.
- The utilisation of £2.530 million of General Reserves.
- The requirement to deliver £2.1 million of recurring efficiencies across Business Groups.
- Gross General Services capital spending plans amounting to £37.6 million
- HRA capital spending plans of £23.4 million

The key financial results for the financial year ending 31 March 2018 are set out below:

- Overall, the Council's reserves have decreased by £1.122 million from £25.554 million to £24.432 million (£19.038 million General Services and £5.394 million HRA).

- Spending on General Services continues to be higher than total income receivable.

- Relating to General Services, the Council's approved budget for 2017-18 included the planned utilisation of £2.530 million of reserves to balance expenditure commitments. The actual useable reserves have decreased by £1.496 million to £19.038 million, £1.034 million less than planned. This apparently favourable position has been affected by a number of key factors that emerged late in the financial year and are set out below:

- Additional income amounting to £0.181 million received from the Scottish Government after 31 March 2018 relating to the increased costs associated with the severe weather.
- Additional contribution of £0.325 million received from NHS Lothian relating to the delivery of IJB delegated functions.
- Due to a material change in circumstance, the Council has released a provision amounting to £0.551 million that was previously held on the Balance Sheet.
- The Council has received what was effectively an early payment of Revenue Support Grant (RSG) from the Scottish Government amounting to £0.654 million, which had already been budgeted for in 2018-19.

- The HRA reserves have increased during the year by £0.374 million to a balance of £5.394 million.

- During the year, planned budget efficiencies amounting to £1.9 million out of the planned £2.1 million has been delivered.

- Total gross capital spending during 2017-18 totalled £50.938 million (£29.636 million relating to General Services and £21.302 million relating to HRA).

- During 2017-18, the Council received total asset sales amounting to £2.329 million (£0.275 million in General Services and £2.054 million in HRA) all of which has been used to reduce our in-year borrowing requirement.

- 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 2018, the fund liabilities exceeded fund assets by £142 million, a reduction of £36 million from 2016-17. Most of this movement reflects the results from the most recent triennial actuarial valuation which has been undertaken as at 31 March 2017, and includes updated scheme data and assumptions. 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.

- 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.

- During 2017-18, the Council provided additional support to the Integrated Joint Board amounting to £0.611 million, and recognised net expenditure of £44.589 million relating to Integrated Joint Board (IJB) functions.

Changes adopted during 2017-18 Annual Accounts

There are a number of significant changes which have been adopted during 2017-18 and these are set out in more detail below:

- **Expenditure and Funding Analysis (Note 5)**
  - The Expenditure and Funding Analysis was introduced as a new note 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. Prior year figures for 2016-17 have been provided for comparison purposes. During 2017-18 a number of notes have been included to assist with this statement, as well as a breakdown of expenditure and income analysed across each Directorate.

  - Advisory guidance regarding the treatment of internal transactions was issued by Cipfa/LASAAC in April 2018. The treatment of internal recharges will be changing from the 2018/19 Accounts and in order to assist in this change there have been some presentational changes to the Expenditure and Funding Analysis in 2017/18.

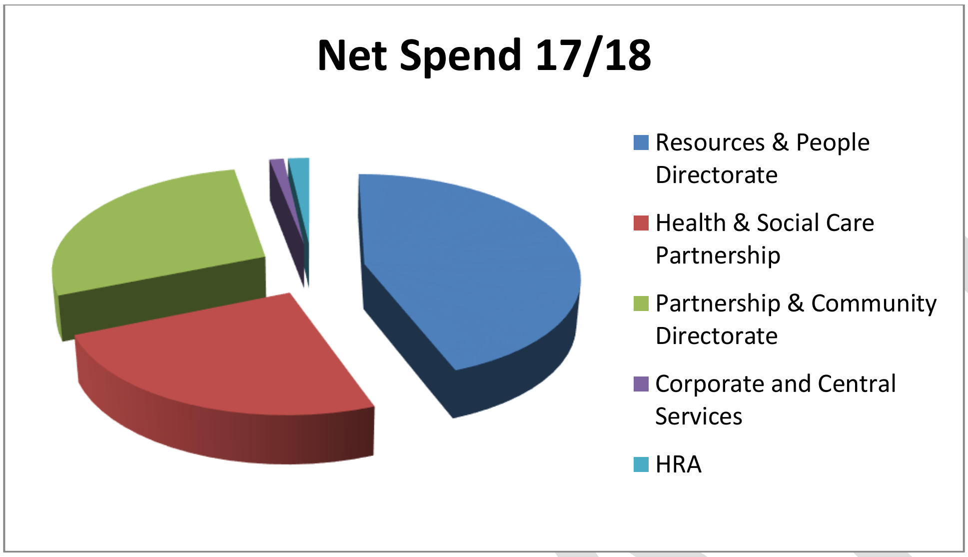
- **Property, Plant & Equipment (Note 12)**
  - During the year the Council identified a number of assets which were held on the Council's Balance Sheet which related to Common Good. These value of these assets amounted to £1.080 million and these were removed from the Council's balance sheet and were transferred to Common Good during 2017-18.

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 £15.956m has been reported (£21.345m in 2016-17). This takes into account the cost of providing services of £243.207m (£233.196m in 2016-17) alongside the financing and investing income and expenditure.

The chart below breaks down the net spend in service areas for 2017-18.



The Housing Revenue Account is showing a net expenditure of £4.407m. This is due to the Council recognising impairment losses of £10.314m relating to non value adding enhancements of HRA assets.

As part of the financing and investment income and expenditure analysis, there has been a decrease in the gains on disposal of assets. In 2016-17 the profit was £3.460m and the comparative figure for 2017-18 is £1.123m. 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.

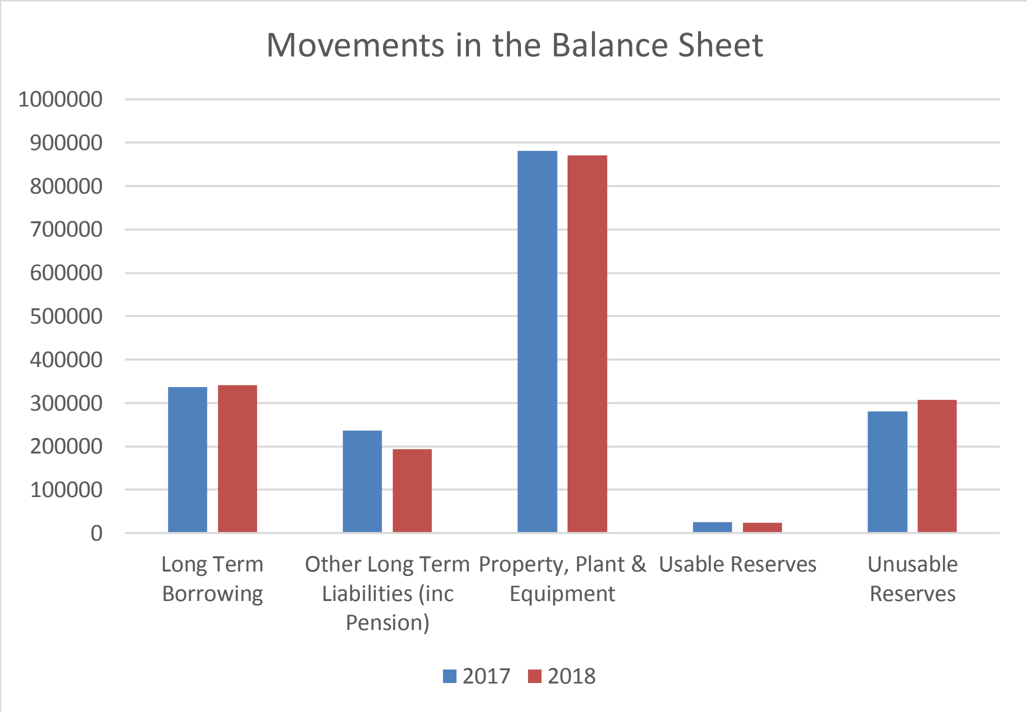
The taxation and non specific grant income (as detailed in Note 7) has increased by £18.194 million from £228.403m in 2016-17 to £246.596m in 2017-18. The Revenue Support Grant has decreased by £0.940m; however we received some specific grants for the Integration Fund, 1140 Hours amongst others, which have been shown as part of the gross income in the appropriate areas and is therefore included in the Cost of Services. Council Tax income has increased by £5.469 million largely due to a combination of increased Council Tax yield and changes to Council Tax multiplier in 2017-18. In addition, the Council applied £29.2 million in Capital grants and other contributions during the year, an increase of £13.5 million from 2016-17, most of which largely relate to applied Section 75 developers contributions, and increased external income.

An upward revaluation of investments held in the Available for Sale Financial Instruments Account and the change to the actuarial figures on the Pensions liability has also contributed to a surplus of £41.617m within Other Comprehensive Income and Expenditure.

Balance Sheet

The net assets of the Council have increased by c£25m from £306.395 m at 31st March 2017 to £332.056 m at 31st March 2018.

The main balance sheet variations are shown below.



The increase in Long Term Borrowing of £4.405m is largely due to increases in capital borrowing requirements.

The decrease to Other Long Term Liabilities is mostly due to a decrease in the net Pensions liability by £36.029 million, to £142.209 million. This movement in results is largely due to the outcome of the most recent triennial valuation. By using more up to date information there has been a significant change in the figures, the most significant being reduced liabilities arising from changes in demographic, financial and other assumptions.

During 2017-18, the overall valuation of Property Plant & Equipment has decreased by £10.589m. Expenditure of £50.838m on enhancement of existing and acquisition of new assets was partially offset by an annual depreciation charge of £35.260m. Impairment charges were included for non-value adding expenditure within the Housing Revenue Account and for appropriate General Fund assets which totalled £11.530m. Revaluation losses which were recognised in the Revaluation reserve were £8.162m.

Group Accounts

East Lothian Council has a controlling interest in a number of companies and joint ventures, which were set up to promote partnerships between the public and private sectors. After consolidation, the Group Balance Sheet shows an increase in reserves and net assets of £18.814m or 5.66% from those reported in East Lothian Council's Balance Sheet (2016/17, £16.839 or 5.49%). Details of the consolidated Group Accounts of East Lothian Council can be found from page 84.

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	37.659	29.636	(8.023)
HRA	23.421	21.302	(2.119)
TOTAL	**61.080**	**50.938**	**(10.142)**

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

	HRA £'m	**General Services £'m**
Grants	3.962	11.990
Asset Sales	2.054	0.274
Other	2.500	13.694
Borrowing	12.786	3.678
TOTAL	**21.302**	**29.636**

In relation to the General Services most of the reported under spend relates to re-profiling of projects into future years. 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 underspend of £2.119 million against planned budget during 2017-18. Most of the underspend relates to slippage on a number of projects within the Modernisation Programme as well as lower than anticipated Mortgage to Rent applications. The New Affordable Housing Programme delivered gross expenditure amounting to £10.434 million and 79 new units.

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 £0.048 million lower than budgeted, and HRA £0.544 million lower than planned. In total the debt charges for 2017-18 were £28.0 million, (£19.1 million General Fund, and £8.9 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 Single Outcome Agreement (SOA) Council Improvement Plan	Service Plans Unit/ Business Plans
Delivering what we have planned	Delivering services	Delivering services
Monitoring or checking how we are delivering	Performance reports: • East Lothian Performs • Your Council Performs • SOA Annual Report	Performance reports, including: • Quarterly Performance Reports • Services Plan Monitoring Reports
Reviewing what we do to make it more successful	Annual review of Council Plan Monitoring of SOA and How Good is Our Partnership? Corporate Governance self-evaluation	How Good is Our Council? Performance improvement tools; for example, Lean Thinking

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

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).

Financial Indicators

The Chartered Institute of Public Finance and Accountancy (CIPFA) Directors of Finance Section recommends the inclusion of certain "financial ratios" in the Management Commentary to assist the reader to assess the performance of the council over the financial year and the affordability of its ongoing commitments. The table below provides details on the indicators with explanations of each, grouped into various areas of financial activity.

Financial Indicator	Commentary	2016/17	2017/18
Council Tax funding to overall level of taxation and non-specific grant funding within the Council	Reflects overall percentage of East Lothian Council funding from local taxation	19.23%	20.03%
In year Council Tax collection rate	Reflects East Lothian Council's effectiveness in collecting council tax debt	96.79%	96.47%
In year Non Domestic Rates collection rate	Reflects East Lothian Council's effectiveness in collecting NDR debt	97.8%	98.4%
Capital Financing Requirement	Reflects East Lothian Council's underlying need to borrow	£427.973m	£428.103m
External debt levels	The actual external debt and long term liabilities of East Lothian Council.	£416.494m	£428.790m
Actual General Fund outturn compared to budgeted expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management.	99.49%	99.32%
Uncommitted General Fund reserve as a % of annual net budget	Reflects the amount of funding available to manage unplanned events	2.81%	2.06%

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 2017 Corporate Risk Register includes 1 Very High risk, 9 High risks and 7 Medium risks.

- The Very High Risk relates to the 'Welfare Reform agenda and roll out of Universal Credit. The Council has an established Welfare Reform Task Group and is continuing to manage this risk through a wide range of control measures, but much of this is driven from external factors and are outwith the Council's control.

- In terms of 'High Risks' these reflect a wide range of areas many of which are driven from external factors such as the Financial Pressures, Information Security and Data breach and Public Sector Reform. Again a range of control measures are in place to mitigate and manage these risks.

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.

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, 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. The financial strategy focuses on key deliverables including the delivery of an enhanced Transformational Change Programme, maximising income and doing things differently. This is supported with the aspiration for the Council and the communities of East Lothian to work together to enable to: be enabling and empowering, entrepreneurial and embracing digital technology.

A new Council Plan was approved in June 2017 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.

Summary

Overall 2017-18 has been an important year for the Council, with the continued application of a financial strategy which has focussed on cost reduction, cost avoidance and enhancing an ambitious transformational programme 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 managing a significant population driven growth agenda and is in a relatively good position to address the many challenges we face, but the overall the Council is spending more than it receives in income, and the delivery of the financial strategy to ensure future financial sustainability of the Council whilst reducing the on-going reliance of reserves remains critical.

Going into 2018-19, there remains a number of known financial pressures which the Council must manage, and the recently approved Financial Strategy is key to driving the financial sustainability 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)
June 2018	June 2018	June 2018

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 2018 and its income and expenditure for the year ended 31 March 2018.

Jim Lamond (CPFA)
Head of Council Resources (CFO)
June 2018

Willie Innes
Council Leader
June 2018

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 2017-18 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 2017-18 review were reported to the Council's Audit & Governance Committee in June 2018.

The group reviewed progress made against the improvement points identified in the 2017 self-evaluation and considered documentary evidence and practice around each of the supporting principles and code requirements as detailed in the local code.

The 2018 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 2018 and in April 2017 undertook an assessment which resulted in being awarded a Committed to Excellence Award by Quality Scotland. In addition, during 2017-18 the Council received a Gold Award for Investor in Young People.

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:

- Implement the Workforce Plan
- Promote and publicise the Workforce Plan and key elements of the plan such as the Staff Deal to all staff
- Develop a small set of key indicators that will be used to measure the delivery of the Council Plan
- Review the format of the Annual Performance Report/ "State of the Council" report
- Publish the new Consultation and Engagement Strategy and provide further advice and support to Council and services in using the results of consultation and engagement activities to inform policy development and service improvements
- Implement the revised Performance Management/Continuous Improvement Framework
- Implement the recommendations of the review of the Musselburgh Racecourse
- Agree and implement an Improvement Plan based on the recommendations of the Best Value Assurance Review

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, although some have raised some areas where controls could be improved and these are currently being explored.

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 2018 meeting of the Audit & Governance Committee. For 2017-18, the Internal Audit Manager concluded that subject to a number of weaknesses which have been outlined during the course of the audit, that reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year ended 31 March 2018.

Those areas which have been identified with scope for improvement included the following:

- Adherence to Council policies, procedures and guidance.
- Compliance with the Council's Corporate Procurement procedures.
- Internal financial controls including reconciliations, monitoring and checking arrangements, retaining supporting documentation and audit trail.
- Recovery of all amounts due to the Council.
- Monitoring and management of overtime working.
- Issues identified from our review of homelessness.
- The arrangements for obtaining assurance on governance, risk management and control processes operating within ALEOs.

Plans are currently being developed to review these areas and consider appropriate actions for improvement during 2018-19.

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 2017/18.

Angela Leitch Chief Executive June 2018	Willie Innes Council Leader June 2018	Jim Lamond (CPFA) Head of Council Resources (CFO) June 2018

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 on Pages 24 to 26

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 and SSI No. 2017/66).

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.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2017/18 the salary for the Leader of East Lothian Council is £28,213. 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 £171,390.

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 2018		Salary, fees and Allowances 2016/17 (£)	Taxable Expenses 2016/17 (£)	Total 2016/17 (£)	Annualised Salary 2016/17 (£)	Salary, fees and Allowances 2017/18 (£)	Taxable Expenses 2017/18 (£)	Total 2017/18 (£)	Annualised Salary 2017/18 (£)
Willie Innes	Leader of the Council and Convener	28,157	0	28,157	28,157	26,981	0	26,981	28,213
Ludovic Broun-Lindsay	Provost (to 4/5/17)	21,118	750	21,868	21,118	2,066	165	2,231	0
John McMillan	Cabinet Spokesperson for Economic Development & Tourism and also Provost (from 23/5/17)	21,118	0	21,118	21,118	20,236	0	20,236	21,160
Jim Gillies	Depute Provost (to 4/5/17)	21,118	1,424	22,542	21,118	2,066	256	2,322	0
Andy Forrest	Depute Provost (from 23/5/17)	0	0	0	0	18,170	367	18,537	21,160
Michael Veitch	Depute Leader and Cabinet Spokesperson for Transport and Roads (to 4/5/17)	21,118	534	21,652	21,118	2,066	21	2,087	0
Shamin Akhtar	Cabinet Spokesperson for Education and Children's Services	21,118	0	21,118	21,118	20,236	246	20,482	21,160
Tim Day	Cabinet Spokesperson for Community Wellbeing (to 4/5/17)	21,118	1,615	22,733	21,118	2,066	187	2,253	0
Jim Goodfellow	Cabinet Spokesperson for Housing and Community Wellbeing (from 23/5/17)	0	0	0	0	18,170	848	19,018	21,160
Donald Grant	Cabinet Spokesperson for Health and Social Care (to 4/5/17)	21,118	340	21,458	21,118	2,066	32	2,098	0
Fiona O'Donnell	Cabinet Spokesperson for Health and Social Care (from 23/5/17)	0	0	0	0	18,170	1,107	19,277	21,160
Norman Hampshire	Cabinet Spokesperson for Environment and also Depute Leader of the Council (from 23/5/17)	22,118	0	22,118	21,118	21,236	0	21,236	21,160
Stuart Currie	Leader of the Opposition (to 4/5/17)	21,118	2,254	23,372	21,118	2,066	638	2,704	0
Brian Small	Leader of the Opposition (from 23/5/17)	0	0	0	0	18,170	640	18,810	21,160
		219,219	6,917	226,136	218,219	173,765	4,507	178,272	176,333

During the transitional period from 5/5/17 to 22/5/17 all Councillors were paid the basic allowance (£16,927 pa) until the new Council Administration was formed.

Total Councillor's Remuneration

Type of Remuneration	2016/17 (£)	2017/18 (£)
Salaries	437,828	413,930
Allowances	1,000	1,000
Expenses	30,750	20,868
Total	469,578	435,798

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 2017/18 is available to view on the Council's website at:
http://www.eastlothian.gov.uk/downloads/file/27324/payments to councillors 2017-18

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 2017/18 the Council paid the following amounts to senior employees

Name	**Post Title**	**Salary, fees and allowances 2016/17**	**Taxable expenses 2016/17**	**Total 2016/17**	**Salary, fees and allowances 2017/18**	**Taxable expenses 2017/18**	**Total 2017/18**
		(£)	(£)	(£)	(£)	(£)	(£)
Angela Leitch	Chief Executive	119,721	285	120,006	118,842	272	119,114
Monica Patterson	Depute Chief Executive-Partnership & Services for Communities	99,254	284	99,538	100,240	341	100,581
Alex McCrorie	Depute Chief Executive-Resources & People Services	98,959	710	99,669	100,240	420	100,660
Jim Lamond	Head of Council Resources	90,689	-	90,689	90,115	193	90,308
Douglas Proudfoot	Head of Development	86,669	734	87,403	87,530	842	88,372
Raymond Montgomery	Head of Infrastructure (until 4/2/18)	86,669	-	86,669	75,765	-	75,765
Thomas Shearer	Head of Communities & Partnerships	86,669	560	87,229	87,530	365	87,895
Sharon Saunders	Head of Children & Adult Services	86,669	246	86,915	87,530	-	87,530
Fiona Robertson	Head of Education (appointed 3/4/17)	-	-	-	85,905	977	86,882
		755,299	2,819	758,118	833,697	3,410	837,107

The salary, fees and allowances for senior officers includes any payments made in respect of election roles. During 2017/18 the Heads of Service were all paid £86,940 (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 2017/18 the Council accrued £66,572 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.

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

	2016/17	**2017/18**
£50,000 - £54,999	50	44
£55,000 - £59,999	26	21
£60,000 - £64,999	7	20
£65,000 - £69,999	2	1
£70,000 - £74,999	5	4
£75,000 - £79,999	1	3
£80,000 - £84,999	-	1
£85,000 - £89,999	4	4
£90,000 - £94,999	1	1
£95,000 - £99,999	2	-
£100,000 - £104,999	-	2
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	1
£120,000 - £124,999	1	-
	99	102

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 17/18 salary figure for the General Manager of Musselburgh Racecourse includes arrears of £42,827 backdated to 1/4/15. The 17/18 expenses & allowances figure of (£28,708) relates to the repayment of an external directorship allowance and has also been backdated to 1/4/15.

The General Manager 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 17/18 this totalled £15,200 (16/17 - £9,245).

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

Name	Post Title	Salary 2016/17	Expenses & Allowances 2016/17	Total 2016/17	Salary 2017/18	Expenses & Allowances 2017/18	Total 2017/18
		(£)	(£)	(£)	(£)	(£)	(£)
William Farnsworth	General Manager Musselburgh Racecourse	93,688	14,000	107,688	152,870	(28,708)	124,162

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 change 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 State Pension Age.

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 2016/17	Rate 2016/17	Range 2017/18	Rate 2017/18
On earnings up to and including	£21,102	5.50%	£21,308	5.50%
On earnings above	£21,103 and up to £25,330	5.60%-5.80%	£21,309 and up to £25,603	5.60%-5.80%
On earnings above	£25,331 and up to £34,415	5.90%-6.50%	£25,604 and up to £34,762	5.90%-6.50%
On earnings above	£34,416 and up to £46,456	6.60%-7.30%	£34,763 and up to £46,946	6.60%-7.30%
On earnings above	£46,457	7.40%-11.20%	£46,947	7.40%-11.20%

If a person works part-time their contribution rate is based on actual pensionable pay.

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 3/80^{ths} of final pensionable salary and years of pensionable service. From 1 April 2015 the accrual rate is 1/49th of pensionable pay in each year.

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 2018 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 2018	**For Year to 31st March 2017**	**For Year to 31st March 2018**	**As at 31st March 2018**		**Difference from 31st March 2017**	
		(£)	**(£)**	**Pension £000's**	**Lump Sum £000's**	**Pension £000's**	**Lump Sum £000's**
Willie Innes	Leader of the Council and Convener	5,997	5,747	5	2	1	-
Ludovic Broun-Lindsay	Provost (to 4/5/17)	4,498	440	n/a	n/a	n/a	n/a
John McMillan	Cabinet Spokesperson for Economic Development & Tourism and also Provost (from 23/5/17)	4,498	4,310	2	-	-	-
Jim Gillies	Depute Provost (to 4/5/17)	4,498	440	n/a	n/a	n/a	n/a
Andy Forrest	Depute Provost (from 23/5/17)	-	3,870	3	1	3	1
Michael Veitch	Depute Leader and Cabinet Spokesperson for Transport and Roads (to 4/5/17)	4,498	440	n/a	n/a	n/a	n/a
Shamin Akhtar	Cabinet Spokesperson for Education and Children's Services	4,498	4,310	2	-	-	-
Jim Goodfellow	Cabinet Spokesperson for Housing and Community Wellbeing (from 23/5/17)	-	3,870	2	-	2	-
Donald Grant	Cabinet Spokesperson for Health and Social Care (to 4/5/17)	4,498	440	n/a	n/a	n/a	n/a
Fiona O'Donnell *	Cabinet Spokesperson for Health and Social Care (from 23/5/17)	-	3,870	-	-	-	-
Norman Hampshire	Cabinet Spokesperson for Environment and also Depute Leader of the Council (from 23/5/17)	4,711	4,523	4	1	1	-
Brian Small *	Leader of the Opposition (from 23/5/17)	-	3,870	-	-	-	-
Total		37,696	36,130	18	4	7	1

* - Less than 2 years membership so no entitlement to benefits

During the transitional period from 5/5/17 to 22/5/17 all Councillors were paid the basic allowance (£16,927 pa) until the new Council Administration was formed.

Pension Benefits -Senior Employees

The estimated pension entitlements for senior employees for the year to 31 March 2018 are shown in the table below, together with the contribution made by the Council during the year.

Office Held as at 31st March 2018		Pension Contributions For Year to 31st March 2017 (£)	Pension Contributions For Year to 31st March 2018 (£)	Accrued Pension Benefits As at 31st March 2018 Pension £000's	Accrued Pension Benefits As at 31st March 2018 Lump Sum £000's	Difference from 31st March 2017 Pension £000's	Difference from 31st March 2017 Lump Sum £000's
Angela Leitch	Chief Executive	24,230	24,391	54	106	3	-
Angela Leitch	Returning Officer	699	841	-	-	-	-
Monica Patterson	Depute Chief Executive-Partnership & Services for Communities	21,015	21,225	49	99	2	1
Sharon Saunders	Head of Children & Adult Services	18,335	18,518	34	58	3	1
Fiona Robertson*	Head of Education (appointed 3/4/17)	n/a	18,297	-	-	-	-
Douglas Proudfoot	Head of Development	18,335	18,518	33	71	2	-
Ray Montgomery**	Head of Infrastructure (until 4/2/18)	18,335	15,586	n/a	n/a	n/a	n/a
Thomas Shearer	Head of Communities & Partnerships	18,335	18,518	48	100	3	2
Jim Lamond	Head of Council Resources	18,335	18,518	37	71	2	1
Total		137,619	154,412	255	505	15	5

* - joined scheme on 3/4/17 therefore no entitlement to benefits at 31/3/18

** - retired from scheme on 4/2/18 therefore no preserved benefits at 31/3/18

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 2017/18, with comparative figures for 2016/17.

Comparative 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	-	-	-	-
Total	5	1	6	27

Exit Packages 2017/18

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	1	1	2	13
£20,001 - £40,000	-	1	1	38
£40,001 - £60,000	-	1	1	49
Total	1	3	4	100

From April 2017, the Council is now required to publish details of Trade Union facility time incurred during the year. Details of this must be made available on the Council's website by 31 July 2018.

Angela Leitch
Chief Executive
June 2018

Willie Innes
Council Leader
June 2018

Jim Lamond (CPFA)
Head of Council Resources (CFO)
June 2018

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, 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 authority'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 authority.

For the year ended 31 March 2016	General Fund Balance	Insurance Fund	Housing Revenue Account	Housing Capital Fund	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Balance at 31 March 2016 carried forward	**(21,451)**	**(1,723)**	**(4,664)**	**(2,589)**	**(30,427)**	**(365,138)**	**(395,565)**
Adjusted Opening Balance	(9,187)	(1,520)	(2,056)	(2,589)	(15,352)	-	
Movement in reserves during 2016/17							
Deficit on provision of services	11,792	-	9,553	-	**21,345**	-	21,345
Other Comprehensive Expenditure and Income	-	-	-	-	-	67,825	67,825
Total Comprehensive Expenditure and Income	**11,792**	**-**	**9,553**	**-**	**21,345**	**67,825**	**89,170**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(7,657)	-	(11,404)	2,589	(16,472)	16,472	0
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	**4,135**	**-**	**(1,851)**	**2,589**	**4,873**	**84,297**	**89,170**
Transfers to/from Earmarked Reserves	(1,495)	-	1,495	-	-	-	-
Housing Revenue Account	(1,495)	-	1,495	-	-	-	-
Insurance Fund	-	-	-	-	-	-	-
(Increase)/Decrease in Year	**2,640**	**-**	**(356)**	**2,589**	**4,873**	**84,297**	**89,170**
Balance at 31 March 2017 carried forward	**(18,811)**	**(1,723)**	**(5,020)**	**-**	**(25,554)**	**(280,841)**	**(306,395)**

For the year ended 31 March 2018	General Fund Balance	Insurance Fund	Housing Revenue Account	Housing Capital Fund	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Balance at 31 March 2017 carried forward	**(18,811)**	**(1,723)**	**(5,020)**	**-**	**(25,554)**	**(280,841)**	**(306,395)**
Movement in reserves during 2017/18					**-**		**-**
Deficit on provision of services	10,355	-	5,601	-	**15,956**	-	**15,956**
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	(41,617)	**(41,617)**
Total Comprehensive Expenditure and Income	**10,355**	**-**	**5,601**	**-**	**15,956**	**(41,617)**	**(25,661)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(3,286)	-	(11,547)	-	(14,833)	14,833	-
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	**7,069**	**-**	**(5,946)**	**-**	**1,123**	**(26,784)**	**(25,661)**
Transfers to/from Earmarked Reserves	(5,411)	(160)	5,571	-	-	-	-
Adjustment for the elimination of internal recharges	(4,576)		4,576	-	-	-	-
Housing Revenue Account	(995)	-	995	-	-	-	-
Insurance Fund	160	(160)	-	-	-	-	-
(Increase)/Decrease in Year	**1,658**	**(160)**	**(375)**	**-**	**1,123**	**(26,784)**	**(25,661)**
Balance at 31 March 2018 carried forward	**(17,153)**	**(1,883)**	**(5,395)**	**-**	**(24,431)**	**(307,625)**	**(332,056)**

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. The Health & Social Care Partnership includes contribution to/from IJB in line with guidance.

2016/17 Gross Spend £000's	2016/17 Gross Income £000's	2016/17 Net Spend £000's		2017/18 Gross Spend £000's	2017/18 Gross Income £000's	2017/18 Net Spend £000's
112,264	(4,801)	107,463	Resources & People Directorate	114,405	(6,724)	107,681
117,436	(58,160)	59,276	Health & Social Care Partnership	120,641	(60,849)	59,792
69,735	(13,875)	55,860	Partnership & Community Directorate	82,466	(14,121)	68,345
24,522	(23,458)	1,064	Corporate and Central Services	22,297	(19,315)	2,982
36,242	(26,709)	9,533	HRA	32,820	(28,413)	4,407
360,199	**(127,003)**	**233,196**	**Cost of Services**	**372,629**	**(129,422)**	**243,207**
		(3,460)	(Gains)/Losses on the Disposal of Non Current Assets			(1,123)
		16,477	Interest Payable and Similar charges			16,313
		(531)	Interest Receivable and Similar Income			(596)
		4,066	Interest Expense on Pension Defined Benefit Obligation			4,751
		(228,403)	Taxation and Non Specific Grant Income (note 7)			(246,596)
		21,345	**(Surplus) / Deficit on Provision of Services**			**15,956**
		11,043	(Surplus) or Deficit on Revaluation of Non-Current Assets			10,280
		146	(Surplus) or Deficit on Revaluation of Available for Sale Financial Instruments			(1,789)
		56,636	Actuarial (Gain) or Loss on Pension Assets/Liabilities			(50,108)
		67,825	**Other Comprehensive Income and Expenditure**			**(41,617)**
		89,170	**Total Comprehensive Income and Expenditure**			**(25,661)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority 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 authority 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 2017 £000's		Note	31 March 2018 £000's
878,942	Property, Plant & Equipment	12	868,142
1,052	Heritage Assets	14	1,052
3,625	Long Term Investments	20	5,413
11,224	Long Term Debtors	21	10,965
894,843	**Long Term Assets**		**885,572**
20	Short Term Investments		20
770	Assets Held for Sale	15	981
897	Inventories		523
25,201	Short Term Debtors	22	31,553
(11,608)	Bad & Doubtful Debt Provision	22	(11,627)
12,175	Cash and Cash Equivalents		14,746
27,455	**Current Assets**		**36,196**
(9,734)	Short Term Borrowing	23	(19,106)
(28,297)	Short Term Creditors	24	(31,093)
(38,031)	**Current Liabilities**		**(50,199)**
(4,726)	Provisions	25	(4,885)
(337,143)	Long Term Borrowing	23	(341,548)
(57,617)	Other Long Term Liabilities	26	(50,865)
(178,238)	Pension Liability	26	(142,209)
(148)	Capital Grants Receipts in Advance	32	(6)
(577,872)	**Long Term Liabilities**		**(539,513)**
306,395	**Net Assets**		**332,056**
(25,554)	Usable Reserves	28	(24,431)
(280,841)	Unusable Reserves	29	(307,625)
(306,395)	**Total Reserves**		**(332,056)**

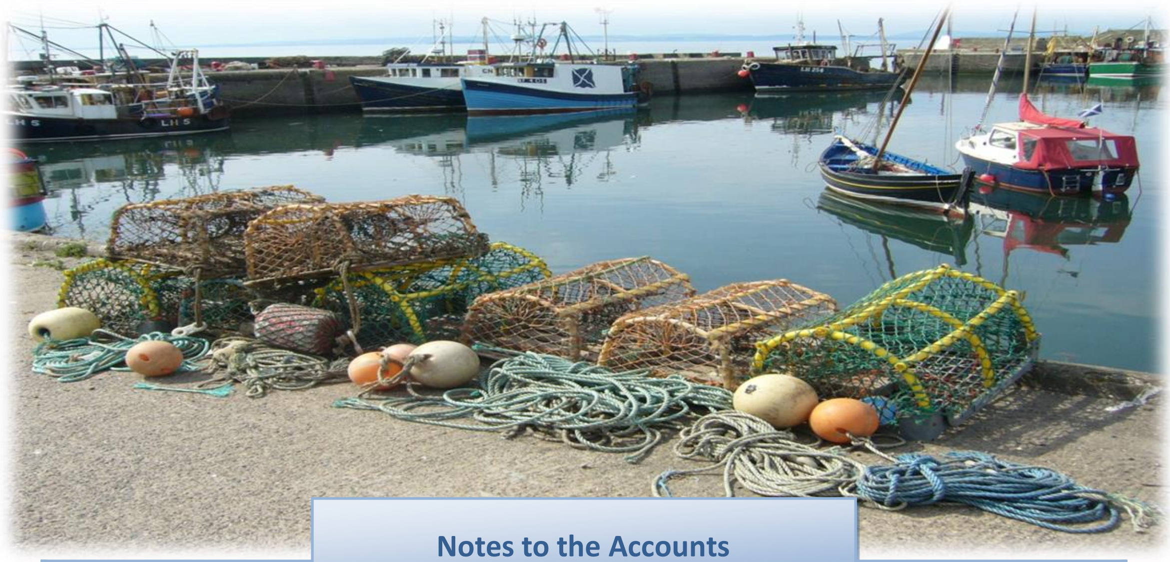
The unaudited accounts were issued on **30th June 2018** and were authorised for issue **on September 2018**.

Jim Lamond (CPFA)
Head of Council Resources (CFO)
June 2018

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority.

2016/17 £000's		2017/18 £000's
21,345	Net deficit on the provision of services	15,956
(61,583)	Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 33)	(61,000)
23,104	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 34)	32,134
(17,134)	**Net Cash flow from Operating Activities**	(12,910)
	Investing Activities	
41,905	Purchase of property, plant and equipment	50,767
(472)	Proceeds from short term investments	(596)
(17,806)	Other receipts from investing activities	(25,332)
(6,906)	Proceeds from the sale of property, plant and equipment	(2,328)
16,721	Net cash flows from investing activities	22,511
	Financing Activities	
(20,244)	Cash receipts of short and long term borrowing	(22,001)
1,187	Cash payments for the reduction of the outstanding liability relating to finance lease and on-Balance Sheet PFI contracts	1,595
13,158	Repayments of short and long term borrowing	8,234
18	New loans made	-
(5,881)	Net cash flow from financing activities	(12,172)
(6,294)	Net decrease or (increase) in cash and cash equivalents	(2,571)
(5,881)	Cash and cash equivalents at the beginning of the reporting period	(12,175)
(12,175)	Cash and cash equivalents at the end of the reporting period	(14,746)



Notes to the Accounts

Note 1 General Accounting Policies

i. General Principles

The Statement of Accounts summarises the authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, 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:

- Revenue 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.
- Revenue 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 Government.
- 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 Resources & 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 2.7%

- 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 the Comprehensive Income and Expenditure Statement as part of Corporate and Central Services.
  - 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. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

In May 2018, an amount of £181,000 was received from the Scottish Government which is to be treated as 17/18 income. This can be found within Note 31 – Grant Income.

vii. 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.

viii. 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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.

Any gains and losses that arise on de-recognition of the asset are credited or 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.

ix. 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 authority 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.

x. 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.

xi. 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.

xii. 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 in 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.

xiii. 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's 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 or 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.

xiv. 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.

xv. 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 the 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 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
- 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

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).

Depreciation 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

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 the 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.

xvi. 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 authority 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 authority at the end of the contract for no additional charge, the authority 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 authority.

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.

xvii. Provisions

Provisions

Provisions are made where an event has taken place that gives the authority 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 authority 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 authority 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.

xviii. 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 authority – these reserves are explained in the relevant policies below.

xix. 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.

xx. Heritage Assets

The aim of the authority’s museums service is to preserve and present the authority’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 authority’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 authority’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 authority does not considerate appropriate to charge depreciation. The remainder of the authority’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.

xxi. 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 unobservable 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 authority 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 authority 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 2018 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 authority'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 authority's Balance Sheet as the authority considers that it has the majority of the risks and rewards of ownership.

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

Note 4 Future Assumptions

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

The items in the authority's Balance Sheet at 31 March 2018 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 2018 the authority had balances of £8.8 million relating to Council Tax debt and £2.9 million relating to Council House rent debt. The authority believes it has provided for the potential of doubtful debts. However, it is possible that future economic conditions could have a detrimental impact on collection rates.	If collection rates were to deteriorate then there would be deterioration in cash inflows and the potential that income would not be realisable.
Fair Value Measurements	When the fair value of assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the authority's assets and liabilities. Where Level 1 inputs are not available, the authority employs relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. valuers). Further information on fair value measurement is disclosed in Note 1.	The authority uses quoted prices for similar assets or liabilities in active markets to measure the fair value of some of its non-financial assets. If the authority had to refer to unobservable inputs to measure fair value, any significant changes to these unobservable inputs would result in a significantly lower or higher fair value measurement.

Note 5 Expenditure and Funding Analysis (EFA)

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Authority (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by Authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	Expenditure chargeable to Useable Reserves		Adjustments between Funding & Accounting Basis (EFA Note 1)		Net Expenditure in the CIES		Expenditure chargeable to Useable Reserves	Adjustments between Funding & Accounting Basis (EFA Note 1)	Net Expenditure in the CIES
	£000's	£000's	£000's	£000's	£000's	£000'	£000's	£000's	£000's
	GF	HRA	GF	HRA	GF	HRA	GF and HRA combined		
Resources & People Directorate	94,562	-	12,901	-	107,463	-	-	-	-
Health & Social Care Partnership	57,989	-	1,287	-	59,276	-	-	-	-
Partnership & Community Directorate	42,000	-	13,860	-	55,860	-	-	-	-
Corporate and Central Services	12,297	-	(11,233)	-	1,064	-	-	-	-
HRA	-	(5,243)	-	14,776	-	9,533	-	-	-
Net Cost of Service	**206,848**	**(5,243)**	**16,815**	**14,776**	**223,663**	**9,533**	201,605	31,591	233,196
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	**4,135**	**738**	**7,657**	**8,815**	**11,792**	**9,553**	4,873	16,472	21,345
Opening General Fund Balance at 1 April 2016	(21,451)	(7,253)					(28,704)		
Transfer to/from reserves	(1,495)	1,495					-		
In year use of reserves	4,135	738					4,873		
Closing General Fund Balance at 31 March 2017	**(18,811)**	**(5,020)**					(23,831)		

2017/18	Expenditure chargeable to Useable Reserves		Adjustments between Funding & Accounting Basis (EFA Note 1)		Net Expenditure in the CIES		Expenditure chargeable to Useable Reserves	Adjustments between Funding & Accounting Basis (EFA Note 1)	Net Expenditure in the CIES
	£000's	£000's	£000's	£000's	£000's	s	£000's	£000's	£000's
	GF	HRA	GF	HRA	GF	HRA	GF and HRA combined		
Resources & People Directorate	92,177	-	15,504	-	107,681	-	-	-	-
Health & Social Care Partnership	56,784	-	3,008	-	59,792	-	-	-	-
Partnership & Community Directorate	49,184	-	19,161	-	68,345	-	-	-	-
Corporate and Central Services	16,455	-	(13,473)	-	2,982	-	-	-	-
HRA	-	(11,808)	-	16,215	-	4,407	-	-	-
Net Cost of Service	**214,600**	**(11,808)**	**24,200**	**16,215**	**238,800**	**4,407**	202,792	40,415	243,207
Other Income & Expenditure	(207,531)	5,862	(20,914)	(4,668)	(228,445)	1,194	(201,669)	(25,582)	(227,251)
Surplus/Deficit on Provision of Services	**7,069**	**(5,946)**	**3,286**	**11,547**	**10,355**	**5,601**	**1,123**	**14,833**	**15,956**
Opening Usable Reserve Fund Balance at 1 April 2017	(18,811)	(5,020)					(23,831)		
Transfer to/from reserves	(5,571)	5,571					-		
In year use of reserves	7,069	(5,946)					1,123		
Closing Usable Reserve Fund Balance at 31 March 2018	**(17,313)**	**(5,395)**					(22,708)		

EFA Note 1

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 (EFA note 2)	**Net change for pension adjustment (EFA note 3)**	**Other differences (EFA note 4)**	**Total Adjustments**
	£000's	**£000's**	**£000's**	**£000's**
Resources & People Directorate	12,293	667	(59)	12,901
Health & Social Care Partnership	667	620	-	1,287
Partnership & Community Directorate	12,690	1,170	-	13,860
Corporate and Central Services	(9,522)	6	(1,717)	(11,233)
HRA	14,698	78	-	14,776
Net Cost of Service	30,826	2,541	(1,776)	31,591
Other Income & Expenditure from the Expenditure and Funding Analysis	(19,185)	4,066	-	(15,119)
Difference between general fund surplus/deficit and Comprehensive Income and Exenditure Statement surplus/deficit	11,641	6,607	(1,776)	16,472

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	**Adjustments between accounting basis and funding basis**			
	Adjustment for capital purposes (EFA note 2)	**Net change for pension adjustment (EFA note 3)**	**Other differences (EFA note 4)**	**Total Adjustments**
	£000's	**£000's**	**£000's**	**£000's**
Resources & People Directorate	12,643	2,499	362	15,504
Health & Social Care Partnership	767	2,241	-	3,008
Partnership & Community Directorate	14,932	4,229	-	19,161
Corporate and Central Services	(11,580)	83	(1,976)	(13,473)
HRA	15,939	276	-	16,215
Net Cost of Service	32,701	9,328	(1,614)	40,415
Other Income & Expenditure from the Expenditure and Funding Analysis	(30,333)	4,751	-	(25,582)
Difference between general fund surplus/deficit and Comprehensive Income and Exenditure Statement surplus/deficit	2,368	14,079	(1,614)	14,833

EFA Note 2 - Adjustments for capital purposes

- Net Cost of Service
  - Adds in depreciation and impairment and revaluation gains and losses
- Other Income & Expenditure
  - Adjusts the capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
  - The statutory charges for capital financing are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
  - Capital grants are adjusted for income not chargeable under generally accepted accounting practices.
  - Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

EFA Note 3 - Net change for pension adjustment

- Net Cost of Service
  - The removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- Other Income & Expenditure
  - The net interest on the defined benefit liability charged to the CIES

EFA Note - 4 Other differences

- Net Cost of Service
  - This represents the accrual made for the cost of holiday/leave entitlements earned by employees but not taken before the year end which employees can carry forward into the next financial year. These require to be included with the Net Cost of Services under generally accepted accounting practices but are not chargeable to the General Fund.
  - Adjustments to the General Fund for the timing differences for premiums and discounts.

EFA Note - Expenditure and Income Analysed by Segment and Nature

The authority's expenditure and income is analysed as follows:

Expenditure and Income Analysed by Nature and Segment 2016/17	Resources & People Directorate £000's	Health & Social Care Partnership £000's	Partnership & Community Directorate £000's	Corporate and Central Services £000's	HRA £000's	Costs not included in a service £000's	Total £000's
Expenditure							
Employee benefits expenses	71,293	22,026	43,021	421	2,822	-	139,583
Other services expenses	27,280	50,457	14,024	24,012	12,459	-	128,232
Depreciation, amortisation and impairment	13,691	667	12,690	89	20,961	-	48,098
Interest payments	-	-	-	-	-	20,543	20,543
Contribution to IJB	-	44,286	-	-	-	-	44,286
Loss on disposal of assets	-	-	-	-	-	-	-
Total expenditure	112,264	117,436	69,735	24,522	36,242	20,543	380,742
Income							
Fees, charges and other service income	(3,689)	(8,192)	(11,172)	(948)	(26,660)	-	(50,661)
Interest and investment income	-	-	-	-	-	(531)	(531)
Gain on disposal of assets	-	-	-	-	-	(3,460)	(3,460)
Income from council tax and non-domestic rates	-	-	-	-	-	(68,307)	(68,307)
Contribution from IJB	-	(44,286)	-	-	-	-	(44,286)
Government grants and contributions	(1,112)	(5,682)	(2,703)	(22,510)	(49)	(160,096)	(192,152)
Total income	(4,801)	(58,160)	(13,875)	(23,458)	(26,709)	(232,394)	(359,397)
Deficit on the Provision of Services							**21,345**

Expenditure and Income Analysed by Nature and Segment 2017/18	Resources & People Directorate £000's	Health & Social Care Partnership £000's	Partnership & Community Directorate £000's	Corporate and Central Services £000's	HRA £000's	Costs not included in a service £000's	Total £000's
Expenditure							
Employee benefits expenses	76,195	23,851	46,634	498	2,995	-	150,173
Other services expenses	25,568	51,434	20,900	21,710	8,385	-	127,997
Depreciation, amortisation and impairment	12,642	767	14,932	89	21,440	-	49,870
Interest payments	-	-	-	-	-	21,064	21,064
Contribution to IJB	-	44,589	-	-	-	-	44,589
Loss on disposal of assets	-	-	-	-	-	-	-
Total expenditure	114,405	120,641	82,466	22,297	32,820	21,064	393,693
Income							
Fees, charges and other service income	(3,726)	(8,626)	(11,757)	(1,070)	(28,403)	-	(53,582)
Interest and investment income	-	-	-	-	-	(596)	(596)
Gain on disposal of assets	-	-	-	-	-	(1,123)	(1,123)
Income from council tax and non-domestic rates	-	-	-	-	-	(73,956)	(73,956)
Contribution from IJB	-	(44,589)	-	-	-	-	(44,589)
Government grants and contributions	(2,998)	(7,634)	(2,364)	(18,245)	(10)	(172,640)	(203,891)
Total income	(6,724)	(60,849)	(14,121)	(19,315)	(28,413)	(248,315)	(377,737)
Deficit on the Provision of Services							**15,956**

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 authority to meet future capital and revenue expenditure.

2016/17	General Fund Balance £000's	Housing Revenue Account £000's	Movement in Usable Reserves £000's
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(25,013)	(10,626)	**(35,639)**
Revaluation losses on property, plant and equipment	(2,124)	(10,335)	**(12,459)**
Capital grant and contributions applied	12,870	2,856	**15,726**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	211	3,249	**3,460**
Statutory Provision relating to PPP	1,398	-	**1,398**
Loans Fund principal repayments and statutory premia	11,008	3,063	**14,071**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	-	3,200	**3,200**
Adjustments primarily involving the Financial Instuments Adjustment Account:			
Differences re finance leases,stepped loans, premiums and discounts	319	-	**319**
Adjustments primarily involving the Pensions Reserve:			
Net retirement benefits per IAS19	(20,337)	(732)	**(21,069)**
Employer's contributions payable to the Lothian Pension Fund	13,952	510	**14,462**
Adjustments primarily involving the Employee Statutory Adjustment Account:			
Employee - Statutory Adjustments	59	-	**59**
Gain/loss on revaluation of Available for sale Financial Instruments	-	-	**-**
Total Adjustments	(7,657)	(8,815)	**(16,472)**

2017/18	General Fund Balance £000's	Housing Revenue Account £000's	Movement in Usable Reserves £000's
Adjustments primarily involving the Capital Adjustment Account:			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(25,350)	(21,440)	**(46,790)**
Revaluation losses on property, plant and equipment	(3,081)	-	**(3,081)**
Capital grant and contributions applied	25,248	3,962	**29,210**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	257	866	**1,123**
Statutory Provision relating to PPP	1,651	-	**1,651**
Loans Fund principal repayments and statutory premia	11,669	3,001	**14,670**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	-	2,500	**2,500**
Adjustments primarily involving the Employee Statutory Adjustment Account:	-	-	**-**
Employee statutory adjustments	(362)	-	**(362)**
Adjustments primarily involving the Financial Instuments Adjustment Account:			**-**
Differences re finance leases,stepped loans, premiums and discounts	325	-	**325**
Adjustments primarily involving the Pensions Reserve:			**-**
Net retirement benefits per IAS19	(28,139)	(938)	**(29,077)**
Employer's contributions payable to the Lothian Pension Fund	14,496	502	**14,998**
	(3,286)	(11,547)	**(14,833)**

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 authority 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:-

2016/17 £000's		2017/18 £000's
(43,937)	Council Tax	(49,406)
(24,370)	Non domestic rates	(24,550)
(144,370)	Non ringfenced government grants	(143,430)
(15,726)	Capital grants and contributions	(29,210)
(228,403)	Total	(246,596)

Note 8 Trading Operations

Facility Services

The Facility Services trading operation provides catering, janitorial and cleaning services at locations owned or managed by the authority. 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 authority. The cumulative position over the three years is a surplus of £0.724 million.

	2015/16 £000's	2016/17 £000's	2017/18 £000's
Turnover	8,749	9,057	9,030
Surplus/(Deficit)	127	419	178
3-year Cumulative Surplus			**724**

Property Maintenance

Property Maintenance provides property maintenance services. The majority of work is undertaken on the authority'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 £1.291 million.

	2015/16 £000's	2016/17 £000's	2017/18 £000's
Turnover	10,614	10,880	10,591
Surplus/(Deficit)	116	487	688
3-year Cumulative Surplus			**1,291**

Roads Services

Roads Services carries out a repair and maintenance service to enable the authority 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 £1.974 million and has met the statutory target.

	2015/16 £000's	2016/17 £000's	2017/18 £000's
Turnover	7,221	6,131	6,494
Surplus/(Deficit)	529	631	814
3-year Cumulative Surplus			**1,974**

Note 9 Agency Income and Expenditure

The authority provides an agency service to Scottish Water. Associated income and expenditure is not included within the authority Comprehensive Income and Expenditure Statement. In 2017/18 £17.6m (2016/17: £17m) was paid over to Scottish Water.

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

Note 10 Related Parties

The Council is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence the authority or to be controlled or influenced by the authority. Disclosure of these transactions helps assessment of the extent to which the authority 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.

Government – Including UK and Scottish Government

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

Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2017/18 is shown in the Remuneration Report.

East Lothian Council approved Community Partnership Funding for 2017/18 of £1,924,000 and Area Partnership funding of £860,000. Adult Wellbeing payments to Voluntary Organisations of £541,000 were also approved. Of these amounts Partnership funding of £1,112,000 were awarded to organisations in which Members have representation.

Further Twinning Grants of £3,000 were awarded to Organisations in which Members have representation, which include:-
£250 Dunbar & District Twinning Association, £800 Haddington Twinning Association, £1,000 Musselburgh Twinning Association, £800 Preston, Seton & Gosford Twinning Association and £300 Dunbar & District Twinning Association.

In all instances the grants were made with proper consideration of declarations of interest. A register of Members' interests is available on the authority'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	Total £000's
Anti-bullying East Lothian	81	-	**81**
Changes Community Health Project	-	41	**41**
Coastal Communities Museum Trust	8	-	**8**
Cockenzie House & Gardens	4	-	**4**
Dunbar Community Development Company	78	-	**78**
East Lothian Advice Consortium	527	-	**527**
First Step	209	-	**209**
Haddington Garden Trust	10	-	**10**
John Muir Birthplace Trust	9	-	**9**
Lamp of Lothian Trust	20	-	**20**
Lothian Miners Convalescent Home	7	-	**7**
Musselburgh Citizens Advice Bureau	12	-	**12**
Pennypitt Trust	147	-	**147**
Total	**1,112**	**41**	**1,153**

Joint Ventures and Entities Controlled or Significantly Influenced by the Authority

Entity	Nature of Related Party Relationship	Payments in the year 2016/17 £000's	Payments in the year 2017/18 £000's	Nature of transactions	Position at year-end 2016/17 Debtor Balances £000's	Position at year-end 2016/17 Creditor Balances £000's	Position at year-end 2017/18 Debtor Balances £000's	Position at year-end 2017/18 Creditor Balances £000's
Enjoy East Lothian Limited	Charitable organisation registered with Office of Scottish Charity Regulators	2320	2,225	Payment for provision of leisure services	48	-	50	-
East Lothian Land Limited	Company set up for the purpose of managing land to support economic development in East Lothian	-	18	Loan from the company	-	(144)	-	(127)
Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators	455	455	Payment for provision of arts/cultural services	-	(399)	-	(452)
Common Goods	Council manages assets of historic burghs in line with statute	-	-	Cash balances relating to normal operations	-	(2,811)	-	(3,116)
Musselburgh Joint Racing Committee	Unincorporated organisation which organises racing on Musselburgh Links under Minute of Agreement with Council.	-	-	Cash balances relating to normal operations	309	-	129	-
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	-	(1,355)	-	(1,468)
Joint Boards	Statutory bodies set up by Scottish Ministers	669	647	Payments to run valuation services	-	-	-	-
East Lothian Integrated Joint Board	Statutory body formed during 2015/16 under the terms of The Public Bodies (Joint Working) (Scotland) Act 2014	44,286	44,027	Payments to run Health & Social Care Services	-	-	934	(332)

Note 11 Audit Costs

Audit Scotland has been appointed as the authority's external auditor by the Accounts Commission.

Audit Fee	2016/17 £000's	2017/18 £000's
Statutory Audit Fee	236	237
ELC Contribution towards IJB Audit Fee	9	12

Note 12 Property Plant and Equipment Movements

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	13,373	3,647	102	676	-	1,391	**41,905**	1,546
Acc Dep & Imp WO to GCA	-	(4,474)	-	-	-	-	-	**(4,474)**	-
Revaluation increases recognised in the Revaluation Reserve	-	(3,302)	-	-	-	1,280	-	**(2,022)**	-
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(2,099)	-	-	-	-	-	**(2,099)**	-
Derecognition - Disposals	(3,616)	(876)	(120)	-	-	-	-	**(4,612)**	-
Asset reclassified (to) Held for Sale	-	-	-	-	-	-	-	**-**	-
Other Movements in cost or valuation	2,741	6,017	-	-	(6,017)	-	(2,741)	**-**	-
At 31 March 2017	**379,114**	**489,204**	**46,311**	**88,464**	**11,996**	**3,522**	**2,786**	**1,021,397**	**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)	(17,335)	(3,473)	(4,110)	(95)	-	-	**(35,639)**	(5,268)
Acc Dep & Imp WO to GCA	-	3,018	-	-	-	-	-	**3,018**	-
Accumulated impairment WO to GCA	-	1,456	-	-	-	-	-	**1,456**	-
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	851	99	-	-	-	-	**1,272**	-
Impairments	-	-	-	-	-	-	-	**-**	-
Asset reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	**-**	-
Other movements in depreciation or impairment	-	(869)	-	-	869	-	-	**-**	-
At 31 March 2017	**(49,393)**	**(22,647)**	**(37,467)**	**(30,834)**	**(2,114)**	**-**	**-**	**(142,455)**	**(5,268)**
Net Book Value									
At 31 March 2017	329,721	466,557	8,844	57,630	9,882	3,522	2,786	**878,942**	118,048
At 1 April 2016	337,796	470,797	8,691	61,638	14,449	2,242	4,136	**899,749**	121,770

Movements in 2017/18	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 2017	379,114	489,204	46,311	88,464	11,996	3,522	2,786	**1,021,397**	123,316
Additions	20,977	14,224	3,137	5,835	698	2	5,965	**50,838**	4,031
Acc Dep & Imp WO to GCA	-	(1,246)	-	-	(68)	(13)	-	**(1,327)**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(2,319)	-	-	-	200	-	**(2,119)**	-
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-	(1,846)	-	-	(250)	(5)	-	**(2,101)**	-
Derecognition - Disposals	(1,389)	(100)	(359)	-	(21)	-	-	**(1,869)**	-
Asset reclassified (to)/from Held for Sale	-	-	-	-	-	(281)	-	**(281)**	-
Other Movements in cost or valuation	708	(4,667)			(1,453)	418	3,877	**(1,117)**	-
At 31 March 2018	**399,410**	**493,250**	**49,089**	**94,299**	**10,902**	**3,843**	**12,628**	**1,063,421**	**127,347**
Accumulated Depreciation and Impairment									
At 1 April 2017	(49,393)	(22,647)	(37,467)	(30,834)	(2,114)	-	-	**(142,455)**	(5,268)
Depreciation Charge	(11,126)	(17,378)	(2,564)	(4,112)	(80)	-	-	**(35,260)**	(5,319)
Acc Dep & Imp WO to GCA	-	1,246	-	-	68	13	-	**1,327**	-
Accumulated impairment WO to GCA	-	-	-	-	-	-	-	**-**	-
Impairment (reversals) recognised in the Revaluation Reserve	(8,018)	(144)	-	-	-	-	-	**(8,162)**	-
Depreciation written out to the Surplus/Deficit on the provision of services	-	-	-	-	-	-	-	**-**	-
Impairment (reversals) recognised in the Surplus/Deficit on the Provision of Services	(10,314)	(194)	-	(1,022)	-	-	-	**(11,530)**	-
Derecognition - Disposals	201	101	358	-	4	-	-	**664**	-
Impairments	-	-	-	-	-	-	-	**-**	-
Asset reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	**-**	-
Other movements in depreciation or impairment	-	(146)	-	-	298	(13)	(2)	**137**	-
At 31 March 2018	**(78,650)**	**(39,162)**	**(39,673)**	**(35,968)**	**(1,824)**	**-**	**(2)**	**(195,279)**	**(10,587)**
Net Book Value									
At 31 March 2018	320,760	454,088	9,416	58,331	9,078	3,843	12,626	**868,142**	116,760
At 1 April 2017	329,721	466,557	8,844	57,630	9,882	3,522	2,786	**878,942**	118,048

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 2018 the Council entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years budgeted to a value of £26.989m. Similar commitments in 2016/17 were £3.895 million. The gross commitments for the Council's major projects are:

	2017/18 £000's
Dunbar Grammar	5,398
Law Primary School	1,187
New Wallyford Primary	14,529
Dolphinstone Prestonpans - HRA	4,900
Musselburgh Flood Protection Scheme consultancy (141/17)	975
TOTAL	**26,989**

Revaluations

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

Details of previous and future valuation dates are provided below:

	Council Dwellings Council Houses & Garages	Other Land & Buildings Non Operational Industrial Lets etc	Other Land & Buildings Operational Portfolio of schools, community centres etc
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

	2016/17 Art Collection £000's	2017/18 Art Collection £000's
Cost or Valuation		
Net carrying amount at the start of the year	801	1,052
Additions	164	-
Revaluation increases recognised in the Revaluation Reserve	87	-
Net carrying amount at end of year	**1,052**	**1,052**

Note 15 Assets Held for Sale

	2016/17 £000's	2017/18 £000's
Balance outstanding at start of year	**898**	**770**
Assets newly classified as held for sale	71	281
Assets declassified as held for sale	-	-
Assets sold	(199)	(70)
Balance outstanding at end of the year	**770**	**981**

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 2017/18 was £0.25m (2016/17: £0.18m).

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

	Minimum Lease Payments	
	31 March 2017 £000's	31 March 2018 £000's
Not later than one year	253	254
Later than one year and not later than five years	133	103
	386	357

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 2017 £000's	31 March 2018 £000's
Other Land and Buildings	13,533	13,002
Vehicles, Plant, Furniture and Equipment	185	167
	13,718	13,169

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 2017 £000's	31 March 2018 £000's
Finance lease liabilities (Net Present Value of Minimum Lease Payments)		
Current	57	58
Non-Current	1,014	957
Finance costs payable in future years	5,697	5,471
Minimum Lease Payments	6,768	6,486

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's
Not later than one year	283	283	57	58
Later than one year and not later than five years	1,132	1,132	243	250
Later than five years	5,353	5,071	772	707
	6,768	6,486	1,072	1,015

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 2017/18 £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 2017 £000's	31 March 2018 £000's
Not later than one year	1,808	2,277
Later than one year and not later than five years	2,602	3,023
Later than five years	24,631	25,424
	29,041	30,724

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 2018 are as follows:

	Payment for Services £000's	Reimbursement of Capital Expenditure £000's	Interest £000's	Total £000's
Payable in 2018/19	3,458	1,420	2,553	7,431
Payable within 2-5 years	14,652	5,785	9,286	29,723
Payable within 6-10 years	19,170	8,649	9,334	37,153
Payable within 11-15 years	16,214	15,153	5,786	37,153
Payable within 16-20 years	5,769	7,702	758	14,229
Total	59,263	38,709	27,717	125,689

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 2017 £000's	31 March 2018 £000's
Balance at start of year	41,379	40,247
Payments	(1,132)	(1,538)
Balance outstanding at year-end	40,247	38,709

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 2017 £000's	31 March 2018 £000's
Opening Capital Financing Requirement	**427,566**	**427,973**
Capital Investment		
Property, Plant and Equipment	41,903	50,838
Revenue Expenditure Funded through Capital	-	213
Sources of finance		
Capital receipts	(7,047)	(2,621)
Government grants	(13,472)	(15,895)
Other Contributions	(2,253)	(13,315)
Direct Revenue Contributions	(3,466)	(2,613)
Grants (Revenue Expenditure Funded through Capital)		(213)
Loans Fund	(15,258)	(16,264)
Closing Capital Financing Requirement	427,973	428,103

Note 19 Impairment Losses

During 2017/18 the Council recognised impairment losses totalling £11.530 million, the majority of which relates to non-value adding enhancement of HRA assets. Within the General Fund, an impairment loss was included for winter damage to the roads network which had a value of £1.137 million. These impairment losses have been charged as appropriate within the Comprehensive Income and Expenditure Statement.

During 2016/17 the Council recognised impairment losses totalling £12.459 million.

Note 20 Long Term Investments

	31 March 2017 £000's	31 March 2018 £000's	Details
Lothian Buses plc	2,820	4,609	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	205	The Council's interest, estimated as 40% was inherited from the former Lothian Investments Board. No dividends are received.
East Lothian Land	601	599	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	3,625	5,413	

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 2017 £000's	31 March 2018 £000's	Purpose
Public Private Partnerships - Prepaid lifecycle replacement costs	691	767	Prepaid lifecycle replacement costs - over 30 years
Private property owners - common repairs	867	759	Repairs to private property funded by secured ELC loans
Employees - car/other loans	1	1	Loans to employees repaid over 3-5 years
East Lothian Housing Association	9,651	9,429	Loan secured on land and houses
Other	14	9	Loans secured on houses
Total	11,224	10,965	

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 2017 £000's	31 March 2018 £000's
Central Government Bodies	3,970	6,056
Other local authorities	1,030	1,161
NHS bodies	412	1,834
Public corporations and trading funds	6	6
Other entities and individuals	19,783	22,496
Total	25,201	31,553

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

	31 March 2017 £000's	31 March 2018 £000's
Taxpayers - Council Tax	(5,829)	(5,466)
Customers - Goods & Services	(3,142)	(3,498)
Tenants - Council House Rents	(2,637)	(2,663)
Total	(11,608)	(11,627)

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		Short Term	
	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's
Borrowings				
Financial liabilities (principal amount)	(336,036)	(340,454)	(8,211)	(17,572)
Accrued Interest	-	-	(1,523)	(1,534)
EIR	(1,107)	(1,094)	-	-
Total included in borrowings	**(337,143)**	**(341,548)**	**(9,734)**	**(19,106)**
Other Liabilities				
PFI and finance lease liabilities	(39,724)	(38,245)	(1,595)	(1,478)
Total other long term liabilities	**(39,724)**	**(38,245)**	**(1,595)**	**(1,478)**
Creditors				
Financial liabilities carried at contract amount	-	.	(28,297)	(29,615)
Total creditors	**-**	**-**	**(28,297)**	**(29,615)**
Investments				
Available-for-sale financial assets	3,625	5,413	-	-
Total investments	**3,625**	**5,413**	**-**	**-**
Debtors				
Loans and receivables	-	.	20	20
Financial assets carried at contract amounts	11,224	10,965	25,201	31,553
Total debtors	**11,224**	**10,965**	**25,575**	**31,573**

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 £000's	Loans and receivables £000's	Available-for-sale assets £000's	Total £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 2017/18

	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £000's	Loans and receivables £000's	Available-for-sale assets £000's	Total £000's
Interest expense	2,734	13,571	-	**16,305**
Fee expense		8		**8**
Total expense in Surplus or Deficit on the Provision of Services	**2,734**	**13,579**	**-**	**16,313**
Interest income		(596)	-	**(596)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(596)**	**-**	**(596)**
Net (Gains) / losses on revaluation	-	-	(1,789)	**(1,789)**
Losses arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(1,789)**	**(1,789)**
Net gain/(loss) for the year	**2,734**	**12,983**	**(1,789)**	**13,928**

Financial Liabilities and Financial Assets – Fair Value

As at 31st March 2018 the Council held £47.951m financial assets and £428.790m financial liabilities. The financial liabilities are held with PWLB, PFI and Market lenders. All of these borrowings were not quoted on an active market and a market valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

Financial Liabilities	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
PWLB debt	305,882	375,910	318,575	383,962
Non-PWLB debt	40,993	61,434	40,877	60,399
Short term creditors	28,297	28,297	29,615	29,615
Short term finance lease liability	1,595	1,595	1,478	1,478
Long term finance lease liability	39,727	39,727	38,245	38,244
Total Liabilities	**416,494**	**506,963**	**428,790**	**513,698**

Financial Assets	31 March 2017		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
Short term investments	20	20	20	20
Long term investments	3,625	3,625	5,413	5,413
Short term debtors	25,555	25,555	31,553	31,553
Long term debtors	11,224	11,224	10,965	10,965
Total Assets	**40,424**	**40,424**	**47,951**	**47,951**

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 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £383.96m 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.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

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 £5.790m of the £22.49m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £000's	31 March 2018 £000's
Less Than Three Months (90 days)	1,713	2,322
Three To Six Months (91 - 182 days)	177	289
Six Months To One Year (183 - 365 days)	113	268
Greater Than One Year (greater than 365 days)	2,931	2,911
Total	**4,934**	**5,790**

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 2018 was £478k

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 (£31.553m) 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 2018 £000s	Actual 31 March 2017 £000s	Actual 31 March 2018 £000s
Less than 1 year	0%	20%	71,605	8,211	17,572
Between 1 and 2 years	0%	30%	107,407	17,573	17,598
Between 2 and 5 years	0%	40%	143,210	55,644	51,286
Between 5 and 10 years	0%	40%	143,210	44,352	35,236
More than 10 years	0%	75%	268,518	218,467	236,332
Total				**344,247**	**358,024**

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

According to this assessment strategy, at 31 March 2018, if all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2018 £000s
Increase in interest payable on variable rate borrowings	165
Impact on Surplus or Deficit on the Provision of Services	**165**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**49,946**

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 £5.413m 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 2017 £000's	31 March 2018 £000's
Central government bodies	(7,712)	(5,954)
Other local authorities	(2,414)	(2,706)
NHS bodies	(147)	(340)
Public corporations	(7)	(15)
Other entities and individuals	(18,017)	(22,078)
Total	(28,297)	(31,093)

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 2016	(319)	(3,394)	(109)	(484)	(4,306)
Provisions made in 2016/17	(412)	(3,335)	-	(67)	(3,814)
Amounts used in 2016/17	-	3,394	-	-	3,394
Balance at 31 March 2017	(731)	(3,335)	(109)	(551)	(4,726)
Balance at 1 April 2017	(731)	(3,335)	(109)	(551)	(4,726)
Provisions made in 2017/18	(460)	(3,697)	-	-	(4,157)
Amounts used in 2017/18	112	3,335	-	551	3,998
Balance at 31 March 2018	(1,079)	(3,697)	(109)	-	(4,885)

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.

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 2017 £000's	31 March 2018 £000's	Details
Deferred Liabilities - Developers' Contributions	(15,229)	(11,484)	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	(416)	(382)	Income to be released over the lease period
Other	(711)	(755)	
PPP and Finance Lease Liabilities	(41,261)	(38,244)	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	(178,238)	(142,209)	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	(235,855)	(193,074)	

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 principal 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:

	2016/17 £000's	2017/18 £000's
Comprehensive Income and Expenditure Statement		
Cost of Services comprising:		
Current service cost	16,997	24,240
Past service costs (including Curtailments)	6	86
Financing and Investment Income and Expenditure		
Net interest expense	4,066	4,751
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	21,069	29,077
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)	(86,283)	20,056
Actuarial gains and losses arising on changes in demographic assumptions	-	164
Actuarial gains and losses arising on changes in financial assumptions	143,719	(21,622)
Other remeasurement experience	(800)	(48,706)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	56,636	(50,108)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code.	(6,607)	(14,079)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers Contributions Payable	13,952	14,496

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:

	2016/17 £000's	2017/18 £000's
Pensions Assets and Liabilities Recognised in the Balance Sheet		
Present value of the defined benefit obligation	(732,394)	(691,685)
Fair value of plan assets	554,156	549,476
Net liability arising from defined benefit obligation	(178,238)	(142,209)

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

	31 March 2017 £000's	31 March 2018 £000's
Opening Fair Value of scheme assets	451,449	554,156
Interest Income	15,801	14,411
Remeasurement gain/(loss):		
Return on plan assets, excluding the amount included in the net interest expense	86,283	(20,056)
Contributions from employer	14,462	14,998
Contributions from employees into the scheme	3,827	3,931
Benefits paid	(17,666)	(17,964)
Closing Fair Value of Scheme Assets	554,156	549,476

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	31 March 2017 £000's	31 March 2018 £000's
Opening Balance at 1 April	(566,444)	(732,394)
Current Service Cost	(16,997)	(24,240)
Interest Cost	(19,867)	(19,162)
Contributions from Scheme participants	(3,827)	(3,931)
Remeasurement (gains) and losses:		
Actuarial gains/losses arising from changes in demographic assumptions	-	(164)
Actuarial gains/losses arising from changes in financial assumptions	(143,719)	21,622
Other	800	48,706
Past Service Cost	(6)	(86)
Benefits Paid	17,666	17,964
Closing Balance at 31 March	(732,394)	(691,685)

The maturity profile of the scheme liabilities is as follows:

Maturity Profile of Defined Benefit Obligation	Liability Split £000's	Liability Split %	Weighted Average Duration (Years)
Active Members	380,765	56.6%	24.1
Deferred Members	71,102	10.6%	24.3
Pensioner Members	221,252	32.8%	12.5
Total for Funded Obligations	673,119	100.0%	19.8
Unfunded Pensioner Liabilities	18,566		
Total pension liability	691,685		

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £142.209 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 is balanced by a pension reserve giving a neutral net position relating to the pension liability. 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 2019 is £14.013 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 2018 have been assessed by rolling forward the value of the liability calculated at the latest formal valuation date (31st March 2017), allowing for the different financial assumptions required under the Accounting Standard at the reporting date.

The main financial assumptions in the actuaries' calculations were:

	2016/17	2017/18
Mortality assumptions		
Longevity at 65 for current pensioners		
Male	22.1	21.7
Female	23.7	24.3
Longevity at 65 for future pensioners		
Male	24.2	24.7
Female	26.3	27.5
Rate of inflation		
Rate of increase in salaries	4.4%	4.1%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.7%

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

Impact on the Defined Benefit Obligation in the Scheme Actuarial Assumptions Sensitivity Analysis	Approximate % increase to Defined Benefit Obligation	Approximate Monetary Amount (£000)
0.5% decrease in Real Discount Rate	10%	67,913
0.5% increase in Salary increase rate	2%	14,019
0.5% increase in Pension increase rate	8%	52,525

Lothian Government Pension Scheme Assets comprised:

	31 March 2017 £000's	%	31 March 2018 £000's	%
Local Government Pension Scheme Assets comprised:				
Cash and Cash Equivalents	25,703	5%	32,465	6%
Private Equity	79,367	14%	10,032	2%
Derivatives	-	0%	252	0%
Equity Securities:				
Consumer	83,195	15%	75,286	14%
Manufacturing	84,008	15%	81,805	15%
Energy and Utilities	41,120	7%	34,374	6%
Financial Institutions	38,695	7%	48,816	9%
Health and Care	32,483	6%	26,939	5%
Information Technology	27,426	5%	33,499	6%
Other	39,109	7%	34,481	6%
Sub-total Equity Securities	346,036	62%	335,200	61%
Debt Securities:				
Corporate Bonds (investment grade)	-	0%	-	0%
Corporate Bonds (non-investment grade)	-	0%	10,706	2%
UK Government	1,151	0%	53,271	10%
Other	56,269	10%	-	0%
Sub-total Debt Securities	57,420	10%	63,977	12%
Real Estate:				
UK Property	33,900	6%	35,317	6%
Overseas Property	-	0%	575	0%
Sub-total Real Estate	33,900	6%	35,892	6%
Investment Funds and Unit Trusts:				
Equities	7,494	1%	5,281	1%
Bonds	1,239	0%	-	0%
Commodities	1,625	0%	-	0%
Infrastructure	-	0%	65,122	12%
Other	1,372	2%	1,255	0%
Sub-total Investment Funds and Unit Trusts	11,730	3%	71,658	13%
Total Assets	554,156	100%	549,476	100%
Scheme Assets Fair Value				
Quoted Prices in Active Markets	443,087		428,221	
Quoted Prices not in Active Markets	111,069		121,255	
Total	554,156		549,476	

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 2017/18, the Council paid £6.33m (2016/17: £6.28m) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 17.2% of pensionable pay (2016/17: 17.2%). The estimated contribution for 2018/19 is £6.41m.

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 2017/18, the Council paid £0.590m (2016/17: £0.654m) to Teachers' Pensions in respect of these retirement benefits.

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

In 2017/18, the Council paid £0.06m (2016/17: £0.06m) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.570m.

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 2017 £000's	31 March 2018 £000's
Revaluation Reserve	(227,705)	(206,910)
Available-for-sale Financial Instruments Reserve	(2,625)	(4,414)
Pensions Reserve	178,238	142,209
Capital Adjustment Account	(235,748)	(245,603)
Financial Instruments Adjustment Account	3,664	3,396
Employee Statutory Adjustment Account	3,335	3,697
Total	**(280,841)**	**(307,625)**

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 2017 £000's		31 March 2018 £000's
(249,337)	**Balance at 1 April**	**(227,705)**
(3,860)	Upward revaluation of assets	(630)
14,903	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	10,910
11,043	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	10,280
9,938	Difference between fair value depreciation and historical cost depreciation	9,835
651	Accumulated gains on assets sold or scrapped	188
-	Asset Transfer	492
(227,705)	**Balance at 31 March**	**(206,910)**

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 2017 £000's		31 March 2018 £000's
(2,771)	**Balance at 1 April**	**(2,625)**
-	Upward revaluation of investments	(1,789)
146	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
146		(1,789)
(2,625)	**Balance at 31 March**	**(4,414)**

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 2017 £000's		31 March 2018 £000's
114,995	**Balance at 1 April**	**178,238**
56,636	Actuarial gains or losses on pensions assets and liabilities	(50,108)
21,069	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	29,077
(14,462)	Employer's pensions contributions and direct payments to pensioners payable in the year	(14,998)
178,238	**Balance at 31 March**	**142,209**

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 2017 £000's		31 March 2018 £000's
(235,347)	**Balance at 1 April**	**(235,748)**
35,639	Charges for depreciation of non-current assets	35,260
12,459	Revaluation and impairment losses on Property, Plant and Equipment	14,119
(4,111)	Assets written off on disposal or sale	(1,311)
-	Revenue expenditure funded from capital under statute	-
43,987		48,068
(9,938)	Adjusting amounts written out of the Revaluation Reserve	(9,835)
34,049	Net amounts written out of the cost of non-current assets consumed in the year	38,233
	Capital Financing applied in the year	
-	Use of the Capital Receipts Reserve to finance new capital expenditure	-
(15,726)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(29,210)
(15,524)	Statutory provison for the financing of capital investment charged against the General Fund and HRA balances	(16,378)
(3,200)	Capital expenditure charged against the General Fund and HRA balances	(2,500)
(34,450)		**(48,088)**
(235,748)	**Balance at 31 March**	**(245,603)**

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 2017 £000's		31 March 2018 £000's
3,928	**Balance at 1 April**	**3,664**
(8)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(12)
(256)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory provisions	(256)
(264)	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	(268)
3,664	**Balance at 31 March**	**3,396**

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 2017 £000's		31 March 2018 £000's
3,394	**Balance at 1 April**	**3,335**
(3,394)	Settlement or cancellation of accrual made at the end of the preceding year	(3,335)
3,335	Amount accrued at the end of the current year	3,697
(59)	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	362
3,335	**Balance at 31 March**	**3,697**

Note 30 Transfer to and from Earmarked Reserves

The amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18 are:

	Mid and East Lothian Drugs & Alchohol Project	Other Balances	Devolved School Management Balances	Cost Reduction Fund	TOTAL
	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2016	**455**	**275**	**220**	**2,997**	**3,947**
Transfers Out during 2016/17	(152)	(275)	-	(230)	(657)
Transfers In during 2016/17	-	431	38	-	469
Balance at 31 March 2017	**303**	**431**	**258**	**2,767**	**3,759**
Transfers Out during 2017/18		(431)	-	(500)	(931)
Transfers In during 2017/18	-	575	133	-	708
Balance at 31 March 2018	**303**	**575**	**391**	**2,267**	**3,536**

Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

	2016/17	2017/18
	£000's	£000's
Credited to Taxation & Non-Specific Grant Income		
General Capital Grant	(8,886)	(11,372)
Contributions from Developers	(2,206)	(8,184)
Mortgage to Rent scheme/Housing Grants	(2,856)	(3,962)
Other Grants & Contributions	(1,778)	(5,692)
Total	**(15,726)**	**(29,210)**
Credited to Services		
Housing Benefit Subsidy/Admin Grant & Housing Payments/Department for Work & Pensions	(22,888)	(19,380)
Resource Transfer Funds/NHS Integration	(7,596)	(6,628)
Criminal Justice Grant/Criminal Justice Authority	(1,301)	(1,298)
Change Funds	(150)	(475)
Private Sector Housing Grant/Scottish Government	(628)	(628)
Funding for Drugs & Alcohol Teams/NHS	(601)	(366)
HEEPS	(978)	(89)
Educational Maintenance Allowance Funding/Scottish Government	(350)	(331)
Active Schools/Sports Scotland	(233)	(284)
Employability Projects	(383)	(312)
Home Office contribution to Syrian Refugee costs	(143)	(251)
1140 Hours	-	(432)
PEF Funding	-	(1,570)
Youth Music Initiative	(146)	(109)
Total	**(35,397)**	**(32,153)**

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.

	2016/17	2017/18
	£000's	£000's
Capital Grants & Contributions Receipts in Advance		
Scottish Government - Housing Projects	(68)	-
National Health Service	(80)	(6)
Total	**(148)**	**(6)**

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

	2016/17	2017/8
	£000's	£000's
Depreciation	(35,639)	(46,790)
Impairments and downward valuations	(12,459)	(3,081)
Carrying amount of non-current assets held for sale, sold or derecognised	(3,447)	(1,205)
Net charges made for retirement benefits in accordance with IAS 19	(21,069)	(29,077)
Employer's contributions payable to the Lothian Pension Fund	14,462	14,998
Increase in revenue long term-debtors & liabilities	(230)	(259)
(Increase)/Decrease in provisions	(2)	(179)
Increase/(Decrease) in inventories	273	(374)
(Increase)/Decrease in revenue creditors	(1,239)	(1,385)
Increase in revenue debtors	(2,233)	6,352
Total	**(61,583)**	**(61,000)**

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

	2016/17	2017/18
	£000's	£000's
Proceeds from capital grants	15,726	29,210
Proceeds from short-term investments	472	596
Proceeds from sale of PPE, Assets Held for Sale and other non-current assets	6,906	2,328
Total	**23,104**	**32,134**

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.

	2016/17	2017/18
	£000's	£000's
Depreciation charged on assets	35,639	35,260
Impairments and downward valuations	12,459	11,530
Housing Benefit Paid	23,284	19,479
Unitary Charge/PPP payments to contractor	8,918	9,062

Material items of income credited to service revenue accounts within the CI&ES 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 2018 are as follows:

2016/17 *Recurring fair value measurements using:*	**Quoted prices in active markets for identical assets (Level 1)** **£000's**	**Other significant observable inputs (Level 2)** **£000's**	**Significant unobservable inputs(Level 3)** **£000's**	**Fair value as at 31 March 2018** **£000's**
Non-Financial Assets		3,522		
Total		3,522		

2017/18 *Recurring fair value measurements using:*	**Quoted prices in active markets for identical assets (Level 1)** **£000's**	**Other significant observable inputs (Level 2)** **£000's**	**Significant unobservable inputs(Level 3)** **£000's**	**Fair value as at 31 March 2018** **£000's**
Non-Financial Assets		3,843		
Total		3,843		

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

Significant Observable Inputs – Level 2

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

Housing Revenue Account

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

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.

2016/17 £000's		2017/18 £000's
	Income	
(25,512)	Dwelling rents	(26,999)
(479)	Non-dwelling rents	(635)
(481)	Service charges	(578)
(176)	Other income	(322)
(26,648)	**Total Income**	(28,534)
	Expenditure	
7,167	Repairs and Maintenance	6,634
5,833	Supervision and Management	7,106
20,961	Depreciation, impairment and revaluation losses of Non-Current Assets	21,440
142	Impairment of Debtors	498
1,920	Other expenditure	1,735
36,023	**Total Expenditure**	37,413
9,375	**Net Expenditure/Income of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement**	8,879
158	HRA services share of Corporate and Democratic Core	104
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services	(4,576)
9,533	**Net Income/Expenditure of HRA Services**	4,407
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement	
(3,249)	(Gains)/Losses on sale of HRA Non-Current assets	(866)
6,003	Interest Payable and Similar Charges	5,899
(22)	HRA Interest and Investment income	(37)
144	Pensions Interest Cost and Expected Return on Pensions Assets	160
(2,856)	Capital Grants and Contributions receivable	(3,962)
9,553	**(Surplus)/Deficit for the year on HRA services**	5,601

Movement on the HRA Statement

2016/17 £000's		2017/18 £000's
(4,664)	Balance on the HRA at the end of the previous period	(5,020)
9,553	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	5,601
(8,815)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(11,547)
738	Net (Increase)/Decrease in the Balance before Transfer to or from Reserves	(5,946)
-	Adjustment for the elimination of internal recharges	4,576
1,495	HRA Balance Transferred to General Services	995
(2,589)	Transfers into HRA from Capital Fund	-
(356)	Increase/Decrease in year on the HRA	(375)
(5,020)	Balance on the HRA at the end of the current period	(5,395)

Note to the Movement of the HRA Statement

2016/17 £000's		2017/18 £000's
	Adjustments between Accounting Basis and Funding Basis under Regulations	
(20,961)	Depreciation and impairment of fixed assets	(21,440)
2,856	Capital grant and contributions applied	3,962
3,249	Gain or (loss) on sale of HRA Non-Current assets	866
(144)	Net charges made for retirement benefits in accordance with IAS 19	(160)
(15,000)		(16,772)
	Items not included in the HRA Account but included in the movement on HRA Balance for the year	
(78)	Employer's contributions payable to the Lothian Pension Fund	(276)
3,063	Loans fund principal	3,001
3,200	Capital expenditure funded by the HRA	2,500
6,185		5,225
(8,815)	**Net additional amount required by statute to be debited/credited to the HRA Balance for the year**	(11,547)

	2 Apt	3 Apt	4 Apt	5 Apt	8 Apt	Total
Number of Houses as at 31 March 2017	1,803	4,437	2,188	220	1	8,649
Number of Houses as at 31 March 2018	1,812	4,446	2,217	222	1	8,698
Increase/(Decrease) in year	9	9	29	2	0	49

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 transferred 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 e.g. single occupants. A Council Tax reduction scheme is available to assist taxpayers on a low income.

2016/17 £000's		2017/18 £000's
(53,717)	**Gross Council Tax Levied and Contributions in Lieu**	(59,418)
	Adjusted For:	
4,810	Council Tax Reduction Scheme	4,942
4,371	Other Discounts and Reductions	4,629
532	Provision for Non Collection	374
(44,004)		(49,473)
67	Adjustments to Previous Years' Council Tax	67
(43,937)	Transfer to General Fund	(49,406)

The Council Tax base is calculated as follows;

	COUNCIL TAX BAND								
	A	B	C	D	E	F	G	H	Total
Charge for Each Band (£)	**767.43**	**895.34**	**1023.24**	**1151.15**	**1512.48**	**1870.62**	**2254.33**	**2820.31**	
Effective Properties	942	7,771	13,174	5,463	5,467	4,531	3,718	613	41,679
Ratio to Band D	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360	
Band D Equivalents	628	6,044	11,710	5,463	7,183	7,363	7,281	1,502	47,174
Provision for non-payment (2%)									(943)
Council Tax Base									**46,231**

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.

2016/17 £000's		2017/18 £000's
(34,580)	Gross Rates Levied & Contributions in Lieu	(35,997)
9,243	Reliefs and Other Deductions	10,821
7	Write Offs of Un-collectable Debts & Allowance for Impairment	52
(25,330)	**Net Non-Domestic Rate Income**	(25,124)
(29)	Adjustments to Previous Year National Non-Domestic Rates	444
(25,359)	**Total Non-Domestic Rate Income (before authority retentions)**	**(24,680)**
	Amounts not reclaimable from the National Non-Domestic Rate Pool	638
(25,359)	**Contribution to the National Non-domestic Rate Pool**	**(24,042)**
(24,370)	**Contribution from the National Non-domestic Rate Pool**	**(24,550)**

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 the scheme in 2017/18.

Rateable Values

An analysis of the rateable values at the end 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 49.2p (2016/17: 51p) per pound for properties with rateable value of £51,000 (2016/17: £35,000) or more and 46.6p (2016/17: 48.4p) for those with a rateable value of less than £51,000 (2016/17: £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 £15,000 and 25% for those with a combined RV between £15,001 and £18,000. Additionally, businesses with multiple properties whose cumulative RV is £35,000 or less will be eligible for relief of 25% for each property with a rateable value less than £18,000.

Common Good Account

There are 4 separate Common Good Funds that were inherited from the former Burghs of Dunbar, Haddington, Musselburgh and North Berwick 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.

	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's
Balance at 31 March 2017 brought forward	**(5,789)**	**(5,366)**	**(11,155)**
Movement in reserves during 2017/18			
Surplus or (deficit) on provision of services	(177)	-	(177)
Other Comprehensive Expenditure and Income	-	(907)	(907)
Total Comprehensive Expenditure and Income	**(177)**	**(907)**	**(1,084)**
Adjustments between accounting basis & funding basis under regulations	**(205)**	**205**	**-**
Charges for depreciation of non-current assets	(135)	135	-
Profit/loss on sale of non current assets	(70)	70	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(382)**	**(702)**	**(1,084)**
Increase/Decrease in Year	**(382)**	**(702)**	**(1,084)**
Opening Balance correction	4		4
Balance at 31 March 2018 carried forward	**(6,167)**	**(6,068)**	**(12,235)**

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

2016/17 £000's		2017/18 £000's
	Income	
(348)	Rents and other income	(484)
(348)		(484)
	Expenditure	
2	Employees	-
84	Premises-related expenditure	120
54	Supplies and services	64
68	Third party payments	199
127	Depreciation	135
335		518
(13)	**Cost of Services**	**34**
(36)	Gains/Losses on the disposal of non current assets	(107)
(92)	Financing and investment income and expenditure	(104)
(128)		211
(141)	**(Surplus) or Deficit on Provision of Services**	**(177)**
(829)	Surplus or deficit on revaluation of Property, Plant and Equipment	(980)
(493)	Surplus or deficit on revaluation of available for sale financial instruments	73
(1,322)	**Other Comprehensive Income and Expenditure**	**(907)**
(1,463)	**Total Comprehensive Income and Expenditure**	**(1,084)**

Balance Sheet

2016/17 £000's		2017/18 £000's
4,072	Property, Plant & Equipment	4,906
3,340	Long Term Investments	3,325
908	Long Term Debtors	862
8,327	Long Term Assets	9,093
53	Sundry debtors	49
2,810	Short-term loans	3,134
2,863	Current Assets	3,184
(28)	Short-term creditors	(42)
(28)	Current Liabilities	(42)
11,155	**Net Assets**	**12,235**
(956)	Financial Instruments Adjustment Reserve	(883)
(1,739)	Revaluation Reserve	(2,110)
(2,671)	Capital Adjustment Account	(3,075)
(5,789)	Common Good Fund	(6,167)
(11,155)	**Total Reserves**	**(12,235)**

Jim Lamond (CPFA)
Head of Council Resources (CFO)
June 2018

Non-current Assets

The value of assets changed in the following way:

Community Assets	**£000's**
Net book value of assets at 31 March 2017	4,072
Movement in 2017/18	-
Additions	1,144
Disposals	(175)
Revaluations	-
Depreciation	(135)
Impairments	-
Internal Transfers	-
Net book value of assets at 31 March 2018	**4,906**

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 2018/19	243
Income receivable between 2019/20 and 2022/23	972
Income receiveable after 2022/23	4,910
	6,125

Fund Analysis

The four separate funds are valued at 31 March 2018 as:

	Dunbar	**Haddington**	**Musselburgh**	**North Berwick**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Balance brought Forward on 1 April 2017	(45)	(532)	(4,857)	(355)	**(5,789)**
(Surplus) / deficit in the year	-	16	(364)	(30)	**(378)**
Fund Balance as at 31 March 2018	(45)	(516)	(5,221)	(385)	**(6,167)**
Net assets	1,057	601	9,455	1,122	**12,235**

Trust Funds Account

The Council acts as a majority or sole Trustee for 47 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 2017 carried forward	**(2,517)**	**(2,517)**	**(2,766)**	**(5,283)**
Movement in reserves during 2017/17				
(Surplus) or deficit on provision of services	(205)	**(205)**	-	**(205)**
Other Comprehensive Expenditure and Income	-	**-**	95	**95**
Total Comprehensive Expenditure and Income	**(205)**	**(205)**	**95**	(110)
Adjustments between accounting basis & funding basis under regulations	(19)	**(19)**	19	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**(224)**	**(224)**	**114**	**(110)**
Transfers to/from Earmarked Reserves	-	**-**	-	-
Increase/Decrease in Year	**(224)**	**(224)**	**114**	**(110)**
Balance at 31 March 2018 carried forward	**(2,741)**	**(2,741)**	**(2,652)**	**(5,393)**

Comprehensive Income and Expenditure Statement

2016/17 £000's		2017/18 £000's
	Income	
(49)	Rents and Other Income	(50)
(49)		**(50)**
	Expenditure	
1	Premises-related expenditure	3
21	Supplies and Services	23
17	Third Party Grants and Payments	19
12	Depreciation	19
51		**64**
2	**Cost Of Services**	14
(46)	(Gains)/Losses on the disposal of non-current assets	(121)
(97)	Financing and investment income and expenditure	(98)
(141)	**(Surplus) or Deficit on Provision of Services**	**(205)**
(32)	(Surplus) or Deficit on Revaluation of Property,Plant & Equipment	(1)
(448)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Instruments	96
(480)	**Other Comprehensive Income and Expenditure**	**95**
(621)	**Total Comprehensive Income and Expenditure**	**(110)**

Balance Sheet

31 March 2017 £000's		31 March 2018 £000's
757	Property Plant & Equipment	738
3,289	Long Term Investments	3,296
92	Long Term Debtors	87
4,138	**Long Term Assets**	4,121
1,355	Short Term Investments	1,468
1,355	**Current Assets**	1,468
(1)	Short Term Creditors	(1)
(1)	**Current Liabilities**	(1)
(209)	Other Long Term Liabilities	(195)
(209)	**Long Term Liabilities**	(195)
5,283	**Net Assets**	**5,393**
(2,097)	Financial Instruments Adjustment Reserve	(2,001)
(671)	Property Revaluation Reserve	(656)
2	Capital Adjustment Account	5
(2,517)	Usable Reserves	(2,741)
(5,283)	**Total Reserves**	**(5,393)**

Jim Lamond (CPFA)
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Financial Performance

During the year 2017/18, the Trust Funds operated at a surplus of £205,000 (2016/17: surplus of £141,000). The overall asset book value increased from £5.28 million to £5.39 million by 31 March 2018.

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 2018 were:

2016/17 £000's	Investment	2017/18 £000's
129	Vanguard Inv Serv 500 Ucits	128
159	UBS Global Assets Mgt US Equity	121
91	Mercantile Investment Ord 0.25	104
92	Shell Ord Shares Euro 0.07	96
-	Blackrock Ord 0.25	81
72	HSBC Holdings Ord USD	80
74	Findlay Park Fds American USD	77
74	National Grid 1.25%	75
2,727	Other stocks, shares and cash	2,662
3,418		3,424

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 2018

	Authority's Own Usable Reserves Page 27 £000's	Authority's Share of Usable Reserves of Subsidiaries, Associates and Joint Venture £000's	Total Usable Reserves £000's	Total Unusable Reserves £000's	Authority's Own Unusable Reserves Note 29 £000's	Authority's Share of Unusable Reserves of Subsidiaries, Associates and Joint Venture £000's	Total Reserves £000's
Balance at 31 March 2017	(25,554)	(10,351)	**(35,905)**	**(287,329)**	(280,841)	(6,488)	**(323,234)**
Movement in reserves during 2017/18							
(Surplus) or deficit on provision of services	15,956	(256)	**15,700**	-	-	-	**15,700**
Other Comprehensive Expenditure and Income	-	-	-	(43,471)	(41,617)	(1,854)	**(43,471)**
Total Comprehensive Expenditure and Income	15,956	(256)	**15,700**	**(43,471)**	(41,617)	(1,854)	**(27,771)**
Adjustments between Group Accounts and Authority Accounts	-	-	-	-	-	-	-
Net Increase/Decrease before Transfers	15,956	(256)	**15,700**	**(43,471)**	(41,617)	(1,854)	**(27,771)**
Adjustment for Opening Balances	-	111	111	(55)	-	(55)	56
Adjustments between accounting basis & funding basis under regulations	(14,833)	(371)	(15,204)	15,204	14,833	371	-
Net Increase/Decrease before Transfers to Other Statutory Reserves	1,123	(516)	**607**	**(28,322)**	(26,784)	(1,538)	**(27,715)**
(Increase)/Decrease in Year	1,123	(516)	**607**	**(28,322)**	(26,784)	(1,538)	**(27,715)**
Balance at 31 March 2018 carried forward	(24,431)	(10,867)	**(35,298)**	**(315,651)**	(307,625)	(8,026)	**(350,949)**

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.

2016/17 Net Expenditure £000's		2017/18 Gross Expenditure £000's	2017/18 Gross Income £000's	2017/18 Net Expenditure £000's
107,465	Resources & People Directorate	114,469	(6,774)	107,695
59,276	Health & Social Care Partnership	120,641	(60,849)	59,792
55,827	Partnership & Community Directorate	84,771	(16,519)	68,252
1,064	Corporate and Central Services	22,297	(19,315)	2,982
9,533	HRA	32,820	(28,413)	4,407
233,165	**Cost of Services**	**374,998**	**(131,870)**	**243,128**
(3,542)	(Gains)/Losses on the disposal of non current assets			(1,351)
19,822	Financing and investment income and expenditure			20,265
(228,403)	Taxation and non specific grant income			(246,596)
21,042	**Deficit on Provision of Services**			15,446
89	Share of the (surplus) or deficit on the provision of services by Associates and Joint Venture			254
21,131	**Group (Surplus) / Deficit**			**15,700**
10,182	(Surplus) or deficit on revaluation of Property, Plant and Equipment			9,299
(795)	(Surplus) on revaluation of available for sale financial instruments			(1,620)
56,636	Actuarial losses on pension assets/liabilities			(50,108)
1,450	Share of other comprehensive income and expenditure of Associates and Joint Venture			(1,042)
67,473	**Other Comprehensive Income and Expenditure**			**(43,471)**
88,604	**Total Comprehensive Income and Expenditure**			**(27,771)**

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.

2016/17 £000's		2017/18 £000's
21,345	Deficit for the year on the Authority Comprehensive Income & Expenditure Account	15,956
89	Associates and Joint Venture	254
(303)	Subsidiaries	(510)
21,131	**(Surplus) / Deficit for the year on the Group Income & Expenditure Account**	**15,700**

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 2017 £000's		31 March 2018 £000's
883,770	Property Plant & Equipment	873,786
1,052	Heritage Assets	1,052
9,653	Long Term Investments	11,435
338	Investments in Associates and Joint Venture	1,078
12,225	Long Term Debtors	11,914
907,038	**Long Term Assets**	899,265
20	Short Term Investments	20
770	Assets Held for Sale	981
897	Inventories	523
25,884	Short Term Debtors	32,338
(11,608)	Bad & Doubtful Debt Provision	(11,627)
12,694	Cash and Cash Equivalents	15,250
28,657	**Current Assets**	37,485
(5,646)	Short Term Borrowing	(14,574)
(28,878)	Short Term Creditors	(31,646)
(34,524)	**Current Liabilities**	(46,220)
(4,726)	Provisions	(4,885)
(336,999)	Long Term Borrowing	(341,421)
(57,826)	Other Long Term Liabilities	(51,060)
(178,238)	Pension Liability	(142,209)
(148)	Capital Grants Receipts in Advance	(6)
(577,937)	**Long Term Liabilities**	(539,581)
323,234	**Net Assets**	**350,949**
(35,905)	Usable Reserves	(35,298)
(287,329)	Unusable Reserves	(315,651)
(323,234)	**Total Reserves**	**(350,949)**

Jim Lamond (CPFA)
Head of Council Resources (CFO)
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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.

2016/17 £000's		2017/18 £000's
21,042	Net deficit on the provision of services	15,446
(61,758)	Adjustments to net surplus or deficit on the provison of services for non-cash movements (Note 5)	(61,138)
23,104	Adjustments for items included in the net surplus or deficit on the	32,134
(17,612)	Net Cash flow from Operating Activities	(13,558)
	Investing Activities	
41,905	Purchase of property, plant and equipment	50,767
(472)	Proceeds from short term investments	(596)
(17,806)	Other Receipts from investing activities	(25,332)
(6,906)	Proceeds from the sale of property, plant and equipment	(2,328)
16,721	Net cash flow from investing activity	22,511
	Financing Activities	
(20,244)	Cash received from short and long term borrowing	(22,001)
1,187	Capital element of finance leases and PFI Contracts	1,595
13,464	Repayments of short and long term borrowing	8,441
460	New loans made	456
(5,133)	Net cash flow from financing activity	(11,509)
(6,024)	Net increase or decrease in cash and cash equivalents	(2,556)
(6,670)	Cash and cash equivalents at the beginning of the reporting period	(12,694)
(12,694)	Cash and cash equivalents at the end of the reporting period	(15,250)

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 2016/17	Percentage Share 2017/18	Carrying Value at 31 March 2018 £000's	Share of (Surplus) or Deficit on Provision of Services for 2017/18 £000's	Other CI&ES items for 2017/18 £000's
East Lothian Investments	40.00%	40.00%	204	-	-
Enjoy East Lothian Limited	33.33%	33.33%	1,475	128	(241)
Brunton Theatre Trust	28.57%	25.00%	106	(13)	-
Lothian Valuation Joint Board	12.50%	12.50%	(707)	139	(801)
Total			**1,078**	**254**	**(1,042)**

The summarised financial information of the various associates for the financial year 2017/18 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	523	(12)	511	(7)	(1)
Enjoy East Lothian Limited	7,925	(3,501)	4,424	(6,639)	384
Brunton Theatre Trust	582	(159)	423	(1,376)	(50)
Lothian Valuation Joint Board	2,392	(8,045)	(5,653)	(7,798)	1,121

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 2018 show net current assets of £599,000 (31 March 2017: £601,000), and a loss before taxation of £2,000 (31 March 2017: 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 79-83.

The net value of the Trusts included within the Group Accounts is £5.39 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 2017/18 East Lothian Council contributed £44.6 million to the annual running costs. No assets or liabilities were held at 31 March 2018 meaning no change to the 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 £18.9 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

2016/17 £000's		2017/18 £000's
(35,639)	Depreciation	(46,790)
(12,459)	Impairments and downward revaluations	(3,081)
(3,447)	Net gains on sale of fixed assets	(1,205)
(21,069)	Net charges made for retirement benefits in accordance with IAS 19	(29,077)
14,462	Employer's contributions payable to the Lothian Pension Fund	14,998
(230)	(Increase)/decrease in revenue long term-debtors & liabilities	(259)
(2)	Change in Provisions	(179)
273	Change in stock	(374)
(1,527)	Change in revenue debtors	(1,622)
(2,120)	Change in revenue creditors	6,451
(61,758)	**Total**	**(61,138)**

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 1st 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 the 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 or 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.

Appendix 2

General Services Reserves	Draft Position as at 31 March 2018
	£'000
Required to support future budgets	2,140
Civil Emergency	2,000
Cost Reduction Fund	3,767
Earmarked Reserves	
· DSM (Devolved School Management)	391
· MELDAP	303
· Other reserves*	575
Insurance Fund	1,883
General Services Capital Receipts Reserves	4,600
Gen Services Capital Fund	2,282
Balance of 2017-18 - to be reallocated	1,097
Sub-total General Services Reserves	**19,038**

* includes the following:

Accelerating Growth (approved Council Aug 2017)	500
Cockenzie	75

REVENUE BUDGET PERFORMANCE AS AT 31 MARCH 2018

	Budget for the year	Actual for the period	(Surplus) / Deficit £	(Surplus) / Deficit %	Progress with efficiency savings
Resources & People Services					
Pre-school Education & Childcare	6,775	6,489	(286)	-4.2%	
Additional Support for Learning	8,061	8,585	524	6.5%	
Schools - Primary	43,032	43,068	36	0.1%	
Schools - Secondary	39,215	38,603	(612)	-1.6%	
Schools Support Services	2,884	2,607	(277)	-9.6%	
Financial Services	2,052	1,839	(213)	-10.4%	
Revenues & Benefits	1,779	1,656	(123)	-6.9%	
IT Services	1,428	1,252	(176)	-12.3%	
Legal & Procurement	2,531	2,526	(5)	-0.2%	
Human Resources & Payroll	587	541	(46)	-7.8%	
Licensing, Admin and Democratic Services	3,615	3,418	(197)	-5.4%	
	111,959	**110,584**	**(1,375)**	-1.2%	
Health & Social Care Partnership					
Children's Wellbeing	14,169	14,836	667	4.7%	
Adult Services	27,176	26,967	(209)	-0.8%	
Older People	24,721	25,155	434	1.8%	
	66,066	**66,958**	**892**	1.4%	
Partnerships & Services for Communities					
Community Housing	2,171	2,189	18	0.8%	
Customer Services	3,944	3,696	(248)	-6.3%	
Commuity & Area Partnerships	9,861	9,697	(164)	-1.7%	
Arts	768	721	(47)	-6.1%	
Corporate Policy & Improvement	1,047	1,379	332	31.7%	
Planning	1,503	1,456	(47)	-3.1%	

Asset Planning & Engineering	4,024	4,074	50	1.2%
Economic Development & Strategic Development	3,301	3,027	(274)	-8.3%
Facility Trading	(124)	(178)	(54)	43.5%
Facility Services	4,553	4,503	(50)	-1.1%
Landscape & Countryside Management	7,552	7,182	(370)	-4.9%
Healthy Living	5,572	5,528	(44)	-0.8%
Property Maintenance	(713)	(688)	25	-3.5%
Roads Network	10,149	10,982	833	8.2%
Roads Trading	(777)	(814)	(37)	4.8%
Transportation	1,461	1,209	(252)	-17.2%
Waste	8,126	8,104	(22)	-0.3%
	62,418	**62,067**	**(351)**	-0.6%
Total of all departments	**240,443**	**239,609**	**(834)**	-0.3%
Corporate Management				
Revenue Support Grant (inc. NNDR)	(167,398)	(167,326)	72	0.0%
Specific Grants	(3,137)	(3,137)	-	0.0%
Council Tax	(54,318)	(54,348)	(30)	0.1%
Social Care Fund	(6,240)	(6,240)	-	0.0%
Council Tax Reduction	5,000	4,942	(58)	-1.2%
Other	(11,472)	(10,842)	630	-5.5%
Joint Board Requisitions	647	647	-	0.0%
HRA Transfer	(995)	(995)	-	0.0%
Transfer to Reserves	(2,530)	(2,690)	(160)	6.3%
	(240,443)	**(239,989)**	**454**	-0.2%
General Services (Surplus)/Deficit against planned budget	**-**	**(380)**	**(380)**	
18-19 RSG received in advance			**(654)**	
TOTAL General Services			**(1,034)**	

HRA (Surplus)/Deficit against planned budget	(2,874)
(SURPLUS) / DEFICIT TOTAL COUNCIL	**(3,908)**

<u>MOVEMENT IN RESERVES</u>	
(SURPLUS) / DEFICIT TOTAL COUNCIL	(3,908)
Planned use General Fund Reserves	2,530
Planned use HRA Reserves	2,500
TOTAL MOVEMENT IN COUNCIL RESERVES (PER ACCOUNTS)	**1,122**
Represented by:	
General Fund Movement	1,496
HRA Movement	(374)
TOTAL MOVEMENT IN RESERVES	**1,122**

GENERAL SERVICES CAPITAL SPEND AS AT 31 MARCH 2018

Name of Project	**Budget**	**Quarter 3 Outturn £000**	**Actual for the year £000**	**Budget/Actual Variance (under)/over £000**
Herdman Flat	200	-	-	**(200)**
Property Renewals	900	900	903	**3**
Prestongrange Museum	55	55	51	**(4)**
Port Seton Community Centre	131	131	124	**(7)**
Whitecraig Community Centre	13	13	4	**(9)**
Community Intervention	500	250	213	**(287)**
Support for Business / Town Centre Regeneration	700	165	185	**(515)**
Future Technologies Centre	43	14	13	**(30)**
Dunbar Grammar	4,000	3,600	3,833	**(167)**
Dunbar Primary - Lochend Campus	65	21	19	**(46)**
North Berwick High School	15	15	15	**-**
Aberlady Primary	1	1	1	**-**
Law Primary	5,809	5,809	5,134	**(675)**
Kings Meadow Primary - temp prov'n Letham Primary	131	128	120	**(11)**
Letham Primary - New Build	147	147	178	**31**
Ross High School	34	14	14	**(20)**
Windygoul Primary	352	54	54	**(298)**
Prestonpans Infant School	-	5	5	**5**
Prestonpans Early Learning and Childcare Centre	934	934	501	**(433)**
New Wallyford Primary	8,240	5,500	5,477	**(2,763)**
Pinkie St Peter's Primary	8	65	5	**(3)**
Vehicles	1,350	1,350	1,332	**(18)**
Synthetic pitches	80	44	42	**(38)**
Pavilions	705	705	662	**(43)**
Sports Centres	200	200	207	**7**
Mains Farm Sports Pitch & Pavilion	10	10	6	**(4)**
IT Program	1,500	1,483	1,423	**(77)**

IT - Elected members	25	42	42	**17**
Core Path Plan	149	149	269	**120**
Polson Park	25	25	13	**(12)**
Amenties - Machinery & Equipment - replacement	-	39	79	**79**
Waste - Machinery & Equipment - replacement	40	40	20	**(20)**
Cemeteries	440	-	-	**(440)**
Coastal Car Parks/Toilets	439	14	16	**(422)**
Coastal / Flood Protection	210	258	201	**(9)**
Promenade Improvements - Fisherrow	23	-	-	**(23)**
Cycling Walking Safer Streets	141	141	138	**(3)**
Roads	5,494	5,494	5,010	**(484)**
Parking Improvements	500	26	11	**(489)**
Waste - New Bins	90	121	147	**57**
Brunton Hall - Improved Community Access	30	-	-	**(30)**
Replacement - CRM Project (Customer Services)	225	-	-	**(225)**
Replacement - Corporate booking system	32	-	-	**(32)**
Carberry Landfill Gas management	250	137	137	**(113)**
Prestonpans Shared Facility	20	18	18	**(2)**
Meadowmill Depot	50	38	5	**(45)**
Accelerating Growth - Enabling Infrastructure	1,600	1,250	1,330	**(270)**
Haddington Corn Exchange	50	1	1	**(49)**
John Muir House - Planning New Ways of Working	-	-	3	**3**
North Berwick Museum Retention Payment	-	-	7	**7**
33 Sidegate capital expenses of sale	-	-	1	**1**
Mid Road Industrial Estate Retention	-	-	20	**20**
Crookston Care Home Retention	-	-	14	**14**
Telecare IT project	-	-	75	**75**
Town Centre Toilets - refurbishment	100	-	-	**(100)**
sub-total before year end allocations	**36,055**	**29,405**	**28,075**	**(7,980)**

Capital Plan Fees/Internal Recharges	**1,604**	**1,604**	**1,561**	**(43)**
TOTAL	**37,659**	**31,009**	**29,636**	**(8,023)**
Total Income	**(24,649)**	**(25,233)**	**(25,958)**	**(1,310)**
Net Expenditure	**13,010**	**5,776**	**3,678**	**(9,333)**

HOUSING CAPITAL SPEND & FINANCING AS AT 31 MARCH 2018

Appendix 5

	Budgeted (£000s)	Actual (£000s)	Over/(Under) (£000s)	
Mortgage to Rent	750	260	(490)	
Modernisation Spend (also see below)	12,118	10,608	(1,510)	Inclusive of Fees
Gross Affordable Homes spend	10,553	10,434	(119)	Inclusive of Fees
Gross Total Housing Capital Spend	23,421	21,302	(2,119)	

Modernisation Programme - Detailed

Disabled Adaptations	800	639	(161)
Central Heating	2,200	1,980	(220)
Electrical Re-wiring	1,180	1,533	353
Structural surveys	60	71	11
Fencing Programme	200	324	124
Energy Efficiency	200	169	(31)
Kitchen Replacement Prog.	1,600	1,729	129
Project Works	450	418	(32)
Roofing / Roughcasting / external fabric	550	248	(302)
Stair Improvement Programme	50	-	(50)
Sheltered Housing	100	94	(6)
Roads / Walkway pre-adoption works	150	74	(76)
Dispersed Alarms	-	6	6
Local Initiatives:Projects	200	89	(111)
Window & Door Replacement Prog.	250	229	(21)
Bathroom Replacement	2,020	2,211	191
Extensions	250	158	(92)
Lead Water Pipes	10	32	22
Asbestos Works	450	225	(225)
IT Projects	5	-	(5)
Open Market Acquisition Remedial Works	375	325	(50)
Service Improvements	100	54	(46)
Unallocated Budget	97	-	(97)
Fees	821	-	(821)
TOTAL	12,118	10,608	(1,510)

REPORT TO: East Lothian Council

MEETING DATE: 26 June 2018

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Common Good Funds –Budget 2018-19 to 2020-21

4

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1 PURPOSE

1.1 To approve the budgets for the Dunbar, Haddington, Musselburgh and North Berwick Common Good Funds for 2018-19 to 2020-21, 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 2017-18 on each of the Common Good Funds.
- approve the 2018-19 to 2020-21 budgets.

3 BACKGROUND

3.1 The financial performance of the Common Good Funds to end of March 2018 is included within the Council's annual statutory accounts. As highlighted in the 2017-18 Financial Review paper considered earlier by Council, the accounts are still subject to audit 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 2018, the accumulated funds for each of the Common Good funds based on the unaudited accounts are set out below:

Common Good Fund	**£'000**
Dunbar	45
Haddington	516
Musselburgh	5,221
North Berwick	385
TOTAL	**6,167**

3.3 The Scheme of Administration requires the Council to approve an updated budget for each of the four Common Good Funds. The indicative 2018-19 and 2019-20 were approved by Council in June 2017, and have been rolled forward and updated based largely on historical spending patterns and any known commitments for 2018-19 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. The budgets are set out in Appendices 1a to 1d.

3.4 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

3.5 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 2018 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 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 2018	Projected Income 2018-19
Dunbar	28,301	810
Haddington	77,829	2,228
Musselburgh	3,084,846	88,304
North Berwick	176,883	5,063
TOTAL	**3,367,859**	**96,405**

4 POLICY IMPLICATIONS

4.1 None.

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 27 June 2017 – Item 5 – Common Good Funds – Budgets 2017-18 to 2019-20

AUTHOR'S NAME	Jim Lamond
DESIGNATION	Head of Council Resources
CONTACT INFO	jlamond@eastlothian.gov.uk
DATE	14 June 2018

Appendix 1a

Dunbar Common Good

Income & expenditure Budget

	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Expenditure				
Premises Repair & Maintenance	18	18	18	18
Supplies & Services	2	2	2	2
Grants	4	4	4	4
Total Expenditure	**24**	**24**	**24**	**24**
Income				
Rents & Other Income	-23	-23	-23	-23
Interest / Investment Income	-1	-1	-1	-1
Total Income	**-24**	**-24**	**-24**	**-24**
Cost of Services	**0**	**0**	**0**	**0**
Other Accounting Entries*	0			
Net Surplus for the year	**0**	**0**	**0**	**0**
Common Good Balance	-45	-45	-45	-45
Accumulated Fund	**-45**	**-45**	**-45**	**-45**

* Accounting entries including: assets and profit / loss on investments

Appendix 1b

Haddington Common Good

Income & expenditure Budget

	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Expenditure				
Premises Repair & Maintenance	2	1	1	1
Supplies & Services	3	4	4	4
Grants	51	25	10	10
Total Expenditure	**56**	**30**	**15**	**15**
Income				
Rents & Other Income	-36	-36	-36	-36
Interest / Investment Income	-3	-2	-2	-2
Total Income	**-39**	**-38**	**-38**	**-38**
Cost of Services	**17**	**-8**	**-23**	**-23**
Other Accounting Entries*	-1			
Net Surplus for the year	**16**	**-8**	**-23**	**-23**
Common Good Balance	-532	-516	-524	-547
Accumulated Fund	**-516**	**-524**	**-547**	**-570**

* Accounting entries including: assets and profit / loss on investments

Appendix 1c

Musselburgh Common Good

Income & expenditure Budget

	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Expenditure				
Premises Repairs & Maintenance	70	225	45	45
Premises - Rates	22	22	22	22
Supplies & Services	36	45	45	45
Grants	134	150	150	150
Grant - Fireworks	18	18	18	18
Total Expenditure	**280**	**460**	**280**	**280**
Income				
Rents & Other Income	-383	-365	-365	-365
Interest / Investment Income	-94	-80	-80	-80
Total Income	**-477**	**-445**	**-445**	**-445**
Cost of Services	**-197**	**15**	**-165**	**-165**
Other Accounting Entries*	-167			
Net Surplus for the year	**-364**	**15**	**-165**	**-165**
Common Good Balance	-4,857	-5,221	-5,206	-5,371
Accumulated Fund	**-5,221**	**-5,206**	**-5,371**	**-5,536**

* Accounting entries including: assets and profit / loss on investments

Appendix 1d

North Berwick Common Good

Income & expenditure Budget

	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21
Expenditure				
Premises Repairs & Maintenance	8	3	3	3
Supplies & Services	5	3	3	3
Grants	10	10	10	10
Total Expenditure	**23**	**16**	**16**	**16**
Income				
Rents & Other Income	-42	-42	-42	-42
Interest / Investment Income	-6	-4	-4	-4
Total Income	**-48**	**-46**	**-46**	**-46**
Cost of Services	**-25**	**-30**	**-30**	**-30**
Other Accounting Entries*	-5			
Net Surplus for the year	**-30**	**-30**	**-30**	**-30**
Common Good Balance	-355	-385	-415	-445
Accumulated Fund	**-385**	**-415**	**-445**	**-475**

* Accounting entries including: assets and profit / loss on investments

REPORT TO: East Lothian Council

MEETING DATE: 26 June 2018

BY: Chief Executive

SUBJECT: Local Scrutiny Plan 2018/19

5

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1 PURPOSE

1.1 To inform the Council of Audit Scotland's East Lothian Council Local Scrutiny Plan 2018/19.

2 RECOMMENDATIONS

2.1 Council is asked to note the Local Scrutiny Plan 2018/19.

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. 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.

3.2 The East Lothian Council's Local Scrutiny Plan 2018/19 (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.

3.3 The shared risk assessment for 2018/19 "concluded that there were no significant risks for the council in the coming 12 months that would warrant any specific scrutiny activity."

3.4 Members will be aware that Audit Scotland has been carrying out a Best Value Assurance Review of the Council as part of the rolling programme of reviews it is carrying out of all 32 local authorities. The review started with desk based research and audit work as part of the 2016/17 local audit. The bulk of the fieldwork for the review was carried out during March and April with some follow up research being carried out in May and June. The outcome of the review will be reported to the Accounts Commission in October 2018 following which the Council will have the opportunity to consider the review's findings and recommendations.

4 POLICY IMPLICATIONS

4.1 The Local Scrutiny Plan 2018/19 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 on-going 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 2018/19

AUTHOR'S NAME	Paolo Vestri
DESIGNATION	Service Manager: Corporate Policy and Improvement Manager
CONTACT INFO	pvestri@eastlothian.gov.uk Tel: 01620 827320
DATE	13 June 2018

East Lothian Council

Local Scrutiny Plan

2018/19

AUDIT SCOTLAND

April 2018

East Lothian Council

Local Scrutiny Plan – April 2018 to March 2019

Introduction

This local scrutiny plan sets out the scrutiny risks identified by the local area network (LAN), proposed scrutiny responses and expected scrutiny activity for East Lothian Council (the Council) during the financial year 2018/19.

The scrutiny risks and responses are based on a shared risk assessment undertaken by the LAN comprising representatives of all the scrutiny bodies who engage with the Council. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny risks in the council and the Integration Joint Board (the IJB).

Expected scrutiny activity across all councils in Scotland informs the National Scrutiny Plan for 2018/19 which is available on the Audit Scotland website.

Scrutiny Risks

The SRA for East Lothian Council concluded that there were no significant risks for the council in the coming 12 months that would warrant any specific scrutiny activity.

Financial Sustainability: Last year's Local Scrutiny Plan (LSP) highlighted financial challenges facing the Council. In common with other councils, East Lothian continues to face significant challenges and uncertainties. In December 2017 the Council prepared a Financial Strategy for the five year period from 2018/19 to 2022/23 which recognises challenges arising from reduced grant funding and a rapidly expanding population. Current approved spending plans require delivery of over £12.5 million of additional efficiencies between 2018/19 and 2020/21. The total estimated revenue savings which will be required over the next 5 years, in addition to current planned savings based on a number of different scenarios, range from £12.4 million to £39 million. The Council has a programme of transformational change to explore new ways of working and further options for partnership working. Progress in this area will be considered as part of the Best Value Assurance Review in 2018 and the external auditors will continue to monitor progress through the 2018/19 annual audit.

Education: The LAN has concluded that no specific additional scrutiny work is required beyond the ongoing inspection and support activity that Education Scotland provides to the Council.

The Council has appropriate governance arrangements in place to ensure that educational provision is well organised and led. Appropriate arrangements are also in place to support the planning and spend related to the Pupil Equity Funding (PEF) with clear officer responsibly and lines of accountability. Education Scotland will continue to liaise with establishments as appropriate.

The new senior leadership team have put in place a range of well-considered processes to support professional learning and bring about improvements across the educational stages. The ethos and culture of the education service has changed significantly in recent years. Senior leaders have a sound understanding of the strengths and areas for improvement across the educational stages and are making good progress in implementing change.

The Council has a performance reporting approach which provides accessible and regularly updated information about Education Services. The most up-to-date report covering indicators across 2015 to17, presents a mixed picture in terms of outcomes although there are self-reported improvements in terms of Pr1 progress in reading and maths. Overall, scrutiny outcomes including inspections, have been positive in recent years. However in a number of inspections, across sectors, Education Scotland has evaluated aspects of provision as satisfactory or weak.

Outcomes for young people are generally improving but in a few specific measures, including rates of exclusion, less positive than outcomes for young people with similar needs and backgrounds elsewhere in the country. The newly enhanced quality improvement team are strengthening their support and direction for their schools. They are providing more effective support and challenge across the educational stages with high expectations of all provision.

The Best Value Assurance Review in 2018 will consider the educational performance of the Council as part of the wider Review process. Education Scotland will engage in on-going oversight and monitoring as part of the support provided by Area Lead Officers but will not engage in a formal scrutiny response other than already planned inspections and reviews.

Social care: East Lothian Integration Joint Board (IJB) is making progress in the implementation of the integration of health and social care. Governance and management arrangements continue to be streamlined and there is evidence of processes, procedures and plans being put in place such as a workforce plan and performance outcomes, where impact will be measured.

During the past two financial years, both the Adult Wellbeing and Children's Wellbeing services have been identified as at high risk of not operating within their approved budgets, with additional funding required (and provided by Partners) in 2016/17. Both services continue to be monitored closely by management and the external auditors will continue to monitor progress through the annual audit process.

Both Children and Adult Services in East Lothian Council area have been the subject of joint inspections. Comprehensive improvement plans are in place to address areas for improvement identified from these joint inspections. Progress against follow up actions continues to be monitored by the Care Inspectorate at link inspector meetings with chief officers.

Current grades across all Community Care services provided by the Council demonstrate satisfactory performance. Regulated services will continue to be monitored by the Care Inspectorate through regulatory inspection.

Social Care – national scrutiny activity

Duties under the Public Bodies (Joint Working) (Scotland) Act: From April 2017 the Care Inspectorate and Healthcare Improvement Scotland have a joint duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to assess and report on the effectiveness of integration authorities' strategic plans. In these early stages of the integration of health and social care, the Care Inspectorate will report on the progress which integration authorities are making towards a more collaborative culture and integrated approaches to planning and delivering services which should deliver improved outcomes for people in communities. During 2018/19 the Care Inspectorate intends to visit three partnerships and report on their progress. Where councils are to be involved, the Care Inspectorate will confirm this directly with the relevant council and respective LAN lead.

Self-directed support: The Care Inspectorate is currently undertaking preparatory work for a thematic review of self-directed support which will be carried out during 2018/19. The aim is to build on the key findings of Audit Scotland's progress report (August 2017) particularly to explore the ability and confidence of front line staff to implement self-direction support legislation by offering choice and control and making decisions with people about their support.

Throughout the year the Care Inspectorate will conduct an inspection in up to six areas across the country with the aim of identifying factors which support effective implementation of the legislation and barriers which require to be overcome. The Care Inspectorate will provide feedback on each area and publish an overview report which will be disseminated more widely, with the expectation that all areas will then use these findings to evaluate their own practice and make improvements where necessary. East Lothian has been selected for the Thematic Review of SDS with fieldwork taking place in Quarters 3 and 4 in 2018/19.

Joint inspections of services for children and young people: From April 2018 Scottish Ministers have asked the Care Inspectorate to lead another programme of joint inspections of services for children and young people alongside scrutiny partners Education Scotland, Healthcare Improvement Scotland and Her Majesty's Inspectorate of Constabulary in Scotland. Scottish Ministers have asked these organisations to provide assurance about how community planning partners are protecting and meet the needs of children and young people who have experienced, or at risk of, abuse and neglect, and how they are working together to improve outcomes for children and young people who are subject to corporate parenting requirements. The intent is to carry out five joint inspections in 2018/19. It has been agreed with Ministers that for the duration of this programme of inspections, an area of specific enquiry will be incorporated each year, with the aim of identifying key lessons and best practice which all partnerships could use to support their own continuous improvement. An overview report will be published at the end of each year. Where councils are to be involved, the Care Inspectorate will confirm this directly with the relevant council and respective LAN lead.

Housing and Homelessness: To assess the risk to registered social landlord (RSL) services, the Scottish Housing Regulator (SHR) has reviewed and compared the performance of all Scottish RSLs and has identified that the Council is in the bottom quartile for a number of key indicators.

East Lothian Council was one of the first councils to pilot the introduction of Universal Credit. In the Council's 2017/18 LSP, SHR said that it would monitor performance in relation to arrears. Since then the SHR has met with Council officials on a number of occasions and reviewed performance reports. The SHR is assured that the Council understands the challenges it faces and has robust plans in place to improve performance

In relation to the Council's homelessness service, the SHR continues to identify risks in relation to how people access its services and the number of homeless applications submitted. There are high numbers of people in bed and breakfast temporary accommodation and people spend long periods of time there. The Council has developed a Homelessness Action Plan and increased the number of allocations it makes to homeless people.

The SHR will monitor the Council's progress in addressing arrears and the homelessness service weaknesses identified in this plan. The SHR will review the Council's quarterly performance management reports and meet Council officials as necessary.

Best Value

Best Value Assurance Review: The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed comprehensively over the five year external audit appointment, both through the on-going annual audit work and also through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council, that will provide a rounded picture of the council overall
- an Annual Assurance and Risks Report that the Controller of Audit will provide to the Accounts Commission that will highlight issues from across all 32 council annual audit reports
- a Best Value Assurance Review (BVAR) for each council that will be considered by the Accounts Commission at least once in a five year period.

As part of this approach, audit work is now underway which will result in a Best Value Assurance Review of East Lothian Council in October 2018. The scope of the audit work includes consideration of:

- leadership, governance and scrutiny
- outcomes and performance,
- improvement and
- partnership working.

Planned scrutiny activity

Any expected scrutiny activity between April 2018 and March 2019 is shown in Appendix 1. For some of their scrutiny activity in 2018/19, scrutiny bodies are still to determine their specific work programmes including the councils and areas to be covered. Where a council is to be involved, the relevant scrutiny body will confirm this with the council and the appropriate LAN lead.

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. The outcomes of this work will help to inform future assessment of scrutiny risk.

April 2018

Appendix 1: Scrutiny activity

Scrutiny body	Scrutiny activity	Date
Audit Scotland	Best value assurance review. The scope of the review covers: • **Leadership, governance and scrutiny:** vision, priorities, member and officer roles and responsibilities – focusing on Following the Public Pound and ALEO governance arrangements, internal audit, and City Deal • **Outcomes and performance:** Overall assessment of outcomes, performance and public reporting – focus on Education performance • **Improvement:** self-evaluation, change/transformation plans and programmes • **Partnership working:** Community Planning Partnership - including community empowerment	**Spring – Summer 2018** **Publication October 2018**
	Audit Scotland is due to publish the following performance audit reports in 2018/19: • Arm's length and external organisations (ALEOs) - Spring 2018. • Scottish Fire and Rescue Service: an update - Spring 2018. • Managing the implementation of the Scotland Acts – Spring 2018. • Children's mental health services - Autumn 2018. • Integration of health and social care - Autumn 2018. • City deals - Winter 2018/19.	**Dates and locations of 2018/19 fieldwork to be determined**
Care Inspectorate and Healthcare Improvement Scotland	Joint inspections of services for children and young people. Where councils are to be involved, the Care Inspectorate will confirm this directly with the council and the LAN lead.	**Dates and locations to be determined**
	Review of the progress which integration authorities are making towards a more collaborative culture and integrated approaches to planning and delivering services which should deliver improved outcomes for people in communities. Where integration authorities are	**Dates and locations to be determined**

	to be involved, the Care Inspectorate will confirm this directly with the council and the LAN lead.	
	Thematic review of self-directed support. Where councils are to be involved, the Care Inspectorate will confirm this directly with the council and the LAN lead.	**Q3-Q4 in East Lothian**
Scottish Housing Regulator	The Scottish Housing Regulator (SHR) may carry out thematic inquiries during 2018/19 or it may carry out survey or on-site work to follow up on published thematic reports. The SHR will also review the Scottish Social Housing Charter data submitted by landlords and carry out data accuracy visits during the second quarter of 2018/19. Where councils are to be involved in a thematic inquiry, any follow-up work to a published thematic inquiry, or a data accuracy visit, the SHR will confirm this directly with the council and the LAN lead.	**Dates and locations to be determined**
	East Lothian Council will be the subject of a careers information advice and guidance (CIAG) review.	**February 2019**
Education Scotland	East Lothian Council will not be subject to any educational psychology service (EPS) or community learning and development (CLD) inspections during 2018/19.	**N/A**
	East Lothian Council will not be subject to any inspection activity within challenge authority councils or follow-up strategic inspection activity during 2018/19.	**N/A**

REPORT TO:	East Lothian Council
MEETING DATE:	26 June 2018
BY:	Depute Chief Executive (Partnerships and Community Services)
SUBJECT:	Planning Application 18/00189/PPM - Former Cockenzie Power Station Site - Council's Statement of Case

6

1 PURPOSE

1.1 To provide an update in respect of planning application 18/00189/PPM, and to seek approval of the Council's formal view on the application, which will then be submitted to the Reporter as the Council's Statement of Case for consideration as part of the determination process by the Scottish Ministers.

2 RECOMMENDATIONS

2.1 That the Council approve this report as the formal view of East Lothian Council as its Statement of Case on planning application 18/00189/PPM for submission to the Reporter.

2.2 That the Council recommends that the Scottish Ministers refuse planning application 18/00189/PPM for the following reason:

The proposed development would not make best use of the land available of the former Cockenzie Power Station site. Rather it could prejudice the future development of the site and the economic potential of the area. The proposed development is therefore contrary to Policy EGT1 of the East Lothian Local Development Plan and therefore also does not comply with National Planning Framework 3.

2.3 That the Council agrees to delegate approval of the minute of this item of business to the Chief Executive, in consultation with the Provost and political group leaders, in order that an agreed position on the Statement of Case can be submitted to the Reporter by their deadline of 30 June 2018.

3 BACKGROUND

Application Site

3.1 The application site comprises part of the former Cockenzie Power Station site. There is an existing substation to the south of the application site connecting to high voltage electricity infrastructure forming part of the national grid, which was originally installed to serve Cockenzie Power Station. The site has an area of some 10.2 hectares and occupies a coastal location to the immediate east of Preston Links. It extends from the coastline of the Firth of Forth south to an area of land immediately to the north of the existing electricity substation. The application site is bisected by the B1348 (Edinburgh Road) public road and incorporates land on both the north and south sides of the B1348.

3.2 The area of the beach to the immediate west of the application site is within the Firth of Forth Special Protection Area and within the Firth of Forth Site of Special Scientific Interest.

3.3 The southern section of the application site, located to the south of the B1348 road, is within the boundary of the Battle of Prestonpans, a battlefield included within the Inventory of Historic Battlefields.

3.4 The coastal path which incorporates part of the John Muir Way crosses the northern part of the application site.

Planning Application 18/00189/PPM

3.5 In February 2018 planning permission in principle (Ref: 18/00189/PPM) was sought for a proposed development of the application site. The proposed development consists of onshore transmission works associated with the Inch Cape Offshore Wind Farm comprising the construction, operation and decommissioning of an onshore substation, electricity cables and associated infrastructure required to export electricity from the Inch Cape Offshore Wind Farm to the National Electricity Transmission System.

3.6 On 9 April 2018 a Direction under the terms of Section 64 of the Town and Country Planning (Scotland) Act 1997 was issued by the Scottish Ministers. This directed East Lothian Council to refer to them for determination the application for planning permission in principle (Ref: 18/00189/PPM).

3.7 Scottish Ministers have advised that the Direction has been given in view of the proposed development raising matters which are potentially of national importance in the context of expectations set out in National Planning Framework 3 for the site of the former Cockenzie Power Station and the need for an enhanced high voltage energy transmission network.

3.8 Given that the Council has made no decision on the planning application and as it was called in by Scottish Ministers at such an early stage the Reporter has requested the formal view of the Council on the application with a focus on:

- The National Planning Framework and the current development plan
- Scottish Planning Policy
- The sufficiency or otherwise of the Environmental Statement
- The acceptability of the identified environmental effects (including identified landscape and visual effects and the response of Scottish Natural Heritage)
- Habitats Regulation Appraisal (HRA)
- The proposed mitigation (including a response to the matters raised by the Scottish Environmental Protection Agency in relation to flooding)
- Progress on other proposals for the site
- Any other material considerations including matters raised in consultation/representation
- The council's recommended conditions in the event that planning permission is granted.

Cockenzie Power Station

3.9 Cockenzie Power Station was a coal-fired power station, which was in operation until 2013.

3.10 In October 2011 the Scottish Government granted planning permission (Ref: IEC/CKE/001) under Section 36 of the Electricity Act 1989 to Scottish Power for the conversion of the power station building and operation of it as a Combined-Cycle Gas Turbine plant (CCGT) on the land of the former Cockenzie Power Station site. The Power Station has since been demolished.

3.11 In August 2015 Scottish Power announced that they would not be progressing with the development of a CCGT on the application site.

3.12 In March 2018 Scottish Power sold the former Cockenzie Power Station site to East Lothian Council. The land sold to the Council, which has an area of nearly 100 hectares, includes Preston Links and land to the south of the Cockenzie Coal Store.

Inch Cape Planning History

3.13 In July 2013 Inch Cape Offshore Limited submitted separate applications to Marine Scotland for consent under Section 36 of the Electricity Act 1989 and Section 25 of the Marine (Scotland) Act 2010 for the erection of an off-shore wind farm and off-shore transmission works, to be known as the Inch Cape off shore wind farm. It would be located across a 15 to 22km range to the east of the Angus coastline. In October 2014 Inch Cape Offshore Limited was granted consent under section 36 of the Electricity Act 1989 and Marine Licences under the Marine (Scotland) Act 2010, for the Consented Offshore Wind Farm and off-shore transmission works.

3.14 In January 2015, the Royal Society for the Protection of Birds Scotland (RSPB) raised a legal challenge to the Outer House of the Court of Session seeking a judicial review of the October 2014 consent decisions for four offshore wind projects in the Forth and Tay, including the consented Inch Cape offshore wind farm.

3.15 In July 2016, The Outer House of the Court of Session found in favour of the RSPB and quashed the October 2014 Forth and Tay consent decisions, including the consented Inch Cape offshore wind farm.

3.16 In August 2016, the Scottish Ministers lodged a reclaiming motion to the Inner House of the Court of Session to appeal the Outer House decision. In May 2017 following the Scottish Ministers' successful reclaiming motion, the decision of the Outer House of the Court of Session to quash the offshore consents was overturned. In November 2017, RSPB Scotland's application to the Supreme Court for permission to appeal the Inner House judgement was refused. As such Inch Cape Offshore Limited holds legally valid offshore consents for the consented Inch Cape Offshore Wind Farm and off shore transmission works.

3.17 While the reclaiming motion for judicial review was in progress, Inch Cape Offshore Limited began the process of preparing a new application for a revised offshore wind farm and offshore transmission works. The revised offshore wind farm and offshore transmission application is being progressed to take advantage of advances in offshore turbine technology that have taken place since consents were granted in October 2014.

3.18 While all relevant consents for the offshore works are present through the successful reclaiming motion, Inch Cape Offshore Limited will maintain progress on the new application for the revised offshore wind farm and offshore transmission works which it is anticipated to be submitted in summer 2018.

3.19 Inch Cape Offshore Limited have advised that they intend to build either the consented off shore wind farm or the revised offshore wind farm, currently in the pre-application phase, but not both.

Planning permission in principle 14/00456/PPM

3.20 Onshore electrical transmission infrastructure is essential to facilitate the transmission of power from the proposed Inch Cape off shore wind farm to the national electricity grid.

3.21 On 3 September 2014 planning permission in principle (Ref: 14/00456/PPM) was granted for the development of onshore electrical transmission infrastructure on land to the immediate east of Prestonpans and to the south of the former Cockenzie Power Station Coal Store. The approved infrastructure would facilitate the transmission of power from the proposed Inch Cape off shore wind farm to the national electricity grid.

3.22 The approved onshore electrical transmission infrastructure consists of up to four export cables from the off shore wind farm that would be brought ashore at the beach adjacent to Preston Links to underground structures, known as transition pits. The on-shore cables would run underground from the proposed transition pits to a proposed electrical sub-station, which would be positioned on land to the south of the Cockenzie Coal Store and to the west of the public right of way from Cockenzie to Tranent. It is indicated that the sub-station could have a site area of some 2.7 hectares. It could be enclosed by security fencing and two gates and could contain an access road, electricity transformation equipment, a switchgear building and a control building. It is indicated that the switchgear building would have maximum dimensions of 46 metres long by 11 metres wide, and a maximum height of 14 metres. It is further indicated that the control building, which would be located adjacent to the switchgear building, would have approximate dimensions of 30 metres long by 7.5 metres wide, with an approximate height of 7.0 metres.

3.23 In taking the decision to grant planning permission in principle 14/00456/PPM, the Planning Committee noted that only three objections to the proposals had been received. Prestonpans Community Council were in support of the proposed development, and there was no objection to the planning application from any statutory consultee. The development of the proposed onshore electrical transmission infrastructure at this location was assessed as being acceptable on the basis that at this location the proposed substation would be seen in relation to the existing electricity pylons and the Cockenzie Coal Store. Additionally areas of tree planting and vegetation, particularly between that application site and the public right of way that runs to the east of it are present, which would help to reduce the visual and landscape impact of the proposed substation.

3.24 Condition 1 of planning permission in principle 14/00456/PPM requires that details for approval of matters specified in conditions of this grant of planning permission in principle must be submitted by 3 September 2017. No such details were submitted.

3.25 In November 2016 a Proposal of Application Notice (Ref: 16/00021/PAN) was submitted on behalf of Inch Cape Offshore Limited. The Notice indicated that the applicant intended to seek planning permission for the renewal of planning permission in principle 14/00456/PPM.

3.26 The PAN was agreed with East Lothian Council and Inch Cape Offshore Limited undertook two pre-application consultation events to disseminate information about the renewal application to the local community. These events took place on 19 and 24 January 2017 and were attended by approximately 50 people. The applicant has advised that in recognition of feedback from these events and following dialogue with the Council, they completed an updated site feasibility assessment which looked at various environmental and technical factors associated with the previously approved Onshore Transmission Works site which was the subject of planning permission 14/00456/PPM and other locations in the vicinity. As a result, the applicant decided not to progress any further with the renewal application but to instead change the location of the Onshore Transmission Works to the current application site.

3.27 As Inch Cape Offshore Limited chose not to submit details for approval of matters specified in conditions, and chose not progress any further with the renewal application, planning permission in principle 14/00456/PPM lapsed on 3 September 2017.

Application 18/00189/PPM – Proposals

3.28 Planning permission in principle is now sought through this current application for the formation of onshore electrical transmission infrastructure within the current application site.

3.29 In a planning statement submitted with the planning application, the applicant advises that prior to the submission of the applications to Marine Scotland, in January 2012 Inch Cape Offshore Limited accepted an onshore grid connection offer from National Grid Electricity Transmission to an existing substation at Cockenzie. The onshore electrical transmission infrastructure is required to facilitate the transmission of power from the proposed Inch Cape off shore wind farm. It will facilitate the distribution of up to 2,194 gigawatt hours of electricity per annum, enough power to meet the needs of just over 500,000 households, based on average UK consumption.

3.30 The applicant further advises that they are applying for planning permission in principle, as at this stage it is not possible to provide a detailed description of all elements of the onshore electrical transmission infrastructure. Notwithstanding, the basic principles of development are set out in the planning application and supporting documents.

3.31 It is proposed that two offshore export cables from the Inch Cape offshore wind farm would be brought ashore on the North West boundary of the application site, under the existing sea wall, to the immediate east of Preston Links where they would run underground to underground structures, known as transition pits. Each transition pit would typically be 13 metres by 3 metres in size per cable and up to 1.5 metres deep. The applicant has indicated that there would be a separate cable transition pit for each of the offshore export cables or that both may be accommodated within, a larger cable transition pit. Typically, the transition pits are constructed from reinforced concrete and would be covered (underground) following construction and the area above restored, as far as practicable, to its original appearance. Each cable transition pit has an associated link pit and link box to allow access for future maintenance to the cable transition pit. The link pit typically has a plan area of around 1.5m2.

3.32 The on-shore export cables would be laid in two separate trenches or ducts each measuring approximately 1m wide and between 1.5 metres to 3 metres deep. Depending on the final route selected, the Onshore Export

Cables between the cable transition pits and the onshore substation are expected to be approximately 100m long.

3.33 Ideally the onshore export cables would be laid in continuous sections however the applicant advises that the route alignment may require that the cable be installed in a number of sections. If this arises, these sections will have to be connected. Each cable connection would take place within a joining pit which typically, would be up to 3 metres x 13 metres by 1.5 metres deep. The exact location of the joining pits will only be determined once further site investigations have been concluded.

3.34 It is indicated that the onshore substation site would comprise both the onshore substation and appropriate screening measures which would include:

i) Walls of up to 7 metres constructed on either side of the switch gear building clad in a material similar to that of the onshore substation buildings

ii) Earth mounding up to 4 metres in height above existing ground level created on the perimeter of the onshore substation.

3.35 The sub-station could be approximately 185 metres by 185 metres, resulting in a footprint of approximately 3.5 hectares (excluding the embankment and landscaping). It could be enclosed by security fencing, and two gates, access road, car park, electricity transformation equipment, a switchgear building and a control building. It is indicated that the largest building would be the enclosure for the two harmonic filters, which would be combined with the switchgear and control building. This would be approximately 100 metres long by 60 metres wide, with an approximate height of 14 metres high. Typically, the control building would have approximate dimensions of 30 metres long by 7.5 metres wide, with an approximate height of 7 metres however in the indicative layout shown in this application it has been combined with the switchgear building.

3.36 It is anticipated that the two onshore export cables from the onshore substation to the grid connection point would be approximately 170 metres long and may require jointing pits at appropriate locations which are yet to be determined although it is anticipated they will use the existing ducts which run under the B1348. If these ducts cannot be re-used, then the crossing of the B1348 may require a trench or horizontal directional drilling. Selection of the road crossing method will only be determined once further site investigations have been concluded.

3.37 Access onto the application site would be via the existing access off the B1348 public road. The main site access route for construction traffic would be via the A1, A198, B6371 and B1348 roads.

The National Planning Framework and the current development plan

3.38 Section 25 of the Town and Country Planning (Scotland) Act 1997 requires that the application be determined in accordance with the development plan, unless material considerations indicate otherwise.

3.39 The development plan is the approved South East Scotland Strategic Development Plan (SESplan) and the adopted East Lothian Local Plan 2008 (ELLP 2008).

3.40 Relevant to the determination of the application are Policies 1B (The Spatial Strategy: Development Principles), 9 (Infrastructure), and 10 (Sustainable Energy Technologies) of the approved South East Scotland Strategic Development Plan (SESplan) and Policies C3 (Protection of Open Space), NRG1 (Electricity Generating Stations), NH1a (Internationally Protected Areas), NH1b (Sites of Special Scientific Interest), ENV7 (Scheduled Monuments and Archaeological Sites), C6 (Rights of Way), C7 (Core Paths and Other Routes), T2 (General Transport Impact), DP1 (Landscape and Streetscape Character), DP2 (Design) and DP17 (Art Works- Percent for Art) of the adopted East Lothian Local Plan 2008.

3.41 The Proposed East Lothian Local Development Plan PELLDP was submitted to Scottish Ministers for Examination in 2017 and the Reporters' Examination Report was issued on 14 March 2018. The East Lothian Local Development Plan (ELLDP) was thereafter modified following the Examination. At their meeting on 29 May 2018, the Council approved the ELLDP as the Local Development Plan the Council intends to adopt. The ELLDP reflects the most recent planning view of the Council and is a material consideration in the determination of applications. Relevant Proposal EGT1 (Land at Former Cockenzie Power Station), Proposal EGT3 (Forth Coast Area of Co-ordinated Action), Policy OS1 (Protection of Open Space), Policy T2 (General Transport Impact), Policy T4 (Active Travel Routes and Core Paths as part of the Green Network Strategy), Policy DC6 (Development in the Coastal Area), Policy NH1 (Protection of Internationally Designated Sites), Policy NH2

3.42 (Protection of Sites of Special Scientific Interest and Geological Conservation Review Sites), Policy CH5 (Battlefields), Policy DP1 (Landscape Character) and Policy DP2 (Design) of the PELLDP do not represent any significant alteration to the current relevant policies.

3.43 The Reporter's Examination report on the PELLDP provides the most up-to-date guidance on Planning Policy for the former Cockenzie Power Station Site. The Report of examination confirms that the site presents significant opportunities for thermal power generation and carbon capture and storage facilities (as per National Development 3) as well as renewable energy-related investment (National Development 4), upgraded port facilities associated with energy related development and new business and industrial uses. The Report of Examination also clarifies that on-shore interconnectors for off-shore windfarms are within the scope of the NPF3 description of National Development 4 and that it is not the intention of NPF3 that this type of development be obstructed by a preference for the prior delivery of National Development 3. If there is insufficient land for competing proposals, priority will be given to those that make the best use of the location's assets and which bring the greatest economic benefits.

3.44 The second proposed Strategic Development Plan (SESPlan 2) was submitted to Scottish Ministers for Examination in Public on 26th June 2017 and is currently with the DPEA. The Examination on that plan is expected to report at the end of June 2018. In paragraph 3.16 it notes that "The former Cockenzie Power Station site is not currently subject to specific proposals for carbon capture and storage and thermal generation. It remains part of an Area of Coordinated Action, but relevant stakeholders should consider a wide range of potential uses for this site". Table 4.1 'Forth Coast Cluster' includes the site of the former Cockenzie Power Station (with others) as being part of a cluster of coastal sites providing opportunities for a range of uses. In particular, "port use such as renewables manufacture and servicing, thermal and low carbon energy generation or other uses associated with an Area of Coordinated Action. These locations also present significant opportunities for innovative re-used and regeneration, making use of the well serviced sites and their coastal locations. Subject to a review of the NPF, locations at the former Longannet and Cockenzie Power station sites may have the potential for a wider range of uses". Paragraph 4.26 notes that the Cockenzie site is retained within the Forth Energy Business Cluster, reflecting the opportunities for this site to contribute to renewables manufacture, servicing of offshore renewables and any possible longer-term opportunities to contribute to carbon capture and storage. The potential for the regeneration of Cockenzie provides opportunities to explore more innovative approaches to delivering low carbon places, such as district heating and energy storage. Representations have been received to this however.

3.45 Material to the determination of the application is the Scottish Government's National Planning Framework 3 and Scottish Planning Policy: June 2014 (SPP).

3.46 National Planning Framework 3 (NPF3) refers to the Cockenzie area with regard two national developments. These are National Development 3 (Carbon Capture and Storage Network and Thermal generation) and National Development 4 (High Voltage Electricity Transmission Network). NPF3 states that Cockenzie is a potentially important energy hub. There are significant plans for offshore wind farms to the east of the Firths of Forth and Tay. Proposals for grid connections for these projects are now emerging, requiring undersea cabling connecting with converter stations and substations. The Scottish Government want developers to work together to minimise the number and impacts of these developments by combining infrastructure where possible. Whilst Cockenzie is safeguarded by the Scottish Government as a site for future thermal generation, it may present significant opportunities for renewable energy-related investment. They expect developers, East Lothian Council and the key agencies, including Scottish Enterprise to work together to ensure that best use is made of the existing land and infrastructure in this area. Given the particular assets of Cockenzie, if there is insufficient land for competing proposals, the Scottish Government wish to see priority given to those which make best use of this location's assets and which will bring the greatest economic benefits.

Scottish Planning Policy

3.47 Scottish Planning Policy on renewable energy states that planning must facilitate the transition to a low carbon economy. The planning system should support the development of a diverse range of electricity generation from renewable energy technologies - including the expansion of renewable energy generation capacity. The consideration of applications for proposals for energy infrastructure developments will vary relative to the scale of the proposal and area characteristics but are likely to include landscape and visual impacts, historic environment, effects on the natural heritage and water environment, amenity and communities, and any cumulative impacts that are likely to arise.

3.48 Scottish Planning Policy advises that a significant material consideration in the assessment of planning applications should be the policy principles of SPP, including 'the presumption in favour of development that contributes to sustainable development'. Principles of sustainable development are given in paragraph 29.

3.49 Scottish Planning Policy further contains policy on protection of environmental assets including cultural assets, landscape and biodiversity. Where there is potential for a proposed development to have an adverse effect on a scheduled monument or on the integrity of its setting, Scottish Planning Policy states that permission should only be granted where there are exceptional circumstances. Scottish Planning Policy further states that planning authorities should seek to protect, conserve and, where appropriate, enhance the key landscape characteristics and special qualities of sites in the Inventory of Historic Battlefields.

3.50 An assessment of whether or not the principle of the proposed development is in accordance with the development plan, the National Planning Farmework, and with Scottish Planning Policy, is set out in the planning assessment below.

Progress on other proposals for the site

3.51 In June 2014 a Proposal of Application Notice (Ref: 14/00015/PAN) was submitted by Scottish Enterprise. The Notice indicates that they intend to bring forward a planning application for an energy park on land that includes the Cockenzie Power Station and Coal Yard site. The site the subject of planning application 14/00015/PAN includes the land that is the subject of this planning application. A planning application has not however to date been submitted in respect of this proposal and it is understood that Scottish Enterprise have withdrawn their interest in this proposal.

3.52 There are no firm proposals for the site, other than that which is the subject of this planning application. However this is perhaps not unsurprising, given the recent change in ownership and the fact that the site has not yet been marketed. The Council intends to market the site, though this is difficult in the current policy context. It should be noted, however, that the Council has received a number of enquiries from interested parties and has engaged with the relevant Scottish and UK government departments in respect of the economic and development potential of the site, including with Scottish Enterprise. The Council's Economic Development and Strategic Investment Service (EDSI) advises that economic development is a key priority for East Lothian and is at the forefront of East Lothian Community Planning Partnership's Single Outcome Agreement and East Lothian Council's Council Plan 2012-2017. The East Lothian Economic Development Strategy 2012 to 2022 is a reflection of the priority placed on economic development and acts as a guiding framework for future activities. It sets out clear strategic direction and is the foundation of the vision set out in the Council Plan of:

In 2020 East Lothian will have a dynamic and flourishing economy with our citizens proud to live, learn, work and play in East Lothian.

To help achieve the vision, *two major strategic goals* have been set to be achieved by 2022:

- To increase the number of businesses in East Lothian with growth potential *(EDSI strategy action plan)*
- To increase the proportion of East Lothian residents working in and contributing to East Lothian's economy – increase EL's jobs by an additional 7,500. *(EDSI strategy action plan)*

The 2 strategic goals are underpinned by 5 key objectives:

- To be the best place in Scotland to set up and grow a business.
- 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 become Scotland's most sustainable local economy.

The EDSI service further advises that this planning application is therefore not welcomed at this time as it is the EDSI's view that this is not necessarily the best use for the site to achieve the above strategy aims. ELC have recently acquired the wider site and have plans in place to market the wider site in due course, this in the context of further review of the planning policy position for the wider site. EDSI does not object to the principle of the application and its purpose rather its timing and specific location. If a planning permission is required at this time EDSI are of the view that the specific site where a planning application was previously approved for a substation is a far better location. EDSI therefore does not support this application and recommend that it be declined.

Masterplan Document

3.53 Following the decommissioning and subsequent demolition of the Cockenzie Power Station in September 2015 it was acknowledged that the wider former Cockenzie Power site provides an opportunity to redevelop the site for the benefit of the local and wider community. The Council commissioned a masterplanning process (with funding contribution from Scottish Enterprise) for the land formerly in Scottish Power's ownership at the former Cockenzie Power Station, the 'Cockenzie masterplan document'. This was prepared following consultation with the communities.

The Cockenzie masterplan document has not, however, been formally endorsed by the Council or adopted as supplementary planning guidance, and has not been through the necessary technical and environmental assessments (including Strategic Environmental Assessment, Habitat Regulations Assessment) which would allow this. It can therefore be accorded limited weight at this time. However, it is the result of significant community and stakeholder consultation with local communities and stakeholders, including national public sector agencies, industry bodies, businesses and local schools'. Over 330 responses were made to the first stage of consultation.

The masterplan document identifies and utilises key site assets and features within and around the site including the transformer and connection to the national grid, the coal store area, its coastal location and pier, accessibility to the road network and rail siding, the John Muir long distance route, the historic Waggonway and sites associated with the Battle of Prestonpans. The masterplan document shows a potential distribution of uses across the whole NRG1/EGT1 sites, showing how these could be accommodated in a complementary way on the site and the general ambition and aspiration generated.

Assessment of the Proposal against the Development Plan and other Material Considerations

3.54 The approved development plan consists of the ELLP 2008 and the SESPlan SDP1. The East Lothian Local Plan 2008 is more than five years old. Policy NRG1 of the adopted ELLP 2008 has limited relevance; the ELLP 2008 text states that Cockenzie Power Station was expected to remain in use as such for the lifetime of the plan. The intention of the policy was therefore mainly to protect the continued functioning of that facility.

The change in circumstances and the age of the plan mean that this policy is somewhat out of date.

3.55 SESPlan 1 will be 5 years old on 27 June 2018. In these circumstances SPP is clear that the plan's policies will not be considered up-to-date, and paragraph 33 - 34 of SPP2014 should also be considered. This does not mean however that the policies of a plan will be disregarded. SPP further advises that a significant material consideration in the assessment of planning applications should be the policy principles of SPP, including 'the presumption in favour of development that contributes to sustainable development'. SPP is clear that the aim of 'the presumption' is to achieve the right development in the right place; it is not to allow development at any cost.

3.56 SPP only contains high level policy principles. Proposals that may comply with SPP do not need to be approved. Paragraph 33 notes that decision makers should also take into account any adverse impacts which would significantly and demonstrably outweigh the benefits when assessed against the wider policies in SPP.

3.57 As such, in the context of this application, a significant issue is how 'the presumption in favour of development that contributes to sustainable development' should be applied. The principles with which the proposal most obviously complies are: supporting delivery of infrastructure, for example energy; supporting climate change mitigation. The principles which require greater consideration of compliance or non-compliance with are: supporting good design and the six qualities of successful places; protecting, enhancing and promoting access to […] the landscape.

3.58 There are arguments on both sides of whether the proposal gives due weight to net economic benefit (and therefore give the best economic outcome). On one side, it is a National Development which will benefit the country as a whole. On the other, it would be possible to have this proposal in another location within the EGT1 site that has until recently had planning consent and so been proved acceptable, while leaving those parts of the site which appear to be more suitable for other economically beneficial uses, to be available for those uses.

3.59 In addition, the proposed LDP takes into account National Planning Framework 3 and Scottish Planning Policy 2014 and has been through Examination. It is therefore considered that compliance with the proposed LDP policies is likely to indicate that development also contributes to sustainable development as required by paragraph 29 of SPP 2014. The proposed LDP, given its advanced stage, is also a material consideration in itself.

3.60 ELLP 2008 applies Policy NRG1 to the land containing the then Cockenzie Power Station, and the associated substation and coal store. This policy safeguarded the land for use as, or in association with a power generating station. Uses incompatible with such use would not be permitted. Although the supporting text indicates this policy was intended to protect the continued use of Cockenzie Power Station as such, the wording does not preclude the onshore transmission works proposed as they are a use ‘in association with a power generating station’ i.e. Inchcape Offshore Windfarm. It is recognised that when the policy was drafted it was envisaged that the policy would cover Cockenzie Power Station and uses related to its continuation in use as such. However, the proposed use is therefore considered compatible with ELLP Policy NRG1 as worded in principle. In addition, supportive comments towards renewable energy earlier in the text leads to this interpretation being a reasonable one.

3.61 In terms of design, with reference to views of landscape officers the decision maker may consider that the proposal may not meet the terms of design policies (of the ELLP 2008 and the proposed LDP) DP1 and DP2 in terms of size, form, massing, provision of a sense of place and integration into its surroundings. The site is not fully restored and is a brownfield site.

3.62 The matter of visual impact requires assessment against Policy DP1 of the adopted East Lothian Local Plan 2008 and emerging plan policy. This consideration is addressed in more detail further on in this report.

3.63 ELLP Policy C3 and proposed LDP Policy OS1 protect open space, or require replacement open space with similar value. ELLP Policy C7 and Proposed LDP Policy T4 protect Core Paths. As the loss of the open space and effect on the core path would be temporary, this is can be considered acceptable, however, the decision maker may wish to use planning conditions to ensure this.

3.64 Policy 9 of SESPlan SDP1 requires local development plans to safeguard land to accommodate the infrastructure required to deliver the SDP as set out in Figure 2 of that plan. This includes new non-nuclear baseload capacity at Cockenzie. At the time of preparation of SESPlan SDP1, the original Cockenzie Power Station was still operational, with consent in place for its replacement by the time the plan was approved. SESPlan SDP1 Figure 2 also identifies Electricity Grid Reinforcements as a national development relevant to the East Coast area, though this is not shown diagrammatically on Figure 2. Policy 10 specifies that future development of and associated infrastructure of Cockenzie power station should be supported. It also requires Local Development Plans to set a framework for renewable energy development. It is therefore set out more clearly in this plan that the intention was to provide for a baseload replacement for station. This site has features which make it particularly suited to such a use: electricity grid connection and availability of water for cooling, which may be difficult or expensive to provide elsewhere. Cockenzie Power Station has now been demolished and no replacement is proposed.

3.65 However, Policy 10 also requires Local Development Plans to set a framework for renewable energy development to contribute towards meeting renewable energy targets. SESplan SDP1 in paragraph 124 also notes the need for a higher proportion of energy requirements to be obtained from renewable energy sources, and supports reinforcement of the electricity grid. Though the location for this is not indicated, the intention must presumably be to do this in a place which has existing electricity grid connection.

3.66 The proposed Local Development Plan is considered to have met the requirements of SESPlan Policies 9 and 10 partly through its policy EGT1. Therefore, if a proposal is compatible with Policy EGT1 in terms of not preventing the provision for non-nuclear baseload capacity there, it is compatible with this policy. SESPlan 1 does note the need for a higher proportion of energy requirements to be obtained from renewable energy sources (paragraph 124) which lends support to the proposal.

3.67 Policy 1B of this plan provides for protection of environmental assets and designated sites, which includes the Firth of Forth SPA and the Prestonpans Battlefield. Policy 1B: Development Principles (criterion 1 and 2) of the SDP is also relevant when assessing the acceptability of proposals. These criterion seek to avoid significant adverse impacts on the integrity of designated international, national as well as local cultural, natural and built heritage assets.

3.68 In this instance the application site lies partly within the area of the Battle of Prestonpans as set out in the Inventory of Historic Battlefield. The current inventory entry notes the semi-industrial character of the battlefield landscape predominates, that that the power station had impacted the battlefield area, including with the pylons. The site lies close to the Firth of Forth site designated as SPA/SSSI and Ramsar site. In terms of a full assessment against Policy 1B, the details of this proposal should be assessed against any comments made by consultees (both internal and external) on the planning application.

3.69 The proposed LDP sets out the proposals and policies to guide development within East Lothian. It has been the result of extensive consultation and engagement. The proposed LDP is the Council's plan the Council intends to adopt for future planning strategy for East Lothian, and the plan that it intends to adopt.

3.70 Proposed LDP Proposal EGT1 will cover most of the application site. Proposal EGT1 states firstly that land will be safeguarded for future thermal power generation, with carbon capture and storage i.e. National Development 3. Standard reading of 'safeguarded' is that the land is reserved for that use. However, the Report of Examination made it clear that in this case, that is not the intention. In paragraph 4 on page 864 of the Examination Report the Reporter notes the Council's position at Examination. This was that this land was required to be safeguarded for National Development 3 (thermal generation) and that this meant other uses would not be acceptable there until the land take required for this was known; which it could not be in the absence of a consented scheme. The Reporter did not accept that, stating that "it does not follow that uncertainty over the boundaries should prevent other development … in the meantime, especially given the size of the allocated site”.

3.71 Paragraph 6 (page 864) goes on to note that the plan’s restrictive stance (notwithstanding the position set out within SDP1 as discussed above) is not consistent with the other ambitions of NPF3, which envisage the potential for other development at Cockenzie during the lifetime of the framework, which is not dependent on a generation facility having been implemented. It goes on to say that that “NPF3 expects both [National Development 3 Thermal Generation, and National Development 4, High Voltage Electricity Transmission Network] to be facilitated, so the policy wording should not obstruct that”. At paragraph 17 (page 866) the Examination Reporter notes that location of an interconnector at a site within the EGT1 site at Cockenzie would not necessarily be incompatible with any thermal power generating scheme and carbon capture and storage.

3.72 It has therefore been made clear that the meaning of the words ‘safeguard for future thermal generation’, in this instance, is not intended to mean that no other use should come forward unless and until the requirements of the safeguarded use including its land-take is known. Therefore, even though it is not possible at this time to know whether a thermal generation use could come forward on this site alongside this proposed development in its proposed location on the EGT1 site, this is not critical to the acceptability or otherwise of the current proposal. Put another way, the Report of Examination concludes that the principle of National Development 3 and National Development 4 are both suitable in principle within the EGT1 site, and that it is possible to support either type of development in principle without knowing how the other type of development might be brought forward there.

3.73 Proposal EGT1 then states that the land at Cockenzie may also present significant opportunities for renewable energy related investment. The proposed development constitutes works that are required to connect an offshore windfarm to the national grid, so fall into this category. As high voltage transmission infrastructure, they are also part of National Development 4.

3.74 Proposal EGT1 continues that the Council will work together with other stakeholders including developers, the landowner (now the Council), relevant agencies local organisations and interested parties, including residents, to ensure that best use is made of the site and surrounding infrastructure. A normal method for facilitating this joint working would be the preparation of supplementary planning guidance for the site, in consultation.

3.75 The Examination Reporter notes that NPF3 expects this proposed coordinated approach to make the most efficient use of resources, to reduce environmental impacts and to support high quality development. The Council has not yet had time to carry this out since receiving the

Examination Report. There is no approved / adopted supplementary planning guidance for this site.

3.76 The application has now been called-in by Scottish Ministers for their determination. It is now for the decision-maker to take into account the representations of any stakeholders and to determine whether this proposal represents, as Policy EGT1 requires, the best use of the land in this area, and whether it satisfies the aspiration of NPF3 that coordinate approach will result in the most efficient use of resources, minimise environmental impacts and achieve high quality development.

3.77 In the absence of sufficient time for the Council to work fully with other stakeholders to determine the best use of the wider site, the decision-maker must therefore consider what might constitute the best use of this land, and whether or not this proposal in this location is compatible with that, taking account of all other relevant material considerations as appropriate.

3.78 Proposal EGT1 then states that if there is not enough land for competing proposals, priority should go to those which makes best use of the locations assets and brings the greatest economic benefit. Although the Cockenzie Masterplan document sets out a distribution of uses which might be possible on the site, this does not constitute a firm proposal and has not been tested against the relevant environmental assessments. There are therefore no active competing proposals against which such an assessment can take place.

3.79 The question here is whether the benefits of this proposal outweigh the potential use of the site for more economically beneficial uses. This is particularly true considering that the same type of development as the one proposed here has been proposed and approved elsewhere on the EGT1 site. That alternative location left the balance of the EGT1 site available for other complementary, economically beneficial uses, and that previous alternative location, taken together with the Cockenzie masterplan document, could result in an overall distribution of uses that may make a more appropriate use of the land and infrastructure in this area and thus deliver significantly greater economic benefit overall than this proposal.

3.80 In terms of national developments set out in NPF3, both are important and beneficial for the country as a whole, so the proposal here for a part of National Development 4 would take precedence over National Development 3 as there is no current proposal for National Development 3 (thermal generation) here. All other uses are considered secondary to these National Developments as these are the most important to provide for in the national interest. This proposal should therefore take precedence within the EGT1 site area.

3.81 However, the Reporter must decide whether the location proposed is the best one for this proposed development within the EGT1 area, which is large. The Examination Reporter made clear that the allocation of a large area at EGT1 was justified as it is clear the NPF3 has ambitions for a wide range of economically important activities (para 11 page 865). The Reporter's statement makes it clear that making best use of the site, and achieving a wide range of economic uses, is considered important. This proposal may not allow best use to be made of the larger site as whole, and risks undermining the achievement of the full potential economic benefit that could be had from the site, particularly in terms of economic benefit to the local area.

3.82 Use of this immediately coastal location where not wholly necessary means such a location is not available for other uses, including National Development 3. This may not make the best use of the location's assets, whilst at the previously consented location, the objective of making the best use of the location's assets could be achieved. Although this use is a National Development and therefore should be facilitated, this does not necessarily mean that it should be approved at a location which is also the most suitable for other beneficial uses, when another location is available.

3.83 Proposed LDP Policy DC6 of the LDP covers development on the coast; most of the area of this proposal falls within an area of developed coast. Here, proposals will be supported where they comply with other plan policies. Policy DC6 also requires the siting and design of new development to respect the qualities of the particular coastal location. Policy DC6 does not require proposals located on the developed coast (as is the case here) to need a coastal location. Policy DC6 does requires new development to respect the qualities of the particular coastal location and this is a consideration which requires assessment by the decision maker. The coastal location here is between two settlements, one of which (Prestonpans) has areas within the lowest quintile SIMD area in Scotland. The qualities of the particular location include its potential for good quality recreational use and its potential for economic development creating local jobs. It may also have potential identified through the Cockenzie Masterplan document for other types of economic use which represent a more efficient and economically beneficial use of the site and reflects the extensive engagement with the community and stakeholders which inform that document.

3.84 If this were the only place where this proposal could be located within the EGT1 site, its status as a National Development may override considerations of other beneficial uses of the site. However, this is not the case here. The proposal could be located in a different, previously approved location. Locating in the previously approved site would allow other beneficial use to be made of what may be seen as a more attractive part of the EGT1 area for other uses. This, in total, would constitute the best use of the EGT1 area.

The sufficiency or otherwise of the Environmental Statement

3.85 An Environmental Impact Assessment was carried out for both the off-shore and on-shore components of the wind energy development being proposed by Inch Cape Offshore Limited. It was structured such that part of the Environmental Statement relating to the on-shore component could be assessed separately with the planning application under the Town and Country Planning (Scotland) Act 1997. The Environmental Statement relating to the on-shore component has been submitted with the planning application. It contains chapters on policy and legislation, process and methodology, site selection and alternatives, description of development, ecology, hydrology, geology and hydrogeology, landscape and visual, cultural heritage, noise and vibration, traffic and transport, socio-economics, tourism, land use and recreation, and air quality.

3.86 It is for Scottish Ministers as the decision maker to satisfy themselves as to whether the Environmental Statement meets the terms of legislation, both in itself and in relation to the connection to assessment of the offshore works, and to ensure that sufficient conditions are placed on any consent to ensure that the terms of such legislation can continue to be met. On this matter, the Council does, however, note that no objections have been received from statutory consultees in respect of the Environmental Statement.

3.87 Scottish Ministers should also consider the linkages between this application and the offshore project. The Council notes the contents of the "Interpretation line suggested by the Commission as regards the application of Directive 85/337/EEC to associated/ancillary works". In particular, this states "If it appears that the associated works are inextricably linked to the main works, their approval and initiation should be considered as an initiation of the project. Thus, where the main project requires an EIA, the approval and/or physical execution of the associated works prior to the undertaking of an EIA would constitute a breach of the EIA Directive. These works could only start once the EIA for the whole project (main and associated) was carried out." It is the Council's view that the onshore works are an integral part of the whole project which includes these works and the offshore works. To ensure that there is an operational justification for the onshore electrical transmission infrastructure, a recommended condition of the Council is that there be no commencement of development of the onshore infrastructure unless there has been a commencement of development of the existing approved Inch Cape Off Shore Wind Farm. This recommended condition would also ensure compliance with relevant EIA legislation.

The acceptability of the identified environmental effects (including identified landscape and visual effects

3.88 The transition pits and on-shore cabling would be sited underground. Consequently they would have minimal impact on the landscape character and appearance of the area, including that of Preston Links.

3.89 The proposed substation would be sited on the generally flat land on the north side of the B1348 opposite the existing Cockenzie Substation. Following the demolition of the Former Cockenzie Power Station in 2015 the application site is now an open coastal area between the settlements of Prestonpans and Cockenzie. Given the application sites coastal location it benefits from considerable public views in a variety of directions, northwards across the Firth of Forth to the Fife coast, eastwards along the coastline towards Gosford Sands to the north east of Longniddry with Berwick Law and the Bass Rock beyond, westwards along the coast to Musselburgh with the higher parts of Edinburgh including Arthur's Seat and Calton Hill visible with the Pentland Hills beyond.

3.90 There are no areas of substantial tree planting or vegetation between the site of the proposed substation and the coastal path, Preston Links or the B1348 public road with the exception of small groups of shrubs on amenity grass between the B1348 and the northern part of the Former Cockenzie Power Station site and an area of informal grassland between the existing Cockenzie Electricity Substation located on the south side of the B1348 and the B1348 itself.

3.91 In its indicative position the proposed substation would be visible from a number of different public viewpoints, including Preston Links, the B1348 public road, the coastal path which incorporates the John Muir Way, Cockenzie Harbour and the pyramidal Battle of Prestonpans viewpoint. While the existing Cockenzie Electricity Substation and the electricity pylons to the south of it are man-made features that are readily visible in the locality these structures are located inland to the south of the B1348.

3.92 With the indicative position of the proposed substation building being located on the north side of the B1348 it would not be seen in relation to the existing pylons or substation. It is indicated that the proposed switchgear and control building could be approximately 100 metres long by 60 metres wide, with an approximate height of 14 metres. The applicant has indicated that mitigation measures would be undertaken in the form of screening measures that could include landscape planting and the erection of walls of up to 7 metres and earth mounding 4 metres in height to reduce the visual impact of the substation. However, with the now open nature of the application site on the north side of the B1348, following the demolition of the Former Cockenzie Power Station, the proposed substation would be an incongruous, dominant and intrusive feature on this part of the now open East Lothian Coastline. While the proposed mitigation structures including a 4 metre high bund and landscaping may help to reduce the impact of the substation on the visual amenity of the area these features themselves would be uncharacteristic to this now open flat coastal site such that the development would have an unacceptable landscape and visual impact on the immediate locality and would not be well integrated into its surroundings. The development would also result in the loss of a number of public views across the application site in a variety of directions. On the consideration of landscape and visual impact, the proposed development is contrary to Policies DP1 and DP2 of the adopted East Lothian Local Plan 2008.

3.93 Scottish Natural Heritage advise that as a result of the application site's prominent coastal location, the current proposal introduces significant landscape and visual impacts which did not arise in the original proposal granted planning permission 14/00456/PPM. The current proposal also presents serious challenges to any placemaking aspirations held by local communities, as expressed through East Lothian Council's recent master-planning exercise. SNH state that it is apparent that the substation element of the proposal could be accommodated at other locations within the Cockenzie site, including locations which do not generate the same magnitude of impacts on views and local landscape amenity. As such, SNH therefore query whether the current substation location delivers 'best use' of the site in relation to landscape and visual impacts, as well as wider placemaking and regeneration ambitions, as set out in the Cockenzie Masterplan. As highlighted at the pre-application stage SNH consider that the proposal as currently defined will lead to a range of adverse landscape and visual impacts which will be experienced from local areas. This is largely due to the siting of the proposed development in a prominent and open area (on the site of the former Cockenzie Power Station) on the coastal side of the Edinburgh Road between the settlements of Cockenzie and Port Seton and Prestonpans.

3.94 East Lothian Council's Landscape Officer advises that that the scale of the proposed substation would become the dominant feature along this section of coastal landscape and would not be successfully integrated within the landscape pattern of this area. The development would be out of scale with local landscape features and would have a detrimental impact on the landscape character of this area and the adjacent landscape character areas. Due to the height and scale of the proposed substation building it would be intrusive, inharmonious and an expose form of development that would be harmful to the quality, character and amenity of the landscape of the area. On this basis the Council's Landscape Officer considers that the proposed development does not comply with the criteria of Policies DP1 and DP2 of the adopted East Lothian Local Plan 2008.

3.95 The Scottish Environment Protection Agency (SEPA) have raised the matter of whether the proposed scheme of development is considered as "essential infrastructure or national critical/civil infrastructure". This decision is to be made by the competent authority which given the call in of this planning application now rests with the Scottish Ministers. If the proposal is considered to be "essential infrastructure" then it can be located within the floodplain as long as it is designed and constructed to remain operational during floods however if it is considered "critical/civil infrastructure" it may require additional protection to be put in place including raised ground levels. SEPA do not specify what these raised ground levels may need to be. SEPA recommend that a condition be attached to any grant of planning permission stating: "Development of the site shall not commence unless and until details of the finished ground levels, finished floor levels, confirmation of the presence of any culverted watercourses and finalised details of the use and construction of the berm on the proposed site, informed by the site investigation have been submitted and approved by the planning authority, in consultation with SEPA." If this condition is not imposed then SEPA's letter is to be regarded as an objection. This recommended condition could be imposed on a conditional grant of planning permission in principle for the proposed onshore electrical transmission infrastructure.

3.96 With regards to the matter raised by SEPA as to the category of the proposed scheme of development it will be for the Scottish Ministers as the determining authority to determine this, and if so, to establish the necessary raised ground level. The applicant in the accompanying Environmental Statement has considered this issue of flooding in the site selection chapter and advises that preliminary indications are that raising the construction elevation of the Onshore Substation to approximately 3.5m AOD will prevent flooding via rising ground water level. Given that the application is for planning permission in principle no specific details are given of the proposed Substation building however it has been stated that it would be approximately 14 metres in height. If the existing ground level of the site, which currently sits at a level of 1.2 m AOD, has to be raised to approximately 3.5m AOD, or even higher if subsequently recommended by SEPA, then this would have a considerable impact on the landscape and visual impact of the proposed scheme of development and the siting of 14 metre high building on this part of the open coastal site. It will be for Scottish Ministers to decide whether or not they need further clarification on this before a decision on the application is taken.

Habitats Regulation Appraisal (HRA)

3.97 East Lothian Council's Biodiversity Officer advises that the Habitats Regulations Assessment (HRA) was produced in consultation and agreement with SNH and Marine Scotland. The HRA concluded that the proposal would not affect the integrity of the adjacent European designated sites. As the proposal site corresponds with the site of the previous Cockenzie Power Station, as well as areas of infrastructure immediately to the south this area has limited biodiversity interest. Accordingly there are no biodiversity concerns raised over this application.

3.98 The RSPB advise that they are satisfied with the Habitats Regulations Assessment (HRA) which concludes that the proposal will have no significant impact on the qualifying interests of the Special Protection Areas, notably the Firth of Forth SPA, and the Outer Firth of Forth and St Andrew's Bay Complex SPA. RSPB would wish to see post-construction restoration on the area of rocky intertidal habitat affected by the onshore cabling to revert this area to its original ecological condition with no net loss of habitat to birds or their food resources. They would prefer work to be undertaken outwith the winter months when the qualifying bird species of the SPA will be at their most numerous. SNH broadly accept the findings and conclusions of the ecological surveys however advise that the opportunity is here presented to enhance the site so that it does become useful to wildlife, the opportunity should be taken to demonstrate good practice and to increase the value of the area to wildlife and, as such, to be accessible to and enjoyed by the public.

3.99 Notwithstanding the above advice, it is for Scottish Ministers as competent authority to carry out any Appropriate Assessment required by the Conservation of Natural Habitats Conservation (Natural Habitats, &c.) Regulations 1994 or otherwise.

Any other material considerations including matters raised in consultation/representation

3.100 A total of 38 written representations have been received to this application, 36 of these written representations make objections to the proposed development. One representation raises no objection but makes a number of observations. One representation advises of no real reservation with the proposal but is aware that there would be initial building-work related noise.

The main grounds of objection are:

i) The proposal is contrary to the DPEA Report of Examination and recommended modifications to the proposed East Lothian Development Plan with regards to the Former Cockenzie Power Station Site.

ii) The proposed Inch Cape development previously received planning approval on an inland site and this new application has no economic or employment benefits and does not make best use of the Cockenzie assets contrary to NPF3.

iii) We have a large area of land which could be used to the good of the environment, the people and the economy by providing something truly innovative such as a waterfront development or commercial venture. Perhaps a ‘power’ development would always have to be part of that development but let’s not act in haste and take the first opportunity presented and instead let’s consider a true, legacy development that could transform Prestonpans and the related area rather than simply condemn it to an industrial spot on the landscape.

3.101 A copy of the written representations are contained in a shared electronic folder to which all Members of the Committee have had access.

3.102 Prestonpans Community Council object to the proposed development on the grounds that it is contrary to the DPEA Report of Examination and recommended modifications to the Proposed East Lothian Local Development Plan. The Community Council advise that in para 2.51 the DPEA state that “As a result, NPF3 expects developers, the council and the key agencies to work together to ensure that best use is made of existing land and infrastructure in the area. In accordance with NPF3 given the particular assets of Cockenzie, the plan requires that if there is insufficient land for competing proposals that priority is given to those which make best use of Cockenzie assets and which will bring the greatest economic benefits". The proposed Inch Cape development previously received planning approval on an inland site and this new application does not "make best use of existing land and infrastructure, has no economic or employment benefit nor does it make best use of the Cockenzie assets" as outlined in the DPEA report of NPF3.

3.103 Cockenzie and Port Seton Community Council advise that they are disappointed that the Scottish Government have called in this application at such an early stage as they support decisions being made at a local level. Cockenzie and Port Seton Community Council support the fully consulted Cockenzie Masterplan published recently which allocates part of the site for energy production but not on the area relating to this application. The Community Council support the Masterplan site as the preferred option.

3.104 If the proposed development is approved then the Community Council state that the footprint should be kept to a minimum and that the screening should be improved and trees planted to reduce the visual impact. The building should be designed to make an architectural statement and not just a "big shed". An artwork should be commissioned along the lines of the "Kelpies" to create a tourist destination and help local employment especially as this proposal will not create any local jobs.

3.105 The applicant has stated that during the construction phase of the proposed development approximately 40 full time equivalent jobs would be supported for a period of approximately 16 to 18 months and indirectly may also create employment opportunities down the supply chain for companies providing services to the contractors during construction with further induced economic benefit to the local economy relating to expenditure from workers spending their income in local businesses such as shops, cafes, takeaways and on accommodation. In addition, the applicant advises that it is estimated that a total of 2,244 full time equivalent jobs will be created in association with the construction of the Offshore Transmission Works and the applicant's Offshore Wind Farm. However it is likely that those jobs would be created irrespective of whether the substation were located in the now proposed position or in the position approved for it by planning permission in principle 14/00456/PPM. The proposed scheme of development could result in the loss of this 10.2 hectare prime coastal application site with no long term economic benefit to the local area of East Lothian or local residents in the form of job opportunities or making best use of the application sites considerable asset of its coastal location. Additionally the development of the proposed onshore transmission works on the application site may prejudice the future redevelopment potential of the adjacent coastal land at the former Cockenzie Power Station.

Conclusion

3.106 As set out in National Planning Framework 3 the proposal is part of National Development 4, and a renewable energy project. This proposal, as a part of a National Development, takes priority over other possible uses on the wider Cockenzie site, with the exception of any proposals for National Development 3, of which there are none. Even if there were competing proposals, the Report of Examination on the proposed Local Development Plan suggests that there should be no preference for National Development 3 over National Development 4, and that one should not obstruct the other.

3.107 SESPlan 1 supports both non-nuclear baseload generation at this site, and reinforcement of the grid. It does not specify where this should take place, but requires that the Local Development Plan supports the future development of Cockenzie Power Station for National Development 3 and sets a framework for the encouragement of renewable energy proposals. These requirements have been distilled into Policy EGT1 of the emerging LDP. The assessment of the proposal against other policies of the development plan and the emerging LDP, taken together, would reflect the assessment of the relevant provisions of the SPP ‘presumption’ in paragraph 29.

3.108 The decision maker should also determine whether the proposal is compatible with the provision of EGT1, to ‘ensure that the best use is made of the existing land and infrastructure in this area’. The Council has not yet had time since the Report of Examination to undertake the joint working as set out within Proposal EGT1, though the Cockenzie Masterplan document represents an important step towards this.

3.109 For the reasons given above, and recognising the priority to be given to this as a National Development, the proposal does not allow for the best use to be made of the existing land and infrastructure in this area and should therefore be refused. This is especially so given that the same type of development was approved elsewhere within the larger Cockenzie site. Approval of this could prejudice the future development of the site and the economic potential of the area.

3.110 Additionally, the decision maker should also consider:

i) The views of consultees on any significant adverse impacts on the integrity of international, national or local designated sites, which would be contrary to SESPlan Policy 1b, and on the natural and cultural heritage policies of the ELLP 2008 and proposed LDP;
ii) Subject to the views of other consultees, the decision maker must also consider whether or not the proposal complies with Policies DP1 and DP2 of both the ELLP 2008 and the proposed LDP or with Policy DC6 of the proposed LDP; and
iii) Whether there is an Appropriate Assessment showing that there would be no adverse effect on the integrity of any European Site; this would be

contrary to Policy NH1a of the ELLP 2008 and Policy NH1 of the proposed LDP.

The council's recommended conditions in the event that planning permission is granted.

3.111 In the event that Scottish Ministers decide to grant planning permission in principle, it is recommended that the conditions set out in Annex 1 of the report be attached to any such grant of planning permission in principle:

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 arising directly from this report

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 Adopted East Lothian Local Plan 2008

7.2 Approved South East Scotland Strategic Development Plan (SESplan)

7.3 Scottish Planning Policy: February 2010

7.4 National Planning Framework 3 2014

7.5 Proposed East Lothian Local Development Plan 2018

7.6 East Lothian Economic Development Strategy 2012-22

7.7 Inch Cape Onshore Transmission Works Environmental Impact Assessment 2018

7.8 Planning Application 14/00456/PPM

7.9 Proposal of Application Notice 16/00021/PAN

AUTHOR'S NAME	Keith Dingwall Julie McLair
DESIGNATION	Team Manager- Planning Delivery Planner- Planning Delivery
CONTACT INFO	Ex7229/ ex7631
DATE	13 June 2018

ANNEX 1 – Proposed Conditions

1 The submission for approval of matters specified in conditions of this grant of planning permission in principle in accordance with the timescales and other limitations in section 59 of the Town and Country Planning (Scotland) Act 1997 (as amended) shall include details of the siting, design and external appearance of the onshore substation, electricity cables and associated infrastructure, the means of access to them, the means of any enclosure of the boundaries of the site and landscaping of the site; and shall address the following requirements:

a) Details of the finished ground levels and finished floor levels of the buildings;

b) The proposed route of the temporary rerouted Coastal Path incorporating the John Muir Way within the northern section of the application site boundary;

c) Details of the proposed colour treatment of the onshore substation; and

d) Details of all external lighting proposed

Reason:

To enable the Planning Authority to control the development in the interests of the amenity of the development and of the wider environment.

2 The development hereby approved shall be undertaken in accordance with the Environmental Impact Assessment Report docketed to this planning permission in principle, except where altered by the approval of matters specified in the condition above or by the conditions below, or unless otherwise agreed with the Planning Authority in writing.

Reason:

To ensure the reported likely environmental impacts of the development are not exceeded and the mitigation measures are put in place.

3 The development hereby approved shall be used solely in connection with the offshore Inch Cape Wind Farm to facilitate the transmission of electricity generated by that development to the grid and for no other purposes, unless otherwise agreed in writing with the Planning Authority.

In these conditions the "Inch Cape Wind Farm" means the offshore wind farm known as the Inch Cape Offshore Wind Farm, granted consent under section 36 of the Electricity Act 1989 by the Scottish Ministers on 10 October 2014, or successor offshore wind farms located within the site of that development.

Reason:

To enable the Planning Authority to regulate and control the use of the land in the interests of the wider land use planning of the area.

4 Prior to the commencement of the development hereby approved and once details of the construction methodology is known, a Construction Environmental Management Plan (CEMP) shall be submitted to and approved in writing by the Planning Authority after consultation with SEPA and SNH, and shall address the following requirements:-

a) Confirmation of the methodology to be used in constructing the Development with particular regard to construction of the substation, any tunnelling activities and the method of constructing the cable trenches;
b) A construction dust management plan identifying mitigation measures during the construction phase of the Development specifically identifying measures to minimise impacts of fugitive dust emissions on sensitive receptors;
c) A construction noise management plan identifying mitigation measures during the construction phase of the Development specifically identifying measures to minimise impacts of construction noise on sensitive receptors; and
d) An assessment of vibration impact arising from construction works and the identification of any mitigation measures required to minimise impacts of construction vibration on sensitive receptors, taking account of BS5228-1:2009 and A1:2014 Code of Practice for Noise and Vibration Control on Construction and Open Sites.

The development shall thereafter be carried out in accordance with the approved CEMP unless otherwise agreed with the Planning Authority in writing.

Reason:
To ensure that the reported likely environmental impacts of the development are not exceeded and the mitigation measures are put in place.

5 Prior to the commencement of the development hereby approved, a Noise Impact Assessment for the operational phase of the Development shall be submitted to and approved in writing by the Planning Authority. The Noise Impact Assessment shall be based upon the detailed site layout approved pursuant to condition 1 and shall identify the location of noise emitting plant within the site and their accompanying noise emissions. The Noise Impact Assessment shall identify measures to ensure operational noise from the Development does not give rise to new or materially different impacts to those assessed in Environmental Report, unless otherwise agreed in writing by the Planning Authority.

Reason:

In the interests of the amenity of nearby sensitive receptors

6 Prior to the commencement of the development hereby approved, a Traffic Management Plan (TMP) for the construction phase of the development shall be submitted to and approved in writing by the Planning Authority. The TMP shall, unless otherwise agreed with the Planning Authority in writing, include the following details:

a) A Method Statement detailing and controlling access routes to and from the site for large components and day-to-day deliveries/removals associated with the construction and decommissioning phases of the development. The Method Statement shall include a detailed swept path assessment of large component delivery routes, as well as frequencies and times of deliveries and arrangements for the removal of materials/plant from the site. The Method Statement shall also include details of any off-site mitigation works;
b) Details of access and management for the onshore cabling works including the potential for traffic management on Edinburgh Road;
c) Details of the proposed vehicular access onto the B1348 for large component deliveries, this should also include the reinstatement of the access once works are completed
d) Wheel washing facilities shall be provided and maintained in working order during the period of construction and/or decommissioning of the site. All vehicles must use the wheel washing facilities to prevent deleterious materials being carried onto the public road on vehicle wheels.

e) The TMP shall also include vehicle tracking and swept path analysis for vehicles entering and exiting the site and details of the provision of visibility splays at all vehicular accesses. It shall also include details of any road closures and suitable alternative routes during the road closures.
f) A Green Travel Plan to include measures to minimise dependency on the private car to and from the construction compounds. The TMP shall also include vehicle tracking and swept path analysis for vehicles entering and exiting the site and details of the provision of visibility splays at all vehicular accesses. It shall also include details of any road closures and suitable alternative routes during the road closures.

The development shall thereafter be carried out in accordance with the approved TMP unless otherwise agreed with the Planning Authority in writing.

Reason:

In the interests of road safety and in the interest of the promotion of sustainable modes of transportation.

7 Prior to the commencement of the development hereby approved, a programme for monitoring the condition of the public roads to be used by construction traffic, prior to and immediately following the completion of the development, shall be submitted to and approved in writing by the Planning Authority. The public roads to be monitored shall be (i) the B1361/B6371, from the roundabout junction of the A198 at Meadowmill (just north of the railway) northwards to the B1348 Edinburgh Road and (ii) the B1348, Edinburgh Road from the junction East Lorimer Place to Appin Drive (Traffic signals).

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Thereafter the approved programme of monitoring shall be implemented. Any remedial works shown by the monitoring as arising from the construction of the development, shall be undertaken by the applicant within 3 months of the completion of the final monitoring undertaken, unless an alternative means of securing the works is approved in writing by the Planning Authority.

Reason:

To ensure that damage to the public road network resulting from the proposed development is rectified.

8 Within 24 months of the permanent cessation of generation at the offshore Inch Cape Wind Farm, confirmation shall be given in writing to the Planning Authority whether or not the development hereby approved continues to be required for electricity transmission purposes.

Where the development is not required for electricity transmission purposes beyond the operational period of the offshore Inch Cape Wind Farm, within 24 months of the permanent cessation of generation at the offshore Inch Cape Wind Farm, a decommissioning and site restoration plan (the 'Demolition and Restoration Scheme') shall be submitted to and approved in writing by the Planning Authority. The Demolition and Restoration Scheme shall have due regard to the Decommissioning Programme prepared in respect of the offshore Inch Cape Wind Farm and shall include details of:

i) The extent of substation and cable infrastructure to be removed and details of site restoration;
ii) Management and timing of works;
iii) Environmental management provisions; and
iv) A traffic management plan to address any traffic issues during the decommissioning period.

The Demolition and Restoration Scheme shall be implemented in its entirety, unless otherwise agreed with the Planning Authority in writing.

Where the Development is required for electricity transmission purposes beyond the operational period of the offshore Inch Cape Wind Farm, within 24 months of the development no longer being required for electricity transmission purposes, a decommissioning and site restoration plan (the 'Demolition and Restoration Scheme') shall be prepared and shall be submitted to and approved in writing by the Planning Authority. The Demolition and Restoration Scheme shall include details of:

i) The extent of substation and cable infrastructure to be removed and details of site restoration;
ii) Management and timing of works;
iii) Environmental management provisions; and
iv) A traffic management plan to address any traffic issues during the decommissioning period.

The Demolition and Restoration Scheme shall be implemented in its entirety, unless otherwise agreed with the Planning Authority in writing.

Reason:

To ensure that the application site is satisfactorily restored in the interests of the amenity of the area.

9 Prior to the commencement of the development hereby approved, a site investigation shall be undertaken in order to establish the exact situation regarding ground conditions on the site and to identify any contaminated land.

In the event that the site investigations confirm the need for remedial works to treat the ground conditions so that the site is suitable for its intended use, details of the proposed remedial strategy shall be submitted to and approved in writing by the Planning Authority, then any such remedial works shall be undertaken prior to the commencement of development.

Reason:

To ensure that the site is suitable for development, and that remedial measures have been undertaken where necessary to ensure that potential risks have been adequately addressed.

10 Development of the site shall not commence unless and until details of the finished ground levels, finished floor levels, confirmation of the presence of any culverted watercourses and finalised details of the use of any landscape bunds on the proposed site, informed by the site investigation and designs approved under condition 1 have been submitted to and approved by the Planning Authority, in consultation with SEPA.

Reason:

To enable the Planning Authority to control the development in the interests of the amenity of the development and of the wider environment

11 With the exception of construction work associated with the installation of the offshore export cables construction works associated with the Development shall be limited to 0700-1900 Monday to Friday and 0800-1300 on Saturdays, unless otherwise agreed in advance with the Planning

Authority. Construction works associated with the installation of the offshore export cables are permitted outwith these hours following prior notification of such works to the Planning Authority at least seven days before the works are due to commence.

Reason:

To safeguard the amenity of nearby residential properties

12 Prior to the commencement of the development hereby approved, a detailed Flood Risk Assessment (FRA) shall be submitted to and approved in writing by the Planning Authority in consultation with SEPA. The FRA shall take account of the site layout approved under condition 1 and shall identify mitigation measures required to protect the site as a minimum from the 1:200 year flood event. All approved flood mitigation measures must be carried out in accordance with the approved details prior to the Development becoming operational.

Reason:

To ensure the Development is appropriately protected against flood risk and does not give rise to increased flood risk elsewhere.

13 Prior to the commencement of development details of artwork to be provided on the site or at an alternative location away from the site shall be submitted to and approved by the Planning Authority and the artwork as approved shall be provided prior to the operation of the onshore substation, unless otherwise agreed in writing by the Planning Authority.

Reason:

To ensure that artwork is provided in the interest of the visual amenity of the locality or the wider area.

14 No development shall take place until there has been submitted to and approved in writing by the Planning Authority a scheme of landscaping taking account of the detailed site layout approved under the terms of condition 1. The scheme shall provide details of: the height and slopes of any mounding on or recontouring of, the site; tree and shrub sizes, species, habitat, siting, planting distances and a programme of planting. The scheme shall include indications of all existing trees and hedgerows on the land and details of any to be retained, and measures for their protection in the course of development.

All planting, seeding or turfing comprised in the approved details of landscaping shall be carried out in the first planting and seeding season following the occupation of the buildings or the completion of the development, whichever is the sooner, and any trees or plants which within a period of five years from the completion of the development die, are removed or become seriously damaged or diseased shall be replaced in the next planting season with others of similar size and species, unless the Planning Authority gives written consent to any variation.

Reason:

In order to ensure the implementation of a landscaping scheme to enhance the appearance of the development in the interests of the amenity of the area.

East Lothian Council

REPORT TO: East Lothian Council

MEETING DATE: 26 June 2018

7

BY: Depute Chief Executive (Partnerships and Community Services)

SUBJECT: East Lothian Local Development Plan 2018 – Action Programme and Supplementary Planning Guidance for Consultation

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1 PURPOSE

1.1 This report seeks Council approval to carry out consultation on a suite of draft documents associated with the proposed East Lothian Local Development Plan as modified following Examination in Public (i.e. the East Lothian Local Development Plan 2018 (ELLDP 2018)), namely:

- an updated draft version of the ELLDP 2018 Action Programme;
- an updated draft version of the non-statutory Affordable Housing Supplementary Planning Guidance; and
- a draft version of the non-statutory Special Landscape Areas Supplementary Planning Guidance.

1.2 The Town and Country Planning Scotland Act 1997 (as amended) requires the ELLDP 2018 to be accompanied by an Action Programme that is to be approved by the Council within three months of adopting the plan.

1.3 In the case of the Supplementary Planning Guidance, the ELLDP 2018 itself identifies that the above guidance will be prepared by the Council to assist the operation of relevant policies within the plan.

2 RECOMMENDATIONS

2.1 That the Council approves for consultation the following draft consultation documents:

- an updated draft of the ELLDP 2018 Action Programme, as set out within Annex 1 of this report;

- an updated draft of the non-statutory Affordable Housing Supplementary Planning Guidance, as set out within Annex 2a of this report; and
- a draft of the non-statutory Special Landscape Areas Supplementary Planning Guidance, as set out within Annex 2b of this report.

3 BACKGROUND

Purpose and processes for preparing an Action Programme and non-statutory Supplementary Planning Guidance

3.1 On 29 May 2018 the Council approved the East Lothian Local Development Plan 2018 (ELLDP 2018) as the local development plan it intends to adopt and, if clearance is provided by the Scottish Ministers such that the Council may adopt this plan, the Council also agreed to constitute and adopt the ELLDP 2018. If adopted by the Council, the ELLDP 2018 will replace the East Lothian Local Plan 2008 as the up-to-date Local Development Plan (LDP) for East Lothian.

3.2 Whilst the ELLDP 2018 is not yet adopted, there is a requirement that it be supported by an Action Programme, and it is the Council's intention that the ELLDP 2018 also be supported by non-statutory Supplementary Planning Guidance documents that are the subject of this report. Initial drafts of the Action Programme and Affordable Housing Supplementary Planning Guidance were consulted on when the proposed LDP was published for representation. Comments received on these earlier versions of the documents have been taken into account in the updated consultation versions that are now before the Council (see Members' Library Service Reference: 89/18 draft LDP Action Programme: Consultation Responses - June 2018 Bulletin) as have the findings of the Examination in Public on the proposed LDP. Additionally, an initial consultation draft of the Special Landscape Areas Supplementary Planning Guidance document has been prepared for consultation.

3.3 Planning authorities are required to prepare their Action Programmes in accordance with Sections 21, 25 and 26 of the Town and Country Planning (Scotland) Act 1997 (as amended). An Action Programme sets out how the authority proposes to implement the plan. Action Programmes are therefore to contain a list of actions required to deliver each of the plans policies and proposals, the name of the person or body who is to carry out the action, and the timescale for carrying out each action.

3.4 A more detailed description of the content of the ELLDP 2018 consultative draft Action Programme is set out in the relevant section below.

3.5 The statutory process for the preparation of the Action Programme must be followed. For the Action Programme to be prepared, the Council must consult on a draft version of it with the Key Agencies, the Scottish Ministers and anyone the Council proposes specifying by name in the Action Programme; the Council must also consider their views when finalising the

Action Programme for adoption. After the consultation, the Council are to publish the Action Programme within three months of the adoption of the plan. The Action Programme is to be kept under review and republished at least every two years. Whenever an Action Programme is published, the authority are to send two copies to Scottish Ministers, place copies in local libraries and publish it electronically.

3.6 In terms of non-statutory Supplementary Planning Guidance, whilst there is no statutory provisions setting out the scope or process for preparing it, if it is to carry enhanced weight as a material consideration in planning decisions it must be consulted on and adopted by the Council. For this type of guidance, there is no requirement for the Scottish Ministers to review it before the Council may adopt it. The intention is that matters to be addressed within non-statutory Supplementary Planning Guidance are those that would be too detailed for inclusion in the plan, but nonetheless merit more detailed policy guidance to assist with the operation of policies or proposals and the delivery of the plan.

3.7 A more detailed description of the content of each of the consultative draft Supplementary Planning Guidance documents is set out in the relevant sections below.

3.8 The reason for re-consulting on some of these documents is to ensure statutory compliance and to ensure that stakeholders have the opportunity to comment on the updated versions. The revised draft documents take into account the recommendations of the Report of Examination on the proposed LDP insofar as relevant to them, thus they are consistent with the ELLDP 2018. The updated versions of the documents also take into account comments received during previous public consultation exercises carried out in respect of previous versions of them, as relevant and appropriate. If adopted, these documents will help users of the ELLDP 2018 understand more clearly how the Council wants its policies and proposals to be applied and delivered on a consistent basis.

3.9 Once approved for consultation, the documents may be taken into account as material considerations in planning decisions as appropriate, but cannot carry as much weight as if they are adopted by the Council. Approval for public consultation of these draft documents at this stage is intended to help ensure that their preparation is progressed without delay and in parallel with the adoption processes for the ELLDP 2018.

3.10 The overall intention is that these documents, once finalised following their period of public consultation and any other procedures as relevant, may be adopted by the Council as soon as possible following adoption of the ELLDP 2018.

ELLDP 2018 Action Programme

3.11 On 6 September 2016, the Council approved for consultation a draft of the proposed LDP Action Programme. This coincided with the representation period for the proposed LDP so both documents could be read together.

3.12 Most of the received consultation responses to the draft Action Programme did not seek changes to it. The responses referred to specific policies and proposals within the proposed LDP, or emphasised the role of the Action Programme in ensuring the alignment of key stakeholders to deliver the LDP interventions. Whilst a number of responses expressed some concern with regard to the future provision of health services, dentists and emergency services, the Report of Examination found that the plan contains sufficient detail to enable relevant proposals to come forward. The Report of Examination agrees with the council that '*it is not the role of the local development plan to actually deliver the activities of other bodies and agencies but to identify where future development of facilities might be required'*.

3.13 Two representees made direct and specific comments with regard to the draft Action Programme. One representation highlighted a perceived inconsistency between the draft Action Programme and the proposed LDP, with regard to the education costs for Proposal TT12: Woodhall Road (16 homes) and Proposal TT14: Park View (55 homes), both Pencaitland, namely that the same cost is included for both sites. However, there was no inconsistency between the draft Action Programme and the proposed LDP since the former included total costs for specific education interventions and not proportional costs associated with specific development proposals such as TT12 or TT14.

3.14 The other representation, whilst explicitly referring to the draft Action Programme, was in fact focused on specific policies of the proposed LDP. Any issues raised in this representation were appropriately dealt within the Report of Examination.

Updated Action Programme

3.15 The updated version of the Action Programme is set out within Annex 1 of this report. It reflects the most up-to date information on developer contributions and specific interventions and projects included within the emerging statutory Supplementary Guidance: Developer Contributions Framework. The structure of this draft Action Programme follows that of the previous draft, and comprises of 4 sections as follows:

- Introduction
- Priority Actions
- LDP Guidance
- Monitoring Assessment for LDP Review

3.16 Within these sections, the draft Action Programme sets out the guidance, policies and proposals of the LDP and the actions needed to implement them to successfully deliver the Plan.

3.17 The Action Programme will be a live document reflecting the continuous process of delivering the ELLDP 2018. The Council will monitor progress on delivering the plan's policies and proposals to determine when interventions or actions may be required to ensure timeous delivery of the LDP. Each proposal and policy within the Action Programme identifies the key agents of action, how they will deliver this through key actions, and the timescale within which they will do it. The lead agency noted in the Action Programme will be responsible for the implementation of the actions they are assigned. They will also have the responsibility for regular reporting and for monitoring and updating of the Action Programme.

3.18 Review updates on progress towards delivering the key actions will be reported to Senior Officers via team meetings, and then to Elected Members every two years or more frequently should the Council require.

Non-statutory Supplementary Planning Guidance

3.19 A description of the background, scope and purpose of the consultation drafts of the non-statutory Supplementary Planning Guidance is set out below:

Affordable Housing Supplementary Planning Guidance

3.20 On 6 September 2016, the Council approved for consultation a draft of the Affordable Housing Supplementary Planning Guidance. This coincided with the representation period for the proposed LDP so both documents could be read together.

3.21 The proposed draft Supplementary Planning Guidance (SPG) on Affordable Housing supports *Policy HOU3: Affordable Housing Quota* and *Policy HOU4: Affordable Housing Tenure Mix* of the Proposed LDP in relation to the delivery of affordable housing. It sets out how the planning system can assist with facilitating the delivery of affordable housing.

3.22 The formal consultation which took place during the period 19 September 2016 to 7 November 2016 yielded no responses; however, there were responses received in relation to policies on affordable housing provision set out within the LDP. These responses were specific around the inclusion of 25% affordable housing for amenity, sheltered and retirement homes and were addressed within the Report of Examination.

Updated Affordable Housing Supplementary Planning Guidance

3.23 The updated version of the Affordable Housing Supplementary Planning Guidance is set out within Annex 2a of this report.

3.24 The guidance has been redrafted to provide additional guidance and clarity for all those with an interest in affordable housing with specific reference to the following:

- Specialist Housing;
- updated eligibility criteria for Mid-Market Rent with revised income thresholds;

- updated eligibility criteria for discounted sale with revised house prices; and

- updated commuted sum figures.

3.25 This draft SPG is intended to provide further information and detail on how the relevant policies of the ELLDP 2018 should be interpreted and applied. It provides a framework for the implementation of East Lothian Council's Affordable Housing Policy (as it relates to LDP policy i.e. quota, tenure mix, specialist provision etc.) and outlines the mechanisms by which affordable housing can be delivered within a broader economic context. It aims to set out detailed guidance alongside the Strategic Development Plan (SDP1) and ELLDP 2018 policies on affordable housing. This draft SPG on Affordable Housing has been prepared to:

- set out information and advice to individuals and organisations with an interest in affordable housing;

- provide clarity in relation to the affordable housing requirement and contributions to be sought; and

- promote transparency and consistency with regard to the developer's affordable housing obligations**.**

Special Landscape Areas Supplementary Planning Guidance

3.26 The draft version of the Special Landscape Areas Supplementary Planning Guidance is set out within Annex 2b of this report.

3.27 The Special Landscape Areas Supplementary Planning Guidance has been produced to support the landscape policies of the East Lothian Local Development Plan 2018 (ELLDP 2018). With the adoption of this plan, Special Landscape Areas (SLAs) will replace Areas of Great Landscape Value as the local landscape designation (that were introduced in the 1960s) with further amendment mainly in the 1970s/80s. There has clearly been the potential for considerable landscape change since then.

3.28 As part of the preparation of ELLDP 2018, a review of East Lothian's landscapes was undertaken in line with relevant guidance produced by Scottish Natural Heritage and Historic Environment Scotland. Thirty two SLAs have been identified through this review. As part of the process of identifying new SLAs, a six-week public consultation exercise was undertaken in early 2015. The views expressed were taken into account in selecting SLAs. The boundaries for the new SLAs were included in ELLDP 2018 and have been subject to consultation and representation. No representations were received with regard to the boundaries of the SLAs and no changes were made. They are now fixed by ELLDP 2018. The Local Landscape Designation review was included as Technical Note 9 of ELLDP 2018 (see Member's Library Service References: 141/16, 142/16, 143/16, 144/16, 145/16, 146/16, 147/16 31 - August 2016 Bulletin).

https://www.eastlothian.gov.uk/meetings/meeting/5986/members_library_service.

3.29 The Special Landscape Areas Supplementary Planning Guidance provides a tool for assessment of proposed development. This will be done by firstly considering the nature and merits of the proposal against the character of the Landscape Character Areas (which informed the designation of the SLAs) and then, if within an SLA also the special qualities of the relevant SLA. The purpose of the SLA designations is part of East Lothian's all landscapes approach and aims to:

- safeguard and, where relevant, improve important landscapes and landscape features which are particularly valued;
- protect some of the most important landscape settings for recreation and tourism within East Lothian;
- promote understanding and awareness of the distinctive character and special qualities of the landscapes of a local authority area.

4 POLICY IMPLICATIONS

4.1 The ELLDP 2018 Action Programme and non-statutory Supplementary Planning Guidance described within this report would become an essential component of delivering the strategy and policies of the ELLDP 2018. The Action Programme would be used to assess progress towards the delivery of the policies and proposals of the ELLDP 2018 and provide a monitoring tool to help initiate any need for corrective action as and when required and appropriate. The Supplementary Planning Guidance in particular will be used in the determination of planning applications.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subjects of this report has been through the Integrated Impact Assessment process through the ELLDP 2018 and no negative impacts have been identified.

6 RESOURCE IMPLICATIONS

6.1 Financial – The financial implications of the Action Programme are as already described in association with the ELLDP 2018 at this time. The finical implications of any future review of the Action Programme will be subject to consultation and Council approval at the appropriate time.

6.2 Personnel – service providers will be required to provide responses to proposals in line with the policy guidance set out within the relevant Supplementary Planning Guidance documents.

6.3 Other - None

7 BACKGROUND PAPERS

7.1 Draft proposed LDP Action Programme (2016) – (See Item 02b of East Lothian Council Meeting of 6 September 2016)

7.2 Draft Affordable Housing Supplementary Planning Guidance (2016) – (See Item 03b of East Lothian Council Meeting of 6 September 2016)

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REPORT TO: East Lothian Council

MEETING DATE: 26 June 2018

BY: Chief Executive

SUBJECT: Edinburgh and South East Scotland City Region (ESESCR) Deal

8

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1 PURPOSE

1.1 The Edinburgh and South East Scotland City Region Deal represents over £1.3 billion of investment over the next 15 years. The Deal will deliver inclusive economic growth, building on the region's strengths and addressing issues and economic barriers currently constraining the region's potential.

1.2 Following the signing of the Heads of Terms for the City Region Deal in July 2017, regional partners, Scottish Government and UK Government have agreed a Deal document which describes the Deal in more detail and demonstrates how projects and programmes will be implemented and governed.

1.3 This report seeks the approval of the content of Deal documentation including a summary of projects and the governance framework for delivery to allow the Deal to be signed.

2 RECOMMENDATIONS

2.1 It is recommended that Council approves the content of Deal documentation, including the summary of projects and the governance framework for delivery, to allow the Deal to be signed by regional partners, Scottish Government and UK Government.

3 BACKGROUND

3.1 Since 2016, the region's six local authorities (City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian), together with the region's universities and colleges, have been working with the Scottish and UK Governments to develop a transformational and inclusive city region deal that will provide the jobs of the future and address key economic barriers and issues constraining the region's economic potential.

3.2 A Heads of Terms tripartite agreement between the Scottish Government, UK Government and regional partners was signed on 20 July 2017. This set out the commitment of both Governments to jointly invest up to £600m over the next 15 years across five key themes:

- Innovation;
- Employability and Skills;
- Transport;
- Culture; and
- Housing.

3.3 This investment was subject to:

- approval of final business cases for all projects and programmes;
- development of a final city deal document and implementation plan;
- establishment of clear and robust governance arrangements; and
- the consent of all constituent local authorities and partners.

3.4 Since July 2017 partners have been working with Government on developing businesses cases and the necessary deal documentation to commence the programme of investment.

3.5 A governance framework and financial profile have been agreed with Government.

3.6 Business cases for each project will be required to be approved by regional partners and Government, to allow money to flow subject to the approval process described in the governance framework. This is a 15-year programme and business cases will be brought forward as detailed in the project summaries. Some business cases are at an advanced stage and have been developed and shared with government on an iterative basis.

3.7 Subject to approvals by all partner authorities and university courts, the Deal Document can be signed between partners, Scottish Government ministers and UK Government.

Deal Documentation

3.8 Appendix 1 to this report is the City Region Deal Document, which comprises three chapters:

- Context and narrative on the Deal's ambitions to secure inclusive growth;
- A summary of the programmes and projects; and
- The governance framework for implementation and monitoring.

3.9 Two further components of the Deal Document are lodged as private items in the Members Library:

- the Deal Implementation Plan; and
- the Financial Plan and Agreement.

3.10 The Outline Business Case for the Food & Drink Innovation Hub has also been lodged as a private item in the Members Library in its latest submitted draft form. This continues to be developed iteratively with our partner university and both Governments.

3.11 These reports detail specific aspects of the deal that remain confidential until the deal agreement is announced by both Scottish and UK Governments and the Regional Partners. Members have been briefed on the content of these documents.

Summary of the Deal and Key Elements

3.12 A summary of the Deal and its key elements designed to deliver innovation and address regional inclusion challenges is shown below:

Theme	Government contribution £M	Partner contribution £M	Total £M
Innovation	350	448	798
Skills	25	0	25
Transport	140	16	156
Culture	20	25	45
Housing	65	248	313
Total	600	737	1,337

Governance Framework

3.13 The City Region Deal partners are aware that delivering the twin objectives of innovation and inclusive growth will require alignment between local, regional and national objectives, policies and resources.

The proposed City Region Deal governance arrangements would empower local authorities to:

- operate strategically with their partners to realise the economic potential of the city region;
- respond to issues critical to the economic health and wellbeing of the city region;
- unlock economic assets; and
- decide on the alignment of resources in projects and programmes with the greatest potential for the city region.

3.14 Through the City Region Deal, the Governments and regional partners have embarked on a new relationship. The first phase of this is underpinned by the activities set out in the Deal. However, future phases will involve continuing to work together on transferring further powers to partners, maximising policy and resources levers, while also strengthening the city region's governance and capacity to deliver and to meet the recommendations of the Scottish Government's Enterprise and Skills Review as set out in the Heads of Terms and the UK Government's emerging Industrial Strategy. The governance arrangements will operate in a way that will best deliver inclusive growth and accountability and will be underpinned by the participation of the city region's key private, public and third sector interests. A detailed description of the approach towards promoting inclusion through the Deal can be found at Section 5 of this report.

3.15 The governance arrangements put in place for the City Region Deal will enable decisions to be taken in an open and transparent way for the whole region.

3.16 The proposed governance structure for the City Region Deal comprises decision-making boards, advisory groups, and project groups. The appendix to this report sets out the Full Terms of Reference for the decision-making boards and advisory groups. Terms of Reference for the project groups are laid out within the Management Case in each project business case.

3.17 Reporting on the Food & Drink Innovation Hub will be made to the project Steering Group co-chaired by the Chief Executive Officer of East Lothian Council and the Principal and Vice-Chancellor of QMU. The Steering Group has been formally established to provide strategic leadership for the project. Membership of the group also includes the Chief Executive Officer of Food & Drink Federation Scotland (also representing Scotland Food and Drink), Scottish Enterprise (Team Leader Food and Drink), 2 x members of the University's Court and East Lothian Council's Cabinet Spokesperson for Economic Development. Local businesses are represented by the Chairperson of the East Lothian Food & Drink Business Improvement District.

The remit of the steering group is as follows:-

- to provide strategic leadership for the project to develop the Edinburgh Innovation Park;
- to feed into and support the development of underpinning strategies to support the successful delivery of the project;
- to provide constructive and critical advice to the partners throughout the development of the project;
- to provide guidance to ensure that the project is developed in accordance with the requirements of the food & drink industry and with strategic priorities of UK and Scottish governments;
- to ensure that appropriate governance arrangements are in place to enable the good management, including the financial management, of the project;
- to act as advocates for the project and to seek additional support from outside organisations where appropriate.

Risk, Compliance and Governance Impact

3.18 Each decision-making Board (as described in the appended Governance structure) will produce quarterly risk and performance monitoring reports. Where risks are identified, change recommendations will be made. An overall risk register and performance monitoring report will also be considered by the Executive Board and Joint Committee every quarter. The template for these reports will be agreed with Government, and the reports will be shared with Government and the Regional Enterprise Council every quarter. Any risks that are relevant to the East Lothian Council will be raised with Council if and when identified.

3.19 Every five years, an independent evaluation of the City Region Deal will take place to capture progress and identify priorities for the next phase of delivery. Government will work in partnership with the Joint Committee to undertake the evaluation and support the implementation of agreed recommendations. This evaluation will be shared with partner authorities when published.

3.20 The City of Edinburgh Council will act as the Accountable Body for the deal, which will provide a link between the Scottish Government and all regional partners including East Lothian Council. This will be underpinned by a tri-partite agreement with the UK Government, Scottish Government, and City of Edinburgh Council. All the City Region Deal grant monies that relate to East Lothian will flow through the Scottish Government and then through City of Edinburgh Council on to East Lothian Council over the lifetime of the deal.

3.21 City of Edinburgh Council will be required to sign a grant offer letter(s) from the Scottish Government and will then put in place separate standard agreements with all regional partners in the context of grant letter(s) so that all terms and provisions are included.

Measuring Success

3.22 To assess how well the City Region Deal is aligning towards the overall vision and inclusive growth targets, the Project Management Office will produce an annual report on all city region deal activity. The template for the annual report will be agreed with Government, and shared with Government, and reported to all partner authorities and the Regional Enterprise Council every year.

4 POLICY IMPLICATIONS

4.1 Agreement on a deal for the Edinburgh and South East Region would support delivery of the Council priorities in respect of Growing our Economy, People and Communities as set out within the Council Plan. Deal agreement will have significant implications for the Council's Financial Strategy and its future Capital Plans. The Edinburgh and South East City Region Deal is consistent with the approved proposed LDP and is incorporated in the work to refresh the Economic Development Strategy 2017-22.

5 INTEGRATED IMPACT ASSESSMENT

5.1 Inclusive growth is a shared policy objective of the Council and national governments and a key driver for the Deal is to promote equality through addressing inclusion across the city region.

5.2 All business cases for projects included in the programme have demonstrated, or will demonstrate, how they will reduce inequalities. The integrated regional skills programme in particular will work to ensure that all residents throughout the region have the ability to share in future success.

5.3 Partners and Governments recognise that prosperity and success is not universal across the region: 21% of children are living in poverty; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skills jobs. The deal will directly address these issues, create new economic opportunities, and is expected to provide up to 21,000 new jobs.

5.4 Each business case must also demonstrate the impact that it will have on inclusion. A Monitoring and Evaluation Framework is also being developed for the programme, which will incorporate clear indicators to align with the Scottish Government Inclusive Growth Framework, also under development.

5.5 Partners recognise the importance to ensuring that inclusive growth ambitions are embedded in their plans and aligned with the Scottish Government's Economic Strategy ambitions, responding to the particular challenges faced across the region. A detailed analysis of the region's economy, accredited by the Scottish Government, took place and identified six key inclusion challenges:

- Slow Growth;
- Regional disparities in jobs density;
- Housing, transport and connectivity;
- Skills inequality and polarisation;
- Gender and age inequalities; and
- Low income and low pay

5.6 An inclusive growth framework was developed to ensure that the city region deal projects can address these issues. Five thematic interventions to target these challenges will go some way towards ensuring that the benefits of the city region deal investment are shared as widely as possible:

- Accelerating inclusive growth;
- Removing the physical barriers to growth;
- A significant programme of construction;
- Targeted skills interventions; and
- Social benefit through innovation.

5.7 A City Region Deal will also provide a mechanism to help drive forward investment in sustainable place making. A holistic approach to sustainable growth is at the heart of the City Region Deal.

6 RESOURCE IMPLICATIONS

6.1 Financial - The contribution required by East Lothian Council towards the QMU Innovation Park is approximately £10M and although this is partly provided for within the existing capital plan, a further revision to this will be required with a potential call being made upon the established Capital Fund. A city deal supported housing programme would supplement the already approved HRA Capital Investment Plan that may require some re-alignment to accelerate the further development of Blindwells.

6.2 Personnel – a significant amount of resource (both staffing and funding) has been spent preparing and negotiating the Deal bid over the last 3 years and in order to best serve the Council's interests there will be a requirement to provide potentially significant resourcing to support implementation and delivery of this programme. In this context Council agreed in August 2017 to set aside up to £0.5M of Council balances for this purpose. A further Service Review report lodged in the Members Library notes the creation of 2 Project Manager – Growth Delivery posts who will be directly involved in taking the City Region Deal through to delivery.

6.3 Other – none at this time.

7 BACKGROUND PAPERS

7.1 Appendix 1 - Edinburgh and South East Scotland City Region Deal – Deal Document

7.2 Members' Library Service Report, Reference 90/18 – June 2018 Bulletin - Edinburgh and South East Scotland City Region Deal – Deal Implementation Plan; Financial Plan and Agreement

7.3 Members' Library Service Report, Reference 91/18 – June 2018 Bulletin - Edinburgh and South East Scotland City Region Deal – Food & Drink Innovation Hub, Outline Business Case

7.4 Members' Library Service Review Report, Reference 68/18 – May 2018 Bulletin – Establishment of Growth Delivery Team

7.5 Members' Library Service Report, Reference 92/18 – June 2018 Bulletin – Edinburgh and South East Scotland City Region Deal – Establishment of Joint Committee - Minute of Agreement

7.6 Edinburgh and South East Scotland City Region Deal – Governance and Project Management Arrangements - Report to East Lothian Council 31 October 2017 https://www.eastlothian.gov.uk/meetings/meeting/6062/east_lothian_council

7.7 Edinburgh and South East Scotland City Region Deal – Report to East Lothian Council 11 August 2017 (includes Heads of Terms) https://www.eastlothian.gov.uk/meetings/meeting/6061/east_lothian_council

7.8 East Lothian Council Summer Recess Arrangements – Standing Order 15.5 Members Library Report – Edinburgh and South East Scotland Region - City Deal Proposition – 19 July 2017

7.9 Edinburgh and South East Scotland City Region Deal – Report to East Lothian Council 28 June 2016 https://www.eastlothian.gov.uk/meetings/meeting/5696/east_lothian_council

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Appendix 1

ACCELERATING GROWTH

EDINBURGH AND SOUTH EAST SCOTLAND
CITY REGION DEAL

Contents

Foreword

The Edinburgh and South-East Scotland City Region Deal is a mechanism for accelerating economic and inclusive growth in the City Region.

The UK Government and Scottish Government are investing £600 million into the city region over the next 15 years. Alongside partners, comprising: the six member authorities - The City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian Councils; the city region's universities and colleges; and the private and third sectors, £1.3 billion of investment will be delivered.

Building on the Heads of Terms, signed in July 2017, this document sets out a compelling vision that builds on the city region's unique strengths to deliver a number of transformational programmes and projects across Innovation, Skills, Transport, Culture and Housing themes. Together, these interventions will deliver a step-change in inclusive growth to benefit the city region, Scotland and the United Kingdom.

Our signing of this document reaffirms our joint commitment to achieve full implementation of the Edinburgh and South-East Scotland City Region Deal together over the next 15 years.

TBC
Scottish Government

TBC
UK Government

Cllr Norman Hampshire
Depute Leader
East Lothian Council

Cllr Adam McVey
Leader
The City of Edinburgh Council

Cllr David Alexander
Co-Leader
Fife Council

Cllr David Ross
Co-Leader
Fife Council

Cllr Derek Milligan
Leader
Midlothian Council

Cllr Shona Haslam
Leader
Scottish Borders Council

Cllr Lawrence Fitzpatrick
Leader
West Lothian Council

Professor Charlie Jeffery
City Region Universities and Colleges

1 Introduction

Context

1.1 The Edinburgh and South-East Scotland City Region (the city region) comprises six local authorities and has a population of approximately 1.4 million people[1], more than a quarter of the Scottish population, and contributes approximately £36 billion per year to the Scottish and UK economies[2].

1.2 But prosperity and success is not universal across the city region: 22.4% of children are living in poverty[3]; there is a lack of mid-market and affordable housing; and too many people are unable to move on from low wage/low skill jobs. The City Region Deal will address these issues; it will accelerate growth, create new economic opportunities, and meaningful new jobs that will help to reduce inequalities.

1.3 The City Region Deal partners (the partners) comprise: The City of Edinburgh Council; East Lothian Council; Fife Council; Midlothian Council; Scottish Borders Council; West Lothian Council; the city region's universities and colleges; and the city region's business and third sectors.

1.4 In July 2017, the partners signed a Heads of Terms agreement between partners in with the UK and Scottish Governments to deliver the £1.3 billion deal from the UK and Scottish Governments. The Heads of Terms are available to download on the Accelerating Growth website.

1.5 This ambitious city region deal, identifies new and more collaborative ways that partners will work with UK Government and Scottish Governments to deliver transformational change to the city regional economy. The Governments will jointly invest £600 million over the next 15 years and regional partners committed to adding in excess of £700 million, overall representing a deal worth £1.3bn. A summary of the Deal of shown in Table 1:

[1] National Records for Scotland, 2017mid-year population estimates.
[2] ONS (2015)
[3] End Child Poverty, 2018

Table 1: Edinburgh and South-East Scotland City Region Deal Financial Summary

Theme	Government contribution (£m)	Partner contribution (£m)	Total amount (£m)
Research, Development and Innovation	£350	£441	£791
Integrated Regional Employability and Skills Programme	£25	N/A	£25
Transport	£140*	£16	£156
Culture	£20	£25	£45
Housing	£65	£248	£313
Total	£600*	£730	£1,330*

**Includes £120m for Sheriffhall roundabout to be delivered by Transport Scotland*

1.6 Through the City Region Deal, the Scottish and UK Governments and regional partners embark on a new relationship. To deliver cross-regional City Region Deal projects effectively in the short-term and to create future regional infrastructure in the long-term, partners are working with both Governments to enhance existing and develop new regional collaboration for strategic coordination across transport, housing and economic development.

Our Approach to Ensuring Inclusive Growth

Background

1.1 In 2015 the Scottish Government set out its Economic Strategy for achieving increased sustainable economic growth. Its two mutually supportive objectives of boosting competitiveness and tackling inequalities are underpinned by four key strategic priorities to drive economic growth – Investment, Innovation, Internationalisation and Inclusive Growth.

1.2 The introduction of Inclusive Growth as a central component of the strategy set out the case for delivering an economic agenda that drives sustainable economic growth and productivity across all of Scotland's regions, places and communities.

1.3 Partners recognise the importance of ensuring that Inclusive Growth ambitions are embedded in their plans for the city region, responding to the particular challenges faced across the city region's geography.

1.4 Work has been ongoing to develop an analytical framework which provides an evidence base, enabling partners to identify the city region's key Inclusive Growth challenges, and to propose an approach to help address these through City Region Deal activities.

1.5 This approach identifies a number of thematic interventions, and proposes a range of indicators to help track progress. It aligns with, and complements, the Inclusive Growth diagnostic under development by the Scottish Government.

Inclusive Growth Challenges Specific to the City Region

1) Slow Growth

1.12 While the city region has been experiencing growth, with a number of thriving sectors, productivity levels have slowed in recent years and there remains a stark productivity gap when compared with benchmark city regions internationally. Furthermore, there are significant regional disparities in job and outputs growth, with forecasted growth concentrated in the Edinburgh city area.

2) Regional Disparities in Job Densities

1.13 Regional disparities are also evident in job densities, ranging from 0.55 in East Lothian to 1.02 in the City of Edinburgh.[4] Strong cross-region commuting patterns result, contributing to areas of congestion and significant levels of pollution in some locations.

3) Skills Inequality and Polarisation

1.14 Clusters of disadvantage exist across the city region, with related variations in skills levels, health outcomes and earnings. The availability of highly skilled jobs varies from 55% employed in managerial, professional and technical/scientific occupations in Edinburgh to 38% in the Scottish Borders.[5] There is also evidence of a growing shortage of higher level skills, most notably in the technology sphere. Future activity in Construction, Healthcare and Tourism risks being constrained by skills shortages that have the potential to blunt the city region's competitiveness in coming years.

1.15 The variation in skills affects income levels; these are skewed towards lower and higher wages, with relatively few individuals at middle income levels. 22% of the city region's children live in low income households, with wide local inequalities, (nine of the city region's multi-member wards have poverty rates over 30%, while 11 wards have rates of 15% or less).[6]

4) Gender and Age Inequalities

1.16 Gender and age inequalities are also prevalent. On average, men across the city region earn 14% more than women, and female participation and employment rates tend to be lower too.[7]

5) Housing, Transport and Connectivity Issues

1.17 While the city region has benefitted from a number of major transport improvements including the Queensferry Crossing, Borders Railway and tram and bus network improvements, infrastructure constraints remain. These connectivity issues are impacting upon the availability of land for housing and commercial expansion. Satisfaction levels with public transport also vary widely across the city region.

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[4] Annual Population Survey (2016)
[5] Labour Force Survey (Sep 2017)
[6] End Child Poverty (2017)
[7] Annual Survey of Hours and Earnings (2017)

1.18 Average house prices in the city region are above the Scottish average, with high house price to earnings ratios in many locations. There has also been rapid growth in the cost of private rented accommodation. By 2037, a need for 140,000 new homes in the city region has been identified.

The Edinburgh and South-East Scotland City Region Deal Inclusive Growth framework

1.19 The city regional partners have identified five key thematic interventions to target the challenges laid out above, interventions that will go some way towards ensuring that the benefits of the City Region Deal investment are shared as widely as possible.

1.20 A range of performance indicators will be agreed with both Governments to measure the impact of these interventions across the deal. These will be based on the advice of Scotland's Centre for Regional Economic Growth to ensure consistency with other Deals across Scotland and will align with the new National Performance Framework. The indicators will measure the delivery of inclusive growth through the Deal, including the impact on the equality of opportunity through consideration of protected characteristics to ensure the benefits are shared by everyone in Scotland's communities.

Theme 1: Accelerating inclusive growth

1.21 The City Region Deal is focused on accelerating Inclusive Growth across the city region, driven by a significant programme of construction in the short term, and sustained over the medium and long term by ongoing investment across the city region. The Data Driven Innovation (DDI) programme of investment will be a key driver in helping to deliver a step-change in regional economic activity.

Theme 2: Removing the physical barriers to growth

1.22 Interventions to unlock current physical barriers to growth, including housing and transport connectivity are a key component of the City Region Deal. A significant programme of house building will be targeted at increasing the supply of housing, integrating the latest technologies, and helping to reduce fuel poverty across the city region. By upgrading existing transport infrastructure, the aim is to reduce journey times across the city region, opening up more job opportunities for residents and augmenting the impact of recent major investments.

Theme 3: A significant programme of construction

1.23 A significant programme of construction, funded by the City Region Deal is planned across the city region. Through an agreed approach to City Region Deal procurement, Community Benefit clauses will be used to target inclusive employment practices and other opportunities. A consistent approach will be taken to applying the principles laid out in the Scottish Government's Business Pledge. Benefits will be felt in the short, medium and long term.

Theme 4: Targeted employability and skills interventions

1.24 A programme of integrated and targeted employability and skills interventions will be directed at widening access, addressing skills shortages and gaps, and delivering improvements to boost the flow of individuals from disadvantaged groups into good career opportunities. Impacts will be felt over the short, medium and long term.

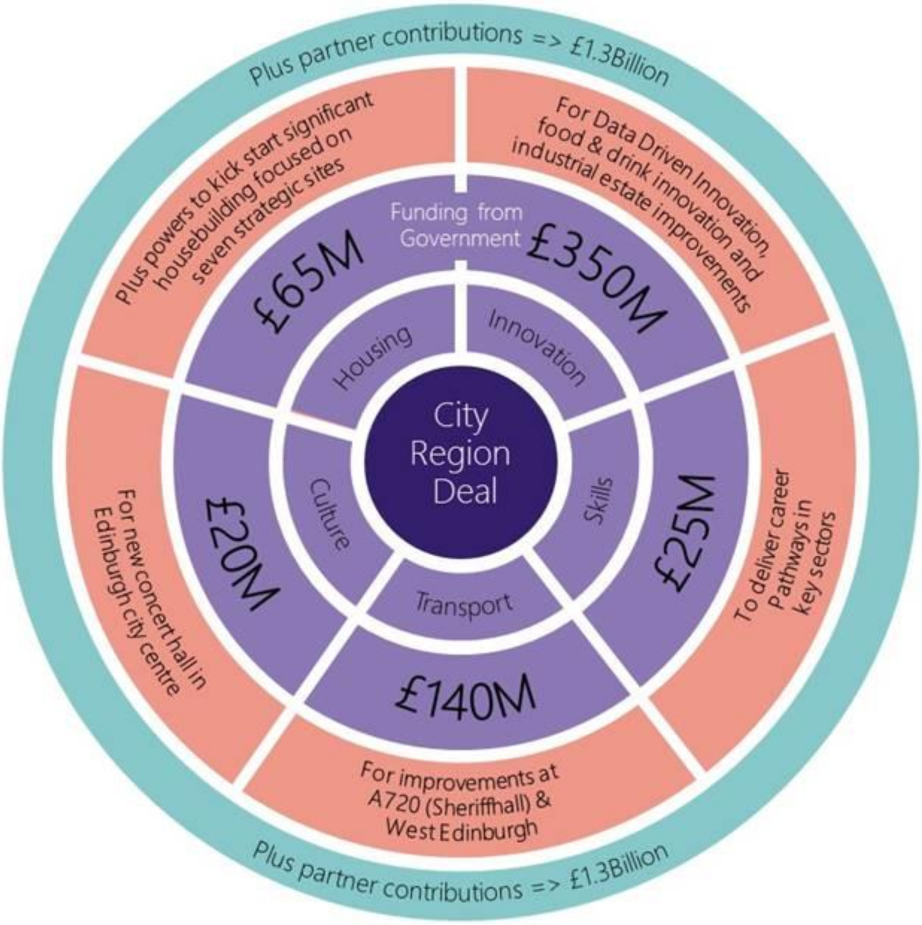
Theme 5: Social benefit through innovation

1.25 Recognising the potential presented by a significant investment in DDI, opportunities to drive out challenged-based social benefit across the city region, over the medium and long term, will be explored.

2 Key Elements of the Deal

2.1 The five themes of the Deal are summarised in Figure 1:

Figure 1: The Edinburgh and South Scotland City Region Deal



Research, Development and Innovation

2.2 Over 15 years, the UK and Scottish Governments will commit £350m to support the development of a number of initiatives in the innovation theme.

Five Data-Driven Innovation (DDI) Research, Development and Innovation (RD&I) sectoral hubs

2.3 The Edinburgh and South East Scotland Science and Innovation Audit (SIA) detailed how the ability to collect, store and analyse data from an array of diverse sources will become increasingly important in driving economic growth, social change and public services. By harnessing this challenge the aim of the Data-Driven Innovation (DDI) Programme is to establish the city region as the Data Capital of Europe. To achieve this, the DDI Programme will enhance the data capability of the region across key industry sectors through five areas of activity:

- **Talent**: by meeting data skills demands through a range of new undergraduate, post graduate and professional development programmes;

- **Research**: through expanding the City Region's leading DDI research activities to meet industry and other sectors future data needs;
- **Adoption**: by increasing the practical use and adoption of DDI by the public, private and third sectors;
- **Data**: by providing the secure data storage, analytical capacity and data accessibility to underpin all DDI Programme activities; and,
- **Entrepreneurship**: by enabling entrepreneurs to develop new fast growth DDI-based businesses.

2.4 The DDI Programme will be delivered through a network of five DDI Innovation Hubs - Bayes Centre, National Robotarium, Edinburgh Futures Institute (EFI), Usher Institute, and Easter Bush. These hubs will draw upon the World Class Data Infrastructure (WCDI) project to provide the required underpinning data capability, computing and data storage infrastructure.

2.5 The UK Government and the Scottish Government have together committed, subject to business cases, an indicative amount of up to £270 million to support the development of the DDI Programme. This will be matched by up to £391 million capital investment from the universities and other sources.

The Bayes Centre

2.6 The Bayes Centre, powered by the proposed investment in World Class Data Infrastructure (WCDI), provides the focal point for all the other DDI programme initiatives in the city region. The Bayes Centre will assemble up to 600 world-leading applied data science researchers, talented students and staff from organisations across the public, private and third sectors into one facility. It will do this by providing commercial collaboration space - and robotics "Living Lab" testing facilities - for use by industry, and by drawing together the University of Edinburgh Schools of Informatics, Mathematics, and Design together with the Alan Turing Institute, the Data Lab and the Edinburgh Parallel Computing Centre.

The National Robotarium

2.7 The National Robotarium will provide state of the art facilities to co-locate researchers, R&D engineers, entrepreneurs and educators to deliver the UK's leading international centre for the generation of new smart robotics companies. The activities proposed build on the established partnership with University of Edinburgh through the Edinburgh Centre for Robotics. The National Robotarium, through its Living Laboratories and engagement mechanisms, will enable subject matter experts to understand the needs of major companies. It will bring together the capabilities of the Centre for Innovative Manufacturing of Laser based production processes, coupled with the researchers in robotics and autonomous systems, linking with the UK High Value Manufacturing Catapult's Manufacturing Technology Centre and Centre for Process Innovation, to engage directly with industry, for the benefit of the local and national economy.

2.8 The National Robotarium will be co-located on the Heriot-Watt University campus, having access to the resources of both Heriot-Watt and the University of Edinburgh. It will offer access to leading-edge applied research in autonomous systems, sensor technologies, and existing micro-assembly equipment.

The Edinburgh Futures Institute

2.9 The Edinburgh Futures Institute (EFI) will be a global centre for multi-disciplinary, challenge-based DDI research, teaching and societal impact. The world is experiencing major changes including climate volatility, political discontent, economic upheaval and technological change. EFI will bring different ways of thinking about these and other global issues, and of devising new solutions. EFI will provide thought-leadership in cultural, ethical, managerial, political, social and technological DDI issues, and help to transform the application, governance and exploitation of data. It will do this by bringing together a range of academic disciplines, together with third party organisations, across financial services, cultural industries and the public sector that are dealing directly with these challenges.

The Usher Institute

2.10 The overall objective of the Usher Institute is, through the application of data science, to develop innovative and financially sustainable models of health and social care that improve lives. The Usher Institute, located at Edinburgh BioQuarter, will become a world-leading hub where up to 600 health and social care researchers and scientists will collaborate with colleagues from public, private and third sectors organisations to deliver data-driven advances. The Usher Institute will drive health and social care innovation at scale by integrating the activities of: clinicians, life scientists and data scientists to identify new, co-produced insights in identified areas of challenge; and industry and public sector organisations to extract, apply and commercially exploit expert knowledge.

2.11 The Usher Institute will draw on Scotland's mature and world-leading health data assets, and well-established governance and data-sharing protocols developed in partnership with the National Health Service and the Scottish Government.

Easter Bush

2.12 An efficient agricultural sector is critical to social well-being and, by 2050, global agricultural production will need to increase by 50% to feed a growing global population. By applying data technologies that enable farmers and related industries to improve food production, digital agriculture (Agritech) will be critical to increasing global food supply.

2.13 The project will seek to leverage existing world-class research institutes and commercialisation facilities in order that Easter Bush becomes a global location of Agritech excellence. It will do this through the deployment of a campus-wide network that will generate and collate, in real time, a multitude of local and global data, (e.g. animal genetics, food species genetics, soil condition, weather and market drivers). It will also work with commercial collaboration partners to use this information to realise the potential of having the right food species, and the right products, in the right field at the right time to maximise agricultural productivity. In addition, by improving on-site infrastructure and local road network, commercial partners will be able to co-locate at scale to commercially exploit Agritech breakthroughs.

Data infrastructure and analysis technology

2.14 The World Class Data Infrastructure (WCDI) project will provide the enabling data infrastructure platform for the wider DDI Programme. The DDI Programme requires an extremely powerful, high capacity and flexible infrastructure, capable of responsive delivery of an expanding range of complex and bespoke data and analytical services. By leveraging prior investments in the Edinburgh Parallel Computing Centre (EPCC), and specifically its Advanced Computing Facility (ACF), WCDI represents a practical, flexible and cost-effective approach to the delivery of the diverse technological requirements of the DDI Programme.

Food and Drink Innovation Campus

2.15 The Food & Drink Innovation Campus will be located at Craighall, by Musselburgh, East Lothian, on land next to the Queen Margaret University campus.

2.16 The Food & Drink Innovation project will deliver a flexible innovation space that will be directly adjacent to, and supported by Queen Margaret University – a university that is leading on international research in Dietetics, Nutrition and Biological Sciences. The innovation space will be set within a significant new wider business development space that will also be unlocked through the project.

2.17 This new state-of-the-art innovation facility for the food and drink sector in Scotland will drive company growth, supporting and developing existing and creating sustainable new businesses to access a global market for healthy and functional food. The development will allow the Queen Margaret University, along with businesses, to form and grow a business sector that will harness the potential of translational medicine in food and drink. This will in turn support the diversification of the Food and Drink industry towards preventative, therapeutic and rehabilitative applications of expertise in genomics of disease, biomarkers and bioinformatics. It will help close the existing innovation gap within the Food & Drink sector.

2.18 The proposal will be part of an integrated multi-agency regional employability and skills "escalator", which will help people facing labour market exclusion into entry level employment; put in place in-work up-skilling incentives at scale; and support a pipeline of indigenous and global talent ensuring that the growing demand for high level graduate skills that the industry sector requires is met.

A Programme of Investment in Economic Infrastructure

2.19 This programme, worth £74 million will ensure that businesses and communities across the city region are fully able to engage in the data-driven innovation opportunities, including industrial and business premises, to ensure maximum impact from the innovation investment. Working closely with the region's universities, the local authorities and their local business forum/economy partnership will also develop new approaches to stimulating innovation activity. This will be achieved through a range of innovation activities with a focus on digital technologies and data and the circular, low carbon economy. The ambition is to have more innovation-active businesses in Fife and Scottish Borders, i.e. businesses that are engaged in all forms of innovation. In the medium term, the ambition is to increase business investment in formal innovation such as research and development. This will deliver improved productivity and higher value jobs for the local authority areas and the city region. In the longer-term, businesses could sustain and improve their economic performance through increasing the value they generate from their data by adopting digital technologies - to create new products, new supply chain arrangements, new business models, individually and through collaboration - thereby creating/safeguarding jobs and turnover. The aim is to create long term investment programme in Fife and Scottish Borders that can be replicated elsewhere in the city region through other economic development and investment projects.

Fife Industrial Estates Regeneration

2.20 The programme will deliver a major investment programme in infrastructure and modern business premises to support economic development in Fife. Such investment will increase the supply of serviced employment land and new industrial, office and business space in Fife. Innovation is being defined as “doing things in new, hopefully better, ways” that ultimately leads to a transformational change in business performance and local economy mix and strength. In the longer-term, Fife businesses could sustain and improve their economic performance through increasing the value they generate from their data by adopting digital technologies, to create new products, new supply chain arrangements, new business models, individually and through collaboration, thereby creating and safeguarding jobs and turnover. The aim is to create long term investment programme in Fife that can be replicated elsewhere in the city region through other economic development and investment projects.

Tweedbank Innovation Park

2.21 The Central Borders Innovation Park, situated next to the Borders Railway terminus at Tweedbank, will deliver much-needed high quality business space to the Scottish Borders. Costing £25 million, the project will stimulate business growth and associated job creation, enhancing the area’s inward investment offer, particularly to high-value sectors, as well as assisting existing businesses to improve their competitiveness. It will also help to address inequalities in the area through providing access to better quality, higher paid jobs.

Integrated Regional Employability and Skills (IRES) Programme

2.22 Since the economic recession in 2008 the Scottish economy has been steadily improving. Average unemployment across the city region's is currently low, however this masks some important factors - there is still some evidence of persistent worklessness, unemployment, and poverty for some of our communities and vulnerable citizens.

2.23 Key inclusion challenges in the city region, outlined in Section 1, are evident: Slow growth; regional disparity in job density; skills inequality and polarisation; gender and age inequalities; low income and low pay; and housing, transport and connectivity.

2.24 The Integrated Regional Employability and Skills (IRES) Programme and its underpinning private, public, and third sector partnership is a key way in which partners intend to embed Inclusive Growth practices in the city regional labour market and evolving policy and practice to:

- increase the visibility and unlock access to good opportunities for all the city region's citizens;
- open up new talent pools to business and stimulate increased recruitment from under-represented groups into the good jobs and careers being generated in the region;
- evolve, streamline, and integrate employability and skills services to ensure citizens are equipped with the skills they need to succeed throughout their working life;
- put in place complementary supports to help people mitigate any barriers they may have in achieving their potential and ensuring that these supports are part of an integrated person-centred approach;
- develop the collective knowledge, organisational cultures, networks, policies and practices that are essential to accelerating progress to an inclusive, innovative and future-proofed regional economy; and
- maximise the impact of employability and skills investments by public, private, and third sector partners and fully harness the potential of City Region Deal to stimulate a step change in performance.

2.25 The IRES model and programme has been developed by using the extensive expertise and knowledge of the city regional partners to create a development structure, programme and set of mutually supporting projects that not only add value to current services and interventions, but also creates the conditions to incrementally improve the inclusive growth impact of our collective investment in the city region's labour market.

2.26 The model is based on the "Plan-Do-Review-Revise" improvement cycle[8] with a focus on five Pillars that are judged as critical to creating a more inclusive and impactful regional employability and skills services as part of a "whole person", "whole system" and sustained impact approach to thinking about services.

2.27 The Scottish Government has committed to investing £25m to support the change activity supported through the IRES Programme. This will be augmented by partner resources, and be integrated with existing funding streams. The IRES Programme Business case provides more detail on the proposed change activities and the steps to success, but a synopsis is set out below:

Pillar 1: Regional Leadership and Improvement Capacity

2.28 The barriers and obstacles that disadvantaged sections of society face in accessing and progressing in employment are complex and typically cut across disciplines and stakeholders.

2.29 This multiplicity of stakeholder involvement, although important for stimulating innovative solutions to our challenges, can also lead to service misalignment and an opaque service offer (for beneficiaries and service professionals alike) that creates barriers and inertia in the pipeline of support and an increased likelihood of poor outcomes for the most vulnerable in society.

2.30 Therefore, a critical part of making progress towards an inclusive labour market will be the creation of the right leadership and collaboration environment to stimulate whole system thinking and a shared commitment to improving the quality and quantity of collective outcomes.

2.31 The IRES Board and supporting development structure that is being put in place to support collaboration and the delivery of project activity is outlined in the City Region Deal Governance Framework (Section 3 of this document) and the IRES Programme Business Case.

Pillar 2: Understanding of Labour Market Need and Opportunity

2.32 The collective visibility, understanding, and active response to regional labour market dynamics, service impact, and new innovative approaches is vital to the creation of a citizen-centred, demand-led and integrated approach.

2.33 Therefore, developing our collective capacity to understand and disseminate the opportunities and challenges for the city regional labour market along a greater understanding of inclusive growth impact of our interventions will be important for driving progress towards our long-term goals.

2.34 In this initial phase the partnership is focusing on two Projects:

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[8] Social Work Inspection Agency: Guide to Managing and Improving Performance: Taking a closer look at managing and improving performance in social work services

Integrated Knowledge Systems

2.35 This project will aim to better align and integrate partner performance management systems and digital services to enable the more effective pooling, analysis, and dissemination of performance information that will be critical to driving service improvement, increased responsiveness, and the creation of an integrated person-centred approach.

Labour Market Analysis and Evaluation

2.36 This project will create a cross-partner virtual team to undertake research and evaluation support for the IRES programme. It will draw on existing partner expertise to provide insights on the success of our activities, expose obstacles or ineffective approaches, and identify best practice from elsewhere that could be adopted or tested as part of a culture of continuous improvement.

Pillar 3: Building Strong Employer and Citizen Relationships

2.37 Businesses and citizens are the engine of the economy and the primary beneficiaries of our employability and skills system.

2.38 Therefore, strengthening our (bilateral) relationships with employers and citizens to; enhance our collective knowledge of opportunities and blockers to success, tackle misconceptions and promote culture change within stakeholders, and ensuring that we work with people not "do unto them" in the journey to success will be important for setting and adjusting our strategic and tactical direction.

2.39 In this initial phase the partnership is focusing on two Projects:

Integrated Employer Engagement

2.40 This project work will clarify, co-ordinate and improve the employability and skills service offer to employers. The partners will establish a "No Wrong Door" approach that will create designated points of contact to manage individual employer relationships that will allow us to; tailor and route our combined service offer, pool and match the opportunities that are generated, reduce double handling, and so strengthen individual relationships. To complement this, the partners will also develop a regional approach to "Community Benefits from Procurement" to ensure that the significant expenditure of the partners fully exploits any opportunity to drive inclusive growth. This project stream will also work on developing our network of Recruitment and Skills Centres to act as a tangible interface between the partners and business particularly in geographic or sectoral high demand areas.

Intensive Family Support Service

2.41 Developing a multi-agency family focused service that targets very small areas of intense need for a rolling series of inter-connected interventions that aim to counteract helplessness, dependency, and low aspirations. The service will offer a combination of intensive general and specialist supports tailored to help support individuals within families to progress towards their own goals, as well as developing "whole family" activities that build a support network and improve the family dynamic and ability to provide effective support for each other.

Pillar 4: Targeted Skills Development

2.42 Supporting all sections of society to acquire the knowledge and skills and secure the complementary supports they need (throughout their working lives) to develop and progress will be critical to maximising the talents of our citizens and unlocking the full potential of our economy.

2.43 Therefore, developing integrated and universally well-understood career pathways (i.e. academic, blended, and vocational) for our key industries, that are interlocked with other enabler services (e.g. Health, Care, and, Financial) will be important to allowing the talents of all our citizens to blossom.

2.44 In this initial phase the partnership is focusing on developing, testing, and mainstreaming integrated career pipelines for two industrial sectors critical to the regional economy and maximising the impact of wider City Region Deal investment in Innovation, Housing, Transport and Culture. These Projects are:

DEC (Design, Engineer, Construct) Targeted Skills Gateway

2.45 The DEC Gateway will bring together industry, universities, colleges, schools and other partners to provide an integrated (visible) progression routes into Construction and Low Carbon careers encompassing basic/key skills in schools through to advanced postgraduate training and research role in business that help drive high value growth. It will create and deliver employability, skills attainment, upskilling and career progression and inclusion support activities to enhance productivity, competitiveness and support innovations currently gaining momentum in the sector. This will help address the skills shortages in the sector and open up new opportunities to non-traditional groups of people into the construction sector helping to increase the diversity of the sector.

DDI (Data Driven Innovation) Targeted Skills Gateway

2.46 The DDI Gateway will bring together industry, universities, colleges, schools and other partners to provide integrated and visible progression routes into DDI careers encompassing basic/key skills in schools (Digital Citizens who interact with public and private digital services) through to advanced postgraduate training and research (Digital Business Leaders driving the development of global digital businesses) that help drive high value growth. It will also help develop the data science curriculum and CPD for employability and learning professionals along with integrating skills development and progression opportunities for individuals who can be locked out of the industry helping to address inclusion challenges within the industry.

Pillar 5: Active Opportunity Matching

2.47 Given the inclusion challenge faced there must be a more active approach to supporting disadvantaged individuals' access and succeed in work or enterprise.

2.48 Therefore, it will be important that we make the best use of relationships, business start-up and career services, digital technologies, active travel and childcare services to ensure personal circumstances or geography is not a barrier to progression.

Workforce Mobility

2.49 This project focuses on the blockers to the full mobility of the regional workforce beyond individual personal skills and capabilities. The initial area of weakness being examined is the role of travel in supporting vulnerable or disengaged members of our workforce to move into and sustain good learning or work opportunities, while also opening up new talent pools for employers. There are several transport subsidy schemes that young people, job seekers, and new (vulnerable) job entrant can access to help sustain work, but these schemes are not joined up and can have considerable restrictions in their use. Also in rural areas the level of demand may mean that travel options are limited. The project will therefore explore the potential of the National Entitlement Card to be the mechanism for a single concessionary travel offer, examine how the existing combined travel support offer can be used to maximise the positive impact on disadvantaged groups seeking work or learning, and finally how we can work with transport colleagues to identify opportunities to create active travel options to that widen the range of transport options for disadvantaged jobseekers and learners.

Transport

2.50 This deal will deliver major investments to ensure that Scotland's capital and its region is served by world class transport infrastructure.

2.51 Partners will put in place a Regional Developer Contributions framework based on the work currently being led by SESplan (the strategic development planning authority for Edinburgh and South-East Scotland) and findings of the cross-boundary study, published in 2017. These interventions and commitments, taken with the additional transport investment to enable the innovation and housing projects, will help ensure the city region continues to grow and flourish.

2.52 The Scottish Government is committed to investing £140m on strategic transport improvements as part of the City Region deal. This specifically includes up to £120m to support improvements to the A720 City Bypass for the grade separation of Sheriffhall Roundabout and £20m investment to support public transport infrastructure improvements identified by the West Edinburgh Transport Appraisal.

2.53 Partners will also contribute towards the improvements in West Edinburgh. The vision for West Edinburgh, as identified by Scottish Government's National Planning Policy (NFP3), can only be delivered through the investment in a strategic package of transportation improvements. These improvements include a core package of A8/A89 sustainable transportation measures that provide long term resilience and support strong connectivity between neighbouring authorities, and importantly enable the supply of the increased labour supply demands required, to deliver the full economic potential of West Edinburgh; current infrastructure constrains any such economic growth.

2.54 Transport Scotland will manage and deliver the upgrade of Sheriffhall Roundabout. The preferred option is a grade separated junction which separates local traffic from the strategic traffic on the A720 (city bypass) and when complete will allow the traffic on the bypass to flow freely, improving road safety and journey times for all road users, bringing improved economic benefits and inclusion across Edinburgh and South-East Scotland. It will improve accessibility for all modes of transport including walking and cycling. Transport Scotland will provide updates on progress to the Transport Appraisal Board, as well as the Executive Board and Joint Committee as and when appropriate.

2.55 An Edinburgh and South-East Scotland City Region Transport Appraisal Board (TAB), comprising the six local authorities representing the city region deal, SESTRAN and Transport Scotland will be formed to help shape transport policy, strategy and priorities across the city region. The TAB will take a specific role in representing the city region's interests through the reviews of the National Transport Strategy and the second Strategic Transport Projects Review. This group will also provide a channel for involvement in the development and delivery of the improvements to Sheriffhall Roundabout, building upon the already established stakeholder engagement being led by the design team in Transport Scotland, to ensure that benefits are maximised, particularly around community benefits and opportunities for skills development.

2.56 The TAB will report to the Transport Board which will work closely with the city regional Housing Board and with Government to influence and formalise any future regional partnership working which may emanate from the moves to a Regional Economic Partnerships as well as regional land use planning, depending on the outcomes of parliaments current consideration of the Planning Bill.,

Culture

2.57 Scotland's capital city has a world-class cultural offer which is vital in attracting around four million visitors a year into the city core who inject £1.3 billion to the city region's economy.

IMPACT

2.58 The Scottish Government and UK Government will provide up to £10 million each (up to a maximum of £20 million), and the City of Edinburgh Council will provide £5 million of capital funding to support the delivery of the new IMPACT Centre, a concert hall and performance venue, that will reinforce Edinburgh's position as a pre-eminent Festival City.

2.59 The IMPACT Centre will be immediately adjacent to a historic building on St Andrew Square in the heart of Edinburgh and will provide a new home for the Scottish Chamber Orchestra, the only Edinburgh-based National Performing Arts Company. It will house a 1,000-seat auditorium and studio facilities to enable rehearsal, recital and recording space, as well as enabling community outreach and education, conferences and multi-art-form use. The site will be enhanced by the provision of a restaurant, cafe and bar facilities.

2.60 The new world-class performing arts venue will deliver £35 million private sector investment and make a significant contribution to the ongoing success of Edinburgh's cultural offer.

Housing

2.61 The Deal reflects the joint commitment of city region partners and the Scottish Government to deliver the regional housing programme, transforming regional housing supply and driving economic and inclusive growth across Scotland.

2.62 The regional housing programme aims to accelerate the delivery of affordable housing and housing across all tenures, enable the development of seven major strategic housing sites and drive efficiencies across the public sector estate.

2.63 Collaboratively regional partners and Government will work together on:

- **An expanded affordable housing programme** that builds on the committed additional £125 million between 2018/19-2020/21, with a commitment to maximise certainty over future public funding levels for the regional housing programme.
- Developing **risk-sharing guarantees** on a site-by-site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across strategic sites, starting with Winchburgh in 2018, where West Lothian Council have agreed guarantees for up to £150m of infrastructure investment with the Scottish Government. These will be repaid by developer contributions as set out in a complementary tripartite agreement between West Lothian Council, Winchburgh Developments Limited and the Scottish Government.
- **Seven strategic sites** have been identified in SESplan as key areas of change and growth (Blindwells, Calderwood, Dunfermline, Edinburgh's Waterfront, Shawfair, Tweedbank and Winchburgh). Business cases will be developed within the 15-year period of the Deal, of which Winchburgh is likely to be the first. Taken together these sites will deliver over 41,000 new homes, create 7,800 jobs and contribute over £10 billion to the wider economy. The Scottish Government and city region commit to work together on each of these strategic housing sites recognising the long-term nature of these proposals with most new homes being delivered over a 15-year period. To support this, the Scottish Government will commit at least £50 million. City Region partners will explore, with the Scottish Government, innovative solutions to stimulate creative ideas, fresh thinking and innovation in the provision of affordable housing. This collaboration will consider the evolving financial landscape with the Scottish Government's proposals to establish the Building Scotland Fund and Scottish National Investment Bank.

- **An increased supply of good quality low cost market rent housing** across the region. This is an essential requirement for meeting the housing needs of key workers and those on low to middle incomes who cannot access home ownership and are not a priority for social rent.
  The Scottish Government will provide a funding package comprised of a one-off £16.1 million capital grant and consent for the City of Edinburgh Council to on-lend up to £248 million to establish a new housing company with Scottish Futures Trust (SFT) to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels.
  The City of Edinburgh Council and SFT will continue to share learning and financial models with city region partners, to explore regional delivery models.

- City region partners will work jointly with both Governments to **maximise the potential contribution of public sector land and property** in the region to help unlock further new housing and wider public policy objectives.
  Drawing on the approach taken with many other City Deals across the UK, the Edinburgh Partnership (Edinburgh's Community Planning Partnership) is in the process of establishing an Edinburgh Land Commission, chaired by the Council's Chief Executive.
  Once working effectively at a city scale, regional partners will be invited to become members of a regional land commission.
- **More Jobs, training and apprenticeships as well as opportunities for regional construction related SMEs.** The city region housing partnership will align with the Integrated Regional Employability and Skills (IRES) Programme and specifically to the Housing and Construction Skills Gateway (DEC Gateway) to meet existing and future skills requirements in the construction and housebuilding sectors. This will deliver more jobs, training and apprenticeships, as well as opportunities for regional construction related SMEs.
  Community benefits from regional housing investment will be maximised to ensure sustainable jobs and economic growth is created for local communities. Regional housing partners will support IRES colleagues to work towards developing a consistent all partner approach to community benefits
- The **Edinburgh and South-East Scotland City Regional Housing Board** will provide robust governance and strategic oversight over the regional housing programme and ensure the effective delivery of the city region deal housing projects. The Board will implement future change and work with Government to influence and formalise any future regional partnership working as this emerges through the enterprise and skills review, planning bill and following the future implementation of the new planning act.

3 Governance Framework

Context

3.1 This document sets out effective and accountable governance arrangements for the Edinburgh and South-East of Scotland City Region. The Governance arrangements enable decisions to be taken in an open and transparent way in one place for the whole of the city region.

Overarching Principles

Driving Inclusive Growth for Edinburgh and South-East Scotland

3.2 The city region's partners recognise that delivering the twin ambitions of innovation and inclusive growth through the City Region Deal requires alignment between local, regional and national ambitions, policies and resources. The governance arrangements outlined in this document empower local authorities to:

- operate strategically with their partners to fully realise the economic potential of the city region;
- respond to issues critical to the economic health and wellbeing of the city region;
- unlock economic assets; and
- decide on the alignment of resources in projects and programmes with the greatest economic potential for the city region.

Financial Diligence

3.3 Throughout all the strands of the City Region Deal, partners and the City of Edinburgh Council as the lead authority shall be bound by the key principles of personal responsibility for the propriety and regularity of the finances under their stewardship and for the economic, efficient and effective use of all related resources. Risk management and assurance best practice shall be integral to this and respect the diverse nature of the City Region Deal programme.

Partnership with Private and Third Sectors

3.4 The voices of the private and third sectors are integral to the city region's governance arrangements. The governance model combines the best of private sector commerciality and expertise with public sector capacity, transparency and accountability. The city region has strong private and third sectors that will underpin the city regional governance arrangements. Harnessing their understanding of regional strengths and opportunities is critical to the city region's success. The business and third sector voices will help to realise the partners' ambitions to develop a bespoke regional economic plan to create an environment for economic growth and to tackle barriers to efficiency and inclusive growth.

Community Engagement

3.5 Throughout the process, engagement will take place with communities on projects and programmes. This will occur through the existing statutory and informal community engagement structures, such as community planning, planning consultations and local authority budget engagement processes.

Working with Government/Agencies to Deliver a Strong Regional Partnership

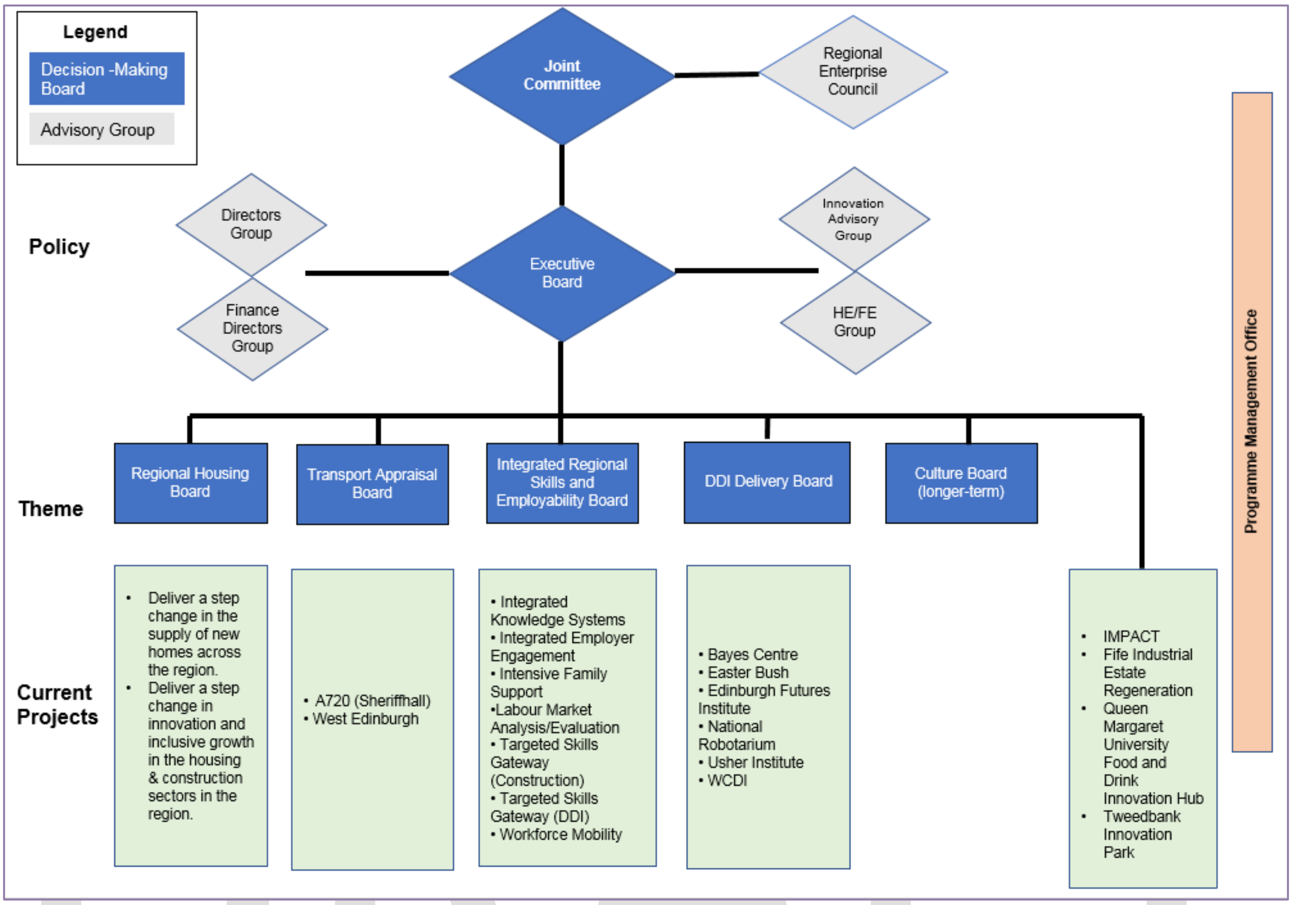
3.6 From the outset of the City Region Deal process, partners have taken a holistic approach to the development of the city region's economy, by focusing on investment in projects that support a step change in the performance of the city region, and that spread the benefits of growth more evenly within and across the communities in the city region. This collaboration builds on and helps to deliver the statutory regional governance in transport and land use.

3.7 Through the City Region Deal, the Scottish and UK Governments and regional partners embark on a new relationship. The first phase is underpinned by the activities set out in the City Region Deal. However, future phases will involve regional partners continuing to work together on exploring opportunities for transferring further powers, policy resources and levers while also strengthening the city region's governance and capacity to deliver and to meet the clear policy expectations set out in the Scottish Government's Enterprise and Skills Review. Regional partners agree that ensuring sufficient scale and quality of governance to manage financial and policy risks will be key to effective regional devolution. The governance arrangements will operate in a way that best delivers inclusive growth and accountability, underpinned by participation of the city region's key private, public and third sector interests.

Governance Structure

3.8 A summary diagram of the City Region Deal governance structure is shown in Figure 1. It comprises decision-making boards, advisory groups, and project groups. The Annex summarises the Terms of Reference for the Decision-Making boards and Advisory Groups. Terms of Reference for Project Groups sit within the Management Case of each Business Case. The structure will be reviewed, to determine its continuing relevance by the Edinburgh Joint Committee on an annual basis, as part of the Annual Report (see section 3.21).

Figure 2: Edinburgh and South-East Scotland City Region Deal Governance Structure



Standing Orders, Delegated Authority and Terms of Reference

3.9 Standing Orders will be agreed by the Joint Committee and will include details on the nature and extent of delegated authority, including tolerances on spend to other Decision-Making Boards. The Terms of Reference for the Decision-Making Boards and Advisory Groups are summarised in the Annex. They provide for appropriate government/agency engagement and representation. Each group will have the ability to co-opt additional members if required.

3.10 Project Groups and Delivery teams sit beneath the thematic Boards. Each project team will have its own terms of reference, and a core of full time members of staff, supplemented by PMO resources where required. Best practice project management processes will be adopted.

Resourcing

3.11 Each Decision-Making Board, Advisory Group and Project Group will be responsible for its own administration. Initially, the PMO will be responsible for the administration of the Joint Committee, Regional Enterprise Council, Executive Board and Directors Groups. The PMO will be reviewed by the Executive Board quarterly as part of risk reporting, to ensure that it is suitably resourced to meet the demands of delivering the Deal for the forthcoming period.

Decision-Making/Change Process

3.12 The city regional partners are committed to putting in place robust decision-making and financial management processes to ensure that public money is being spent responsibly and is accounted for. All decisions will be publicly available.

Consensus

3.13 Each decision-making board will have its own respective arrangements for achieving consensus. The Joint Committee will be the ultimate decision-making body for all City Region Deal activity.

Change

3.14 Major change decisions will be escalated from project level to thematic board level, or, when required, to the Executive Board for discussion and recommendations. Examples of major changes may relate to cost, scope and time, for example:

- project/parts of project costs rise significantly (beyond acceptable tolerances as detailed through standing orders) since business case approval, and partners are unable to meet the funding gap;
- there is project underspend, leaving an opportunity to enhance the scope or consider new projects;
- project is no longer considered viable or value for money since business case approval.
- external factors trigger changes in the investment priorities for the city region.

Role of Members/Accountability

3.15 Irrespective of their background or geography, it is the duty of all Board members to act in the best interests of the Edinburgh and South-East of Scotland City Region. All private and third sector members act in their individual capacity and not as a representative of their organisation.

3.16 All members are expected to comply with the code of conducts of their respective organisations and the values and aspirations of the city regional partnership.

3.17 Government representatives will attend in observer/advisory capacity and are not bound by the requirements of the Board's Members.

The Business Case Journey

3.18 Projects will be identified and implemented through a four-stage journey as shown in the box:

Stage 1 – Strategic Business Case

Once a need for change is identified, a conceptual business case is developed at thematic board level. This will be shared with Government, relevant agencies, the Regional Enterprise Council and relevant advisory groups. The Executive Board will be consulted, and the Joint Committee informed.

Stage 2 – Outline Business Case

Should the project plan be approved by the thematic board, an outline business case will be prepared with input from Government, which the thematic board will recommend to the Executive Board for approval.

Stage 3 – Full Business Case

Should the outline business case be considered viable, it will be expanded to a full business case for the thematic board and executive board to recommend to the Joint Committee for approval.

Stage 4 – Implementation, Review and Evaluation

Should the full business case be approved by the Joint Committee, formal Government approval will be sought to allow City Region Deal funds to flow to the project for its implementation. The project will then be subject to review and evaluation as is the case in all projects.

Accountable Body

3.19 The City of Edinburgh Council will act as the Accountable Body for City Region Deal finances. All grant funding from Government, will be channelled through the City of Edinburgh Council, with the exception of the Sheriffhall roundabout project.

3.20 Governance and accountability for the Winchburgh risk sharing guarantee will be in accordance with the tripartite agreement being progressed by the Scottish Government, West Lothian Council and the lead developer at Winchburgh

3.21 As the Accountable Body, the City of Edinburgh Council will have the authority to hold others to account should projects present a risk to the overall programme A grant offer letter signed between the Scottish Government and the Accountable Body will set out required terms and provisions to ensure funding is applied as expected. These terms and provisions will also be replicated in separate agreements between the Accountable Body and regional partners with any additional specific requirements necessary for the City of Edinburgh Council to fulfil its role as the Accountable Body, clearly set out. The broad terms of the deal are also set out in the Financial Agreement between the UK and Scottish Governments and the Accountable Body.

Progress Reporting, Risk, Audit and Accountability

3.22 To assess progress against the milestones set out in relevant business cases, each thematic group will produce a quarterly Risk and Performance Monitoring Report. Where risks are identified, change recommendations will be made. An overall Programme Risk Register and Performance Monitoring

Report will also be considered by the Executive Board and Joint Committee every quarter. The template for these reports will be agreed with the Governments in advance. The reports will be presented to the Governments and the Regional Enterprise Council quarterly.

3.23 To assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region, the PMO will produce an Annual Report on all City Region Deal activity. The template for the Annual Report will be agreed with Government. The reports will be presented to the Governments and the Regional Enterprise Council annually.

3.24 Measures will be taken to ensure scrutiny, and effective consultation with the business community, third sector and general public. The city regional Enterprise Council and Joint Committee will develop these measures in partnership with Government. Options may include: an annual conference/seminar(s) tackling a key priority in the city region; an annual online consultation with key stakeholders in the city region and/or the general public; regular "roadshow" consultations on key upcoming projects across the city region (linking in with the planning process).

3.25 Every five years, an independent evaluation of the City Region Deal will be undertaken to capture progress and identify priorities for the next phase of delivery. The Governments will work with the Joint Committee to set the terms of the evaluation and consider its recommendations. Both Governments reserve the right to halt funding in the event that outcomes and targets are not being met.

3.26 Given the size of the investment and the significance of it to the overall Deal, Governments and partners agree to undertake an 18-month review checkpoint with respect to the DDI programme. The objectives and format for the review will be agreed by Governments and partners and set out within the overall DDI programme business case.

Annex: Summary of Terms of References for Boards and Advisory Groups

This section summarises the Terms of Reference for the Boards and Advisory Groups within the Governance Structure at policy and programme level. At project level, other groups exist, which may have their own Terms of Reference. These are not included in this paper.

1) Programme Level

a) Edinburgh and South-East Scotland City Region Joint Committee

Membership

The Joint Committee will comprise:

- Leaders from the six local authorities
- University/college sector representative;
- Business sector representative;
- Third sector representative.
- Programme Management Office (observer/secretariat).

The Chair and Vice Chair will rotate annually.

Purpose

The purpose of the Joint Committee will be:

- To oversee the implementation of the Edinburgh and South-East Scotland City Region Deal programme, and ensuring that it is aligned towards driving innovation and achieving its inclusive growth ambitions.
- To monitor the impact of the City Region Deal Programme.
- To build and support inclusive growth focusing on the needs of the city region and strengthening the partnership between public, private and third sectors;
- To improve business involvement from the city region in regional decision making;
- To collaborate and work in partnership to assist in delivering regional planning and transport policy linking the City Region Deal to SEStran and SESplan; and
- To work in partnership on other initiatives across the city region with the explicit support of individual constituent members.

Meeting Schedule

The group will meet quarterly.

Current Status and Implementation

The Committee will be formed to approve the Deal Documentation, including the Governance Framework in June 2018.

b) Regional Enterprise Council (REC)

Purpose

The overarching purpose of the group is to provide the voice of the business and third sector to guide the implementation of the Deal. While the projects and financial arrangements have already been agreed in the Heads of Terms and City Region Deal Document, this group will support the other city region deal partners (local authorities, universities/colleges and government/public sector agencies), towards a shared ambition for achieving sustainable and inclusive economic growth for the city region. It will do this in the following ways:

- use its commercial knowledge and expertise to influence the Joint Committee and Executive Board in making spend and investment decisions that maximise benefits for the city region's economy and its people.
- engage with wider business and third sector networks across the city region to ensure that a wide range of views are captured.
- champion the City Region Deal nationally and internationally to encourage further investment opportunities.

Principles

- The group will augment, and build on, existing business forums or similar structures without superseding them. It will be the recognised regional enterprise forum with a formal role within the City Region Deal.
- Members will be appointed to the group based on their expertise and knowledge of the city region and its commercial and third sector, rather than the organisations which they represent. Individuals will be required to act in the best interests of the City Region Deal community, foregoing any interest their own organisation (if any) may have in the City Region Deal and related projects.
- Members will be responsible for ensuring that views of existing business and third sector networks are captured, and that there is no duplication between the group's activity and these networks. These responsibilities will be mapped when the group is appointed.

Governance and Decision Making

The group will not have direct decision-making power, but will make recommendations to the Joint Committee, which will be the ultimate decision-making body for city region deal activity, and to other thematic boards, which may have devolved decision-making power from the Joint Committee. To cater for this, the Chair and Vice Chair of the group will sit on the Joint Committee, and the IRES Board chair will also sit on the REC.

Membership

i) Size and Composition

The group will comprise approximately 12 individuals.

In determining membership of the group from applications received, the Joint Committee will seek to ensure an appropriate balance of membership, in terms of:

- **Geography:** each of the six local authorities in the city region will be represented by at least one business or third sector organisation with significant operations in their area.
- **Sector:** Organisations that operate in key industry areas that are relevant to the city region's economy will be represented.
- **Size:** Small, medium and large organisations will all be represented.
- **Gender, ethnicity and age** of business and third sector leaders.
- **Organisation type:** Individuals from the private and third sectors will be represented in accordance with the mix of enterprise types across the city region.

There will also be City Region Deal PMO, government/agency and higher/further education representation, to ensure links with the wider governance structure (see Figure 1). Support will be provided by the City Region Deal PMO.

The following structure is recommended, but the mix of members is subject to change depending on the nature of applications received:

Organisation	Board Members
Chair	1
Business representatives (4 SMEs and 2 large) ○ 1 Finance/Fintech ○ 1 Creative Industries ○ 1 Construction/Housing ○ 1 Food/Drink ○ 1 Manufacturing ○ 1 Tourism	6
Third Sector representatives: ○ 1 Social Enterprise ○ 1 Voluntary Organisation	2
Higher/further education representative	1
Integrated Regional Employability and Skills (IRES) Board Chair	1
Skills Development Scotland	1
Scottish Enterprise	1
Programme Management Office (Observer)	1

ii) Recruitment Process and Appointment of Chair

From summer 2018, the group will be recruited via an application process open to all businesses and third sector organisations from across the city region. The Joint Committee will approve the membership, chair and vice chair of the REC, which will be recommended through engagement with key industry bodies and regional employers. The chair and vice chair will be appointed from the business and Third Sectors, and these individuals will also sit on the Joint Committee.

It is important that the Chair is a high profile, credible and influential individual, who reflects the key components of the Deal and ambitions for the Edinburgh and South-East Scotland city region. It is recommended that the Chair be additional to the six business and two third sector representatives. The Vice-Chair should be drawn from the relevant business or third sector cohort dependent upon which field of enterprise the Chair is drawn from.
The first REC meeting is expected to take place in late 2018.

Wider Business/Third Sector Engagement

To ensure that views from across the city region's business and third sector community are captured, a wider grouping will also be developed. Members of existing business or third sector forums which operate across the city region will be invited to join the wider group. They will be encouraged to participate in consultations when required and will be kept up to date on the REC activity by email. Regular seminars on City Region Deal activity are also proposed.

Meeting Schedule

It is suggested that group will initially meet quarterly and the wider grouping meets bi-annually.

Current Status and Implementation

The group will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

c) Edinburgh and South-East Scotland City Region Executive Board

Membership

The Executive Board comprises:

- Six regional local authority chief executives;
- a representative for the city region's universities and colleges;
- six regional local authority directors with a remit for the economy (observers)
- City Region Deal Programme Management Office function (observers).
- Government colleagues will be invited to attend meetings on a quarterly basis as observers.

The Chair and Vice Chair will rotate annually, and will be aligned to the Chair and Vice Chair of the Joint Committee by geography.

Purpose

The Executive Board supports and make recommendations for the Joint Committee in the delivery of the City Region Deal Programme. It also oversees the activity of the PMO and Directors' Group and engages with the Scottish City Region Deal Delivery Board for performance monitoring as appropriate.

The purpose of the Executive Board is to:

- Support the Joint Committee in overseeing the delivery of the City Region Deal and ensuring that it is aligned towards achieving its inclusive growth ambitions;
- Engage in dialogue with Government and respond to policy, proposals and opportunities to bid for funding in support of economic growth;
- Engage with investors, businesses and advisors to secure growth opportunities;
- Develop and consult on regional economic policy, programmes and interventions designed to maximise growth in the city region;
- Provide leadership in key themes and priorities to promote sustainable economic growth;
- Lead on communications and stakeholder engagement to raise the profile, image, reputation and influence of the city region at a regional, national and international levels.

Meeting Schedule

The group will meet monthly.

Current Status and Implementation

The Board is constituted and meets monthly.

d) Edinburgh and South-East Scotland City Region Directors' Group

Membership

Membership comprises:

- Six regional local authority Directors with a remit for the economy;
- One representative for the city region's universities and colleges;
- Five thematic leads;
- The finance director of the Accountable Body (The City of Edinburgh Council) will have a standing invitation as an ex-officio member; and
- Programme Management Office function

Purpose

The Directors' Group supports the Executive Board in the delivery of the City Region Deal Programme. It oversees cross-regional strategic activities outlined in the Heads of Terms, many of which are led by groups at programme level. Priority areas currently include: the city regional Housing Programme; the Integrated Regional Employability and Skills (IRES) programme; cross-regional transport projects; and the revision of existing cross-regional governance structures across Transport, Planning, Housing and Economic Development to align with the City Region Deal. It also acts as a sounding board and provides feedback for activity that the PMO is undertaking.

The purpose of the Directors' Group is to:

- Support the Executive Board in the delivery of the City Region Deal and ensuring that it is aligned towards achieving its inclusive growth ambitions;
- Capture and communicate business requirements for changes to, and development of economic policy and commission associated appropriate interventions;
- Work collaboratively with all partners, including local authorities to address barriers to inclusive economic growth and drive efficiency;
- Bring together intelligence and expertise to identify priorities and develop solutions to maximise private sector investment in the City Region and secure sustainable and inclusive growth;
- Work to create an environment to support business growth ensuring appropriate mechanisms exist through which, as a co-ordinated voice, the private sector can inform and influence the shape and future direction of local, regional and national government policy.

The Chair and Vice Chair will rotate annually, and will be aligned with the Chair and the Vice Chair of the Joint Committee and Executive Board by geography.

Meeting Schedule

The group meets monthly, usually in the alternate fortnight from the Executive Board.

Current Status and Implementation

The group has been constituted and will evolve according to demands of the City Region Deal programme.

e) Finance Directors' Group

Membership

The group will comprise:

- Financial Directors of any organisations who are beneficiaries of City Region Deal funding; and
- Programme Management Office function.

It will be chaired by the Finance Director of the Accountable Body (The City of Edinburgh Council).

Purpose

The group will:

- Support the Executive Board and Joint Committee in overseeing the City Region Deal's finances;
- Ensure that the City Region Deal monies are spent as set out in the agreed Financial Plan;
- Ensure that financial risk, audit and assurance are carried out effectively throughout the process;
- Ensure compliance with current financial regulations and accountancy best practice; and
- Consider quarterly financial reports, and escalate any risks to the Executive Board.

Meeting Schedule

The group will meet quarterly to align with funding flows from Government, and quarterly reporting.

Current Status and Implementation

The group will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

f) Edinburgh and South-East Scotland Innovation Advisory Board

Membership

The Board will include representation from:

- Regional local authorities
- Regional HE / FE institutions
- Relevant government agencies – UK Research and Innovation and Scottish Enterprise
- Business community
- Third sector UK Government
- Scottish Government (observers)
- UK Government (observers)
- City Region Deal Programme Management Office function (observers)

Purpose

To identify opportunities to deliver innovation across the City Region Deal programmes and projects, making linkages with other groups as appropriate and providing advice and recommendations to the Executive Board as appropriate. To look to maximise the exploitation of wider innovation opportunities aligned to the development of a regional economic strategy.

NB: The role of the Innovation Advisory Board would not extend to allocation of existing City Region Deal resources or oversight of City Region Deal funded projects – in the case of the DDI Programme this would be the responsibility of the DDI Delivery Board.

The group's remit will be:

- To advise on regional innovation priorities and the further development of a regional innovation ecosystem
- To identify partnership working opportunities beyond the City Region Deal
- To seek alignment of national resources behind regional innovation priorities
- To co-ordinate innovation activity across the city region
- To engage on a regional, national and global level with businesses and agencies able to help to achieve ambitions of inclusive growth through innovation

Meeting Schedule

To be confirmed.

Current Status and Implementation

The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

g) Edinburgh and South-East Scotland City Region Higher/Further Education Group

Membership

One representative from the following regional universities and colleges attends (nominated by their respective principal):

- Borders College
- Edinburgh College
- Edinburgh Napier University
- Fife College
- Heriot Watt University
- Newbattle Abbey College
- Queen Margaret University
- University of Edinburgh
- West Lothian College
- Scotland's Rural College (SRUC)
- City Region Deal Programme Office function (observers)

Secretariat support is provided by the University of Edinburgh.

Purpose

The group's purpose is:

- To provide a formal mechanism for the engagement of universities and colleges in Edinburgh and South-East Scotland in the governance arrangements of the City Region Deal;
- To contribute to the development of the business cases and, following their approval, the delivery of commitments around innovation and skills in the City Region Deal
- To pursue other areas of shared interest

Meeting Schedule

The group meets quarterly.

Current Status and Implementation

The group has been formally constituted and will evolve according to demands of the City Region Deal programme.

2) Thematic Level

a) Edinburgh and South-East Scotland City Region Housing Board

Membership

Representatives from the following organisations will be represented:

- The City of Edinburgh Council
- East Lothian Council
- Fife Council
- Midlothian Council
- Scottish Borders Council
- West Lothian Council
- Edinburgh Napier University
- University of Edinburgh
- Scottish Enterprise
- Construction Scotland Innovation Centre
- Scottish Government Housing (observer)
- City Region Deal PMO (observer)

Purpose

The city regional Housing Board will provide robust governance and strategic oversight over the city regional housing programme, progress the statements outlined in the Heads of Terms Agreement and ensure the effective delivery of the City Region Deal projects.

At project level, the city regional Housing Partnership, made up of senior regional housing partners, will report to the Board manage and deliver the programme.

The city regional Housing Partnership aims to deliver the city regional housing programme and accelerate the delivery of affordable and low-cost market homes, enable the development of the seven major strategic housing sites, drive efficiencies across the public sector estate and increase housing land supply.

The Board will oversee the delivery of the following key outcomes:

- Accelerated delivery of seven strategic housing sites with capacity for over 40,000 homes
- Housing infrastructure delivery and funding solutions
- Land to develop a robust affordable housing pipeline
- An affordable housing programme (with a commitment to maximise certainty over future public funding levels for the regional housing programme)
- A pipeline of mid-market rent and low cost market rent homes
- Accelerated delivery through innovation and supporting regional SME growth
- Jobs, learning and progression opportunities, meeting current and future industry skills requirements
- Support the development of a consistent all partner approach to community benefits

- Strengthened relationship between public, private, and third sector stakeholders

Meeting Schedule

This group will meet bi-monthly.

Current Status and Implementation

The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

b) Edinburgh and South-East Scotland Regional Transport Appraisal Board (TAB)

Membership

The Transport Appraisal Group will comprise:

- SESTran
- Representatives from the six local authorities in the City Region Deal
- Transport Scotland
- City Region Deal PMO (observer)

Purpose

To jointly agree the approach towards delivering the transport elements of the City Region Deal Investment Programme through the consistent adoption of best practice from the Scottish Transport Appraisal Guidance and the Treasury Green Book, as appropriate. Although the Transport theme covers only two projects (A720 and West Edinburgh) the Board will also consider transport elements of other City Region Deal projects, particularly in the Housing and Innovation themes.

The TAB will build on existing best practice and consider the most relevant technical approaches including modelling tools.

The TAB will also consider:

- Strategic rationale, demand/need, objectives, evidence, costings and delivery programme and mechanisms for projects, their relationship and phasing in the overall programme, including cumulative impact.
- Approaches to the use of the proposed city region data store to establish a shared evidence base.
- The Board will seek to establish the evidence base and options for future investment in the city region's strategic transport infrastructure programme.
- The Board will also provide input as a region into other projects as appropriate; such as, the National Transport Strategy and Strategic Transport Project Review 2.

Meeting Schedule

To be confirmed.

Current Status and Implementation

Discussions on the Terms of Reference for this group are ongoing between partners, Government and Transport Scotland, so are subject to change. The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

c) Edinburgh and South-East Scotland City Region Integrated Regional Employability and Skills (IRES) Board

Membership

It is proposed that the IRES Board membership will consist of 18 individuals nominated by the organisations or groups listed below to support the delivery of the IRES Programme and other activity remitted to it.

This organisation (group) list may be adjusted at any time by the Executive Board and any changes to designated nominees must be made in writing to the chair, who will maintain a list of current board nominees.

Organisation or Stakeholder Group	Board Members
Chair of the Board (nominated by Executive Board)	1
One representative from each Local Authority Partner (also provides a link to the School Improvement Collaboratives)	6
Scottish Government, Fair Work Directorate	1
Scottish Funding Council	1
Department for Work and Pensions	1
Skills Development Scotland	1
NHS representative	1
Developing the Young Workforce (nominated by the 4 DYW Regional Boards)	1
Higher Education Universities (nominated by HE/FE Roundtable)	1
Further Education Colleges (nominated by HE/FE Roundtable)	1
Business Representation (nomination by Business Leadership Council)	1
Third Sector Representation (nominated by Third sector Interface Group)	1
Lay member (selected for their knowledge and expertise in this area)	1

The Board Chair will be nominated by the Executive Board and the Vice Chair will be drawn from the IRES board members. It is expected that each nominated member will have the ability (within the relevant legal, CRD or organisational governance obligations) to commit their organisation to collective decisions.

Each member of the Board has equal status and the principle of "one member-one vote" (made in person at the meeting) will apply. Whilst the Board will endeavour to work through issues and differing points of view to achieve a consensus on any decisions, where this is not immediately possible, option exists to either defer decision to a future Board meeting or escalate to the Executive Board to resolve.

To be quorate at least nine Board members must be present at the meeting and members will declare any pecuniary or non-pecuniary interest they may have on the agenda items being considered.

The support and secretariat to the board will be provided by the PMO and will have officers in attendance, but only in an advisory and support (non-voting) capacity.

Purpose

The IRES Board will be the forum where all strategic and operational decisions relating to the City Region Deal IRES Programme or other responsibilities remitted to the Board, are made.

To increase responsiveness and shorten decision lines the board will have devolved responsibility for developing a Programme Business Case to set out the direction and operational shape of the programme. Following approval of the Programme Business Case by Scottish Government, the IRES Board will be able to commit IRES programme funds, and oversee progress towards intermediate milestones and long-term ambitions.

This devolved responsibility will be exercised within the parameters of the standing orders, assurance protocols, or priorities set by the Joint Committee or Executive Board and relevant business case(s).

It is proposed that responsibilities of the board will include:

Collaboration

- Stimulating active collaborations across stakeholders in delivering regional ambitions (as set out in the Deal) and wider opportunities for improvement.
- Working with stakeholders to align and integrate activity across organisations with the aim of delivering better value for money and/or more inclusive outcomes
- Exercising delegated authority, or making recommendations to the Joint Committee or Executive Board, as detailed in the Joint Committee Standing Orders, on matters relating to the evolution and delivery of the IRES programme.

Evidence and Knowledge led

- Adopting and supporting the development of the City Regional Skills Investment Plan (RSIP) as the solid foundation for the IRES programme
- Instigating collaborative reports (or research) on Economic Performance and Productivity, Labour Market Access, Fair Work, People, and Place to support good decision making
- Agreeing programme (project) assessment, monitoring and evaluation methodologies that ensure value for money and effectively capture; progress, impact and good practice.

Additionality and Value for Money

- Agreeing the development and investment timetable (or any significant changes) for the implementation of the IRES programme consistent with the RSIP and other relevant plans
- Agreeing a methodology and criteria for evaluating specific investment proposals submitted for consideration by Board to ensure best use of limited City Region Deal funding
- Monitoring the outcomes being achieved by each component part of the programme and any associated income or expenditure.

- Exploiting opportunities to bring additional resources into the programme that boost the inclusive growth outcomes achieved and/or increase the value for money of activities.

Accountability and Communications

- Reporting to the Joint Committee, Executive, Governments and other partners, as required, on the progress made, outcomes achieved, and expenditure committed
- Annually reviewing expenditure and outcomes to inform decisions on continuing or future investments
- Championing any policy learning or best practice identified by the partnership to encourage greater stakeholder buy-in and the wider application/mainstreaming of effective approaches

The Board will be the recognised regional forum for collaboration on Employability and Skills matters within the City Region Area. It will augment and build upon existing structures without superseding them, unless by agreement with relevant partners or recognised groups, and its responsibilities can be amended at any time by the Joint Committee, Executive Board, or by IRES Board with agreement of the Executive Board or Joint Committee, as appropriate.

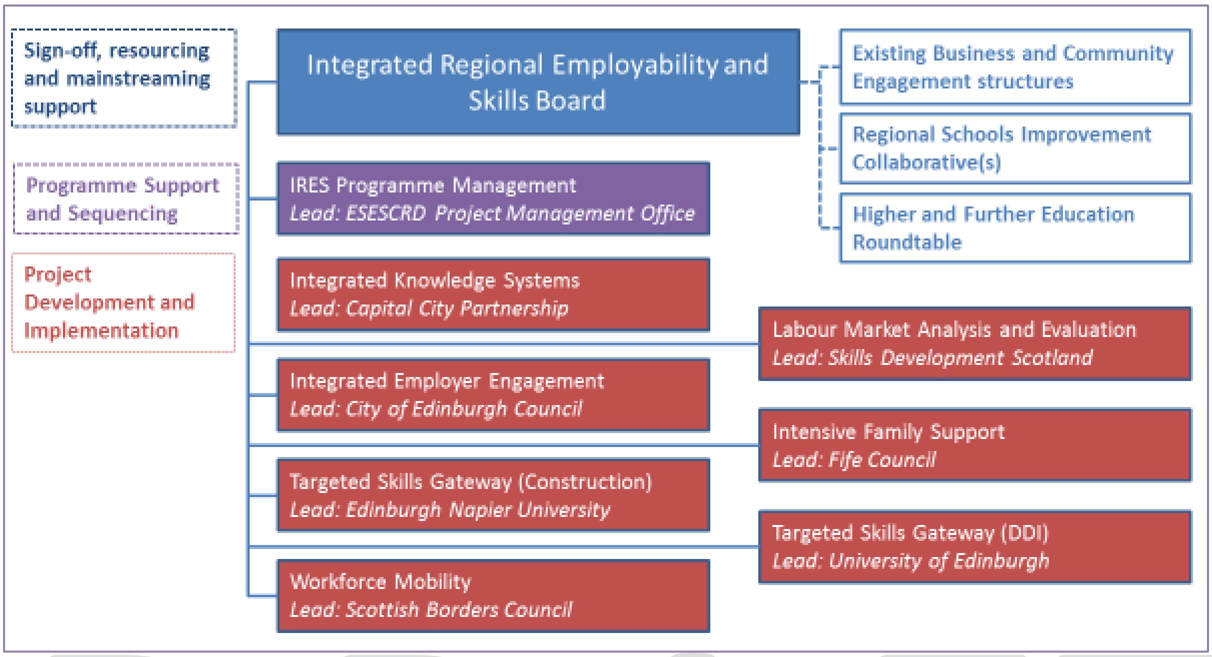
It can draw upon expert advisors, City Region Deal resources, or create working groups to take forward the IRES programme and the fulfilment of it responsibilities.

IRES Working Groups

To support the board and aid programme development the following multi-partner working group structure has been established.

It is anticipated this structure will evolve as required by the board and the needs of the programme, or to support the wider City Region Deal programme.

Group membership will be tailored to the work being undertaken, drawing from partners or external expertise as necessary.



Meeting Schedule

It is anticipated that the board will meet on a regular basis in step with the wider schedule of City Region Deal governance meetings to enable decision to be quickly referred or ratified.

Current Status and Implementation

The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the Deal.

d) Edinburgh and South-East Scotland Data-Driven Innovation (DDI) Delivery Board

Membership

Representatives on this group are likely to include:

- Senior Responsible Officer for DDI Programme
- DDI Programme Director
- Academic Director
- Entrepreneurial Director
- Representatives from University of Edinburgh Colleges
- Representative from Heriot-Watt University
- Industry representatives
- UK Government (observer)
- Scottish Government (observer)
- City Region Deal PMO (observer)

Purpose

The group's purpose will be to maintain oversight of the integrated DDI Programme, and its remit will include:

- Project prioritisation and resourcing
- Leading and maximising the collaboration with City Region Deal partners
- Development and curation of external partnerships with industry, public bodies and academia
- Reporting on DDI Activities to funders and key stakeholders

Meeting Schedule

The group will initially meet monthly. This will be reviewed as required.

Current Status and Implementation

The group is being constituted and will evolve according to demands of the City Region Deal programme.

e) IMPACT Scotland Board

Membership

Membership will comprise representation from:

- The City of Edinburgh Council (Culture service)
- The City of Edinburgh Council (Property/construction expertise)
- City Region Deal PMO (officer and comms)
- IMPACT Scotland
- Scottish Chamber Orchestra
- Scottish Government
- UK Government
- Other City Region local authorities may nominate a representative if desired

Purpose

- The group will initially monitor the progress of the IMPACT Scotland capital development and will ensure that the project is delivered according to the business following sign off of the City Region Deal.
- As the Scottish Culture Strategy is developed, the group's remit may evolve into a Board whose remit will be to expand to review the focus for collaboration across the city region.
- A sub-group will be formed to oversee the cultural planning for music throughout the city region to ensure that music provision is delivered to reach existing and new audiences across all musical genres.

Meeting Schedule

The group will initially meet every ten weeks. This will be reviewed as the project requires.

Current Status and Implementation

The group will be formed following Joint Committee ratification of the Governance Framework and the signing of the Deal.

3) Programme Delivery

a) Programme Management Office (PMO)

Membership

The PMO currently comprises a full-time project manager, project officer and administrative support (being recruited), funded equally from the local authority partners. Support is also offered from the lead officers responsible for the skills, innovation and housing programmes.

Remit

The PMO will be responsible for:

- Providing secretariat for Joint Committee, Executive group and Regional Enterprise Council, supporting members and building competence;
- Providing direction of programmes, projects and initiatives to ensure they meet the overarching vision, strategy and objectives of the City Region Deal, as defined and agreed by the Joint Committee and Executive Board; including delivery of the programme and deal level outputs and outcomes; the twin ambitions of innovation and Inclusive Growth;
- Taking a day-to-day lead of engaging with both governments providing a focal point for the Deal;
- Coordinating and delivering documents required by Government, including Green Book-compliant business cases.
- Managing the Communications subgroup, and overseeing the Deal's Communication's Strategy
- Reporting on risk, assurance and accountability across the Deal and auditing the delivery boards and groups' progress towards delivering projects as set out in business cases.

Current Status and Implementation

The group is constituted and will evolve according to demands of the City Region Deal programme.

REPORT TO:	East Lothian Council
MEETING DATE:	26 June 2018
BY:	Depute Chief Executive (Resources & People Services)
SUBJECT:	Lothian Buses Pension Fund

9

1 PURPOSE

1.1 To advise the Council of the proposal by the Lothian Pension Fund (LPF) to merge the Lothian Buses Fund within the wider Local Government Pension Fund and its request that the Council act as guarantor for contributions to the Pension Fund as a minority shareholder.

2 RECOMMENDATIONS

2.1 Members are recommended to:

- In conjunction with other shareholders, agree that the Council acts as Guarantor for Lothian Buses Limited.
- Note the proposal to merge the Lothian Buses Pension Fund with the wider Local Government Lothian Pension Fund.

3 BACKGROUND

3.1 East Lothian Council currently has a 3.1% shareholding in Lothian Buses Limited as one of the successor authorities to Lothian Regional Council. The other shareholders are the City of Edinburgh Council through its wholly owned subsidiary company, Transport for Edinburgh Ltd with 91.0% shareholding and Midlothian and West Lothian Councils with 5.5% and 0.4% respectively.

3.2 In 1986 Lothian Regional Council and Lothian Region Transport established the Lothian Buses Pension Fund as a sub-fund of Lothian Pension Fund. This Fund is currently managed by Lothian Pension Fund as a “stand alone” fund and as such it has its own investments, actuarial valuation and accounts. The Lothian Buses Pension Fund and the Lothian Pension Fund are both administered by the City of Edinburgh Council on behalf of all the members.

3.3 The Lothian Pension Fund Investment Strategy Panel have now identified benefits of merging the two funds and transferring the assets and liabilities of Lothian Buses Pension Fund to the wider Lothian Pension Fund. There will be no change to the members within the current Lothian Buses Fund. A report seeking approval of this transfer has been presented to the City of Edinburgh Council Pensions Committee on 26 March 2018.

3.4 Lothian Buses Limited currently pay employer contributions into the Lothian Buses Pension Fund and if the Pensions Committee approve the merger the company will then pay those contributions into the Lothian Pension Fund.

3.5 At present, as the Buses fund is a “stand alone” fund there is no risk to the overall fund if Lothian Buses Limited were to default on payment of the employer contributions. Were the merger to be approved, this would no longer be the case and therefore as part of the proposed admission agreement, the shareholders in Lothian Buses Limited are being asked to act as guarantors for those contributions to the extent of their respective shareholdings in the event of any default by Lothian Buses Limited on their wider liabilities. The valuation of the Lothian Buses Pension Fund which was included in the Lothian Buses Limited Consolidated Financial Statements for the year ended 31 December 2016 was £469 million whilst employer annual pension contributions to the Lothian Buses Pension Fund was £7.5 million in that same year.

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications associated with this report.

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 – there is no direct financial implications associated with this proposal – but the Council is being asked to act as guarantors for Lothian Buses should they default on their on-going liabilities.

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 None

Author's Name	Jim Lamond
DESIGNATION	Head of Council Resources
CONTACT INFO	jlamond@eastlothian.gov.uk
DATE	8 June 2018

REPORT TO: East Lothian Council

MEETING DATE: 26 June 2018

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Appointments to Committees, Partnerships and Outside Bodies

10

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1 PURPOSE

1.1 To seek Council approval of the appointment of a representative to the East Lothian Children's Strategic Partnership, and of a change in the Council's representation on Musselburgh CAB Management Committee.

2 RECOMMENDATIONS

2.1 That the Council:

i) approves the appointment of Councillor Shamin Akhtar to represent the Council on the East Lothian Children's Strategic Partnership; and

ii) approves the appointment of Councillor Andrew Forrest to represent the Council on Musselburgh CAB Management Committee, replacing Councillor Fiona O'Donnell.

3 BACKGROUND

3.1 The East Lothian Children's Strategic Partnership has invited the Council to appoint an Elected Member to represent the Council on the Partnership. The Administration wish to nominate Councillor Shamin Akhtar as the Council's representative.

3.2 Councillor O'Donnell has advised that she wishes to relinquish her position on the Musselburgh CAB Management Committee, due to other Council commitments. The Administration have nominated Councillor Andrew Forrest to replace her as the Council's representative on this Committee.

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	12 June 2018

East Lothian Council

REPORT TO: East Lothian Council

MEETING DATE: 26 June 2018

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Summer Recess Arrangements 2018

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1 PURPOSE

1.1 To advise Members of the arrangements for dealing with Council business during the summer recess 2018.

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 28 August 2018 (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 28 August 2018, 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 28 August 2018 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 2018

MOTION TO EAST LOTHIAN COUNCIL
Tuesday, 26th June 2018

Common Good Committee Applications

Motion – To amend the Scheme of Administration to the Standing Orders of East Lothian Council in relation to the Remit and Powers of the Common Good Committees by adding a new Paragraph 5A: **12**

"The Common Good Committee will consider every application for a grant that has been submitted to East Lothian Council for its own area. It will in the first instance determine the validity of the application and decide whether it meets the established criteria for the use of Common Good Funds namely (a) that the application has been made by a resident who lives within the boundaries shown on the Common Good maps or by an organisation that operates within those areas and (b) that it clearly demonstrates how any grant that might be awarded will bring benefit to the community of those areas as a whole. If it is decided by the Committee that an application is valid and that it meets the criteria, the Committee will then proceed to consider the merits of the application itself and to make a decision on whether or not to grant the application. No application can be granted if it is not valid and does not meet the criteria."

Proposed by [redacted]

Date: 12/6/18

Seconded by [redacted]

Date: 12/6/18

12 JUN 2018

East Lothian Council

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REPORT TO:	East Lothian Council
MEETING DATE:	26 June 2018
BY:	Depute Chief Executive (Resources and People Services)
SUBJECT:	Submissions to the Members' Library Service 12 April – 18 June 2018

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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 12 April and 18 June 2018, 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	18 June 2018

Appendix 1

MEMBERS' LIBRARY SERVICE RECORD FOR THE PERIOD 12 April – 18 June 2018

Reference	Originator	Document Title	Access
51/18	Head of Education	Outcome of the Statutory Schools Consultation on the Proposed Closure of Haddington Infant School and King's Meadow Primary School and the Establishment of a New Primary School and its Associated Catchment Area for Haddington – Consultation Report	Public
52/18	Head of Development	Acquisition of Former Cockenzie Power Station Site from Scottish Power Generation	Private
53/18	Head of Infrastructure	Building Warrants Issued Under Delegated Powers Between 1 and 31 March 2018	Public
54/18	Head of Infrastructure	Assignation and Variation of Ground Lease - Newhailes Industrial Estate, Musselburgh	Private
55/18	Head of Development	Housing Allocations – Overcrowding	Public
56/18	Depute Chief Executive – Resources & People Services	Service Review: Emergency Planning & Risk Service Review – Change of Titles and Creation of an Event Safety & Resilience Officer	Private
57/18	Depute Chief Executive – Partnerships & Community Services	Service Review: Sport, Countryside & Leisure Staffing Adjustments – Decrease Establishment	Private
58/18	Director of Health & Social Care Partnership	Service Review: Establishment of Planning & Performance Management Roles	Private
59/18	Depute Chief Executive (Resources & People Services)	Service Review: Establishing Senior Early Years Practitioners	Private
60/18	Head of Council Resources	Establishment Changes for April 2018	Private
61/18	Head of Infrastructure	Variation of Lease granted to North Berwick Tennis Club	Private
62/18	Depute Chief Executive (Partnerships & Community Services)	Confirmation of Tree Preservation Order - 205 Church Street, Tranent TPO No.139 (2018)	Public
63/18	Depute Chief Executive (Partnerships & Community Services)	Objections to Traffic Regulation Order TO/203/17 20mph speed limit – Whin Park area, Cockenzie, Muirpark area, Tranent and Lochbridge Road area, North Berwick	Public

64/18	Head of Children and Adult Services	Foster Care Capacity and Payments to Foster Carers	Public
65/18	Depute Chief Executive (Partnerships & Community Services)	Proposed New Housing – Cockenzie	Public
66/18	Depute Chief Executive (Partnerships & Community Services)	Response to "Your Service…Your Voice: A consultation on the safe and planned future of the Scottish Fire and Rescue Service	Public
67/18	Head of Infrastructure	Building Warrants issued under Delegated Powers – April 2018	Public
68/18	Depute Chief Executive (Partnerships & Community Services)	Service Review: Establishment of Growth Delivery Team	Private
69/18	Head of Development	Proposed East Lothian Local Development Plan Assessment of Report of Examination: Officer Summaries and Recommendations	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment Report	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment – Musselburgh Area	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment – Prestonpans Area	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment – Tranent Area, Part 1	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment – Tranent Area, Part 2	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment – Haddington Area	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment – Dunbar Area	Public
70/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Environmental Assessment – North Berwick Area	Public
71/18	Head of Development	East Lothian Local Development Plan 2018, Habitats Regulations Appraisal and correspondence from Scottish Natural Heritage	Public
72/18	Head of Development	East Lothian Local Development Plan 2018, Strategic Flood Risk Assessment	Public
73/18	Head of Development	East Lothian Local Development Plan 2018, Revised Transport Appraisal	Public
74/18	Head of Development	East Lothian Local Development Plan 2018, Updated Technical Note 14: Developer Contributions Framework, including Education, Transportation,	Public

		Community Services and NHS Demand Assessments	
75/18	Head of Development	East Lothian Local Development Plan 2018 Strategic Environmental Assessment Post Adoption Statement	Public
76/18	Head of Development	East Lothian Local Development Plan 2018, Equalities Impact Assessment	Public
77/18	Head of Development	Developer Contributions Framework: Responses to Developer Contributions Framework Consultation	Public
78/18	Head of Development	East Lothian Council's Responses to Original Consultation Responses on Development Briefs	Public
79/18	Head of Development	Designation of Rent Pressure Zones – Private Housing (Tenancies) (Scotland) Act 2016	Public
80/18	Depute Chief Executive (Resources & People Services)	1+ 2 Languages Development and Progress 2017/18	Public
81/18	Depute Chief Executive (Resources & People Services)	Progress on ASN Review Action Plan	Public
82/18	Head of Development	Proposed East Lothian Local Housing Strategy 2018-2023	Public
83/18	Head of Council Resources	Changes to Establishment May 2018	Private
84/18	Head of Development	Twinning Associations' Grant Allocation 2018-19	Public
85/18	Head of Education	School Review Summary of Findings	Public
86/18	Head of Education	Pupil Equity Fund	Public
87/18	Head of Education	East Lothian Curriculum Frameworks	Public
88/18	Director of Health and Social Care Partnership	Care at Home Redesign and Procurement Project	Public
89/18	Head of Development	Local Development Plan (LDP) Action Programme: Consultation Responses	Public
90/18	Head of Development	Edinburgh and South East Scotland City Region (ESESCR) Deal – Deal Document – Deal Implementation Plan; and the Financial Plan and Agreement	Private
91/18	Head of Development	Edinburgh and South East Scotland City Region (ESESCR) Deal – Draft Outline Business Case – Food & Drink Innovation Hub	Private
92/18	Head of Development	Edinburgh and South East Scotland City Region (ESESCR) Deal – Joint Committee Minute of Agreement	Public
93/18	Head of Development	The Scottish Government's Climate Change Plan 2018-32	Public

94/18	Head of Development	Purchase of a site for Affordable Housing, Gullane	Private
95/18	Depute Chief Executive (Partnerships & Community Services)	Haddington Town Centre Design Project	Public
96/18	Chief Executive	Annual Report for 2017-2018 on Participation Requests and Asset Transfer Requests under the Community Empowerment (Scotland) Act 2015	Public
97/18	Depute Chief Executive (Resources & People Services)	Musselburgh Racecourse	Public
98/18	Depute Chief Executive (Partnerships & Community Services)	One Council Partnership Funding 2018/19	Public

18 June 2018