



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

**TUESDAY 16 SEPTEMBER 2025
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON
& HYBRID MEETING SYSTEM**

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Committee Members Present:

Councillor Jardine
Councillor McGuire
Councillor McLeod
Councillor McFarlane
Councillor Menzies (Convener)
Councillor Ritchie – joined at item 6, not included in any roll call votes
Councillor Trotter

Other Councillors Present:

N/A

Council Officials Present:

Mr L Rockey, Chief Executive
Ms S Fortune, Executive Director for Council Resources
Ms E Dunnet, Head of Finance ®
Ms H Barnett, Head of Corporate Support
Mr D Stainbank, Service Manager – Internal Audit
Mr S Kennedy, Team Manager – Emergency Planning & Resilience ®
Mr T Reid, Head of Infrastructure
Mr C Grilli, Service Manager – Governance
Ms W McGuire, Head of Housing
Ms A Cruickshank, Service Manager – IT ®
Ms L Byrne, Head of Children's Services ®
Ms S Irvine, Service Development & Support Team Manager ®
Mr K Dingwall, Head of Development
Ms R Astin, Service Manager – Housing, Strategy, Policy & Performance
Mr E John, Head of Communities & Partnerships Infrastructure

External Audit:

Mr M Ferris, Senior Audit Manager – Audit Scotland ®

Clerk:

Ms R Crichton
Minute completed by Ms M Scott

Apologies:

N/A

Declarations of Interest:

N/A

**1. MINUTES OF AUDIT & GOVERNANCE COMMITTEE
17 JUNE 2025**

The minutes from the Audit and Governance Committee from 17 June 2025 were approved as an accurate record.

**2. AUDIT & GOVERNANCE ACTION RECORD 2025/26 & ANNUAL WORK
PLAN 2025/26**

No presentation was necessary for this item. Councillor Menzies asked for Members to let officers know in advance if they have questions on a specific paper to ensure the correct officers attendance at Committee.

All Members were happy to note the Action Record and Annual Work Plan.

3. INTERNAL AUDIT REPORT: SEPTEMBER 2025

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 2025/26 annual audit plan.

Having provided Members with a summary of the report, Duncan Stainbank – Service Manager for Internal Audit, responded to questions from Members in relation to how assurance ratings were reached, how smaller organisations were supported to access funds and agreed to provide further information on the LAG Members for Tyne and Esk.

Decision

The Audit and Governance Committee noted:

- i. the main findings and recommendations from the Internal Audit reports issued during the period from June 2025 to August 2025 as contained in Appendix 1;
- ii. the findings from Internal Audit's follow-up work;
- iii. Internal Audit's progress against the annual audit plan for 2025/26 as set out in Appendix 2.

4. REVISED INTERNAL AUDIT PLAN 2025/26

A report was submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of Internal Audit's revised operational plan for 2025/26.

Duncan Stainbank, Service Manager for Internal Audit informed Members of the changes made to the revised Audit Plan for 2025/26 from its approval in March this year. He responded to questions relating to the removal of complaints from the plan to focus on other areas, provided information on how Internal Audit would pick up any anomalies or inconsistencies within the area of commercial rents and how the upcoming audit of Early Years may potentially impact the service. Mr Stainbank also

updated Members on work being done within cyber security and the combined working between East Lothian and Midlothian to deal with fraud.

Decision

The Audit and Governance Committee agreed to:

- Approve the revised Audit Plan for 2025/26 see shown in Appendix 1.

A roll call vote was carried out where Members unanimously agreed to approve the revised Audit Plan for 2025/26.

5. AUDIT & GOVERNANCE COMMITTEE ANNUAL/END OF TERM REPORT 202525

A report had been submitted by the Service Manager – Internal Audit to present the outcome of the 2024/25 Audit & Governance Committee self-assessment and seek approval from the Audit & Governance Committee to present the Annual/End of Term Report 2024/25 to the Council.

Duncan Stainbank, Service Manager – Internal Audit provided the Committee with a summary of his report. Mr Stainbank, along with colleagues from Housing and the Executive Director for Council Resources responded to questions from Members in relation to the local housing allowance, the digitisation of services and the future plans for how senior officers provide feedback on the effectiveness of the Audit and Governance Committee.

Decision

The Audit and Governance Committee agreed to:

- Approve the Audit Committee Annual/End of Term Report 2024/25 (Appendix 1) and its self-assessments using the CIPFA Audit Committees Guidance (Appendix 2) and approve that the Audit Committee Annual/End of Term Report 2024/25 should be presented to the Council.

A roll call vote was carried out and Members unanimously agreed to approve the recommendations.

6. RISK REGISTERS

A report had been submitted by the Chief Executive to present to the Audit & Governance Committee the Housing, Communities and Development Risk Registers for discussion, comment and noting. The Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

Scott Kennedy, Team Manager – Emergency Planning & Resilience provided a summary of his report and highlighted the Very High, High and Medium risks for the Housing, Communities and Development Risk Registers. He explained to Members the dates on the risk registers were not implementation dates, but dates planned measures would be reviewed and provided information on the work undertaken to ensure very high risks were closely monitored.

Wendy McGuire, Head of Housing responded to questions related to the development of the empty home strategy, the review of the strategic housing investment plan and building material issues. She also provided an update on the development of the

affordable housing design guide, provided a completion date of June 2026 for the removal and replacement of solid fuel systems which remained in 30 properties and was happy to provide a breakdown of age and status of applicants on the transfer list. Ms McGuire confirmed there was a 25% obligation from housing developers to deliver affordable housing with a target of 10% of those being accessible properties and negotiations would be done with private developers to try to ensure a greater range of properties including flattened units.

Keith Dingwall, Head of Development provided information on the strategic framework and policy being built into LDP2 and his confidence on this being an achievable target and on the failure of the parking management project.

Decision

The Audit & Governance Committee agreed to note:

- The relevant risks had been identified, and that the significance of each risk was appropriate to the current nature of the risk.
- The total profile of the risks could be borne by the Council at this time in relation to the Council's appetite for risk.
- Although the risks presented were those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.

7. HOUSING ANNUAL ASSURANCE STATEMENT

A report was submitted by the Executive Director for Place to advise the Audit and Governance Committee of the Scottish Housing Regulator's regulatory framework and in particular, the requirement for East Lothian Council to produce an Annual Assurance Statement, which requires to be signed off by the Senior Internal Auditor on behalf of the Council and to obtain approval for East Lothian Council's Annual Assurance Statement as laid out in Appendix 1.

Having provided Members with a summary of the report, Wendy McGuire, Head of Housing responded to questions in relation to addressing tenants concerns around health and safety risks, addressing the breach of unsuitable accommodation orders and the supply and demand of housing stock due to a changing demographic within East Lothian.

Decision

The Audit and Governance Committee agreed to:

- Note the regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement (AAS) on behalf of the Council.
- Note that the regulatory framework requires the submission of the AAS no later than the 31st October 2025.
- Approves the Annual Assurance Statement as detailed in Appendix 1, noting that East Lothian Council was partially compliant with the regulatory requirements for the financial year 2024/25 and partially compliant for the first quarter of 2025/26. Areas of partial compliance are in relation to lead water pipe programme (due to non-access) and meeting the requirements of the Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020.

A roll call vote was carried out and Members unanimously agreed to approve the report's recommendations.

Signed

Councillor L Menzies
Convener of the Audit and Governance Committee

DRAFT

Meeting Date	Internal Audit Reports	External Audit Reports	Governance	Risk	Accounts Commission/ Audit Scotland reports
25/11/25	Internal Audit November 2025 report (individual audits tbc)	ELC 2024/25 Annual Audit Report	Treasury Management Mid-Year Review Report East Lothian Land Ltd Annual Accounts 2024/25 <i>(additional meeting may be required in November)</i>	Infrastructure RR Corporate Support RR Finance RR	
24/03/26	Internal Audit March report (individual audits tbc) Internal Audit Plan 2025/26 Internal Audit Charter	Annual Audit Plan 2025/26	Council Improvement Plan Monitoring Report East Lothian Investments Ltd Information Governance Brunton Theatre Trust	Health & Social Care Partnership RR Education RR Children's Services RR	

Meeting Date	Internal Audit Reports	External Audit Reports	Governance	Risk	Accounts Commission/ Audit Scotland reports
			Enjoyleisure annual report	Risk Strategy Update	
15/06/26	Internal Audit June report – (individual audits tbc) Annual Internal Audit Report 2025/26 Controls Assurance Statement 2025/26	Management Letter/Report on Key Controls 2025/26	Annual Treasury Management Review 2025/26 Corporate Governance Self-evaluation/ Annual Governance Statement 2026	Corporate RR	

**Invite either Carlo Grilli or Zarya Rathe to the agenda-setting meeting and send both the draft agenda and report deadline info.*

Audit & Governance
Action Record 2025/26

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Action Ref.	Meeting Date	Item Number and Title	Action(s) Agreed	Action Owner(s)	Target Completion Date	Actual Completion Date	Comments/Responses/ Additional Information
25/01	25.03.25	03 Internal Audit Report 2025	Additional question: to provide Members with a figure for the recovery of funds for housing voids	Duncan Stainbank	n/a		Recommended for Closure Duncan Stainbank sent an email to Members on 17.11.25 providing further information on the recovery figures for housing voids.
25/07	16/09/25	03 Internal Audit Report – September 2025	Additional question: to provide information on the members of the Tyne & Esk Local Action Group	Duncan Stainbank	n/a		Recommended for Closure Duncan Stainbank sent an email to Members which provided the Tyne & Esk LAG Members.
25/08	16/09/25	03 Internal Audit Report – September 2025	Additional question: to seek feedback from the Scottish Government on the Tyne & Esk Funding audit	Duncan Stainbank	n/a		
25/09	16/09/25	06 Risk Registers	Additional question: to provide the Committee with information on the number of responses received to the parking management consultations	Keith Dingwall	n/a	16/09	Recommended for closure Keith Dingwall sent an email to Audit & Governance Committee Members on 16/09 detailing the number of consultation responses received. These were: Tranent 493; Dunbar 1794; Haddington 1003; and Musselburgh 969.
25/10	16/09/25	05 Audit Committee Self-Evaluation	Exploring how CMT can provide constructive	Head of Corporate			Recommended for Closure

Action Ref.	Meeting Date	Item Number and Title	Action(s) Agreed	Action Owner(s)	Target Completion Date	Actual Completion Date	Comments/Responses/ Additional Information
			feedback on the efficacy of the Audit & Governance Committee	Support, Hayley Barnett			The Head of Corporate Support send an email to committee members on 10 October 2025 confirming the approach seeking feedback from CMT and how this this will be fed into the 2026 self-evaluation.
25/11	16/09/25	02 Action Record & Work Plan	Committee Members to ensure all questions are sent to officers in advance, to allow officers to determine whether to attend the Committee meeting.	Head of Corporate Support, Hayley Barnett		10/10	Recommended for Closure The Head of Corporate Support send an email to committee members on 10 October 2025 requesting councillors submit questions in advance.
25/12	16/09/25	06 Risk Registers	To provide further information on the council housing lists, specifically to confirm figures, and to provide a breakdown in terms of people's ages, household sizes, etc.	Wendy McGuire, Head of Housing			

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	25 th of November 2025
BY:	Chief Executive
REPORT TITLE:	Infrastructure, Finance and Corporate Support Risk Registers
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To present to the Audit and Governance Committee the Infrastructure, Finance and Corporate Support Risk Registers for discussion, comment and noting.
- 1.2 These Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes these Risk Registers and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified, and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the risks can be borne by the Council at this time in relation to the Council's appetite for risk.
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Registers has been compiled by the respective LRWGs. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 5) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).
- 3.2 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.
- 3.3 The four risk registers presented include the following number of risks.
- Infrastructure Risk Register includes 3 Very High, 21 High, 28 Medium and 12 Low risks.
 - Finance Risk Register includes 8 High, 4 Medium and 6 Low risks.
 - Corporate Support Risk Register includes 1 Very High 4 High, 14 Medium and 7 Low risks.

As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

- 4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy are embedded across the Council.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance:

It is the consideration of the respective LRWGs that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Registers should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Council Management Team.

5.2 Other (e.g. Legal/IT):

Effective implementation of these registers will require the support and commitment of the Risk Owners identified within the registers.

6 INTEGRATED IMPACT ASSESSMENT

6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	N/A
Socio-economic disadvantage/poverty	N/A
Climate change, the environment and sustainability	N/A
Corporate parenting and care-experienced young people	N/A
Storage/collection of personal data	N/A
Other	N/A

The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 APPENDICES

Appendix 1 – Infrastructure Risk Register - November 2025

Appendix 2 - Finance Risk Register - November 2025

Appendix 3 - Corporate Support Risk Register - November 2025

Appendix 4 – Risk Matrix

8 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Lee Wright
Designation	Emergency Planning and Resilience Officer
Tel/Email	lwright@eastlothain.gov.uk
Date	12/11/2025

Head of Service Approval

Name	Eamon John
Designation	Head of Communities & Partnerships
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
Approval Date	12/11/2025

East Lothian Council Infrastructure Risk Register

4a

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R158	Impact on Service Objectives	Reduced Taxi Provision Council Wide	<p>Taxis are becoming difficult to source/procure due to the aftereffects of COVID19 and the current economic status. All taxi operators are facing recruitment issues with pressure on wage and working pattern/hours.</p> <p>There is a potential risk of enhanced contracts being offered from other user areas out with ELC as there is a financial benefit to taxi provider moving to cancellation / handback of ELC contract.</p> <p>Alongside this taxi escort provision is scarce due to the limited hours and salary level.</p> <p>The last series of tenders completed by Transport Services resulted in a nil return or a 40% - 100% price increase depending on operator where we received a response.</p> <p>Operators are leaning to Home to School as their primary work and everything else has to fit around that. The main reason for this is the stability of the routes versus the constant changes involved with other taxi hires.</p>	4	5	20	20	Continued and increased discussion with Taxi operators to maintain awareness of any deterioration of the market conditions.	31/01/2026

			<p>Taxi operators are struggling with supply chain for supply of vehicles and spare parts for maintenance.</p> <p>The main Council Services affected by this reduced availability are Education, Children & Families, Adult Services and Homelessness and potential impacts are:</p> <p>Routes cannot be fulfilled due to unavailability. Services hire their own taxis which may not be compliant and the drivers/escorts may not be PVG checked leaving ELC & clients exposed. The cost of finding taxis will see an increase in cost of tenders up to 75-100%</p> <p>All of the above is a reputational risk to the Council.</p> <p>Taxi provision throughout East Lothian has declined by an estimated 45% since 2019.</p>						
R157	Impact on Service Objectives	Reduction in Purchase of Council vehicles	<p>A reduction in future purchase of Council vehicles would result in revenue / maintenance expenditure costs rising.</p> <p>Requirement for the fleet to move to Ultra Low Emission Vehicles (ULEV) cost impact to meet climate change objectives and government legislation – Public Fleet sector target of 2030 for all cars/small vans to be ULEV, no purely fossil fuelled vehicles available to purchase from 2030.</p> <p>No further Transport Scotland funding coming forward for vehicle procurement - limited to EV charging infrastructure.</p>	4	5	20	16	To allow the Council to migrate to an alternative fuel solution SG investment will be required as the cost is currently beyond the capital fund available.	31/03/2026

R160	Impact on People	Ash Dieback	Failure to adequately plan for and manage the implications and effects of Ash Dieback tree disease across East Lothian, and particularly in high risk areas including alongside roads, paths/core paths, and in parks, woodlands, open spaces and housing areas.	5	4	20	6	<p>Complete initial survey of ash trees on Council land, including Housing land and Estates land.</p> <p>Forestry Squad to continue programme of felling highest risk priority ash trees on Council land as identified in survey.</p> <p>Identify best solution for felling high-priority ash trees in road verges, which are Council's responsibility.</p> <p>Identify ownership of all priority roadside diseased ash trees on private land. Work with Roads Services and Legal to send letters to private landowners of priority roadside ash trees.</p> <p>Pursue national funding for local authorities to tackle Ash Dieback via COSLA, SOLACE, and APSE.</p> <p>Finalise Ash Dieback Action Plan and prepare monitoring framework based on survey findings and national best practice guidelines.</p> <p>Risk Assessments and SOPs to be regularly reviewed</p>	30/09/2026
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								<p>and updated for all arboriculture and forestry work</p> <p>Monitoring for supply chain issues (availability of skilled arboriculturists who can undertake the works needed), particularly as the disease becomes more prevalent across Scotland, through liaison at national level and with national agencies.</p> <p>Linking with national communications and publicity around Ash Dieback. Communication, collaboration and active engagement with communities.</p> <p>Preparation of landscape recovery and tree re-planting programme and implement following removal of diseased ash trees.</p>	
R171	Impact on Reputation	Maintenance of Burial Grounds	Failing to maintain the Council's burial grounds could result in a serious injury/death to the public or ELC employees from falling headstones/memorials and a resulting financial loss due to insurance claims. There is also the risk of losing part of East Lothian's cultural heritage through the loss of family history records on headstones and memorials and failure to comply with the Equalities Act if access paths aren't maintained.	4	4	16	12	<p>Ongoing programme of consolidation works scheduled over winter 2023 24 based on revised risk assessment.</p> <p>Round 3 of Headstone Inspection Programme to be completed by March 2024 according to agreed rolling programme.</p> <p>Project to commence on West area headstones to intensify number of headstone checks complete.</p>	30/09/2026

R172	Impact on Reputation	Burial Service	Inability to provide an efficient burial service and sufficient land for burial purposes would mean that the Council is unable to undertake its statutory duties, and create distress to family and mourner	4	4	16	12	Potential site identified for Tranent Cluster, initial desktop study identified land possibly suitable for development. Purchase in principle agreed.	30/09/2026
R163	Financial Impact	Harbours	<p>Failure to maintain harbours could lead to damage to the fabric of the harbour and to boats on moorings and in dinghy parks (where appropriate).</p> <p>Increase in storm events and increased force of wave action could and has led to damaged walls and infrastructure.</p> <p>Potential risk of injury to harbour users, water pollution, vessels sinking and danger from heights should people / equipment fall.</p> <p>Failure to warn of the dangers of the operation of the boom crane (North Berwick only) resulting in HSE / MCA (Marine and Coastguard Agency) involvement.</p> <p>All could lead to bad publicity for the Council and financial loss through insurance claims from the public.</p>	4	4	16	12	<p>We work collegiately with NBHT, DHT (harbour empowerment so not our direct responsibility) and with the Ranger team in association with Roads structures team to monitor and take preventative action where budget exists and to recover from storm damage</p> <p>CCAP is now live and in the process of surveying the entire coast to model against climate change impact which will inform upon any actions required</p>	15/09/2026

R161	Financial Impact	Education Estate – Changes to Projects	<p>Risk of unanticipated changes within Projects resulting in project cost overruns and potential delays to the project with financial consequences for the Council as well as a reputational risk.</p> <p>Recent projects have seen increases in scope due to suitability, condition, upgrades to catering kitchens, safer routes to school, utilities and other factors. Mitigation has not been possible resulting in costs increasing.</p> <p>A full survey of all catering kitchens throughout Council properties is required which is not included in the current condition survey work and needs to be resourced.</p>	4	4	16	12	<p>Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a good condition.</p> <p>Learning Estate Strategy approved by Council.</p> <p>Delivery and implementation programme to be directly linked to school condition and suitability.</p> <p>Budgeted, programmed plan of work for all existing property assets required to confirm how these will be improved from Condition C D to B or maintained as Condition A B for their lifetime.</p> <p>The property estate has been assessed at high level against Scottish Government targets to address Climate Change. A planned programme of works to improve performance of buildings is needed but cannot be progressed without external funding.</p>	30/10/2026
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			<p>The Scottish Government announced the intention to introduce free school meals for all primary aged children by 2022 as part of the 100 day commitment. Work was initiated by SG to consider the cost and logistical implications of implementing this policy intent. The policy has not yet been implemented in full and there is ongoing engagement between The Scottish Government and local authorities regarding funding.</p>					<p>Ongoing engagement with Head Of Infrastructure and Executive Directors for Place, Education and Children's Services and Council Resources regarding project changes and mitigating against potential financial - reputational risks.</p> <p>Service Manager – SA + CPM to engage with Head of Infrastructure, Executive Director for Education and Childrens' Services (PPP Project Sponsor) regarding resources and risk mitigation.</p> <p>Head Of Finance to review risks against level of Property Renewals Budget and advise how programme of works for improvements in Condition and Suitability can be achieved.</p>	
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			<p>The Waste (Scotland) Regulations 2012 set out a number of provisions which help Scotland move toward the objectives and targets set out in the Scotland's Zero Waste Plan and help transition toward a circular economy. These provisions include a ban on biodegradable municipal waste going to landfill from the 1 January 2021 – ban has been delayed until 2024. Meeting the ban will have a negative impact on the revenue budget due to increases in gate fees.</p> <p>The Scottish Government has delayed the Deposit Return Scheme until 2025.</p> <p>The scheme is likely to result in a significant loss of high value materials to the Waste Service therefore impacting on the cost effectiveness of delivering kerbside recycling services.</p> <p>The Scottish Government within the context of the circular economy bill is proposing a move away from the current voluntary approach to Scotland's Household Recycling Charter towards a more mandated approach, whereby implementation of the Charter and its supporting Code of Practice</p>						
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R170	Financial Impact	Failure to meet Waste and recycling targets and legislation	<p>the Charter and its supporting Code of Practice becomes a statutory obligation, placing aspects of the Scottish Household Recycling Charter and its supporting Code of Practice on a statutory footing, specifying materials to be targeted for collection or mandating how they are collected, to accelerate improvements to both the quality and quantity of recycling that local authorities are collecting in Scotland and the provision of more consistent collections.</p> <p>Changes to global commodities markets have drastically altered following China's National Sword Policy which instigated strict quality controls on the materials it would accept through import. This has led to huge quantities of poorer quality material without end destinations being retained within the national county of origin. In the UK this has led to an oversupply of material and has reduced the rebate values paid, while East Lothian has in the most part been protected from the worst of the market decline as the box collection system allow us to monitor the material we collect for recycling and ensure it is of sufficiently high quality to attract a value from reprocessors, this continued market uncertainty is likely to increase the cost of procuring kerbside collections going forward.</p>	4	4	16	12		30/09/2026
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R168	Financial Impact	Maintenance of Non-Operational Property Portfolio and Voids	<p>Failure to maintain non-operational properties in compliance with statutory legislation, particularly in relation to statutory compliance and inspections due to insufficient resources may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential Health and Safety incidents in properties.</p> <p>Failure to maintain rental income of non-operational property portfolio due to disrepair of properties, poor financial checks on tenants, poor debt retrieval, poor implementation of rent reviews and financial climate.</p> <p>This would result in deteriorating properties, loss on rental income and increase in the number of void properties.</p> <p>This could result in injury/loss of life of building users and legal action against the Council. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.</p> <p>Scottish Government targets to address Climate Change and imminent changes to energy performance requirements for properties will require significant work to assess the current status and plan works to bring buildings up to the required standard.</p> <p>If voids are not kept to a minimum due to disrepair of property, delay in safety checks, and the undertaking of repairs and improvements it could lead to loss of income.</p>	4	4	16	12	<p>Plan a programme of condition surveys and an audit of statutory compliance including dealing with remedial works identified during EICR testing in place.</p> <p>Review and identify inspection and management resource required within SACPM (including Estates) and Engineering Services.</p> <p>Consider wider strategic review of commercial portfolio post COVID-19, including the potential reinvestment of income generated from commercial properties into an improvement programme.</p> <p>Continue asset rationalisation work to reduce surplus assets, non-efficient assets and reduce our carbon footprint. Aim for a focus of staffing resource and maintenance budgets on a reducing number of more efficient buildings.</p>	30/10/2026
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R169	Financial Impact	Capital Programme	<p>Risk of adverse financial implications for the Councils capital programme in the light of unpredictable tender price indices. This is likely to result in tender returns being higher than cost plans.</p> <p>Tender and construction costs continue to rise nationally and to the impacts of international events such as Brexit, COVID, the Ukraine War, Suez Canal etc. have resulted in higher costs levels, which are a 'new normal'. Escalation of the current conflict in Gaza poses a risk.</p> <p>East Lothian Council have received several national reports, information from other local authorities and notifications from contractors regarding labour and skill shortages. There is a trade shortage in Scotland. Although availability of construction materials has improved recently and price inflation appears to be stabilising, this is not equitable across all materials. Key subcontract packages are witnessing significant cost increases. Furniture and IT component shortages/lead-in times are also a continuing challenge.</p> <p>This is particularly relevant in respect of the School Estate Expansion where growth and school capacities require delivery of statutory provision by specific deadlines.</p> <p>If capital projects do not proceed, this could result in insufficient accommodation for pupils within schools, with consequent appeals from parents and reputational damage.</p>	4	4	16	12	<p>Continue to monitor national situation with ELC Procurement, other local authorities and contractors.</p> <p>Prioritise capital projects according to need.</p> <p>Prioritise and programme Capital Plan according to need and prioritise need and timescales.</p> <p>Housing Land Audit is being progressed by Planning.</p> <p>Sufficient staffing and financial resource to be allocated to projects generated by unforeseen breach of school capacities.</p> <p>Capital Plan interventions and S75 alongside the opportunity to refresh the capital plan and phase to match pupil product and expansion requirements.</p>	30/10/2026
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R198	Property	Asset management records	<p>Asset management records</p> <p>Asset management records lost or unavailable for Council operational and non-operational properties. This would necessitate procuring new measured and condition building surveys incurring significant costs to the Council, potential delay to delivery of capital projects and provision of data to other services.</p> <p>Property data held in paper form in Council-owned premises that are not fit for this purpose (unheated etc.).</p>	4	4	16	12	<p>Seek resource to scan existing documents for off-site electronic CD storage</p> <p>Visit archive stores for paper-based material and identify extent of issue</p>	30/10/2026
R165	Financial Impact	Failure to inspect and maintain road infrastructure including (road structures, network and street lighting	<p>These are all major issues for the council given its responsibility for key routes. Any failure in provision/ maintenance may lead to closures, disruptions, adverse public reaction in terms of expectation.</p> <p>A healthy road network aids in enabling a vibrant economy and future economic development.</p> <p>The level of investment in street lighting replacement and maintenance is linked into the holistic road service budget.</p> <p>Following the financial update and reduced budget for 24/25FY Road Services will continue to work with a very challenging financial situation. Recommendation on level of investment will come forward with the Roads Asset Management – Annual Status and Options Report</p> <p>Failure to adequately plan maintenance activities on the public road network could lead to conflict with the requirements of other roads users, including public utilities, events and members of the public. Also failure to comply with the requirements of the Scottish Roads Commissioner such as keeping the gazetteer up to date and other statutory obligations</p>	4	4	16	9	<p>Review capital programme, prioritise repairs based on needs assessment.</p> <p>Consider delaying non-essential capital works to allow backlog of works to be reduced.</p> <p>Pay close attention to announcements from Government to ensure we continue to comply with all relevant guidance and requirements.</p> <p>Attend PPRC to lobby for additional funding.</p>	11/09/2026

			under the Transport Scotland Act and the New Roads and Street Works Act could result in fines from the Scottish Roads Commissioner (as occurred this year) as well as a reputational impact on ELC if events have to be cancelled.						
R166	Impact on Service Objectives	Current Asset Data	<p>Asset data for operational properties requires continual review otherwise insufficient information is held to prioritise planned investment in buildings and potential risk to occupants, contractors and members of the public from failure of building elements or systems.</p> <p>Asset data requires continual updating and aligned to financial information. The risk being if not updated and accurate it is not possible to use the data to inform decisions regarding future of properties. A recent Finance audit identified that the Council would benefit from investment in an integrated IT system recording all assets. A comprehensive, maintained asset database is required with full access for all relevant parties.</p>	4	4	16	8	<p>A new cycle of building surveys has commenced. Internal and External resources have been allocated to enable these surveys and comprehensive 5 yearly reviews.</p> <p>Implement a comprehensive asset management database for non-operational property, with access available to all relevant services e.g. Finance, E BS, SACPM.</p>	30/09/2026

R164	Financial Impact	PPP Project	<p>Failure to adequately resource contract management arrangements will have subsequent issues related to contract compliance, financial risks and deterioration in asset base.</p> <p>Compliance issues include, but are not limited to: asbestos, fire, water quality, building fabric and building services (significant safety and reputational risks). Contract management issues at risk include, but are not limited to: contract guidance for users, benchmarking, Education PPP Specification and curriculum development (modernisation).</p> <p>Asbestos treatment at pre/post of PPP Contract and changes to legislation again form significant risks for ELC including statutory/legislative/management and financial risks. The agreed process is in place however appropriate resources require review. This is also a reputational risk.</p> <p>Fire – Full review of Fire Plans etc. required due to changes in ELC PPP Estate. The agreed process is in place however appropriate resources require review.</p> <p>PPP Future Risk items including Handback preparations.</p>	4	4	16	8	<p>Governance around separate contracts for installation, maintenance and lifecycle replacement of equipment or approve instruction through the PPP contract.</p> <p>Financial approval required to address compliance risks highlighted.</p> <p>Recent processes completed for Ross High School and North Berwick High School expansions are to be reviewed by educational, technical and legal teams to identify any possible improvements and mitigation of risks.</p> <p>RAAC ELC are to monitor ongoing works at Ross High School and transition to normal catering operation. ELC are to progress legal agreement with Innovate.</p> <p>Financial implications minimised through negotiations with Innovate regarding capital spend and formalising in legal agreement. Education responsible for minimising revenue spend in contingency plan.</p>	30/10/2026
R224	Property	Surplus Properties	<p>Failure to dispose of a surplus property due to market conditions, buyers drops out, legal resources, planning resources resulting in ongoing maintenance/security costs for vacant buildings and delay to capital receipts</p>	3	5	15	12	<p>The Estates team will monitor and work with Legal to manage each sale.</p>	30/10/2026

R167	Impact on People	Tree Estate	Failure to manage and maintain the Council's tree estate including a failure to monitor for the current risk from tree diseases resulting in potential damage to people and or property. Also potential negative impact on the landscape and character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism, as well as ability to achieve climate change targets in the Council's Climate Change Strategy through carbon offsetting.	5	3	15	10	Regular inspections undertaken as well as monitoring for tree diseases within the tree estate with record kept of trees inspected. Resourcing for this is currently limited.	30/09/2026
R85	Financial Impact	Failure of Parking Management Project	<p>Parking demand in many of East Lothian's town centres can be high, especially at peak periods. Growth in car ownership and a lack of spaces for short stay parking makes it difficult for people to access amenities and local businesses. Improving the availability of short stay parking in the town centre increases turn-over making it easier to access the town centre and local services. Opposition raised from the business community stating parking charges will deter shoppers.</p> <p>Income generated would assist in delivering the investment required to introduce and maintain parking management arrangements and to achieve safer streets, parking space turnover and wider investment in active travel and sustainable transport provision.</p> <p>Income generated can be used to encourage greater use of public transport and promote active travel such as walking and cycling to address the Climate Emergency.</p> <p>Resources are required to implement and manage the project timeously to avoid delay and disruption in the delivery of proposed interventions</p>	3	4	12	9	<p>Undertake full economic impact assessments, demand assessments and technical work for all East Lothian towns.</p> <p>Provide consistent approach to consultation on an individual town by town basis commencing in Musselburgh.</p> <p>Engage with community leaders, businesses, area partnerships early to explore their concern. Keep dialogue open.</p> <p>Exploring and identifying additional off street parking intervention(s) where appropriate.</p> <p>Identify partners and stakeholders to keep messages positive.</p>	30/10/2025

			(infrastructure and personnel) on a yearly basis. Political and public opposition to the proposals may increase levels of challenges, scrutiny and objections elongating delivery or potentially abandoning the project.						
R199	Financial Impact	Arms-Length External Organisation (ALEO) – Enjoy Leisure	Arms-Length External Organisation (ALEO) – Enjoy Leisure Enjoy Leisure is the Councils ALEO partner delivering sport and leisure services on behalf of the Council. Enjoy also manage a range of Council sports centres and assets.	4	3	12	9	Options on financial challenges and council input required prepared by enjoy and presented to Board, in contract meetings and through due governance	01/04/2026
R211	Impact on People	Street Cleansing Service	Failure to provide a street sweeping service resulting in the Council not being able to fulfil its statutory duties under the Environmental Protection Act. This would have a negative effect on the landscape character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism. Failure to deliver SOA Outcome.	4	3	12	8	Additional HGV Sweeper Driver post in recruitment process to meet demands of newly adopted roads.	30/09/2026

R162	Impact on Service Objectives	Non delivery of Musselburgh Flood Protection Scheme (MFPS)	<p>Non delivery of Musselburgh Flood Protection Scheme (MFPS)</p> <p>The Musselburgh Flood Protection Scheme project (“the Scheme”) has been established in liaison with partners following identification of Musselburgh as a Potentially Vulnerable Area (PVA) for flood risk by the Scottish Environment Protection Agency (SEPA). MPFS is a major project being advanced under the Local Flood Risk Management Plan (Forth Estuary) and funded at a rate of 80% under the Scottish Government’s Flood Protection Scheme Programme</p> <p>Several project objectives have been identified including flood risk reduction, economic, environmental, social & cultural and regeneration aspects. Public consultation was a key feature in determining the Outline Design which was approved by a full meeting of Council in January 2024. After this period of extensive community engagement, and with the Outline Design approved, the Council approved the Scheme to be notified in accordance with the Flood Risk Management (Scotland) Act 2009 (“the Act”). This happened on 21 March 2024 and was followed by a formal consultation period during when an objection of EIA Representation could be submitted, as required by the Act. This period concluded on 24 April 2024. After the closure of the notification period, East Lothian Council’s legal team were responsible for managing the formal process under the Act. As part of the assessment of the valid objections a report was prepared, and seventy-one distinct themes were identified. In respect of each objection theme raised, council officers detailed the position of the Council in relation to each theme which was published in the Members Library in October 2024. Meetings with those who submitted a valid Objection and/or an EIA Representation were held</p>	4	3	12	8	<p>The Project Team will continue to liaise with SG’s Flooding Policy Team.</p> <p>Scheme was confirmed without modifications and now with Scottish Ministers to determine next steps.</p>	11/09/2026
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			<p>between October 2024 and May 2025. It is noted that following the meetings it was determined that it would not be possible for all valid objections and/or late objections to be withdrawn. Accordingly, the Act sets out the process that the Council must follow, insofar as it must make a preliminary decision to: (a) confirm the proposed Scheme without modification; (b) confirm the proposed Scheme with modifications; or (c) reject the proposed Scheme. The proposed scheme to reduce flood risks for up to 3,200 properties in the Musselburgh area was confirmed without modifications after councillors gave preliminary approval at a special meeting of Council on the 30th of Sept 2025. Councillors also approved an amendment asking Scottish Ministers to consider the proposals and hold a public local inquiry. The final decision on the scheme progressing would then be made by Ministers.</p> <p>In parallel to the scheme a review on the overall Flood Risk Management financial implications is continuing to be undertaken. This is being done by an officer group which includes COSLA, LA Directors of Finance and practitioners, together with Scottish Government and SEPA officers. The group is reporting to the joint officer Settlement & Distribution Group, which advises Leaders and Scottish Ministers on matters affecting funding in the Settlement.</p>						
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R196	Property	Building Standards Team	<p>Building Standards Team</p> <p>Recruitment constraints faced by the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected in BSD's new performance framework. BSD recent audit resulted in 6 year extension to the verification role subject to maintaining successful completion of Improvement Plan. Failure to improve could lead to the Council losing the verification role.</p> <p>Increase in Dangerous buildings being reported and increasing requirement to implement enforcement to be addressed.</p>	4	3	12	8	Looking to implement new enforcement measures.	30/09/2026
R197	Property	Dangerous Buildings	<p>Higher enforcement workload in terms of dangerous buildings for Officers due to various reasons (including increasing instances of severe weather and owners unable to maintain their properties) resulting in increased risk to members of the public.</p> <p>Service Reviews were carried out during 2016 and 2019 and implemented; however, there is an ongoing inability to recruit suitably qualified BS Surveyors resulting in inability to meet targets.</p>	4	3	12	8	Continue to monitor situation with revised workforce in place	30/09/2026

R159	Impact on Service Objectives	IT systems (e.g. server, AutoCAD)	<p>Failure of these systems to support service delivery due to power failure or other IT issues would impact on ability to carry out design work and to monitor and control contractors operations. Inability to vet contractors' competences, carry out financial control, communicate over IP telephony and produce contract documentation.</p> <p>These complex software systems faced significant challenges during the initial move to remote working. Staff were unable to operate at normal productivity levels. The CAD systems affected include Autodesk AutoCAD and Revit. Other systems were also been affected e.g. Mail Manager, Badger, causing significant productivity/business continuity challenges. Issues caused by IT 're-imaging' of laptops have also been challenging, in terms of productivity and business continuity.</p> <p>Availability of hardware is a significant risk to business continuity – Current lead-in time for standard laptops is six months. This is a challenge for recruitment of new staff and for lifecycle replacement of existing equipment.</p>	4	3	12	8	<p>IT service to resolve availability of hardware and lead-in times for delivery (subject to international market). Continue to monitor with IT.</p> <p>IT and Transformation- Improvement resources required to support the service through changes. Continue to monitor with IT.</p>	30/10/2026
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			<p>Servers which house all the technical files for the SACPM and Engineering Services teams require ongoing monitoring of capacity with IT. High risk of non-operation and data loss, resulting in catastrophic failure of business continuity and reputational damage. High financial risk to contract management and project delivery.</p> <p>Increased data storage requirements were inevitable due to transformation, 'New Ways Of Working' (scanning of paper files), Building Information Modelling and value of capital projects.</p> <p>There have been significant issues regarding IT software and hardware for technical teams. e.g. interruptions of access to Autodesk software and connectivity. No recent issue reported.</p>						
R231	Financial Impact	Estate management records	<p>Estate management records lost or unavailable resulting in possible disruption to effective property management – effect on establishing ownership and lease terms and conditions (thereby difficult to protect Council's interest and maintain best value objectives), rent reviews missed, loss of rental income, effect on statutory compliance monitoring, financial reporting etc.</p>	4	3	12	6	Improve off-site storage and back this up more frequently.	30/10/2026

East Lothian Council Finance Risk Register

4b

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R248	Financial Impact	Market Conditions and Supply Chain Disruption	There is a risk that suppliers may not participate in tenders or request that response periods be extended due to lack of market/supplier/internal resource availability. This could result in returned tender proposals exceeding allocated budget but is limited to some categories of procurement.	4	4	12	12	<p>Explore enhanced value engineering, where possible</p> <p>Review opportunities to phase planned works.</p> <p>Consider delaying capital and revenue projects where appropriate.</p> <p>Undertake Capital Plan review and prioritisation - using what we have differently to deliver essential projects only.</p> <p>Work on recruitment with EL works and further consideration to procurement options for care packages.</p>	30/11/2026
R249	Financial Impact	HRA income and Rent Arrears	<p>A fall in HRA income may impact on our ability to provide services and deliver on capital investment plans.</p> <p>Any increase in rent arrears would reduce income to the HRA.</p> <p>Times continue to be challenging and many households are facing financial hardship with cost-of-living pressures.</p>	3	4	12	9	<p>A draft Rent Income Management Policy has been developed and is currently pending awaiting input from the Housing Service in relation to homelessness arrears.</p> <p>The Rent Income Team has been working with Housing Quality Network (HQN) Consultant, in relation to staff training.</p>	30/11/2026
R250	Financial Impact	Loss of General Services Income	A reduction in income via reduced collection of Council revenue, including Council Tax, Business Rates and Sundry Accounts could impact adversely on the Council's ability to provide quality services.	3	4	12	9	East Lothian Council's Corporate Fraud Officer is carrying out work, in conjunction with the Council Tax and Debt Management team, through the National Fraud Initiative (NFI) data matching system	30/11/2026

R253	Financial Impact	Key Financial Systems	A failure of key financial systems e.g. Pecos, the revenues system and the financial management system due to technical problems and/or supplier failure or loss of key staff could lead to service failure and incomplete management information. Statutory functions may not be completed on the back of a system failure.	4	3	12	9	Project to implement cloud-based solution for the revenues system expected to complete at the end of November. Working with Procurement & the Transformation Team, a new Finance System has been procured and implementation is underway. This has been delayed and is anticipated in 2026.	02/04/2026
R251	Financial Impact	Scottish Welfare Fund	<p>The level of administration funding received from the Scottish Government does not reflect the actual level of resource deployed by the Council to administer the SWF scheme (crisis grants and community care grants).</p> <p>The level of programme funding received from the Scottish Government does not reflect the increased demand for SWF payments.</p> <p>Demand has increased in recent years and continues to remain high as a result of the cost of living crisis.</p> <p>It may become unsustainable for the Council to continue to provide top up funding to meet the demand for crisis and community care grants.</p>	4	3	12	8	<p>Participate in Scottish Government led Practitioner groups and work with SG and CoSLA colleagues to review the current funding model.</p> <p>Consider moving to 'high and most compelling' for crisis grants, possibly from December 2025, to reduce risk of current year overspend.</p>	30/11/2026

R254	Financial Impact	Finance Staffing Issues	<p>Loss of key finance staff, external recruitment pressures, on-going complexity and continuing financial challenges may result in the Finance service not being able to provide an appropriate level of financial support to the Council and wider services. The team may not have the appropriate skills, and due to the increasing obligations, may not be able to meet statutory financial accounting requirements such as completion of statutory annual accounts.</p> <p>There has also been an increasing number of staff turnover including ill health and retirements of experienced staff members.</p> <p>Turnover of staff also means that knowledge is leaving the team and it will take time for new staff to get up to speed and the current controls on recruitment may result in an increased number of vacancies within the team.</p> <p>The implementation of a new Finance System had added pressure and additional workload to the team.</p>	3	4	12	6	Staff training is in place and it is anticipated that the first tranche of trainee accountants will be exam qualified by early 2026.	29/06/2026
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R252	Financial Impact	Key Financial Controls	<p>Lack of key financial controls which may cause an instance of serious financial fraud or corruption resulting in financial loss and wider reputational loss to the authority.</p> <p>There is an increased risk of fraud as a result of changes in processes linked to new ways of working, limited staff resources in some services, and the impacts of the cost-of-living crisis.</p>	4	3	12	6	A new financial system is being developed as a transformation project which is designed to modernise and improve the financial control processes across the Council. Implementation has been delayed and is now anticipated in 2026.	10/11/2026
R255	Financial Impact	Internal Audit Effectiveness	<p>Internal Audit fails to effectively assess internal controls.</p> <p>Audit reviews fail to identify control weaknesses.</p> <p>Internal audit staff may not have the specialist skills required to undertake audit assignments.</p> <p>Failure by management to implement internal audit recommendations.</p> <p>All the above could lead to inaccurate assurances being given.</p>	3	4	12	6	Complete a service review and review staffing capacity in the team following retirement of key member of staff	10/11/2026

East Lothian Council Corporate Support Risk Register

4c

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R127	Impact on Reputation	External IT Security Threats	<p>Council IT systems are compromised by criminal 3rd party (e.g. hacker, terrorism) - causing the loss of a system(s) and/or loss/disclosure of data due to a virus/Trojan/ransomware infection.</p> <p>The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.</p> <p>Due to the current conflicts in Ukraine and the Middle East there is a continuous risk of Nation State led cyberattacks on the UK which could potentially affect National Infrastructure in a way that has a direct impact on East Lothian Council.</p>	4	5	20	16	Specific corrective actions have not been included to ensure information is not published which could compromise our IT systems. The Council's Monitoring Officer has advised elected members directly of the control measures and corrective actions in place'	01/12/2025

R129	Impact on Reputation	Data Breaches and Compliance	<p>Breach of personal data through:</p> <ul style="list-style-type: none"> - accidental disclosure or loss of personal data in transmission; - lack of staff awareness - intentional or malicious misuse of personal data; - lack of appropriate provisions for storage or disposal of personal data; <p>Risks include:</p> <ul style="list-style-type: none"> - breach of relevant laws; - breach of duty of care; - harm to individuals; - legal action and fines; - requirement to pay compensation; - adverse publicity; - damage to the Council's reputation. <p>The Council has shifted its focus to digital Service delivery and changes to working practices continue to evolve, Information Governance controls must remain resilient and responsive.</p>	4	4	16	12	<p>Revise our disciplinary policy and procedures to ensure that a deliberate data breach is a clear disciplinary matter attracting major sanctions as gross misconduct.</p> <p>Data Breach Dashboard currently in development to support high level reporting to senior managers re trends in data breaches and contributing factors.</p> <p>Undertake procurement exercise to identify best value for Digital Strategy document management services to improve storage, security and service improvement.</p>	30/03/2026
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R128	Impact on Reputation	Internal IT Security Threats	Council IT systems and/or infrastructure are compromised by the actions of an internal employee. This could result in the loss of systems, the introduction of virus/trojan/ransomware infection or loss/disclosure of data.	4	4	16	12	Specific corrective actions have not been included to ensure information is not published which could compromise our IT systems. The Council's Monitoring Officer has advised elected members directly of the control measures and corrective actions in place'	01/12/2025
R132	Business Continuity	Legal Service Staffing	<p>Unplanned loss of a key employee or employees due to resignation, long-term sickness absence etc. may affect the quality and scope of the legal service resulting in a failure to meet statutory objectives and provide an adequate legal service.</p> <p>Currently the Legal Service is short of one Solicitor (Commercial) within the current establishment. Recruitment is challenging but there have been steps to re-grade Solicitors to grade 10 which may assist combatting certain market conditions.</p> <p>Where there is a lack of resource and increased demand for Legal Services the team continue to find it difficult to fulfil service requests timeously without considering outsourcing at an additional cost to the Council.</p> <p>The increased workload falling on the remaining members of the team may</p>	4	4	16	9	On a temporary basis consideration will be given to bringing in suitably qualified solicitors through agencies and-or outsourcing to external legal firms. While these may assist these people may require training etc. which will take some time.	30/04/2026

			<p>result in further absence due to stress.</p> <p>Outsourcing legal work to external firms incurs unbudgeted costs for client services, which can be significant for complex matters.</p>						
R150	Business Continuity	Failure of power and-or cooling in the John Muir House Data Centre	<p>This has the potential to cause major loss of network, application and Internet services for a prolonged period of time as has happened previously.</p> <p>Please note that the DC is on a protected electrical circuit and we have an on site generator with a fuel contract / SLA</p> <p>Calling these data centres is not appropriate these are server rooms with slightly better electrical protection and fire protection.</p> <p>Note that if the FM system is activated it is extremely likely a high degree of equipment will still be damaged / written off</p>	4	3	12	4	<p>Colocation Facility Presence - Look at a 3rd presence in dedicated secure Datacentre (single rack floor print)</p> <p>Look at upgrading physical security measures on JMH data centre</p>	30/11/2025

East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involmnet from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major phsycological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate phsycological impact to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delievery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or phsycological impact to staff or member of the public requiring treatement.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor phsycological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

Risk	Impact				
Likelihood	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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COMMITTEE:	Audit and Governance
MEETING DATE:	25 November 2025
BY:	Depute Chief Executive - Resources and Economy
REPORT TITLE:	Corporate Governance Framework
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To present the East Lothian Council Local Code of Corporate Governance and to confirm the approach to the development of the Annual Governance Statement for 2025/2026.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Recommend approval of the Local Code of Corporate Governance to East Lothian Council
- 2.2 Note the approach to the 2025/2026 annual assurance process and the development of the Annual Governance Statement.

3 BACKGROUND

- 3.1 As members will be aware, the Council is accountable to the public and other stakeholders for ensuring that there is a sound system of governance. To support this, the Council is required to prepare and publish an Annual Governance Statement (AGS) as part of the Annual Accounts.
- 3.2 In previous years, the Council has developed the AGS by adopting the principles of good governance set out in the Chartered Institute of Public Finance & Accountancy and Society of Local Authority Chief Executives model framework Delivering Good Governance in Local Government ("the CIPFA/SOLACE framework" 2016).

- 3.3 This approach provided a framework to assess where the Council was in terms of governance. This exercise tested the design of the Council's internal control framework and improvement actions developed. The exercise and scoring regime did not attempt to rate how effectively or consistently controls were applied. This was instead undertaken during the population of assurance schedules by Heads of Service. Together these exercises combine to provide a holistic look across the Council's control framework, incorporating both design and application and provide a strong basis to draft the AGS.
- 3.4 In May 2025, CIPFA/SOLACE published an addendum to the 2016 Framework. The addendum strongly recommends that local authorities develop their own Local Code of Corporate Governance rather than adopting the principles set out in the 2016 Framework.
- 3.5 This report presents the East Lothian Council Draft Local Code of Corporate Governance. This will be used alongside updated assurance schedules and other sources of assurance (internal audit findings, risk management evidence, performance reports, external regulator findings etc) to support the development of the 2025/20206 AGS.
- 3.6 The CIPFA/SOLACE Scottish Guidance confirms that the draft Local Code is presented to the Audit and Governance Committee for review before consideration by the Council for approval.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications. Consideration of policy is made within the Local Code of Corporate Governance.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: There will be no additional resource requirements to implement the Local Code of Corporate Governance and assurance approach for 2025/2026.
- 5.2 Human Resources: The assurance process will be led by the Council's Monitoring Officer but will require time and input from all senior officers.
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: Risk is a key element of the Code and commentary is provided throughout.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 Appendix 1 – East Lothian Draft Local Code of Corporate Governance

8 BACKGROUND PAPERS

- 8.1 [CIPFA/SOLACE Addendum to Delivering Good Governance, May 2025](#)

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Hayley Barnett
Designation	Head of Corporate Support
Tel/Email	hbarnett@eastlothian.gov.uk
Date	17 November 2025

Head of Service Approval

Name	Hayley Barnett
Designation	Head of Corporate Support
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	17 November 2025



East Lothian Council Local Code of Corporate Governance

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

The Council operates through a governance framework for the conduct of its affairs which brings together an underlying set of legislative requirements, governance principles and management processes.

The Council's Local Code of Corporate Governance, which is consistent with the principles and requirements of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, 2016 and the addendum, covering the annual review of governance and the annual governance statement, published in May 2025, will help to ensure proper arrangements continue to be in place to meet the Council's responsibilities.

The concept underpinning the Framework is that it assists local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework helps authorities individually in reviewing and accounting for their own unique approach.

The overall aim is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The environment in which it works local government is increasing in complexity. Whether working with other authorities, public sector bodies, the third sector or private sector providers, local authorities must ensure that robust governance arrangements are established at the outset.

This necessitates the design of governance structures from the bottom up, ensuring that the core principles of good governance covering openness and stakeholder engagement, defining outcomes, monitoring performance and demonstrating effective accountability are integrated and embedded within the new structures and that mechanisms for effective scrutiny are established.

The 'Framework' defines the seven core principles of good governance, which the Council fully supports, namely:

- (i) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- (ii) Ensuring openness and comprehensive stakeholder engagement
- (iii) Defining outcomes in terms of sustainable economic, social, and environmental benefits
- (iv) Determining the interventions necessary to optimise the achievement of the intended outcomes
- (v) Developing the entity's capacity, including the capability of its leadership and the individuals within it
- (vi) Managing risks and performance through robust internal control and strong public financial management
- (vii) Implementing good practices in transparency, reporting, and audit to deliver effective accountability

East Lothian Council aims to meet the highest standards of corporate governance to help ensure that it meets its objectives. It will test its structure against these principles by:

- Reviewing its existing governance arrangements against the 'Framework'
- Developing and maintaining an up-to-date Local Code of Governance including arrangements for ensuring its ongoing application and effectiveness
- Preparing a Governance Statement in order to report publicly on the extent to which it complies with its own code on an annual basis, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes for the coming period.

The preparation and publication of an Annual Governance Statement in accordance with the Framework fulfils the statutory requirement for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review within its Statement of Accounts.

This process not only creates an opportunity for the Council to set out its standards for good governance but also to ensure that its governance arrangements are seen to be sound. This is important as the governance arrangements in public services are closely scrutinised.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

A1 Behaving with integrity

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<p>Standards for elected members are set out in the Councillors Code of Conduct.</p> <p>The Employees Code of Conduct reflects the values and behaviours of the Council, The East Lothian Way, and “The Seven Principles of Public Life” identified by the Nolan Committee on Standards in Public Life. It also signposts to Council’s Whistleblowing Policy.</p> <p>The Councillor/Officer Protocol was agreed by Council.</p> <p>The Scheme of Delegation sets out the powers delegated to Council Officers and ensures decisions are taken at the appropriate level. Officers are in place for statutory roles, including the Council’s Monitoring Officer.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>Councillors' register of interest, expenses and membership of organisations are published on the Council's website.</p> <p>The Council's Whistleblowing Policy provides guidance to employees on reporting incidents of malpractice or wrongdoing.</p> <p>Performance Review and Development (PRD) is in place for employees and is based upon The East Lothian Way values and behaviours.</p>
2	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	The Council Plan 2022-27 (reprioritised in 2024) was agreed by Council and published on website. It sets out the values (The East Lothian Way), principles and behaviours that guide how the council and its staff operate.
3	Leading by example and using these standard operating principles or values as a framework for decision making and other actions	<p>The Council's Standing Orders govern the conduct of Council and committee meetings.</p> <p>The Scheme of Administration and Scheme of Delegation are in place to govern decision making.</p> <p>Council considers the findings of Standards Commission Scotland hearings within three months, required by the Ethical Standards in Public Life etc. (Scotland) Act 2000.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>Declarations of interest are set out in the Council's Standing Orders which govern the conduct of each Council and Committee meeting.</p> <p>Councillors' register of interest, expenses and membership of organisations are published on the Council's website.</p>
4	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	<p>Councillors and Employees Codes of Conduct outline the arrangements for identifying, mitigating and recording conflicts of interest, hospitality and gifts.</p> <p>Declarations of Interest are set out in the Council's Standing Orders which govern the conduct of each Council and Committee meeting.</p> <p>Councillors' register of interest, expenses and membership of organisations are published on the Council's website</p> <p>Employees Code of Conduct signposts to The Council's Whistleblowing Policy.</p> <p>The Council's Whistleblowing Policy provides guidance to employees on reporting incidents of malpractice or wrongdoing.</p> <p>The Council's Strategy for the Prevention and Detection of Fraud and Corruption is in place to tackle fraud with Counter Fraud Annual Plan's approved by the Audit and Governance Committee.</p>

A2 Demonstrating strong commitment to ethical values

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Seeking to establish, monitor and maintain the organisation's ethical standards and performance	<p>Annual Governance Statement is the outcome of self-evaluation of compliance.</p> <p>The Audit and Governance Committee includes a role to ensure the highest standards of probity and public accountability are demonstrated.</p>
2	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	<p>Standards of conduct and behaviour are set out in the Councillors and Employees Codes of Conduct.</p> <p>Induction programmes include the above to ensure competency.</p>
3	Developing and maintaining robust policies and procedures	<p>Employee Code of Conduct reflects the values of the Council, incorporates "The Seven Principles of Public Life"</p> <p>The East Lothian Way values and behaviours, set out in the Council Plan guide how the council and its staff operate.</p> <p>Performance Review and Development (PRD) is in place for employees and is based upon The East Lothian Way values and behaviours (referenced in PRD templates).</p> <p>East Lothian Council Complaints Handling Procedure is in place.</p>
4	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	<p>The East Lothian Council Procurement Strategy 2023 -2028 sets out the values (The East Lothian Way), principles and behaviours that guide how the council and its external providers staff operate.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>An annual Procurement Report reported publicly is to give transparency to the Council's external spend with suppliers, and report on its compliance with the procurement regulations and performance against its procurement strategy.</p> <p>Relevant governance documentation sought to be put in place for external providers of services e.g. Enjoy Leisure, Chester Race Company Ltd, East Lothian Mid-Market Homes, the Brunton Theatre Trust.</p>

A3 Respecting the rule of law

	Behaviours and actions that demonstrate good governance ccc	Demonstration of good governance in practice
1	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	<p>The Council has appointed statutory officers as follows: Head of Paid Service, Monitoring Officer, Depute Chief Executive Resources and Economy (section 95/chief finance officer), Chief Education Officer, Chief Internal Auditor, Chief Social Work Officer, Chief Planning Officer and Data Protection Officer.</p> <p>Advice and overseeing compliance on legal and governance matters is provided by the Council Solicitor and the Monitoring Officer as set out in Scheme of Delegation.</p>
2	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	<p>The Scheme of Delegation sets out the roles, responsibilities and delegations for statutory officers and Chief Officials.</p> <p>Membership of Professional Bodies is required.</p>

	Behaviours and actions that demonstrate good governance ccc	Demonstration of good governance in practice
3	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	The Council's Standing Orders including the Scheme of Administration, the Scheme of Delegation and Financial Regulations reflect the legal requirements placed upon the authority. These documents are reviewed annually.
4	Dealing with breaches of legal and regulatory provisions effectively.	<p>The Head of Corporate Support fulfils the Monitoring Officer statutory role and is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p> <p>Advice and overseeing compliance on legal and governance matters is provided by the Council Solicitor and the Monitoring Officer as set out in Scheme of Delegation.</p>
5	Ensuring corruption and misuse of power are dealt with effectively	<p>The Council's Strategy for the Prevention and Detection of Fraud and Corruption is in place to tackle fraud with Counter Fraud Annual Plan's approved by the Audit and Governance Committee.</p> <p>The Council's Whistleblowing Policy provides guidance to employees on reporting incidents of malpractice or wrongdoing.</p> <p>Internal Audit used to investigate any alleged incidents of breaches of legal and regulatory provisions, corruption or misuse of power.</p> <p>The Council's Disciplinary Policy is in place for employees.</p>

	Behaviours and actions that demonstrate good governance ccc	Demonstration of good governance in practice
		<p>Annual elected member training in place on the Councillors' Code of Conduct. The Standards Committee is responsible for dealing with matters relating to conduct and ethical standards.</p> <p>Council considers the findings of Standards Commission Scotland hearings within three months, required by the Ethical Standards in Public Life etc. (Scotland) Act 2000.</p>

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders

B1 Openness

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	<p>Behaviours demonstrated in B1.2. B1.3 and B1.4.</p> <p>Compliance with Data Protection Act and Freedom of Information legislation.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
2	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	<p>All meetings set out within the Scheme of Administration held in public. The rationale for those held in private documented (Schedule 7a. of the Local Government (Scotland) Act 1973)</p> <p>Council and committee meetings webcast. Council and committee reports, minutes, workplans and action logs are published on the Council's website.</p> <p>Annual schedule of Council and Committee meetings are agreed by Council and published.</p>
3	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	<p>Committee report templates in place include a section on implications covering policy implications, resources – finance, human resources and other (legal/IT) risk and integrated impact section.</p> <p>Report writing guidance in place for report authors.</p> <p>All reports must be signed off by the relevant Head of Service (including explicit confirmation that the integrated impact assessment has been considered) and Executive Director.</p>
4	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	<p>Community Engagement and Participation Strategy under development. This is led by the East Lothian Partnership and is due to be complete by March 2026.</p> <p>Local Area Plans under development via the Area Partnerships.</p> <p>Service specific consultation is also undertaken via the Council's consultation hub.</p> <p>Community Asset Transfer and Participation Request processes in place</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice

B2 Engaging comprehensively with institutional stakeholders

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	<p>The East Lothian Partnership (Community Planning Partnership) has in place the East Lothian Plan 2017-2027 as the Local Outcomes Improvement Plan (LOIP).</p> <p>The East Lothian Partnership is currently working towards a new Local Outcome Improvement Plan 2026-2036. The East Lothian Partnership LOIP is informed by Strategic Needs Assessments (SNA) following a period of co-production including streamlining partners strategic plans.</p>
2	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<p>The Council has in place formal partnerships under the East Lothian Partnership and extensive engagement with statutory partners, Queen Margaret University and private business.</p> <p>The Council along with NHS Lothian work together to plan and deliver adult community health and social services through the Health and Social Care Partnership.</p> <p>The Council effectively works in partnership as part of the City Region Deal.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>There are six Local Area Partnerships in East Lothian. These are chaired by local residents and supported by the Council. Elected members from the relevant wards attend the partnerships. The partnerships foster good engagement and communication between local communities and the Council.</p> <p>The Council's key engagement with the third sector is via VCEL (East Lothian's third sector interface). Elected members and trade union officials meet as the Joint Consultative Committee.</p>
3	<p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> • trust; • a shared commitment to change; • a culture that promotes and accepts challenge among partners; and • that the added value of partnership working is explicit 	<p>Please see B2.1 and B2.2</p> <p>The East Lothian Partnership (Community Planning Partnership) has in place the East Lothian Plan 2017-2027 as the Local Outcomes Improvement Plan (LOIP) as a shared commitment to change.</p> <p>The East Lothian Partnership undertook a self-assessment between November 2024-March 2025. This produced an Improvement Plan which sought to strengthen the governance, reporting procedures, representation and community engagement with partners. Through the development of the Local Outcome Improvement Plan 2026-2036, there has been a commitment to a journey of change, improvement, shared values and structures to improve culture between statutory and community partners.</p> <p>The Audit and Governance Committee, the Policy, Performance and Risk Committee and Council receives reports from key partners including the East Lothian Integration Board, Enjoy Leisure, East Lothian Land Ltd, East Lothian Investments Ltd, the Brunton Theatre Trust, the Edinburgh Innovation Hub and the City Region Deal.</p>

B3 Engaging stakeholders effectively, including individual citizens and service users

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	Community Engagement and Participation Strategy under development. This is led by the East Lothian Partnership and is due to be complete by March 2026.
2	Ensuring that communication methods are effective, and that members and officers are clear about their roles with regard to community engagement	<p>Community Participation Opportunities Guide</p> <p>Community Engagement and Participation Strategy under development. This is led by the East Lothian Partnership and is due to be complete by March 2026.</p> <p>The Consultation Hub on the council website gives online public access to consultations and includes a “we asked, you said, we did” section to give clarity on how feedback has been used.</p> <p>Communications Strategy 2022-27</p>
3	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	<p>Community Engagement and Participation Strategy under development. This is led by the East Lothian Partnership and is due to be complete by March 2026.</p> <p>The Consultation Hub on the council website gives online public access to consultations and includes a “we asked, you said, we did” section to give clarity on how feedback has been used.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		The Council has put robust arrangements in place to comply with key elements of the Community Empowerment Act.
4	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.	<p>The East Lothian Partnership Engagement Report, 2025 represents the voice of over 25,000 residents and 100 represented community partners or data sets.</p> <p>The bi-annual East Lothian Residents Survey provides an important source of information about residents' views about priorities and services (send to a representative group of 10,000 residents).</p> <p>The Council seeks feedback through the Complaints Handling Procedure.</p> <p>The Council is currently actively working with Volunteer Centre East Lothian (VCEL) to support lived experience panels and engages with partner panels e.g. Carers of East Lothian- Carers Panel, Who Cares Scotland – Young Champs, Health and Social Care Partnership – Live Experience Panel, Bridges – Youth Ambassadors, Recharge – Young Reformers etc.</p>
5	Taking account of the interests of future generations of taxpayers and service users	<p>Annual Student Evaluation Experience (Education)</p> <p>Youth Work Strategy and Youth Work panels</p> <p>The East Lothian Promise Framework</p> <p>Review of policies and procedures of the Council under United Nations Convention on the Rights of a Child (UNCRC).</p>

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

C1 Defining outcomes

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	<p>The East Lothian Partnership (Community Planning Partnership) has in place the East Lothian Plan 2017-2027 as the Local Outcomes Improvement Plan (LOIP).</p> <p>The Council Plan 2022-27 (reprioritised in 2024) was agreed by Council and published on website. It sets out the vision and intended outcomes of the Council. In June 2025, the Council agreed a refined set out Council Plan Actions to provide a basis for the organisation's overall strategy, planning and other decisions.</p>
2	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	Council and committee reports outlining any proposals to change policies, strategies and plans include a section on implications covering policy implications, resources – finance, human resources and other (legal/IT) risk and integrated impact section.
3	Delivering defined outcomes on a sustainable basis within the resources that will be available	<p>Council Plan Action Plan agreed by Council.</p> <p>Quarterly financial performance reported to Council including revenue, capital and Prudential and Treasury Indicators.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		Refreshed Performance Framework agreed June 2025.
4	Identifying and managing risks to the achievement of outcomes	<p>Risk Management Strategy is in place.</p> <p>The Corporate Risk Register is presented to Council twice a year and the Audit and Governance Committee scrutinise and each Head of Service's Risk Register.</p> <p>The officer Corporate Risk Group meets quarterly and reports to the Council Leadership Team and Local Risk Working Groups are in place within each service area.</p>
5	Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available	<p>The bi-annual Residents Survey provides an important source of information about residents' views about priorities and services.</p> <p>The Council holds a budget consultation in advance of setting the annual revenue and capital budgets including the level of Council Tax.</p> <p>Consultation also takes place annually in advance of setting the levels of Council House rents and Housing Revenue account budget.</p> <p>Service specific consultation is also undertaken via the Council's consultation hub.</p>

C2 Sustainable economic, social and environmental benefits

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	<p>The 2022-2027 Council Plan was set within the context of the social, economic and environmental challenges faced by East Lothian and in February 2024 the Council agreed a reprioritisation of the Council Plan in order to respond to the new challenges and the limited resources it has the Council focusing on delivering a smaller number of priorities.</p> <p>Refined set out Council Plan Actions approved by the Council in June 2025 to support the delivery of the reprioritised Council Plan.</p> <p>Five Year Financial and Capital Strategies agreed and set out the framework as to how resources will be deployed to support Council priorities.</p> <p>Established budget development process in place. The Council holds a budget consultation in advance of setting the annual revenue and capital budgets including the level of Council Tax.</p> <p>Integrated Impact Assessments carried out to assess impact of decisions and policies on equalities groups. The process sets equality considerations alongside the Council's social policy objectives and also considers the impact of decisions in relation to the environment and the economy.</p> <p>Committee report templates in place include a section on implications covering policy implications, resources – finance, human resources and other (legal/IT) risk and integrated impact section.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
2	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	<p>Five Year Financial and Capital Strategies agreed and set out the framework as to how resources will be deployed to support Council priorities.</p> <p>Quarterly financial performance reported to Council including revenue, capital and Prudential and Treasury Indicators.</p> <p>Transformation Strategy 2024-2029 agreed recognising the need to modernise how services are delivered within the context of financial challenges and ever-changing external pressures.</p> <p>Procurement Strategy 2023-2028 recognises the key role the Council has to deliver social, economic and environmental outcomes.</p>
3	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	<p>The bi-annual Residents Survey provides an important source of information about residents' views about priorities and services.</p> <p>The Council holds a budget consultation in advance of setting the annual revenue and capital budgets including the level of Council Tax.</p> <p>Consultation also takes place annually in advance of setting the levels of Council House rents and Housing Revenue account budget.</p> <p>Service specific consultation is also undertaken directly with client/user groups via the Council's consultation hub.</p> <p>The Council seeks feedback through the Complaints Handling Procedure.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
4	Ensuring fair access to services	<p>Reducing Inequalities is an overarching objective of the Council Plan 2022-2027.</p> <p>Equality Plan 2025-2029 agreed by Cabinet.</p> <p>Equality Plan action plan reported publicly through the Equality Outcomes and Mainstreaming Reports.</p> <p>Integrated Impact Assessments carried out to assess impact of decisions and policies on equalities groups. The process sets equality considerations alongside the Council's social policy objectives and also considers the impact of decisions in relation to the environment and the economy.</p>

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

D1 Determining interventions

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.	<p>Council and committee reports outlining any proposals to change policies, strategies and plans include a section on implications covering policy implications, resources – finance, human resources and other (legal/IT) risk and integrated impact section.</p> <p>Report writing guidance in place for report authors.</p> <p>All reports must be signed off by the relevant Head of Service (including explicit confirmation that the integrated impact assessment has been considered) and Executive Director.</p> <p>Committee reports are published on Council’s website one week in advance of meeting dates.</p> <p>Officers and subject matter experts attend Council and Committee meetings to advise as appropriate.</p> <p>Business Case development and approval process in place for transformation project establishment including options appraisals, outcome/benefit realisation and risk assessments.</p> <p>Stage Gate Review process in place for Projects.</p>
2	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available	<p>The bi-annual Residents Survey provides an important source of information about residents’ views about priorities and services.</p> <p>The Council holds a budget consultation in advance of setting the annual revenue and capital budgets including the level of Council Tax.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
	including people, skills, land and assets and bearing in mind future impacts	<p>Consultation also takes place annually in advance of setting the levels of Council House rents and Housing Revenue account budget.</p> <p>Service specific consultation is also undertaken directly with client/user groups and via the Council's consultation hub.</p>

D2 Planning interventions

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	<p>Annual calendar of Council and Committee meetings published.</p> <p>All new and reviewed strategies and policies approved by the Cabinet or the Council.</p> <p>Scrutiny of corporate (strategic) and service performance (tactical) at the Policy, Performance and Review Committee as per agreed work programme following review by the Corporate Management Team.</p> <p>Operational (Service) level performance is managed in line with our service planning guidance and reported via statutory reporting required by specific legislation or regulations.</p> <p>Participation and annual completion of the Local Government Benchmarking Framework</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
2	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	<p>As D1.2</p> <p>The Council has in place formal partnerships under the East Lothian Partnership and extensive engagement with statutory partners, Queen Margaret University and private business to support different models of service delivery.</p> <p>The Joint Consultative Committee is the corporate committee for formal trade union engagement. Trade Unions are also engaged through local joint consultative groups across the Council.</p> <p>Service Specific staff engagement events also take place e.g. Asset Review: Place Making Proposals.</p>
3	Considering and monitoring risks facing each partner when working collaboratively including shared risks	<p>Engagement with Scottish Government on Scottish National Risk Register and consideration of risk in relation to the Council's Risk Register.</p> <p>Engagement with UK Government on National Security Risk Register and consideration of risk in relation to the Council's Risk Register.</p> <p>East Lothian Council Risk Management Strategy 2023-2026 is in place.</p>
4	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	East Lothian Council's Improvement Framework – Improvement to Excellence (i2e) ensures delivery of continuous improvement and Best Value across all Council services.

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		Operational Service Plans in place. The Service Plan provides a more specific representation of what is involved in the delivery of outcomes and priorities, recognising the resource implications, actions and risks concerned. These are on place for three years but are on a regular basis and adapted to changing circumstances.
5	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	<p>Refreshed Performance Framework agreed June 2025.</p> <p>Corporate (strategic) annual performance presented to the Policy, Performance and Review Committee, following the Corporate Leadership Team review.</p> <p>Service (tactical) performance presented quarterly as per agreed work programme. KPIs and key actions reviewed in line with committee reporting requirements. These reports show the progress the services have made towards the priorities set out within the Council Plan.</p> <p>Operational (Service) level performance is managed in line with the Council's service planning guidance and reported via statutory reporting required by specific legislation or regulations.</p> <p>Guidance in place to support the development of performance indicators.</p>
6	Ensuring capacity exists to generate the information required to review service quality regularly	<p>East Lothian Council's Improvement Framework – Improvement to Excellence (i2e) ensures delivery of continuous improvement and Best Value across all Council services.</p> <p>All services undertake annual reviews of three-year Service Plans. Service Plans include sections on Outcomes and Priorities/Service Outcome Indicators. The main</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>source of content for the Service Plan is self-evaluation. This includes Public Sector Improvement Framework (PSIF), currently being rolled out on a service-by-service basis. Guidance is in place to support self-evaluation.</p> <p>Action plans are developed by the relevant service following any internal audit inspections. (See section F3 – robust internal control)</p> <p>Action plans are developed corporately or by the relevant service following an independent inspection.</p>
7	Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan	<p>Cross-Party Budget Group in place. Budget development process agreed by Council. Budget modelling and scenario planning carried out.</p> <p>Five Year Financial and Capital Strategies agreed and set out the framework as to how resources will be deployed to support Council priorities.</p> <p>Business Case development and approval process in place, capital spend including options appraisals, outcome/benefit realisation and risk assessments.</p>
8	Informing medium- and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	<p>Five Year Financial and Capital Strategies agreed and set out the framework as to how resources will be deployed to support Council priorities.</p> <p>Quarterly financial performance reported to Council including revenue, capital and Prudential and Treasury Indicators.</p>

D3 Optimising achievement of intended outcomes

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints	<p>Five Year Financial and Capital Strategies agreed and set out the framework as to how resources will be deployed to support Council priorities.</p> <p>Quarterly financial performance reported to Council including revenue, capital and Prudential and Treasury Indicators.</p>
2	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	See D3.1
3	Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	See D3.1
4	Ensuring the achievement of 'social value' through service planning and commissioning <i>(Social Value is technically referred to as Community Benefit in Scotland)</i>	<p>The East Lothian Council Procurement Strategy 2023 -2028 sets out the vision <i>To provide excellent services that deliver best value procurements with Community Benefits that support recovery and renewal, reduce poverty and inequality and respond to the climate emergency</i></p> <p>Community Benefits is contractual obligation for where the aggregated spend is more than £50k and a statement/question is included in the tender documents for all such contracts.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>An annual Procurement Report reported publicly demonstrating achieved community wealth benefits.</p> <p>Established Community Wealth Building Sub-Groups (e.g. Progressive Procurement Group) with direct input into Local Development Strategy.</p> <p>Community Wealth Building Charter and action plan in place (approved by the East Lothian Partnership).</p>

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

E1 Developing the entity's capacity

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	<p>All services undertake annual reviews of three-year Service Plans.</p> <p>Refreshed Performance Framework agreed June 2025 (see review governance at D2.5).</p> <p>Use of the Local Government Benchmarking Framework and participation in relevant benchmarking exercises</p> <p>Asset Review: Place Making in progress. Corporate Asset Group meetings on a regular basis.</p> <p>East Lothian Council's Improvement Framework – Improvement to Excellence (i2e) ensures delivery of continuous improvement and Best Value across all Council services.</p> <p>Transformation Strategy 2024-2029 in place and governed by the Transformation and Major Projects Group (Corporate Leadership Team, meet 6-weekly)</p>
2	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently	<p>Refreshed Performance Framework agreed June 2025 (see review governance at D2.5).</p> <p>Use of the Local Government Benchmarking Framework and participation in relevant benchmarking exercises</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
3	Recognising the benefits of partnerships and collaborative working where added value can be achieved	<p>The Council has in place formal partnerships under the East Lothian Partnership and extensive engagement with statutory partners, Queen Margaret University (QMU), the third sector and private business to support different models of service delivery.</p> <p>Formal Governance arrangements in place with key partners e.g. Joint Venture agreement with QMU. Grant letter issue third sector providers.</p>
4	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	<p>The 2023-2027 Workforce Plan in place.</p> <p>Action Plan in place to respond to Audit Scotland recommendations to improve ELC's Workforce Plan 2023-2027 as part of the Workforce Innovation Audit.</p> <p>Service level workforce planning requirements incorporated into Service Plans</p> <p>Strategic Workforce Plan 2026-2029 development underway.</p>

E2 Developing the capability of the entity's leadership and other individuals

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the	Induction Programme for elected members to understand roles, responsibilities and standards.

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
	relationship and that a shared understanding of roles and objectives is maintained	<p>The Councillor/Officer Protocol was agreed by Council.</p> <p>Regular meetings are held between Chief Executive, Leader, Provost and Group Leaders.</p> <p>Fortnightly Council Leadership Group with senior officers and Cabinet Members.</p> <p>Pre-meetings for Council, Cabinet and Committee meetings</p>
2	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	<p>The Scheme of Delegation sets out the roles, responsibilities and delegations for statutory officers and Chief Officials.</p> <p>Membership of Professional Bodies is required.</p> <p>The Council's Standing Orders including the Scheme of Administration which reflects the powers delegated by Council to specific committees, the Scheme of Delegation which reflects the decision-making responsibilities delegated to officers, and the Financial Regulations. These documents are reviewed annually, approved by Council and published on the Council's website.</p>
3	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	<p>Please see A 1.4 and E2.1</p> <p>Regular meetings are held between Chief Executive and Leader.</p> <p>The Chief Executive is a Statutory post (Head of Paid Service) with Job Outline in place,</p> <p>Particular delegations to Chief Executive are detailed within the Scheme of Delegation.</p> <p>The Head of Corporate Support fulfils the Monitoring Officer statutory role provides advice, if required on decision making and delegations.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
4	Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:-	<p>Monthly Member's Briefing Sessions include training, policy changes, service delivery changes, politically sensitive matters.</p> <p>Induction Programme and access to Learn-Pro Online courses, Seminars and national resources.</p> <p>Fortnightly Council Leadership Group with senior officers and Cabinet Members.</p> <p>Leadership Development Programme in place for the Corporate Leadership Team, Inspiring Leaders programme in place.</p> <p>Performance Review and Development (PRD) is in place for employees and is based upon The East Lothian Way values and behaviours.</p>
-	- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged	<p>Engagement with candidates in advance of Local Government elections.</p> <p>Please also see E2.4</p>
-	- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis	<p>Identification of training needs for elected members as part of the elected member Induction Programme.</p> <p>Skills Matrix in place for Audit and Governance and Policy, Performance and Review Committee.</p> <p>Performance Review and Development (PRD) is in place for employees.</p> <p>Learning at Work Policy for Employees.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
-	- ensuring personal, organisational and system wide development through shared learning, including lessons learnt from both internal and external governance weaknesses	<p>Performance Review and Development (PRD) is in place for employees</p> <p>LeFssons Learned exercise carried out as part of programme/project governance approach and regulated procurement projects.</p> <p>Council Improvement Plan in place and monitored.</p> <p>Audit actions monitored e.g. Corporate Leadership Team review Internal Audit actions.</p>
5	Ensuring that there are structures in place to encourage public participation	<p>All meetings set out within the Scheme of Administration held in public.</p> <p>Council and committee meetings webcast. Council and committee reports, minutes, workplans and action logs are published on the Council's website.</p> <p>Annual schedule of Council and Committee meetings are agreed by Council and published.</p> <p>Community Participation Opportunities Guide</p> <p>Community Engagement and Participation Strategy under development. This is led by the East Lothian Partnership and is due to be complete by March 2026.</p> <p>Application of requirements of the Community Empowerment Act.</p>
6	Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	<p>Leadership Development Programme in place for the Corporate Leadership Team</p> <p>Corporate Leadership Team, Public Sector Improvement Framework (PSIF) Self-Evaluation carried out in 2023. PSIF currently being rolled out on a service-by-service basis.</p> <p>Audit and Governance Committee Annual Self-Evaluation process.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		Policy, Performance and Review Committee Development Plan in place.
7	Holding staff to account through regular performance reviews which take account of training or development needs	Performance Review and Development (PRD) is in place for employees. Guidance is provided for managers and staff noting regular reviews should take place to monitor progress. Specific section within templates on training and development needs.
8	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	<p>Range of relevant HR policies including Flexible Working Hours, Flexible Retirement, Home Working, Learning at Work, Managing Attendance, Menopause and Hormonal Conditions, Shared Parental Leave, Special Leave, Time Off in Lieu,</p> <p>Healthy Working Lives in place</p> <p>Employee Assistance Programme with access to occupational health, mental health support, physiotherapy, massage and reflexology, financial well-being support, 'wellness Wednesday'</p> <p>Wellness Action Plans</p> <p>Listening Ears Programme where volunteer 'good listeners' are available for employees to reach out to with concerns.</p> <p>Health and Wellbeing initiatives monitored by the Joint Consultative Committee</p>

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

F1 Managing risk

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	<p>East Lothian Council Risk Management Strategy 2023-2026 is in place.</p> <p>Risk Appetite Statement in place.</p> <p>Committee report templates in place include a section on implications covering risks.</p> <p>Business Case development and approval process in place for transformation project establishment including options appraisals, outcome/benefit realisation and risk assessments.</p> <p>The Corporate Risk Register and Service level risk registers are reviewed by the Corporate Leadership Team.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>The Corporate Risk Register is presented to Cabinet annually and scrutinised by the Audit and Governance Committee.</p> <p>Service level risk registers scrutinised by the Audit and Governance Committee.</p>
2	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	<p>Each service is responsible for identification; assessment; recording; and management of operational risks. Risk Registers in place for all Council Services recorded and managed on risk management software.</p> <p>Corporate Risk Management team in place.</p> <p>The Corporate Risk Management team hold focused annual 'risk' months with each Head of Service to focus on embedding and reviewing risk management.</p> <p>Guidance documents on risk management and use of the risk management software are available for officers.</p>
3	Ensuring that responsibilities for managing individual risks are clearly allocated	Responsibilities for risks are set out in risk registers and allocated on the risk management software.

F2 Managing performance

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review	Service Plans in place. All services undertake annual reviews of three-year Service Plans.

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>Scrutiny of corporate (strategic) and service performance (tactical) at the Policy, Performance and Review Committee as per agreed work programme, following review by the Corporate Management Team.</p> <p>Operational (Service) level performance is managed in line with our service planning guidance and reported via statutory reporting required by specific legislation or regulations.</p> <p>Performance reporting published on Council's website.</p> <p>Procurement - contract and supplier management (CSM). Where requirements are identified, supplier obligations are included within tender documents and monitored as part of on-going contract and supplier management.</p>
2	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	<p>Committee report templates in place include a section on implications covering policy implications, resources – finance, human resources and other (legal/IT) risk and integrated impact section.</p> <p>Report writing guidance in place for report authors.</p> <p>All reports must be signed off by the relevant Head of Service (including explicit confirmation that the integrated impact assessment has been considered) and Executive Director.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
3	<p>Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system)</p> <p>Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</p> <p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<p>The Council's scrutiny arrangements are established through the Council's Scheme of Administration – Audit and Governance Committee, Policy, Performance and Review Committee and Police Fire and Community Safety Scrutiny Committee and reviewed annually.</p> <p>Both committees meet quarterly and have a workplan in place, officers attend to respond to scrutiny questions, constructive links to senior officers including Chief Internal Auditor.</p> <p>Committee self-evaluation exercises take place on a regular basis and development plans developed and monitored as required.</p> <p>Committee agenda and minutes are published on the Council's website.</p> <p>Also see F2.1</p>
4	<p>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	See F2.1
5	<p>Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)</p>	Governance arrangements in place including Standing Orders and Financial Regulations.

F3 Robust internal control

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Aligning the risk management strategy and policies on internal control with achieving objectives	<p>See F1.1 Risk Management Policy</p> <p>Internal Audit review risk management arrangements on an annual basis</p> <p>Risk based Internal Audit Plan approved by the Audit and Governance Committee.</p> <p>External and Internal auditors provide assurance on the adequacy and effectiveness of control measures.</p>
2	Evaluating and monitoring risk management and internal control on a regular basis	<p>Risk based Internal Audit Plan approved by the Audit and Governance Committee.</p> <p>Review of Risk Management areas and each Internal Audit by the Corporate Leadership Team.</p> <p>Annual reporting by Internal Audit to the Audit & Governance Committee on the overall effectiveness of the framework of governance, risk management and internal control as part of the process for preparation of the Council's Annual Governance Statement.</p>
3	Ensuring effective counter fraud and anti-corruption arrangements are in place	<p>The Council's Strategy for the Prevention and Detection of Fraud and Corruption is in place to tackle fraud with Counter Fraud Annual Plan's approved by the Audit and Governance Committee.</p> <p>The Integrity Group (senior officers, chaired by the Council's Monitoring Officer) meet quarterly to improve the Council's resilience to fraud, corruption, theft and crime (including cybercrime and money laundering). The Integrity Group is accountable to the Council Leadership Team, the S95 Finance Officer, and annually will provide assurance and to the Audit & Governance Committee.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>Counter Fraud Officer in post based within the Internal Audit Function. Service Level Fraud Risk Assessments in place (to inform Corporate Risk Assessment). Fraud Risk Register in Place.</p> <p>The Council's Whistleblowing Policy provides guidance to employees on reporting incidents of malpractice or wrongdoing.</p> <p>Internal Audit used to investigate any alleged incidents of breaches of legal and regulatory provisions, corruption or misuse of power.</p>
4	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	<p>Internal Audit provide an annual assurance statement on the effectiveness of the council framework of governance risk management and Internal Control this is then used as part of preparation of the Council's Annual Governance Statement.</p> <p>Internal Audit reports directly to the Audit & Governance Committee on provision of the Internal Audit statutory service and conformance with Global Internal Audit Standards (GIAS).</p> <p>Stage Gate Review process in place for Projects.</p>
5	Ensuring an Audit and Scrutiny Committee or equivalent group or function which is independent of the executive and accountable to the governing body:	The role of the Audit and Governance Committee is to have high-level oversight of internal control, governance and risk management.

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
	<ul style="list-style-type: none"> - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - that its recommendations are listened to and acted upon 	<p>Independence is maintained through membership composition. No Cabinet members are permitted to be on the Committee, all political parties are represented.</p> <p>Annual self-evaluation of the effectiveness of Audit and Governance Committee</p> <p>Annual Internal Audit Report and Chief Internal Auditor's Annual Opinion.</p> <p>Committee Action log in and work plan place.</p>

F4 Managing data

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<p>Centralised Information Governance Team that monitors and assesses compliance with its statutory obligations under information governance legislation.</p> <p>Data Protection Policy (and processes)</p> <p>Access to Information Policy</p> <p>Information Asset Register</p> <p>Records Management Policy</p> <p>Mandatory and regular (Meta-Compliance) training for all staff</p> <p>Information Governance Annual Report to Audit and Governance Committee.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
2	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	As F4.1 Data sharing protocols are in place. Data sharing arrangements in place with partners and suppliers. Periodic Internal Audit reviews covering Information Governance.
3	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Quality and validation of data used in decision making and performance reporting is typically the responsibility of the service area. Internal Audit annual reviews on Performance Management cover validation of the KPI data submitted for Local Government Benchmarking Framework.

F5 Strong public financial management

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance	As D2.8, D3.
2	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Budget monitoring framework and procedures in place. This is reviewed regularly and endorsed by the Council Leadership Team. Monitoring of financial risk and associated controls is reported regularly to the Audit and Governance Committee and as part of financial update reports to Council.

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		Implementation of recommendations from external and internal audit and reviewed and monitored by the Audit & Governance Committee.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

G1 Implementing good practice in transparency

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	Public Performance Reporting published on Council's website. Committee report templates and report writing guidance in place for report authors. Council and Committee reports published on the Council website.
2	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public	All meetings set out within the Scheme of Administration held in public. The rationale for those held in private documented (Schedule 7a. of the Local Government (Scotland) Act 1973)

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
	scrutiny while not being too onerous to provide and for users to understand	<p>Council and committee meetings webcast. Council and committee reports, minutes, workplans and action logs are published on the Council's website.</p> <p>Public Performance Reporting published on Council's website.</p> <p>Committee report templates and report writing guidance in place for report authors.</p> <p>The Council produces and publishes statutory annual accounts which are subject to external audit.</p> <p>Public Performance Reporting published on Council's website.</p> <p>Service-specific Annual Reports presented e.g. Chief Social Work Officer Annual Report.</p>

G2 Implementing good practices in reporting

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Reporting at least annually on performance, value for money and the stewardship of its resources	<p>Refreshed Performance Framework agreed June 2025 with annual reports presented to the Policy Performance and Review Committee.</p> <p>The Statement of Accounts, incorporating a Management Commentary, provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development. The Statement of Accounts is produced in accordance with statutory guidelines and deadlines.</p>

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		<p>External Audit Annual Report provides assurance and key recommended improvements.</p> <p>An annual Procurement Report reported publicly is to give transparency to the Council's external spend with suppliers, and report on its compliance with the procurement regulations and performance against its procurement strategy.</p>
2	Ensuring members and senior management own the results	Meeting dates of Corporate Leadership Team (senior officers) and the Council Leadership Team (senior officers and elected members) and other senior management and elected member forums have been aligned to enable appropriate engagement and consultation prior to Council, Cabinet and Committees. Outcomes and actions from meetings are tracked.
3	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	A self-evaluation of compliance with the Governance Framework is undertaken annually. The Annual Governance Statement is the outcome of that process alongside the assurance statements provided by each Head of Service and Depute Chief Executive. Areas for Improvement are monitored in the Council Improvement Plan and scrutinised by the Audit and Governance Committee.
4	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	The annual assurance process and the Annual Governance Statement reflect the assurances received from Heads of Service and Depute Chief Executives which covers the Council's service delivery arrangements.
5	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis	The Statement of Accounts, incorporating a Management Commentary, provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development. The

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
	and the statements allow for comparison with other similar organisations	Statement of Accounts is produced in accordance with statutory guidelines and deadlines.

G3 Assurance and effective accountability

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
1	Ensuring that recommendations for corrective action made by external audit are acted upon	<p>External Audit reports outlining findings and recommendations (including follow-up progress) are presented to the Audit and Governance Committee.</p> <p>Actions incorporated into the Council Improvement Plan and scrutinised by the Audit and Governance committee.</p>
2	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	<p>Chief Internal Auditor meets regularly with Chair of Audit Committee.</p> <p>Regular reports on Internal Audit activity, performance and compliance presented to the Audit Committee.</p> <p>Regular reports are presented to the Audit Committee on Management's progress with implementation of recommendations made by Internal Audit to ensure these are acted upon.</p> <p>Compliance with Global Internal Audit Standards.</p>
3	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	Reports by external scrutiny and inspection bodies outlining findings and recommendations presented to relevant committee (e.g. Education Scotland Inspection reports and follow up visits are presented to the Education and

	Behaviours and actions that demonstrate good governance	Demonstration of good governance in practice
		Children's Service Committee) including associated Action Plans for improvement.
4	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	<p>The annual assurance process and the Annual Governance Statement reflect the assurances received from Heads of Service and Depute Chief Executives which covers the Council's service delivery arrangements.</p> <p>All ALEO organisations report on an annual basis to the Audit & Governance Committee</p>
5	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	<p>As G4.4 and relevant service level agreements are in place with partners. The East Lothian Partnership and the Integration Joint Board have their own governance frameworks in place to align with the Council's governance framework.</p>

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	25 November 2025
BY:	Service Manager – Internal Audit
REPORT TITLE:	Internal Audit Report – November 2025
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 2025/26 annual audit plan.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the main findings and recommendations from the Internal Audit reports issued during the period from September 2025 to November 2025 as contained in Appendix 1;
- 2.2 Note the findings from Internal Audit's follow-up work,
- 2.3 Note Internal Audit's progress against and changes to the annual audit plan for 2025/26 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Roads and Direct Payments.
- 3.2 The main objective of the audits was to ensure that the governance, risk management and internal controls in place were operating effectively. A summary of the main findings and recommendations from the Roads and Direct Payments audits can be found in Appendix 1.

- 3.3 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for two audits that were reported in previous years. Our findings are detailed below:

IT Software Purchasing

- 3.4 The Internal Audit report on IT Software Purchasing was issued in December 2024 and provided Reasonable Assurance. Our follow-up review identified that all 4 recommendations have been fully implemented.

Treasury Management – Income Generation

- 3.5 The Internal Audit report on Additional Support Needs was issued in December 2024 and provided Reasonable Assurance. Our follow-up review identified that all 6 recommendations have been fully implemented.

Progress Report 2025/26

- 3.6 A progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the revised annual audit plan for 2025/26. It should be noted that

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: With the implementation of the Audit Recommendations noted in the follow up activity that risks in these areas have been reduced.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant

X

impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:



7 APPENDICES

- 7.1 Appendix 1: Executive Summary of Internal Audit Reports September to November 2025.

Appendix 2: Internal Audit Plan Progress 2025/26.

8 BACKGROUND PAPERS

- 8.1 Approved Revised Internal Audit Plan 2025/26, September 2025 Audit & Governance Committee.

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Duncan Stainbank
Designation	Service Manager Internal Audit
Tel/Email	dstainbank@eastlothian.gov.uk
Date	11 November 2025

Head of Service Approval

Name	Duncan Stainbank
Designation	Service Manager Internal Audit
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	11 November 2025

Appendix 1. Executive Summary: Roads

Conclusion: Reasonable Assurance

The processes and internal controls in place for Roads are generally reliable, however some areas for improvement have been identified, including ensuring strategies, policies and procedures are regularly updated, further progression of the plans for the replacement of the job costing system used by Roads, ensuring whenever possible that at least three written quotes are obtained from contractors through the Quick Quote procurement process to demonstrate best value and robust procurement due diligence, improving some aspects of the contract management processes in place, and resolving the challenges in the financial forecasting of both expenditure and revenue for the Roads service area.

Background

East Lothian Council as Roads Authority is responsible for managing and maintaining the local road network which forms part of the adopted public roads. The definition of a road includes footpaths, footways, cycleways, verges and any bridges over which, or tunnel through which, the road passes. The Council's Roads Services is also responsible for winter maintenance, emergency operations and car parking. Works/projects undertaken in fulfilling these responsibilities, includes both work undertaken directly by the Roads Section and work awarded to external contractors, for both revenue and capital work.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- Key strategic documents such as the Local Transport Strategy and Roads Asset Management Plan are applicable for 2018–2024, but no updated versions or drafts are available for 2025 onwards. *Management have confirmed that review of these documents has started and will be complete **by December 2026**.*
- The job costing system used by Roads is nearing the end of its life, with supplier support ceasing from 1 June 2026 and there is a need for appropriate planning for a replacement system. *Management have confirmed that discussions are ongoing with Finance and IT, which take cognisance of the wider work with the roll out of the new corporate finance system, with a view to an agreed approach being in place **by May 2026**.*
- For procurement processes undertaken via the Quick Quote process, a minimum of three contractors should be invited to provide a quote, however in three of the four Quick Quote procurements reviewed, either only one or two completed quotes were submitted. *Management have agreed that where feasible consideration will be given to inviting more than three contractors to submit a Quick Quote **by November 2025**.*
- The effectiveness of the forecasting process within Finance for the Roads budget requires review. *Finance have confirmed that improvements to the forecasting process have already been implemented, which will be kept under review **by November 2025**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	9	1	10
Prior Report (February 2020)	-	3	-	3

Materiality

The Council's revenue budget for 2025/26 (as approved by Council of 18 February 2025), shows net expenditure for Roads Network (& Flood Prevention) of £4,354,000 and a budgeted surplus on the Roads Trading Activity of £670,000 (although the Roads Trading Activity was subsequently discontinued with effect from 1 April 2025). The approved capital budget for 2025/26 is £11,333,000 for Roads, Lighting and related assets.

Headlines

Objectives	Conclusion	Comments
1. The Council has adequate arrangements in place for complying with relevant legislation in respect of roads management, and appropriate policies, procedures and guidance documents are in place.	Limited	Key strategic documents such as the Local Transport Strategy (LTS) Roads Asset Management Plan, Active Travel Improvement Plan, and Parking Management Strategy are applicable for 2018–2024, but no updated versions or drafts are available for 2025 onwards. Management advised that updates have been delayed due to resource constraints and competing priorities, but that progress is now being made in reviewing and updating these documents.
2. Effective arrangements are in place for ensuring the accuracy and completeness of the cost information which forms part of the Roads job costing system.	Limited	The job costing system used by Roads is nearing the end of its life, with supplier support ceasing from 1 June 2026 and there is a need for appropriate planning for a replacement system. Management have confirmed that discussions are ongoing with Finance and IT. Options being considered include both utilising an existing job costing system within the Council or procuring a new system, which will have to work within the Finance IT system upgrade and digital transformation board parameters
3. Appropriate review has been undertaken of the Roads Trading Account and an assessment made of the appropriateness of internal services being accounted for as a trading operation.	Reasonable	The Roads Trading Account previously operated through the internal charging of work undertaken by Roads Operations (the trading activity) to the main Roads account (Road Networks), and to Capital and the HRA. The Council's agreed budget for 2025/26, included a budgeted surplus for the Roads Trading Activity of £670,000. Early in 2025/26 a decision was made to discontinue the Roads Trading Account, however this change, and the impact on 2025/26 budget monitoring, was not highlighted in the Quarter 1 Financial Review 2025/26 report presented to Council in August 2025.
4. The Council's procurement procedures have been followed in the awarding of all work to external contractors.	Reasonable	The Council's procurement procedures have been followed in the awarding of work to contractors, however areas for improvement have been identified in the use of the Quick Quote process, including with regards to the selection of suppliers invited to submit a quote.
5. Effective contract management processes are in place for all external contracts, to ensure the Council is only paying for works properly carried out, and appropriate approval and authorisation processes in place for payments made.	Reasonable	In one case, the successful contractor's initial tender submission was received through the Quick Quote process however there was a subsequent change in the scope of the works and the contractor was asked to submit revised rates. Most of the revised rates submitted had increased from the initial submission, resulting in increased contract costs, and due to time pressure on this externally grant funded project this dictated that an urgent evaluation be carried out to approve the change resulting in a lack of written evidence of the checks being undertaken of the revised rates that provided a trail of the decision to continue.
6. Appropriate budget monitoring process are in place within Roads Services.	Limited	For 2024/25, weaknesses were identified in the full year forecasting of both expenditure and revenue for the Roads service area, resulting in the failure to meet the Roads Trading Activity surplus not being timeously identified. Finance have undertaken work to review and identify the issues and improvements to the forecasting process have been implemented, which are being kept under review.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	There is an established and detailed Standard Operating Procedures (SOPs) for using the TOTAL job costing system. This supports consistent application, improves accuracy in job costing, and promotes good financial management practices.
2.	Monthly reconciliations are undertaken between the TOTAL job costing system and the Great Plains general ledger. The reconciliations seek to ensure that the reports exported directly from TOTAL reflects the information that is recharged through the Roads monthly journal. A reconciliation sign-off sheet is maintained as evidence of the reconciliations being completed each month.
3.	All Roads' operatives and supervisors are appropriately qualified, demonstrating compliance with the Roads (Scotland) Act and the New Street Works Act. This reflects good practice in ensuring legal adherence and maintaining professional standards in road operations.

Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.
Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, noncompliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Appendix 1 Executive Summary: Direct Payments

Conclusion: Reasonable Assurance

The internal controls in place for Direct Payments are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including a review of the financial assessment processes to ensure that client contributions are being collected when appropriate, that the current policy for self-directed support is reviewed and updated when appropriate and that the pre-paid card provider challenges are resolved.

Background

Direct Payments are an integral part of Self-Directed Support and are governed by legislation – the Community Care and Health (Scotland) Act 2002 introduced a range of provisions relating to Direct Payments and Local Authorities have a duty to offer Direct Payments to people eligible for social care. In 2007, the Scottish Government issued National Guidance on Self-Directed Support – the guidance sought to improve the take-up of self-directed support. In addition, we note that in March 2012 the Self-Directed Support (Scotland) Bill was published. The Social Care (Self-directed Support) (Scotland) Act 2013 places a specific duty on local authorities to allow individuals to choose how their social care is supported by giving them as much control over the individual budget spent on their care. We note that the Mosaic system is used for administering social care for Adult Wellbeing and Children’s Wellbeing, this is supported by the pre-paid card payment system used for Direct Payment processes.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been agreed by Management:

- The current Self-Directed Support Policy has been in place since 2018 and since then there have been changes in processes, in addition detailed clawback procedures are required. *Management already had this review in progress through the SDS Delivery Group and will deliver a draft policy and procedure to consult on by January 2026.*
- Audit testing identified one case where a financial assessment should have been completed and had not been and 3 cases when assessed financial contributions had not been informed to clients resulting in a lack of recovery. *Management have already reviewed all Direct Payment cases where a financial assessment is required and will follow the processes to ensure that when applicable contributions are requested and monitored for recovery by April 2026.*
- The pre-paid card provider used for direct payments has had issues with providing historical reporting impacting monitoring activity since July 2025, considerations are required of contract management processes moving forward, ensuring contingency plans are in place and when monitoring capability is restored that monitoring and fund recovery is undertaken in full. *Management is actively pursuing all of these activities and will ensure progress is in place by April 2026, although completion will be dependent on progress with the external provider.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	2	10
Prior Report	-	19	-	19

Materiality

The Council has a 2025/26 Direct Payment budget of £4million and the expenditure recorded on ledger is £2.6million to period 6. The 2024/25 Budget was £3.1million with actual expenditure of £3.3 million.

2 Headlines

Objectives	Conclusion	Comments
1. To ensure that appropriate policies and procedures are in place within the council that meet legislative requirements.	Reasonable	A Detailed Policy and procedures are in place in accordance with the Self-directed (Direct Payments) (Scotland) Legislation and have been communicated to Social Work Staff responsible for administering Direct Payments. The current Self-Directed Support Policy has been in place since 2018 and since then there have been changes in processes such as the introduction of pre-paid bank cards. There are also no clear, detailed procedures in place for the recovery of funds specifying which Staff are responsible for reclaiming funds from clients who have failed to pay their assessed contributions or clients who are holding excessive amounts above the contingencies set. A revision of the policy and procedures are required to include these elements.
2.To ensure that all clients have had a strength based assessment completed prior to direct payments being made.	Reasonable	From the sample of 15 clients selected 10 have not had their annual review started by the target timescale. Adult Social Work Management have a performance framework in place that monitors against completion of these reviews on a regular basis having for the first time completed all the reviews due in the 2024/25 financial year. The Framework allows the reporting that as at 3/10/2025 there are 118 clients reviews on the waiting list; 76 reviews are overdue (from March 2025 – September 2025) and 42 reviews are due (from October 2025 – October 2026). Recruitment is being put in place to ensure delivery in 2024/5 that will require appropriate training and quality assurance reviews to be put in place.
3. To ensure that there is an adequate Authorisation processes in place to ensure that clients have payments made for their assessed needs in accordance with procedures and legislation	Reasonable	For Every Direct payment client reviewed as part of the audit their package of care had been authorised in line with the authorisation process at the time of the review. However as noted in objective 2 not all clients have had their current strength-based assessments yet reviewed in 2025/26 however this is being resolved by additional team recruitment and there are adequate monitoring controls to ensure that this will be progressed to conclusion. Option 1 - Direct Payments training is required for all CCWS and Social Workers across the ASW team and review team
4. To ensure that each client has an appropriate financial assessment in place and any assessed contribution is being deducted from the correctly calculated direct payment.	Limited	From the testing of 15 cases only 5 required a financial assessment to be undertaken and in 1 case this had not been undertaken as they transferred from Direct payments to a different type of support. However, in 3 other cases where a financial assessment had been undertaken the `clients failed to top up their bank accounts with the assessed contributions. A review of the contribution processes in relation to Direct payments is now required to ensure they are being assessed and recovered as appropriate.
5. That there are adequate monitoring procedures in place to ensure that the direct payments being made are being utilised for the appropriately authorised care package.	Reasonable	Due to disruptions in the system, the Council has been unable to access historical bank statement data prior to July 2025. This has resulted operational challenges for the Council. There is no contingency plan in place for a lack of systems access. Ensuing that monitoring is fully undertaken and amounts recovered/paid when systems capabilities are restored is required.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	For Every Direct payment client reviewed as part of the audit their package of care had been authorised in line with the authorisation process at the time of the review.
2.	All clients had been reviewed during the 2024/25 financial year and a performance monitoring process is place that ensures that Adult Social Work Management are aware of the status of case reviews and if further resources are required to ensure that required reviews are completed within the year.
3.	Following reviews undertaken in 2024 in excess of £170k of funding was reported as having been recovered from direct payment accounts.
4.	Management have already proactively reviewed the payments made to the pre-paid card provider and recovered funds when appropriate and sought to apply discounts when full services have not been available.
5.	East Lothian Health & Social Care Partnership has a Self-Directed Support Delivery Group in place with a drafted action plan across all self-directed support which already included ensuring a review of the policy and procedures in place across the Council which will include a review of the linkages in place for the process with Children's services who are not part of the partnership.

Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.
Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
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No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Council Resources	<p>Transformation Projects: Continue ongoing support and involvement in stage gate processes and consider specific reviews of control process adjustments resulting from implementation of the new finance system. (Inherent Risk Assessment: High)</p> <p>Cybersecurity: Interim review of Password security and incident management completed with a further review of Cybersecurity in line with Global Internal Audit Standards topical requirements on Cybersecurity. (Inherent Risk Assessment: High)</p> <p>Employee Performance Management: Review assurance that the council has adequate staff performance management processes in place within Council Personal review and Development processes to ensure compliance best practice and appropriate feed through to further appropriate Performance Management Processes. (Inherent Risk Assessment: High)</p>	<p>Transformation projects have been reviewed in the period Including Internet system replacement project stage gate review, Finance Systems Replacement Project ongoing Board review and specific ask on Musselburgh flood prevention scheme. Complaints review was replaced with Cybersecurity with interim reporting to CMT completed</p>
Place (Infrastructure, Housing, Development, Communities & Partnerships)	<p>Fleet Management and Planning: Provide assurance that best practice fleet management practices have been implemented across the Council and that fleet planning provides a sustainable best value. (Inherent Risk Assessment: High)</p> <p>Housing Rents: Assurance that housing rental charges are being set in accordance with Council Policy and regulatory best practice and that Governance and Control processes are in place in association with this process. (Inherent Risk Assessment: High)</p> <p>City Deal Innovation Hub: Provide assurance that the operational governance structures are in place and operating to ensure appropriate control and risk management for the Council investment in this project and to manage the expected delivery of outcomes. (Inherent Risk Assessment: High)</p> <p>Commercial Rents: Review the processes for ensuring that commercial rents are set collected and recovered in accordance with best practice and Council Income Policies to ensure best value. (Inherent Risk Assessment: Medium)</p>	<p>Commercial Rents Audit In progress. It is proposed that the Fleet Management and Planning Audit is to be replaced with a review of the Planning Decision Notices, subject to audit committee approval.</p>

SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Education & Children's Services	<p>School Transport: Provide assurance that School Transport provision is being planned and provided for in accordance with Council Policy and appropriate legislation/ regulation, that routes are planned, procured and improved to provide best value to the Council. (Inherent Risk Assessment: High)</p> <p>PPP Contract Management: Provide assurance that the Council PP contracts are being managed effectively to ensure that services are being provided effectively and actions resulting in additional fees appropriately reviewed and authorised, and payments are being accurately made. (Inherent Risk Assessment: High)</p> <p>Early Years: Provide assurance on the appropriate planning of expenditure for development of appropriate provision of early years education in compliance with the appropriate legislation, regulations and guidance. (Inherent Risk Assessment: Medium)</p>	School Transport audit is in progress.
Adult Social Work	<p>Care at Home: Review the Control processes in place to ensure that best value is being achieved in the utilisation of care at home provision from external providers and in house provision, and the control processes are in place to ensure that appropriately qualified staff are available to meet identified needs. (Inherent Risk Assessment: High)</p> <p>Direct Payments – Self Directed Support: Review the Control processes in place to ensure as much as regulation allows that needs are met through provision of self-directed support appropriate council processes that ensure appropriate, timely and accurate payments. (Inherent Risk Assessment: High)</p>	Direct Payments Audit is Complete.
ALEO's (Arm's Length External Organisations)	Enjoy Leisure: Establish if Enjoy Leisure has appropriate Governance and Assurance Processes in place that provide assurance to the council that risks are being properly managed within the organisation, and that the Council has appropriate processes in place to ensure appropriate risk management of the Council risks within the transactions provided and the arrangements in relation to use of Council assets. (Inherent Risk Assessment: High)	Enjoy Leisure audit is in progress.

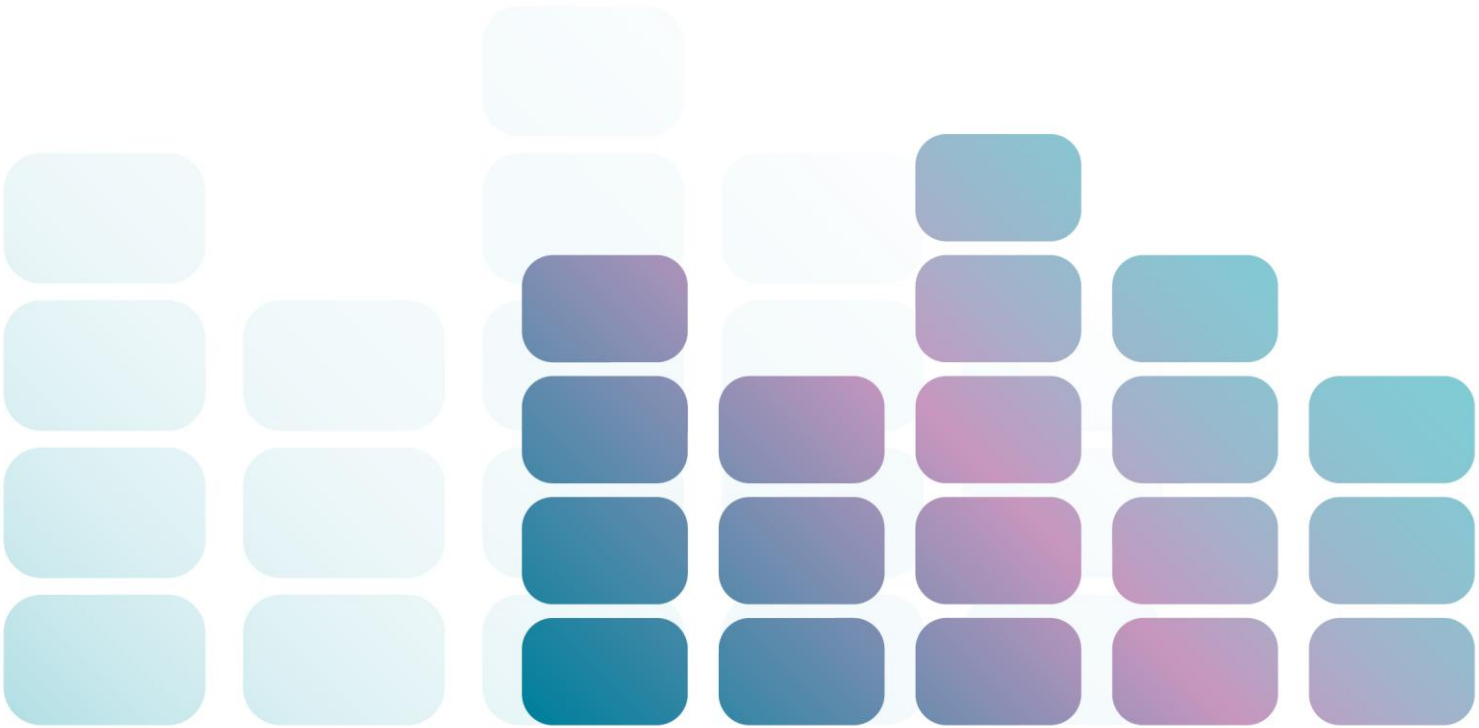
SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Miscellaneous Grants	Internal Audit are currently undertaking annual audits of the Tyne and Esk Communities Development Fund . (Inherent Risk Assessment: Low)	Complete
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulators Chapter 3 of the Regulatory Framework. (Inherent Risk Assessment: Low)	Complete
Fraud & Irregularity	Internal Audit will assist in investigations of suspected fraud or irregularity to support the 1 FTE of Counter Fraud Officer availability over the next year when required	Support being provided when necessary.
National Fraud Initiative (NFI)	Time has been allocated for providing some assistance to the Corporate Fraud Officer in reviewing the NFI matches in particular the Creditors Matches.	Creditors Matches Received.
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Financial Planning Audit Complete.
Review of Previous Year's Work	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	September & December Follow ups Complete.

SERVICE AREAS TO AUDIT	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road and Waste Services. We will review the final stock sheets.	Will be Completed in March 2026
Annual Governance Statement	Completion of the Activities to assist with the CMT review of Governance and the administration of Governance Information to provide a draft Annual Governance Statement for consideration by the Audit & Governance Committee and inclusion in the draft accounts.	Work Ongoing with Head of Corporate Support and Monitoring Officer on revised processes.
Audit & Governance Committee Annual Review	Assist the Chair and Audit & Governance Committee Members with the completion of the Annual review of the Committee in line with the CIPFA Statement and best practice	Complete
Annual Planning	Complete the review of Risk Assessment processes, identification of key risk areas assessment against the audit universe and identification of the links between the Council Objectives and the Internal Audit work for the 2026/27 annual audit plan.	Will be completed in Early 2026.

East Lothian Council

2024/25 Annual Audit Report PROPOSED

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key messages

Audit of the annual accounts

- 1 All audit opinions state that the annual accounts of East Lothian Council and its group administered by the council were free from material misstatement for the year ended 31 March 2025.
- 2 The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Wider scope audit

- 3 The council has appropriate budget setting and monitoring arrangements in place but continues to face significant challenges to identify and agree the required future savings to balance its budget.
- 4 Whilst the overall level of usable reserves has decreased, the level of General Fund reserves has increased with the majority of these earmarked for specific council priorities.
- 5 Edinburgh Innovation Hub (EIH) is consolidated as a joint venture between the council and Queen Margaret University. Given the level of public funding invested in the joint venture, it is important that the council ensures appropriate arrangements are in place to secure assurance over financial stewardship, which would ordinarily be achieved through an independent audit process.
- 6 Our review of the council's financial systems for 2024/25 identified that limited progress has been made in addressing previously reported internal control weaknesses.
- 7 The council has an assurance gap for IT systems that are hosted externally.
- 8 The new finance management system was scheduled to go live in October 2025 with the implementation of different modules/functions being rolled out on a phased basis. Implementation has been delayed and is now anticipated

in 2026. It is important that that the revised implementation timescales are clearly set out to avoid further delays and additional costs being incurred.

- 9** Medium-term financial plans reflect the council's strategic priorities. The council faces significant challenges in addressing a budget gap of £73.782 million over the next five years.
- 10** Improving the council's financial sustainability must be a priority objective for the financial governance of the council. It is important for the council to focus on financial resilience including key indicators and measures.
- 11** The council has clearly articulated its vision and priorities and has sound governance arrangements in place for how it conducts business.

Best Value audit

- 12** The council has a clear vision and plan to support the transformation of its services, which aims to deliver a portfolio of change over a five-year period and support the financial sustainability of the council.
- 13** The council has robust governance arrangements in place for projects in its transformation programme. It has a dedicated transformation team but is experiencing staffing issues on some projects due to staff turnover and staff vacancies linked to the temporary nature of these projects.
- 14** The council has effective arrangements in place for reporting progress on the projects in its transformation programme to its senior leadership team and plans to enhance reporting to elected members. The council presented its first annual progress report on transformation to full council in August 2025.
- 15** Audit work assessed the arrangements the council has in place for preparing and publishing SPI and concluded the arrangements in place were appropriate.
- 16** The council has updated its approach to reporting performance against the Council Plan, the council's strategic plan 2022-2027. The council reviews and reports its performance using a number of measures that are clearly aligned to the priorities and outcomes set out in the Council Plan.
- 17** The council's overall performance has remained similar to its prior year results and has increased compared with the Scottish average.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of East Lothian Council's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to East Lothian Council, hereafter referred to as 'the council' and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. John Boyd, of Audit Scotland, has been appointed as external auditor of the council for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, John Boyd and the audit team are independent of the council and its group in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the council and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, the Management Commentary, and the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, Whole of Government Accounts return, and summary financial statements.
- A review of the council's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The council's responsibilities

10. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the council and the Audit and Governance Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

Our audit opinions on the annual accounts of East Lothian Council and its group administered by the council are unmodified, i.e. the financial statements and related reports are free from material misstatement.

The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Audit opinions on the annual accounts are free from material misstatement

12. The council approved the annual accounts for East Lothian Council and its group for the year ended 31 March 2025 by the Audit and Governance Committee on 25 November 2025. In addition to the council the group accounts consolidate the financial results of the council and its subsidiaries and its investments in associates and interests in joint ventures. These include: East Lothian Land Ltd, East Lothian Mid-Market Homes LLP, Common Good Funds, Trust Funds, East Lothian Investments, Enjoy East Lothian Ltd, Brunton Theatre Trust, East Lothian Integration Joint Board, Edinburgh Innovation Park Joint Venture Ltd and Lothian Valuation Joint Board.

13. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Unaudited annual accounts were received in line with the year-end timetable however did not include revaluation adjustments

14. The unaudited annual accounts were received on 26 June 2025 and in accordance with the agreed audit timetable. The accounts did not include revaluation adjustments in year which resulted in revised unaudited accounts being issued on 10 September 2025. We received good support during the course of the financial audit from the core finance team.



Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £323,280. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

16. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

17. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

18. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts and summarised in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for East Lothian Council and its group

Materiality	The council	Group
Materiality – set at 2 per cent of gross expenditure	£9.8 million	£9.875 million
Performance materiality – set at 65 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£6.3 million	£6.4 million
Reporting threshold – set at 5 per cent of materiality.	£0.490 million	£0.493 million

Source: Audit Scotland

Significant findings and key audit matters

19. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the council is the Audit and Governance Committee.

20. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

21. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

22. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>1. IFRS 16 - Leases</p> <p>Effective from 1 April 2024, IFRS 16 requires Local Authorities to recognise a Right of Use (RoU) asset and corresponding lease liability for all lease types (property, land, vehicles, plant, equipment). On transition, leases are accounted for retrospectively, with the cumulative impact recognised at 1 April 2024.</p> <p>Following the implementation of IFRS 16 Leases from 1 April 2024, some updates were required in the unaudited annual accounts to ensure full compliance with the disclosure requirements as follows:</p> <ul style="list-style-type: none"> • Depreciation charge for right-of-use assets by class of underlying asset. • Additions to right-of-use assets requires these to be brought onto the balance sheet at 1 April under IFRS 16, rather than additions in year. • Amendment required to the leases disclosure to include opening balances and movements in year by class of underlying asset. 	<p>The council has now reflected all the required IFRS 16 disclosures within the revised annual accounts.</p>

Significant findings and key audit matters**Outcome**

- for operating leases, lease income; to separately disclose income relating to variable lease payments that do not depend on an index or a rate.

2. Revaluation of land and buildings

In accordance with the Code of Practice on Local Authority Accounting, the council is required to ensure that the carrying value of property, plant and equipment reflects current value at the end of the reporting period.

Although a revaluation of land and buildings was commissioned for 2024/25, the updated valuation information was not available at the time the unaudited accounts were prepared and published. The revaluation exercise identified a £41.920 million increase in the carrying value of these assets compared to the figures disclosed in the unaudited accounts.

The council has now updated the annual accounts to reflect the revised figures from the revaluation exercise undertaken in 2024/25.

3. Funding advanced to Edinburgh Innovation Park Joint Venture

Although the consolidated balances of the Edinburgh Innovation Hub were not material to the council's group accounts as at 31 March 2025, individual classes of transactions and balances within the joint venture were material. Targeted audit procedures were performed to gain assurance over material expenditure.

Audit testing identified that the council advanced funding to the Edinburgh Innovation Park Joint Venture (JV) in excess of the £6 million agreed in the Joint Venture Agreement.

At 31 March 2025, the amount owed by the JV to the council was £4.736 million. This amount had not been recognised as a debtor in the council Financial Statements.

The council has updated the accounts to reflect excess funding provided to the Edinburgh Innovation Park Joint Venture. A receivable of £4.736 million has been recognised as an inter-entity debtor as at 31 March 2025. This was processed through the following journal entries:

Dr Joint Venture Debtor: £4.736 million

Cr Capital Fund Reserves: £4.736 million

Source: Audit Scotland

Qualitative aspects of accounting practices

23. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the council's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

24. The appropriateness of accounting policies adopted by the council was assessed as part of the audit. These were considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

25. Accounting estimates are used in number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability. The audit identified a number of disclosure adjustments required which are detailed in [exhibit 4](#) below.

Group audit

27. East Lothian Council is part of a group and prepares group financial statements. The group is made up of 11 components, including East Lothian Council which is the parent of the group.

28. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. Group financial audit questionnaires were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 3](#).

Exhibit 3**Summary of audit work on the group's components**

Group component	Component Auditor and audit work required	Summary of audit work performed
East Lothian Council	Audit Scotland Fully scope audit of the council's annual accounts.	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment. The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2.
East Lothian Land Ltd	Greaves West & Ayre None	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.
East Lothian Mid-Market Homes LLP	Whitelaw Wells None	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.
East Lothian Council Trust Funds	Audit Scotland Audited by Audit Scotland as part of East Lothian Council annual accounts	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.
East Lothian Council Common Good	Audit Scotland Audited by Audit Scotland as part of East Lothian Council annual accounts	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.
East Lothian Integration Joint Board	Audit Scotland None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Lothian Valuation Joint Board	Audit Scotland None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Edinburgh Innovation Park Joint Venture	Audit Scotland None	Accounted for on equity basis. Audit team confirmed correct accounting treatment and performed local procedures.
East Lothian Investments	Greaves West & Ayre None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.

Group component	Component Auditor and audit work required	Summary of audit work performed
Enjoy East Lothian Ltd	Azets None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Brunton Theatre Trust	Whitelaw Wells None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.

Source: Audit Scotland

Significant matters discussed with management

29. All significant matters identified during the audit and discussed with the council's management have been reported in the Annual Audit Report.

Audit adjustments

30. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.490 million are outlined in [Exhibit 4](#).

Exhibit 4

Audit adjustments

Details	Financial statements lines impacted	Group Comprehensive Income and Expenditure Statement (CIES)		Group Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. Revaluation of assets					
Dr: Property, Plant and equipment				41,920	
Cr: Cost of services – revaluation loss / impairment			6,380		
Cr: Revaluation Reserve					35,540
2. Reclassification of short term investments					
Dr: Cash and cash equivalents				5,000	

Details	Financial statements lines impacted	Group Comprehensive Income and Expenditure Statement (CIES)	Group Balance Sheet
Cr: Short term investments			5,000
3. Recognition of intercompany debtor with Edinburgh Innovation Park Joint Venture			
Dr: Debtors and prepayments		4,736	
Cr: Capital Fund (Capital receipts reserve)			4,736
4. Revision to East Lothian Mid-Market Homes accounts *			
Dr: Creditors		2,153	
Dr: Gross Expenditure		13	
Cr: Debtors			75
Cr: Property, Plant and equipment			2,091
5. Overstatement in a school valuation due to incorrect occupancy rate adjustment.			
Dr. Cost of Services		385	
Dr. Revaluation Reserve			6,282
Cr. Property, Plant and equipment			6,667
Total adjustments		398	6,380
Net impact on financial statements*		<u>5,982</u>	<u>5,982</u>
Audit adjustments in disclosures			
1. Adjustments required to Remuneration Report to include required disclosures on trade union activities and revisions required to exit package information.			
2. Adjustments required to Note 8 to reclassify £7.7 million from other service income to Government Grants and Contributions.			
3. Adjustments to Note 8 required due to miscoding between contribution to Integration Joint Board and employee benefit expenses £2.7 million.			

Details	Financial statements lines impacted	Group Comprehensive Income and Expenditure Statement (CIES)	Group Balance Sheet
4. Adjustments to Note 11 Agency Income and Expenditure required to reflect the amount disclosed in respect of the City Region Deal - Edinburgh Innovation Park. The figure disclosed was understated by £3.3 million.			
5. Note 15 Capital Commitments narrative. General Fund Capital Commitments understated by £3.3 million and HRA overstated by £2 million.			
6. Adjustment to Note 26 required due to misclassification between trade and other receivables and prepayments £0.735 million.			
7. Adjustment required to Note 36 in relation to grant income credited to services. Figure disclosed is understated by £14.4 million.			
8. Adjustments to Note 38 Cash Flow Statement- Other Disclosures to incorporate short term investments of £5 million.			
*Group audit adjustment only			

Source: Audit Scotland

31. In addition to the corrected misstatements outlined in [Exhibit 4](#), there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

32. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management of the council have not processed any audit adjustments to correct these misstatements. However, the final decision on whether an audit adjustment is processed to correct a misstatement rests with the Audit and Governance Committee as those charged with governance. Details of the uncorrected misstatements can be seen in [Appendix 2](#).

Significant risks of material misstatement identified in the Annual Audit Plan

33. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#).

Exhibit 5

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals entries, focusing on those that are assessed as higher risk. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. <p>Conclusion: no evidence of fraud caused by management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>East Lothian Council held £1,288 million of property, plant, and equipment (PPE) at 31 March 2024, of which</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over the valuation process were appropriate.

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>over £1,100 million was land and building assets.</p> <p>East Lothian Council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.</p>	<p>assess this for completeness and accuracy.</p> <ul style="list-style-type: none"> • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. • Review management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required. 	<ul style="list-style-type: none"> • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Management are involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2024/25 valuation process were appropriate. • Management's assessment of assets not subject to a valuation process in 2024/25 was reasonable and concluded there was unlikely to be a material difference to the current value at the year-end. <p>Conclusion: no issues identified.</p>
<p>Estimation of the pension liability</p> <p>East Lothian Council had a pension liability of £11.8 million at 31 March 2024.</p> <p>East Lothian Council is a member of Lothian Local Government Pension Scheme (LGPS) which is a defined benefit pension scheme. Lothian LGPS is subject to formal valuation every three years, and this sets out each member's share of the scheme's overall pension liability and contributions for the next three years. The last formal valuation was carried out at 31 March 2023.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the pension liability estimation process. • Review the information provided to the actuary and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the actuary. • Obtain an understanding of the management's involvement in the estimation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used by 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over the pension liability estimation process were appropriate. • The information provided to the actuary was accurate and complete. • The actuary had sufficient competence, capability, and objectivity to perform their work. • Management are involved in the estimation process and have an appropriate level of oversight. • The data and assumptions used in the estimation process were appropriate.

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>An estimation of East Lothian Council share of the overall pension liability is required in each intervening year between formal valuations, and these are carried out by Hymans Robertson LLP. There is a significant degree of subjectivity in the estimation of the pension liability as the estimation is based on specialist assumptions, and changes in the assumptions can result in material changes to the estimation.</p>	<p>management for the estimation of the pension liability, and challenge these where required.</p> <ul style="list-style-type: none"> Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. Therefore, the audit team will also review the information provided by PwC and reflect this in the planned audit procedures where required. 	<ul style="list-style-type: none"> The information provided by PwC was reviewed and this reflected in the planned audit procedures, where required. <p>Conclusion: the recognition of unfunded and funded elements of the pension liability, is not materially misstated.</p>
<p>Risk of fraud in the completeness of expenditure</p> <p>In December 2024, the Council's Financial Review 2024/25 forecast that before applying the planned use of reserves there is a projected overspend for the year of £8.5 million. The council's planned use of general fund reserves for 2024/25 is £1.830 million and planned use of earmarked reserves totalling £1.540 million. Taking the above into account, the unplanned overspend is currently forecast to be £3.7 million for 2024/25.</p> <p>Management have implemented an action plan with the aim of reducing the level of overspend faced but there remains a significant risk that East Lothian Council will be unable to balance the 2024/25 budget and further one-off measures will be required at the year end to ensure the</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> Evaluate the design and implementation of controls over expenditure. Undertake substantive audit testing at a significant risk level on non-pay expenditure transactions recorded in period 1 and 2 of 2025/26 to confirm costs have been recognised in the appropriate period. Review expenditure accruals for indication of understatement. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> The design and implementation of controls over expenditure were appropriate. Through substantive audit testing that non-pay expenditure transactions recorded in period 1 and 2 of 2025/26 have been recognised in the appropriate period. Expenditure accruals were correctly recognised. <p>Conclusion: no issues identified.</p>

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>funding of the overspend including the utilisation of non-earmarked reserves. This creates an increased risk of material misstatement in the accounts. Our risk is focused on those expenditure streams where there is greatest opportunity for manipulation including non-pay expenditure.</p>		

Source: Audit Scotland

Whole of Government Accounts (WGA) return

34. The council is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion.

35. The council is below this threshold and therefore only limited audit procedures are required, with a submission of an assurance statement to the NAO. The council has submitted the cycle one return, based on the unaudited annual accounts and are on track to submitted the cycle two return based on the audited annual accounts in December 2025.

Prior year recommendations

36. The council has made progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the body and are outlined in [Appendix 1](#).

Wider scope audit

Conclusion

The council has appropriate budget setting and monitoring arrangements in place but continues to face significant challenges to identify and agree the required future savings to balance its budget.

Whilst the overall level of usable reserves has decreased, the level of General Fund reserves has increased with the majority of these earmarked for specific council priorities.

Edinburgh Innovation Hub (EIH) is consolidated as a joint venture between the council and Queen Margaret University. Given the level of public funding invested in the joint venture, it is important that the council ensures appropriate arrangements are in place to secure assurance over financial stewardship, which would ordinarily be achieved through an independent audit process.

Our review of the council's financial systems for 2024/25 identified that limited progress has been made in addressing previously reported internal control weaknesses.

The council has an assurance gap for IT systems that are hosted externally.

The new finance management system was scheduled to go live in October 2025 with the implementation of different modules/functions being rolled out on a phased basis. Implementation has been delayed and will now take place in 2026. It is important that the revised implementation timescales are clearly set out to avoid further delays and additional costs being incurred.

Medium-term financial plans reflect the council's strategic priorities. The council faces significant challenges in addressing a budget gap of £73.782 million over the next five years.

Improving the council's financial sustainability must be a priority objective for the financial governance of the council. It is important for the council to focus on financial resilience including key indicators and measures.

The council has clearly articulated its vision and priorities and has sound governance arrangements in place for how it conducts business.

Audit approach to wider scope

Wider scope

37. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

38. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of these is reported in this chapter.

Significant wider scope risks

39. Audit work has been performed in response to the significant wider scope risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 6](#).

Exhibit 6

Significant wider scope risks

Significant risk	Planned audit response	Outcome of audit work
<p>Financial sustainability</p> <p>East Lothian Council continues to operate in an increasingly complex and challenging environment, aiming to provide the best possible service within the resources available.</p> <p>As at Quarter 3, the council was projecting an unplanned overspend of £1.1 million for 2024/25, with a reported cumulative budget gap of £79.718 million over the period 2025/26 to 2029/30.</p> <p>Management have implemented a programme of reviews to contribute towards addressing the financial pressures. However, there is a risk that the council plans do not deliver the required savings to address the projected shortfall.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Review the council's annual budget setting arrangements. • Review and assess budget monitoring arrangements. • Review of the council's medium to longer term financial planning including how the council aligns savings plans and transformation activity with strategic priorities. • Review the council's financial position and delivery of planned savings. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The council's annual budget setting and monitoring arrangements were appropriate. • The council's medium and longer term financial planning aligns with their strategic priorities. • The council faces significant challenges in addressing a budget gap of £73.782 million over the next five years. • The council recognise the financial challenges facing the organisation. • The council continues to undertake scenario

Significant risk	Planned audit response	Outcome of audit work
		<p>planning and transformational reviews to support medium and long term financial plans.</p> <p>Conclusion:</p> <p>The council will need to significantly change what they deliver over the next 5 years with the focus being on ensuring that statutory duties can be met within the budget envelope. There will be difficult decisions to take on whether the council can continue to deliver services and if so, what those services will actually look like.</p>

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

The council reported an underspend in 2024/25

40. The council approved its 2024/25 General Services revenue and capital budgets in February 2024, setting the revenue budget at £303.996 million and identifying a funding gap of £17.289 million. The end-of-year financial review, presented to the council in June 2025, reported an initial overspend of £4.4 million. However, after accounting for the planned use of reserves and one-off mitigation measures, the final position reflected an underspend of £1.2 million largely due to one-off mitigations including VAT rebates and insurance prepayments.

41. Changes to the council's budget position were reported quarterly through financial review and budget monitoring reports presented to the Council throughout the year. These reports provide a comprehensive level of detail on the forecast outturn position.

The council has appropriate budget setting and monitoring arrangements in place

42. The council's budget and savings plans are aligned to the council's objectives, priorities, and strategic goals, as set out in the 2022-2027 Council Plan.

43. The full council receives regular revenue and capital monitoring reports and, from a governance perspective, conducts detailed scrutiny of financial performance. From our review of these reports, and attendance at council meetings throughout the year, we concluded that these reports provide an overall picture of the budget position at a service level. The reports contain good explanations for significant variances against budget to allow both members and officers to carry out scrutiny of the council's finances. The council continues to face significant challenges to identify and agree the required future savings to balance its budget.

44. During 2024/25, the council approved £7.925 million in planned efficiency savings. Of this, £5.906 million (74.5 per cent) were successfully delivered, while £2.019 million (25.5 per cent) were not fully achieved but are expected to be realised in 2025/26.

45. The council introduced cost control measures in 2022/23, with further mitigation actions approved on 29 August 2024. These measures remained in place throughout 2024/25 and will continue into 2025/26. Key actions include:

- recruitment – posts will only be filled if there would be an obvious detrimental impact on the three agreed short term Council Plan priorities from not doing so and sign-off has been given by Corporate Management Team (CMT) and Executive Management Team (EMT). The council recognises this may result in ongoing disruptions to service delivery and the closure of council facilities.
- all council managers must operate within approved budget levels, preserving underspends where possible.
- where a service is overspent or at risk of overspending, urgent financial recovery actions will be required in order to bring spending in line with approved budget levels.
- use of agency staff should be kept to a minimum and should be kept under close review.
- council officers will continue to work with partner bodies including the Integration Joint Board (IJB) to minimise the risk of overspends.
- in-year financial review papers will continue to be reported to council rather than Cabinet.

46. The council has appropriate budget setting and monitoring arrangements in place, with the above control measures under review through the quarterly budget monitoring process.

Whilst the overall level of usable reserves has decreased, the level of General Fund reserves has increased with the majority of these earmarked for specific council priorities

47. One of the key measures of the financial health of a council is the level of reserves held. The General Fund is the largest usable reserve and is used to fund the delivery of services.

48. The level of usable reserves held by the council decreased from £55.507 million in 2023/24 to £53.329 million in 2024/25, a net decrease of £2.178 million, see [exhibit 7](#). The General Fund balance is £36.129 million, however £27.623 million has been earmarked for a specific priorities which includes a £17 million transformation fund. This leaves a residual £8.506 million of uncommitted general reserves. Against an expenditure budget of £303.996 million for 2024/25 this unearmarked element represents a 2.8 per cent reserve.

49. While this meets the council's minimum reserve threshold of 2.5 per cent, it remains below the Scottish average of 3.2 per cent, indicating limited flexibility to absorb future financial risks or unforeseen pressures.

Exhibit 7

East Lothian Council usable reserves

Reserve	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million	31 March 2024 £'million	31 March 2025 £'million
General fund	28.328	29.685	26.414	34.169	36.128
Housing revenue account	2.009	1.748	1.487	1.535	2.017
Capital fund	2.446	4.603	14.607	14.013	6.602
Capital grants unapplied	-	-	-	3.106	5.898
Insurance fund	2.306	2.684	2.684	2.684	2.684
Total usable reserves	35.089	38.720	45.192	55.507	53.329

Source: East Lothian Council annual accounts 2020/21 to 2024/25

50. Councils can hold reserves for a number of reasons. Some reserves are earmarked for identified expenditure which will, or may occur over the short, medium or longer term. In addition to these reserves, there are uncommitted reserves which help manage unforeseen circumstances.

51. The Local Authority Accounting Panel (LAAP) provides guidance on the establishment and maintenance of local authority reserves and balances. The LAAP Bulletin does not prescribe a minimum level of reserves which should be held by a council. It is for the council to consider an appropriate level of reserves taking account of their strategic, operational and financial risks. However, it does state that reserves should not be held without a clear purpose.

52. We are satisfied that the council undertakes regular reviews of its reserves to ensure they remain at an appropriate level. However, the continued use of reserves to support recurring expenditure presents sustainability challenges.

Looking ahead, the council will need to make difficult decisions to address these pressures, with a clear financial strategy and robust management of reserves essential to maintaining long-term financial sustainability.

General Services Capital expenditure was less than originally budgeted in 2024/25

53. The council approved the general services 2024/25 capital programme in February 2024. The general services programme for 2024/25 originally totalled £117 million, and the housing capital programme amounting to £31.6 million.

54. At each council meeting, capital programme monitoring reports are presented to members. Throughout the year these reports detailed the various movements in the general services programme budget. Revisions were made to the general services programme resulting in a revised budget of £118 million.

55. At the June 2025 council meeting, the general services outturn capital programme spend was reported as £95.7 million for 2024/25, resulting in an underspend of £22.3 million. A substantial portion of this underspend has already been reprofiled into future years as part of the council's 2025/26 capital planning process

56. The housing capital programme outturn was reported as £32.471 million for 2024/25, against the budget of £31.579 million, resulting in an overspend of £0.892 million.

Edinburgh Innovation Hub

57. Edinburgh Innovation Hub (EIH) is consolidated as a joint venture between the council and Queen Margaret University. The joint venture is currently under development and aims to support innovation led businesses through providing a range of services including commercial and laboratory space.

58. EIH is consolidated into the council's group accounts as a joint venture. While the balances as at 31 March 2025 were not material to the group overall, our review identified that individual classes of transactions and balances within the joint venture structure were material. EIH claimed exemption from an independent audit for the 2024/25 financial year. As a result, we performed targeted audit procedures to obtain assurance over the material levels of expenditure incurred.

59. As detailed in exhibit 2 above, audit testing identified that the council advanced funding to the Edinburgh Innovation Park Joint Venture in excess of the £6 million agreed in the Joint Venture Agreement. At 31 March 2025, the amount owed to the council was £4.736 million but had not been recognised as a debtor within the annual accounts.

Recommendation 1

Given the level of public funding invested in the joint venture, it is important that the council ensures appropriate arrangements are in place to secure assurance over financial stewardship, which would ordinarily be achieved through an independent audit process.

Our review of the council's financial systems for 2024/25 identified that limited progress has been made in addressing previously reported internal control weaknesses

60. In line with our responsibilities under the Code of Audit Practice, we assessed the adequacy of the systems of internal control established by management. This included evaluating whether the council:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud, or corruption
- complies with established policies, procedures, laws, and regulations.

61. Our audit work included walkthroughs and testing of 13 material systems, such as the general ledger, accounts payable and receivable, revenues and benefits, social care, housing management, payroll, and associated feeder systems (e.g. PECOS and TOTAL).

62. As reported in prior year annual audit reports, our review of the council's financial systems continues to highlight ongoing inconsistencies and inefficiencies in the operation of internal controls.

63. While some improvements have been noted, ongoing inconsistencies and inefficiencies continue to present a risk to the robustness of the council's internal control environment. We identified that regular and documented user access reviews had not been undertaken across several key financial systems. The absence of these reviews increases the risk of unauthorised or inappropriate access to financial data.

64. As a result of our findings, we did not place reliance on these internal controls for our audit of the 2024/25 annual accounts. Instead, we increased our substantive audit testing of income and non-pay expenditure to obtain the required assurance to support our audit opinion.

Recommendation 2

The council should implement regular and documented user access reviews across all key financial systems. These reviews should be conducted at defined intervals to ensure that access rights remain appropriate, reflect current roles and responsibilities, and mitigate the risk of unauthorised or inappropriate access to financial data. Evidence of these reviews should be retained to support the control environment and provide assurance over system integrity.

The council has an assurance gap for IT systems that are hosted externally

65. Last year we noted that the council does not receive formal assurances regarding the IT control environment for systems which are externally hosted. Audit work in 2024/25 identified that this extends across the following systems:

- PECOS – purchase to pay system cloud hosted by Elcom

- iTrent – payroll system cloud hosted by MidlandsHR
- Mosaic – social care system cloud hosted by Access Group

66. The council has not received any assurances around the operation of these controls at the third-party provider. Management is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there is no adverse impact on the system of internal control or governance arrangements in respect of the use of these systems.

Recommendation 3

The council should ensure there is appropriate oversight of its continuity and security of IT operations, and ensure the necessary assurances are obtained for externally hosted systems.

The implementation of the council's new finance management system has been delayed until 2026

67. The council's current core finance management system, Microsoft Dynamics Great Plains, has been in place since 2005 with the current support contract for this system was due to end in Summer 2026. At the June 2024 meeting of the Digital Transformation Board, approval was given to purchase the Connected Intelligence Anywhere (CIA) system from Technology One.

68. The new finance management system was scheduled to go live in October 2025 with the implementation of different modules/functions being rolled out on a phased basis. Implementation has been delayed and will now take place in 2026.

Recommendation 4

It is important that that the revised implementation timescales are clearly set out to avoid further delays and additional costs being incurred.

69. The audit work performed on the arrangements the body has in place for securing sound financial management found that these were generally effective however, recurring issues were noted in relation to internal control inconsistencies and inefficiencies and assurance gaps on general IT controls. This judgement is evidenced by the body:

- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).

- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Audit and Governance Committee.

Financial Sustainability

Medium-term financial plans reflect the council's strategic priorities. The council faces significant challenges in addressing a budget gap of £73.782 million over the next five years.

70. In February 2025 the council presented a of robustness of estimates and adequacy of reserves. The statement included a summary of the factors that had been taken into account in assessing the robustness of budget estimates, key risks, general balances and earmarked reserves as well as consideration of the Housing Revenue Account.

71. It concluded that while the budget proposals for the forthcoming financial year were considered to be competent, the funding gap for the period beyond this remained significant and presented a risk to the council's capacity to set balanced budgets in future years. It also highlighted that unallocated general balances, which the council holds to offset the impact of unforeseen risks and emergencies, remained low relative to the overall risk environment.

72. In June 2025, the Financial Review 2024/25 reported that as at the end of quarter one, before applying the planned use of reserves there is a forecast overspend for the year of £7.7 million. The 2025/26 budget includes a planned use of £9.980 million from capital reserves. As at Quarter 1, there are no overspends forecast and no unplanned use of reserves required.

73. While no unplanned use of reserves is required at this stage, reliance on one-off reserves is not sustainable and must be addressed in future budget models. At the council meeting in August 2025, the budget gap across the coming years 2026/27 to 2030/31 before taking any measures to balance was £73.782 million, as detailed in [exhibit 8](#).

Exhibit 8

Identified budget gap 2026/27 to 2030/31

	£'million	£'million	£'million	£'million	£'million	£'million
Budget gap	£17.940	£17.528	£14.129	£11.549	£12.636	£73.782

Source: East Lothian Council: Budget Development 2026-27 Onwards

74. To address the budget gap, the council will need to review what services it can afford to continue to deliver and how these services will be provided. The council will need to significantly change what they deliver over the next 5 years with the focus being on ensuring that statutory duties can be met within the budget envelope. There will be difficult decisions to take on whether the council can continue to deliver services and if so, what those services will actually look like.

Improving the council's financial sustainability must be a priority objective for the financial governance of the council. It is important for the council to focus on financial resilience including key indicators and measures

75. The Chartered Institute of Finance and Public Accountancy (CIPFA) introduced a Financial Management Code for implementation by 31 March 2021. This provides “guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code, authorities will be able to demonstrate their financial sustainability”. A key goal of the FM Code is to improve and evidence the financial resilience of organisations by embedding enhanced standards of financial management.

76. The council continues to face a highly challenging financial environment as it develops its five-year budget strategy for the period 2026-2031. While the council has taken steps to mitigate financial pressures through planned savings and incremental increases in Council Tax, the medium-term financial outlook remains significantly constrained.

77. The most recent budget development reports reported to council in August 2025 indicate a projected cumulative funding gap of £73.8 million over the five-year period to 2030/31, of which £9.2 million relates to the Integration Joint Board (IJB). Even after factoring in previously approved savings measures and assumed annual Council Tax increases of 5 per cent, a substantial residual budget gap of £43.5 million remains. Notably, £10.4 million of this shortfall is forecast to arise in the 2026–27 financial year alone.

78. To support financial planning, the council has undertaken scenario modelling to assess the potential impact of varying economic conditions and policy developments. Under the central (neutral) planning scenario, the council forecasts a cumulative funding gap of £73.8 million over the five-year period. However, under a more adverse scenario, characterised by higher pay inflation, constraints on council tax increases, and delays in the delivery of planned savings, the funding gap could escalate to in excess of £91 million. This would represent a significant threat to the council's financial sustainability and its ability to maintain service delivery at current levels.

79. The council has approved a five-year capital investment programme amounting to £248 million. This figure incorporates both slippage from prior years and the reinstatement of previously paused projects. The capital programme is largely driven by population growth, with a substantial proportion of investment directed towards the expansion and enhancement of the education estate. However, in recognition of increasing borrowing costs and a reduction in available capital grant funding, the council acknowledges the need

to reassess the overall affordability and prioritisation of its capital plans to ensure long-term financial sustainability.

80. To ensure the sustainability of both revenue and capital plans, the council has committed to a set of budget development principles. These include minimising reliance on one-off resources, aligning financial planning with strategic priorities, and investing in transformation and efficiency initiatives. The council is also progressing work to develop a 30-year business plan for the Housing Revenue Account, which will support long-term capital planning and inform future rent strategies.

81. The council's financial strategy for 2026–2031 is being developed in a context of significant uncertainty and risk. While the council has taken steps to manage these pressures through savings, tax increases, and transformation initiatives, the scale of the challenge ahead will require continued focus, early decision-making, and robust financial governance to ensure long-term sustainability.

82. Key financial information considered in forming the judgement on the council's arrangements for securing financial sustainability is outlined in [Exhibit 9](#).

Exhibit 9

Key financial information

Budget setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Budget gap	13.290	17.158	17.289	17.651
Planned to be met via:				
• Savings and flexibilities	0.393	4.402	9.750	2.343
• Use of reserves	8.690	7.378	2.935	5.852
• Additional council tax	4.207	5.378	1.204	9.456
• Council tax freeze grant			3.400	
Savings delivered	0.393	3.527	5.906	-
Use of / (contribution to) reserves	5.986	9.700	2.935	-
Total usable reserves carried forward	45.192	55.507	53.329	
General Fund:				
• Earmarked	19.214	26.569	27.623	-

• Uncommitted	7.200	7.600	8.506	-
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Source: The council's 2024/25 annual accounts and council papers

Recommendation 5

The council should continue to assess the projected level of savings generated, the level of reserves held and how this continues to support financial resilience and sustainability over the medium term.

Vision, Leadership and Governance

The council has clearly articulated its vision and priorities

83. The Council Plan 2022-2027 was approved by the council on 23 August 2022. The Council's vision over the 5 years is '***an even more prosperous, safe and sustainable East Lothian, with a dynamic and thriving economy that enables our people and communities to flourish.***'

84. The council agreed to focus on delivering a smaller number of priorities than originally approved in the Council Plan 2022-27. This has resulted in three priorities which are aligned to the Council Plan's overarching and thematic objectives:

- Ensure the financial sustainability of the council through the delivery of approved savings and transforming the way we deliver services
- Target resources on statutory services and focus on the highest risks and those most in need
- Deliver key infrastructure, economic development and environmentally sustainable projects within available council resources and maximising external funding

85. The council has updated its approach to Council Plan performance reporting, as detailed at paragraphs 104 – 107 below.

A new Chief Executive was appointed during 2024/25

86. The council has an experienced management team in place that has been relatively stable in recent years. In November 2024 the then Chief Executive, announced her intention to retire in February 2025. The new Chief Executive took up his role in April 2025.

87. The Executive Director – Place, retired in November 2024, with the position remaining unfilled during 2025. In October 2025 there was a restructuring exercise undertaken at the Executive Director level. The Executive Director – Place role was formally deleted with the Executive Director Council Resources role being amended to Deputy Chief Executive Resource and Economy (Chief Financial Officer).

The council has sound governance arrangements in place for how it conducts business

88. The council's governance arrangements have been set out in the Annual Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate. This is informed by our regular attendance at the Audit and Governance Committee and review of council and other committee papers as appropriate.

89. The Audit and Governance Committee's role is to support the council in establishing, maintaining, and improving effective governance, risk management, and internal control arrangements.

90. The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the council:

- having a Corporate Plan in place, supported by Operational Plans, that clearly set out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
- having clear financial and performance reporting in place, both internally and externally, that is linked to its Operational Plans.
- having effective governance arrangements in place in general, as reflected in the Annual Governance Statement included in the annual accounts.

Equalities and fairness

91. We noted in our Annual Audit Plan 2024/25 that auditors are required to carry out a review of the 'fairness and equality' characteristic at least once during the audit appointment. We completed this work as part of the 2024/25 audit.

92. The council demonstrates a clear commitment to fairness and equality through a comprehensive framework of strategies, policies, and reporting mechanisms. The council has embedded equality considerations into its strategic planning, service delivery, and employment practices, aligning with the requirements of the Equality Act 2010, and other relevant legislation.

93. This is reflected in the publication of key documents such as the Equality Plan 2021–2025, the Poverty Plan 2024–2028, and the Procurement Strategy 2023–2028, all of which incorporate equality objectives and align with statutory duties. The council has also made

effective use of Integrated Impact Assessments (IIAs), which are consistently applied to ensure equality considerations are integrated into policy development and decision-making processes.

94. A positive organisational culture is further supported by the requirement for all staff to complete annual equality training, with content regularly updated to reflect legislative changes.

95. Our review identified the following areas where the council needs to take action to ensure continued compliance with equalities and fairness as detailed below:

- while the council tracks various performance indicators through its Policy and Performance Review Committee, there is limited alignment between these indicators and the specific equality outcomes and actions outlined in the Equality Plan. This makes it challenging to assess progress and impact.
- the Equality Mainstreaming and Outcomes Report for 2023–2025 has been delayed beyond the statutory two-year reporting requirement, impacting on the council's ability to assess progress and identify areas for improvement.
- the council's Equality Training Plan 2015-18 is the most current training plan. We understand this has not been updated since it was originally published. There is a risk that this does not reflect the most up to date guidance.

Recommendation 6

To ensure the council continues to demonstrate its commitment to equalities and fairness the council should review the timing of its reporting and ensure the training materials available remain fit for purpose.

Use of Resources to Improve Outcomes

96. The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the council:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

Best Value audit

Conclusion

The council has a clear vision and plan to support the transformation of its services, which aims to deliver a portfolio of change over a five-year period and support the financial sustainability of the council.

The council has robust governance arrangements in place for projects in its transformation programme. It has a dedicated transformation team but is experiencing staffing issues on some projects due to staff turnover and staff vacancies linked to the temporary nature of these projects.

The council has effective arrangements in place for reporting progress on the projects in its transformation programme to its senior leadership team and plans to enhance reporting to elected members. The council presented its first annual progress report on transformation to full council in August 2025.

Audit work assessed the arrangements the council has in place for preparing and publishing SPI and concluded the arrangements in place were effective and appropriate.

The council has updated its approach to Council Plan performance reporting. The council reviews and reports its performance using a number of measures that are clearly aligned to the priorities and outcomes set out in the Council Plan.

The council's overall performance has remained similar to its prior year results and has increased compared with the Scottish average.

The council should ensure that as the new approach to performance reporting is embedded it continues to comply with the requirements of the Statutory Performance Information Direction.

Audit approach to Best Value

97. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best

Value, including follow up of findings previously reported in relation to Best Value.

Themes prescribed by the Accounts Commission

98. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2024/25 is on the subject of service transformation and involves considering how the council is redesigning services to maintain outcomes and deliver services more efficiently.

99. Conclusions and judgements on the council's approach to service transformation are outlined in a separate Management Report which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- The Accounts Commission's [Local government in Scotland Financial bulletin 2023/24](#) notes that councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability.
- East Lothian Council has a clear vision and plan to support the transformation of its services, which aims to deliver a portfolio of change over a five-year period and support the financial sustainability of the council. It has a defined transformation programme in place that clearly sets out what transformation activity is underway. In addition, there are several projects, led at service level, that the council consider to be transformational. The council should ensure that each of these projects meet the objectives set out within its transformation strategy.
- The council faces a projected funding gap of over £17 million for 2025/26, rising to over £79 million by 2029/30. It estimates that the current portfolio of transformation projects will deliver recurring savings of £6.1 million over the five-year period to 2029/30. While recognising that transformation is a key enabler to financial sustainability, the council's financial and transformation strategies make it clear that it is only part of the council's solution to closing its funding gap. Other measures include cost reduction through energy efficiency, investment in early intervention and prevention and developing and growing income streams. The council's collective change activity needs to be sufficiently ambitious to respond to the scale of its financial challenges.
- Over half of the council's current 15 transformation projects are in the delivery stage and detailed information has been compiled for each of these. The council has allocated earmarked reserves totalling £18.5 million to support and enable transformation and in 2024/25, £1.486 million was spent from this reserve.

- The council has robust governance arrangements in place for projects in its transformation programme. It has a dedicated transformation team but is experiencing staffing issues on some projects due to staff turnover and staff vacancies linked to the temporary nature of these projects. Also, there are constraints on the availability of some staff carrying out business-as-usual work to contribute to the transformation programme due to heavy workloads. This presents a significant risk to the progress of the council's transformation programme.
- The council has effective arrangements in place for reporting progress on the projects in its transformation programme to its senior leadership team and plans to enhance reporting to elected members. An overview of all significant transformation activity is not currently compiled. This creates a risk that elected members are not fully sighted on the progress of all key transformation activity across the council as a whole.
- The majority of the council's current transformation programme is council led and does not involve working with partners. The council is at an early stage of progressing opportunities to work with partners in service-led transformation activities outside its current transformation programme.
- The council has shared examples of where it is listening to its communities in relation to transformation projects. Integrated Impact Assessments (IIAs) are being carried out during the development of transformation projects where the council believe they are appropriate and there are examples of community engagement taking place in relation to these.
- The council has had a transformation programme in place since 2016. In the context of the growing financial challenges facing the council, the focus of this programme has shifted in recent years. A new framework was introduced in 2024 and is being developed which better captures, monitors and reports on the financial and non-financial benefits of transformation projects. The council is due to present its first annual progress report on transformation to full council in Autumn 2025.

100. The audit recommendations from the thematic report, together with the management responses, are included in [Appendix 1](#) of this report.

Statutory performance information (SPI) and service performance

101. The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the council to report its:

- SPI 1: performance in improving services and progress against agreed desired outcomes, and

- SPI 2: a self-assessment and audit, scrutiny, and inspection body assessment of how it has responded to these assessments.

102. Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing statutory performance information in accordance with the Direction and report a conclusion in the Annual Audit Report.

103. Audit work assessed the arrangements the council has in place and concluded the arrangements in place were appropriate.

The council has updated its approach to Council Plan performance reporting

104. The [Best Value: Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities.

105. In December 2024, a Review of Performance Reporting and Indicators report was presented to the Policy and Performance Review Committee (PPRC). The report outlined the statutory duties placed upon the council as well as the new Statutory Performance Information Direction guidance. The report committed the council to review the new Direction and Guidance and identify any gaps in the current performance reporting. In June 2025, the PPRC approved a report on a Performance Framework Refresh. The report outlined the proposed refreshed approach to Council Plan performance PPRC reporting, to ensure reports comply with any statutory requirements and follow good public performance reporting practices.

106. This has resulted in the council adopting a performance reporting hierarchy model, which refers to how different aspects of an organisation's performance are structured and presented in reports, typically from a high-level overview to more granular details. This hierarchy helps organise and communicate information about performance against key objectives, focusing on different levels of management and their responsibilities as follows:

- **strategic level:** provides a broad overview of overall performance, focusing on key strategic objectives and organisational goals set out in the Council Plan and subsequent strategic priorities approved by the council in February 2024. Strategic level reports will be presented to PPRC annually in June of each year and will replace the current top 10/50 indicators reports.
- **tactical level:** Heads of Service areas, analysing performance against defined targets and metrics for the group of services they are responsible for. Head of Service level reports will be presented to PPRC at least quarterly and will replace the current quarterly reports.
- **operational level:** focus on individual projects, tasks, and processes, providing detailed information on performance outcomes and any potential areas for improvement. Reporting of these will remain in line with the current reporting regime.

107. Both strategic and head of service reports will present performance updates structured around the council's strategies and priorities as follows:

- Ensure the financial sustainability of the council through the delivery of approved savings and transforming the way we deliver services (contributes to the long-term objective: Grow our Capacity)
- Target resources on statutory services and focus on the highest risks and those most in need (sits under the long-term objective: Grow our People)
- Deliver key infrastructure, economic development and environmentally sustainable projects within available council resources and maximising external funding (contributes to the long-term objectives: Grow our Economy and Grow our Communities).

The council's overall performance has remained similar to its prior year results and has increased compared with the Scottish average

108. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. The council notes that the use of the LGBF allows it to self-assess its performance across years, and to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

109. The most recent National Benchmarking Overview Report 2023/24: <https://www.improvementservice.org.uk/benchmarking/reports> was presented to the PPRC in June 2025 to provide a summary of the council's performance in 2023/24.

110. The full Local Government Benchmarking Framework includes 109 indicators. There are 75 indicators which relate to the performance of services in delivering outputs and outcomes; 22 indicators relate to the cost of delivering services; and 12 indicators measure satisfaction. All cost indicators have been adjusted for inflation to provide a real cost comparison on trend data.

111. For 2023/24, only 91 indicators have comparable data to measure a percentage change of status from the previous year. In 2023/24, 26 (29 per cent) of indicators improved, 45 (49 per cent) remained static, and 20 (22 per cent) declined.

	Improved status	No change	Declined
Cost	9	6	5
Performance	17	28	15
Satisfaction	-	11	-
Grand total	26	45	20

112. Comparison of the council's indicators against the Scottish average shows that 48 (53 per cent) of the indicators are performing better than the Scottish average. The council's quartile performance when ranking each performance indicator from 1 (highest performance/ lowest cost) to 32 (lowest performance/ highest cost) improved slightly during 2023/24. Just under a third (31 per cent) of the council's indicators are in quartile 1 and fewer than one in four (only 18.4 per cent) are in quartile four. Overall, 60.9 per cent of indicators are within the first two quartiles (top 50 per cent).

Quartile	2022/23	%	2023/24	%
Quartile 1	27	30.0	27	31.0
Quartile 2	23	25.6	26	29.9
Quartile 3	23	25.6	18	20.7
Quartile 4	17	18.9	16	18.4

Progress against previous Best Value findings and recommendations

113. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and Controller of Audit Reports on the council's performance in meeting its Best Value duties.

114. Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#). *The council has implemented the previous recommendations made.*

Conclusions on Best Value

The council's arrangements and performance in meeting Best Value and community planning duties are effective

115. The audit work performed on the arrangements the council has in place for securing Best Value and its community planning arrangements found these were effective and appropriate. This judgement is evidenced by:

- the council having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements
- the arrangements the council has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value
- progress the council is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Edinburgh Innovation Hub</p> <p>Edinburgh Innovation Hub (EIH) is consolidated as a joint venture between the council and Queen Margaret University.</p> <p>Risk: There is a risk that there is not appropriate independent oversight of the financial transactions within the joint venture.</p>	<p>Given the level of public funding invested in the joint venture, it is important that the council ensures appropriate arrangements are in place to secure assurance over financial stewardship, which would ordinarily be achieved through an independent audit process.</p> <p>Page 27</p>	<p>Accepted</p> <p>External audit arrangements are in place for the joint venture and scrutiny arrangements are currently provided as part of the City Region Deal governance structure. Once operational, EIH will report to the council's audit and governance committee at least annually to enable effective financial stewardship.</p> <p>Depute Chief Executive – Resources and Economy</p> <p>June 2026</p>
<p>2. Internal control</p> <p>Our review of the council's financial systems continues to highlight ongoing inconsistencies and inefficiencies in the operation of internal controls.</p> <p>Risk: there is a risk that this may result in inefficient, inconsistent processes and ultimately control weaknesses.</p>	<p>The council should implement regular and documented user access reviews across all key financial systems. These reviews should be conducted at defined intervals to ensure that access rights remain appropriate, reflect current roles and responsibilities, and mitigate the risk of unauthorised or inappropriate access to financial data. Evidence of these reviews should be retained to support the control environment and provide assurance over system integrity.</p> <p>Page 27</p>	<p>Accepted</p> <p>The Council Management Team takes IT security seriously and recently approved a review of systems administration across the council. The review is currently underway and aims to strengthen and improve consistency, including ensuring that there are appropriate user access controls in place for all systems.</p> <p>Council Leadership Team</p> <p>July 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>3. Assurance gap</p> <p>The council does not receive formal assurances regarding the IT control environment for systems which are externally hosted.</p>	<p>The council should ensure there is appropriate oversight of its continuity and security of IT operations, and ensure the necessary assurances are obtained for externally hosted systems.</p> <p>Page 28</p>	<p>Accepted</p> <p>Management will explore options for including assurance over continuity and security arrangements as part of our specification of requirements for future contracts to ensure that we have an understanding of what potential new suppliers are willing to commit to.</p> <p>Service Manager - IT</p> <p>April 2026</p>
<p>4. Implementation of the new financial system</p> <p>The new finance management system was scheduled to go live in October 2025.</p> <p>Implementation has been delayed and will now take place in 2026.</p>	<p>It is important that that the revised implementation timescales are clearly set out to avoid further delays and additional costs being incurred.</p> <p>Page 28</p>	<p>Accepted</p> <p>This project remains a key priority for the finance service and significant efforts are underway to ensure successful implementation of the replacement system in the first half of next year.</p> <p>Head of Finance</p> <p>June 2026</p>
<p>5. Financial sustainability</p> <p>The council continues to face a highly challenging financial environment as it develops its five-year budget strategy for the period 2027-2031.</p>	<p>The council should continue to assess the projected level of savings generated, the level of reserves held and how this continues to support financial resilience and sustainability over the medium term.</p> <p>Page 32</p>	<p>Partially Accepted</p> <p>This action was implemented in February 2025.</p> <p>Head of Finance</p> <p>Implemented</p>
<p>6. Equalities and fairness</p> <p>Our review identified areas where the council needs to take action to ensure continued compliance with equalities and fairness.</p>	<p>To ensure the council continues to demonstrate its commitment to equalities and fairness the council should review the timing of its reporting and ensure the training materials available remain fit for purpose.</p> <p>Page 34</p>	<p>Accepted</p> <p>Officers will work to ensure that future reporting timelines are aligned with Equality legislation (April), with the next Mainstreaming Outcomes report due in April 2027. A review of training materials will also be taken forward.</p> <p>Head of Corporate Support</p> <p>April 2027</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2024/25 recommendations from the BV thematic report		
<p>1. Ensuring transformation plans are sufficiently ambitious</p> <p>The council faces a projected funding gap of over £17 million for 2025/26, rising to over £79 million by 2029/30. It estimates that the current portfolio of transformation projects will deliver recurring savings of £6.1 million over the five-year period to 2029/30. Whilst we recognise that transformation alone will not offer the full solution to the council's funding gap, the level of financial savings from the council's collective change activity should be commensurate with the scale of its financial challenges.</p>	<p>While we recognise that transformation activity is designed to have wider benefits beyond financial savings, the council should ensure its plans for transformation are sufficiently ambitious to respond to the financial challenges it faces.</p>	<p>The Council is prioritising its resources to support a range of projects focused on key enablers of change. It has also prioritised the delivery of transformation as a key council objective.</p> <p>An update will be provided to Council in August 2025.</p> <p>Transformation & Digital Portfolio Manager</p> <p>August 2025 / ongoing</p>
<p>2. Including all significant transformation activity in transformation strategy</p> <p>Officers have told the audit team about other significant transformation projects that are being taken forward by services that are not included in the current transformation programme.</p>	<p>There are a number of projects, led at service level, that the council consider to be transformational. The council should take the opportunity, when conducting the annual review of its Transformation Strategy (2024-2029), to ensure all significant transformation activity is reflected as well as ensuring that each project meets the objectives set out within its transformation strategy.</p>	<p>Officers will consider options for incorporating service led transformation activity within future reporting, with a view to capturing resource commitment and benefits delivered.</p> <p>Transformation & Digital Portfolio Manager</p> <p>August 2026</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>3. Reporting on transformation</p> <p>Officers have committed to sharing detailed reporting on the progress of its transformation programme with elected members as part of its annual report, starting from Autumn 2025.</p> <p>Officers have told the audit team about other significant plans for change that are being taken forward by services that are not included in the transformation programme. There is a risk that officers and members do not have a full overview of the range of transformation activity taking place within the council.</p>	<p>The council should ensure it delivers on its commitment to report on transformation to elected members. This should include regular reporting on planned and realised financial and non-financial benefits from its transformation work in line with what is set out in the Transformation Strategy. The council should put in place arrangements to report to elected members on the full range of transformation activity being progressed.</p>	<p>A report will be presented to Council in August providing an update on progress made towards delivering the council's transformation strategy.</p> <p>This report will also consider how wider transformation activity can be incorporated into future updates to Council.</p> <p>Transformation & Digital Portfolio Manager</p> <p>August 2025</p>
<p>4. Resourcing transformation</p> <p>The demands of the council's business-as-usual activities are limiting the wider organisation's ability to respond to the increased demand for transformation staff resource. These pressures present a risk to the progress of the council's transformation programme.</p>	<p>The council should ensure that its workforce has capacity to deliver on its transformation ambitions. This includes balancing workforce planning with the resource needs of wider business groups and recruiting additional roles for transformation if required.</p>	<p>The Council has allocated significant resources within earmarked reserves to support transformation activity, and this will remain under review to ensure that there is sufficient capacity to deliver on our ambitions in the context of acute funding constraints.</p> <p>Transformation & Digital Portfolio Manager</p> <p>December 2025</p>
<p>5. Measuring the impact of transformation</p> <p>The council is monitoring and reporting on the financial and non-financial benefits from its transformation projects. It recognises that benefits reporting is an area requiring further work to</p>	<p>The council should continue to improve its methodology for measuring financial and non-financial benefits from its transformation projects.</p>	<p>The council recognises the importance of ensuring that the benefits of transformation are captured and reported. While the financial savings delivered are already being reported through regular finance updates, future reporting will also capture the non-financial benefits delivered.</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
improve accuracy and consistency.		Transformation & Digital Portfolio Manager August 2025

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Revaluation of land and buildings</p> <p>In accordance with the Code of Practice in Local Authority Accounting, the council is required to ensure the carrying value of property, plant and equipment <i>“does not differ materially from that which would be determined using the current value at the end of the reporting period”</i>. Following the publication of the unaudited accounts, the council undertook a revaluation exercise which resulted in a £52 million reduction in the carrying value of assets.</p> <p>Our audit testing of the revaluation found errors in the work performed. This included: inconsistencies between the underlying data used (floor space / land areas) by the valuer and the councils’ records; inconsistent information on the use of assets; and errors in valuation calculations. There had been limited management challenge and review to confirm completeness and accuracy of the valuation prior to audit inspection.</p>	<p>While recognising the council engage with an independent valuer to undertake a valuation of land and buildings, the valuation is underpinned by data provided by the council. It is important that the council ensure complete and accurate information is provided to the valuer in a timely manner to support the valuation and that there is appropriate challenge and review to ensure the valuations are reasonable. This should be done in sufficient timeframes to support the preparation of the unaudited accounts.</p> <p>Management response:</p> <p>Officers will ensure that all floor plans are reviewed and revised as appropriate and that accurate records are held. A full valuation of all operational and non-operational assets will be carried out for the 2024/25 Accounts by an independent valuer. This information will be reviewed with an internal RICS member and samples will be taken and reviewed to gain management assurance of the figures received.</p> <p>Responsible officer:</p> <p>Executive Director of Council resources</p> <p>Agreed date:</p> <p>June 2025</p>	Implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>Risk: A risk that the council does not have a complete and accurate record of assets held and that this could result in material errors in the valuation of land and buildings.</p>		
<p>2. Statutory override</p> <p>The statutory override relating to valuation of infrastructure assets is due to end for the 2024/25 financial statements.</p> <p>Risk: A permanent solution has not yet been agreed and CIPFA believe that this will continue be an area of enhanced scrutiny for local government auditors.</p>	<p>The council should proactively work with CIPFA and the wider local government sector to arrive at appropriate solution for the implementation of accounting for infrastructure assets.</p> <p>Management response:</p> <p>Officers consider that the time and expense required to value infrastructure assets would not represent best value in the use of public resources and we will continue to make this case to CIPFA alongside colleagues from other local authorities.</p> <p>Responsible officer:</p> <p>Executive Director for Council Resources</p> <p>Agreed date:</p> <p>April 2025</p>	<p>Ongoing.</p> <p>Finance circular 6/2025 confirms that the temporary statutory override has now been further extended until March 2027.</p>
<p>3. Trade Union disclosure</p> <p>The Trade Union (Facility Time Publication Requirements) Regulations 2017 require employers to publish a range of information both on their website by 31 July and in their annual accounts.</p>	<p>The council needs to ensure that it captures all required information to fully comply with the Trade Union Regulations 2017.</p> <p>Management response:</p> <p>We will aim to include this disclosure as part of our future reporting.</p> <p>Responsible officer:</p> <p>Service Manager – People and Council Support</p> <p>Agreed date:</p> <p>July 2025</p>	<p>Not implemented.</p> <p>This was omitted from the unaudited accounts. The council has advised that this will be updated for the revised accounts presented to the Audit and Governance Committee.</p>
<p>4. Budget setting</p> <p>The 2023/24 end of year financial review presented to the council in June 2024</p>	<p>Given the financial pressures and ongoing reliance on using reserves to deliver services it is vital the council identify the</p>	<p>See 2024/25 matter arising 5 above.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>reported a deficit on the provision of services of £12.273 million.</p>	<p>measures required to deliver against their savings plans.</p> <p>Management response:</p> <p>Officers will continue to develop and progress workstreams needed to realise savings plans over the coming year, and progress will be reported through regular finance updates to Council.</p> <p>Responsible officer:</p> <p>Council Management Team</p> <p>Agreed date:</p> <p>Ongoing</p>	
<p>5. Capital programme</p> <p>Capital programmes can be delayed through their complexity, pressing demands and involvement of third parties. As part of the mitigation measures agreed by the council uncommitted expenditure was paused or reprofiled.</p>	<p>The council should establish clear indicators to support its assessment of the ongoing affordability of the capital programme.</p> <p>Management response:</p> <p>Indicators are disclosed as part of our treasury management strategy and reporting and we will work to improve the visibility of these in informing the judgements taken around the affordability of capital plans and borrowing.</p> <p>Responsible officer:</p> <p>Executive Director for Council Resources / Head of Finance</p> <p>Agreed date:</p> <p>April 2025</p>	<p>Implemented.</p>
<p>6. Internal control</p> <p>We identified instances where there was a lack of corporate understanding of end to end transaction processes, controls and dependencies. As a result there is a risk that this may result in inefficient, inconsistent processes and ultimately control weaknesses.</p>	<p>As the council implements the new financial system it is important that management can assure itself that it has addressed legacy issues around corporate understanding of end to end processes and control weaknesses.</p> <p>Management response:</p> <p>The new system will define high-level (in-system) business processes, that will be supplemented with process mapping to capture new end-to-end processes.</p> <p>Responsible officer:</p>	<p>See 2024/25 matter arising 2 above</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>Executive Management Team</p> <p>Agreed date:</p> <p>December 2025</p>	
<p>7. Reserves</p> <p>As at 31 March 2024, the council had a total General Fund balance of £34.169 million. Of this £26.569 million has been earmarked for a specific priority with a residual balance of £7.600 million of uncommitted general reserves.</p>	<p>The council should ensure that there is a clear risk assessment and scrutiny of the level of reserves held and how this supports financial resilience and sustainability over the medium term.</p> <p>The council should consider the adequacy of minimum unallocated reserves in the context of revenue overspends and benchmark data.</p> <p>Management response:</p> <p>This is set out within the financial strategy and risks are reported through the corporate risk register. We will continue to do this.</p> <p>Responsible officer:</p> <p>Head of Finance</p> <p>Agreed date:</p> <p>Ongoing</p>	<p>See 2024/25 matter arising 5 above.</p>
<p>8. Financial resilience</p> <p>The council is facing a significant funding gap to meet the growing infrastructure and service requirements aligned to rapid population growth.</p>	<p>Given the scale of the financial challenges the council must continue to develop financial resilience indicators and resilience measures, with a greater emphasis on its reserves position.</p> <p>Management response:</p> <p>The financial strategy sets the minimum level of unallocated balance for our general reserves and this level is reviewed on an annual basis. Movement in this balance due to budget variances is the key indicator that we use to assess financial resilience and this is reported to Council throughout the year.</p> <p>Responsible officer:</p> <p>Head of Finance</p> <p>Agreed date:</p> <p>Ongoing</p>	<p>See 2024/25 matter arising 5 above.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>9. Digital technology</p> <p>The capacity of the council's IT team remains challenging with vacancies in key areas leading to skills gaps and workforce pressures. This has resulted in a number of key plans not being progressed or tested.</p>	<p>The council needs to prioritise digital transformation to improve service delivery and generate savings over the medium and longer term. The council needs to strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.</p> <p>Management response:</p> <p>The current transformation portfolio includes priority digital by default projects, including Finance System Replacement, Housing Management System Replacement, Website replacement, Roll-out of Microsoft 365, Development of an Enterprise IT Systems strategy and roadmap. We are also undertaking a project to identify manual effort that could be reduced/eliminated by using automation/systems.</p> <p>Responsible officer:</p> <p>Executive Director for Council Resources / Service Manager for IT</p> <p>Agreed date:</p> <p>Ongoing</p>	<p>Ongoing</p> <p>A service review is currently being progressed within IT to support enhanced capacity and resilience</p> <p>A new Strategic Digital Lead post is currently being progressed to strengthen the digital capacity.</p> <p>A new project team has been established which will report to the DTB to strengthen digital planning across the organisation.</p> <p>Strategic Digital Lead</p> <p>May 2027</p>
<p>10. Council priorities</p> <p>In February 2024, the council approved proposals to re-prioritise the Council Plan recognising the context and factors that influenced the objectives had since changed.</p>	<p>The council agreed to focus on delivering a smaller number of priorities than originally approved in the Council Plan 2022-27. The council needs to set clear performance outcome targets for each of its refreshed priority areas to ensure resources are allocated appropriately. As resources are aligned to the priority areas, the council also needs to be clear on what is an acceptable level of performance in non-priority areas.</p> <p>Management response:</p> <p>As part of the review of performance reporting we will review the top 10 indicators and clarify alignment with the reprioritised council plan, aligning to requirements of the revised Statutory</p>	<p>Implemented.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>Performance Information Direction expected in 2025.</p> <p>Responsible officer:</p> <p>Transformation & Digital Portfolio Manager</p> <p>Agreed date:</p> <p>December 2025</p>	
<p>11. Committee attendance</p> <p>In June 2024 as both were not quorate, the Audit & Governance Committee and the Policy and Performance Review Committee meetings had to be cancelled or rescheduled.</p>	<p>Elected members should ensure attendance at Committee meetings to enable the Committee to fulfil its delegated functions</p> <p>Management response:</p> <p>Officers to proactively contact members to confirm attendance in advance of each meeting. The hybrid meeting facility to be offered for all formal Council meetings to support member attendance. In consultation with political groups, consideration will be given to assess if membership requires to be reviewed and amended as part of the annual review of Standing Orders.</p> <p>Responsible officer:</p> <p>Head of Corporate Support</p> <p>Agreed date:</p> <p>February 2025</p>	<p>Implemented.</p>
<p>12. Decision making</p>	<p>It is essential elected members work together as a collective body to make the strategic decisions and difficult choices to ensure the council's future financial sustainability.</p> <p>Management response:</p> <p>The council agreed to establish a cross party budget working group and this has been running since 2022. The approach to this is subject to regular review and remains a key budget development principle within the approved financial strategy. Officers will continue to facilitate cross party working aligned to the Council decision over the next year.</p>	<p>Implemented.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	Responsible officer: Executive Management Team Agreed date: Ongoing	

Progress against 2023/24 Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
1. Action plan The council's workforce action plan has 40 actions capturing a range of workforce challenges however they are not SMART. Risk – There is a risk actions cannot be evaluated to allow progress to be measured, monitored and reported.	The council should build on its workforce planning to date by expanding the range of data and intelligence it draws upon, with SMART action plans setting out how council level and service level actions are being progressed. Management response Management to review the current workforce plan and actions and develop further SMART actions. Responsible officer Executive Director for Council Resources Date June 2025	Implemented. An ELC Workforce Plan Implementation group was established in August 2025. A Workforce Action Plan was revised in August 2025 incorporating SMART actions. This was presented at Cabinet for approval in September 2025. In addition, the Local Government Association (LGA) are running training sessions with the Corporate Management Team in November 2025.
2. Service workforce planning The council does not have standard guidance, templates or toolkits to support services in developing a consistent approach to workforce planning.	The council should prepare guidance and templates to assist services in identifying supply and demand issues and consider the emerging objectives and actions within their areas whilst ensuring there is a consistent approach to workforce planning across the council. Management response	Ongoing. Service level planning guidance and templates have been created and approved by the Workforce Plan Implementation group. HR will be providing service managers with reports to assist them

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>Risk – There is a risk that service workforce planning is not consistent and does not support the 2023-2027 Workforce Plan</p>	<p>Management to further develop service plan guidance to provide clearer alignment with corporate workforce plan.</p> <p>Responsible officer</p> <p>Executive Director for Council Resources</p> <p>Date</p> <p>April 2025</p>	<p>with identifying roles and risk and critical roles, contract type/FTE/PT/agency workers. The LGA recommended this was the data to include for strategic workforce planning at a service level.</p> <p>The guidance/template will be rolled out from January 2026 working with each Head of Service management team to ensure they have adequate time and support to do this.</p> <p>Responsible: Head of Corporate Support (Strategic Lead for workforce planning)</p> <p>April 2026</p>
<p>3. Digital transformation</p> <p>The council has completed a limited number of corporate digitalisation projects.</p> <p>Risk – There is a risk the council is not using digital technology to shape its future workforce.</p>	<p>The council should increase the pace of roll-out of its digital transformation projects and develop measures to capture and monitor the impact of digital technology on workforce productivity and service outcomes. It should also set out how it expects digital technology to shape its future workforce.</p> <p>Management response</p> <p>The Council has prioritised investment and focus to date on key corporate systems and platforms. The Council's Digital Transformation Board is overseeing the prioritisation of projects, but much of this is dependent on financial resources being made available to support the development and implementation of digital opportunities in a managed and sustainable way.</p> <p>Responsible officer</p>	<p>Point closed and being tracked through matter arising 9, 2023/24 above on digital technology.</p> <p>Progress is monitored via the Digital Transformation Board (DTB) that meets regularly throughout the year. Projects prioritised for delivery by the Service are:</p> <ul style="list-style-type: none"> • Cloud Migration (Revenues system) • Housing Management System • Lets & Bookings System replacement • Finance System Replacement

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
	<p>Executive Director for Council Resources</p> <p>Date</p> <p>On-going</p>	<ul style="list-style-type: none"> • Website Replacement • M365 Roll Out
<p>4. Digital exclusion</p> <p>The council has set out its intention to address digital exclusion.</p> <p>Risk – There is a risk that the workforce are not appropriately supported.</p>	<p>The Council should further develop the workforce plan to allow it to monitor progress in addressing digital exclusion in its workforce.</p> <p>Management response</p> <p>Management will review the workforce action plan and consider further areas for addressing digital exclusion and how this can be monitored.</p> <p>Responsible officer</p> <p>Executive Director for Council Resources</p> <p>Date</p> <p>June 2025</p>	<p>Ongoing</p> <p>A paper was presented at CMT in June 2025 on this topic. Progress will be monitored via an annual review completed by OD involving services where digital inclusion is more challenging. This was reported in the most recent Workforce Action Plan.</p> <p>Responsible: Head of Corporate Support (Strategic Lead for workforce planning)</p> <p>August 2026</p>
<p>5. Remote and hybrid working</p> <p>The council has developed a detailed measurement framework in 2020 to capture the impact of its employees working more remotely but has not applied this.</p> <p>Risk – There is a risk the council cannot quantify the benefits for staff including wellbeing, and any savings achieved or improvements to services.</p>	<p>The council should build on the work it conducted in 2020 to review the effectiveness of its WorkSmart policy. This should capture the benefits for staff including wellbeing, and any savings achieved or improvements to services.</p> <p>Management response</p> <p>Management already capture significant management information to monitor the effectiveness. Management will consider how this can be consolidated, captured and monitored through the review of workforce plan SMART actions.</p> <p>Responsible officer</p> <p>Executive Director for Council Resources</p> <p>Date</p> <p>June 2025</p>	<p>Ongoing</p> <p>A questionnaire has been developed to enable managers to provide feedback on home / hybrid working arrangements. This will provide some insight into how well these arrangements are working and identify what may need to change before any further review of the arrangements take place.</p> <p>Responsible: Head of Corporate Support (Strategic Lead for workforce planning)</p> <p>August 2026</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>6. Succession planning</p> <p>Almost 25 per cent of the council's employees are over 55 years old.</p> <p>Risk – There is a risk that the council plans do not address future succession planning challenges.</p>	<p>The council needs to put clear plans in place to address future succession planning challenges.</p> <p>Management response</p> <p>Management will continue to build upon the range of existing initiatives to explore further options to support succession planning.</p> <p>Much of the challenge requires a national approach, and management will continue to support national workforce discussions.</p> <p>Responsible officer</p> <p>Executive Management Team</p> <p>Date</p> <p>April 2025</p>	<p>Ongoing</p> <p>The intention of the 2026 Workforce Plan would be to address this at a service and corporate level.</p> <p>Responsible: Head of Corporate Support (Strategic Lead for workforce planning)</p> <p>August 2026</p>
<p>7. Trade unions</p> <p>The council and trade unions did not meet between June 2023 and June 2024 after the trade unions went into dispute with the council. A Recognition Agreements was signed by all parties in March 2024.</p> <p>Risk – There is a risk that the council and trade unions do not have a constructive working relationship and future workforce planning is impacted.</p>	<p>To support the successful implementation of future workforce planning it is important that the council and trade unions have a constructive working relationship in line with the Joint Trade Union Recognition Agreement signed in March 2024.</p> <p>Management response</p> <p>Management will continue to support and promote constructive discussions with the Joint Trade Unions aligned to the Recognition Agreement.</p> <p>Responsible officer</p> <p>Executive Director for Council Resources</p> <p>Date</p> <p>On-going</p>	<p>Implemented.</p>
<p>8. Performance management framework</p> <p>The council does not have a comprehensive overview of performance measures and targets which measures the</p>	<p>The Council should develop a workforce planning performance management framework, linked to its Workforce Plan to inform future workforce planning.</p> <p>Management response</p>	<p>Ongoing</p> <p>The intention of the 2026 Workforce Plan would be to address this at a service and corporate level.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>overall effectiveness of the council's workforce planning.</p> <p>Risk – There is a risk that the council does not have the data to inform decisions about staffing levels, skills requirements and resource allocation.</p>	<p>Management will review the workforce action plan to ensure it captures clear performance management information to inform future planning.</p> <p>Responsible officer Executive Director for Council Resources</p> <p>Date June 2025</p>	<p>Responsible: Head of Corporate Support (Strategic Lead for workforce planning)</p> <p>August 2026</p>

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
		Dr	Cr	Dr	Cr
Uncorrected misstatements		£000	£000	£000	£000
1. Overstatement of short term debtors in balance sheet					
Dr. Income		857			
Cr. Short Term Debtors - Trade and Other Receivables					857
2. Overstatement of expenditure due to missed prepayment					
Dr. Short term debtors – trade and other receivables				618	
Cr. Expenditure			618		

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
Council Tax rises in Scotland	28 March 2025

East Lothian CouncilEast Lothian Council

2024/25 Annual Audit Report PROPOSED Proposed



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot

Audit and Governance Committee

25 November 2025

East Lothian Council

Audit of 2024/25 annual accounts

Independent Auditor's Report

1. Our audit work on the 2024/25 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unmodified audit opinions in the Independent Auditor's Report on 25 November 2025. The proposed Independent Auditor's Report is attached at [Appendix A](#).

Annual Audit Report

2. Under International Standards on Auditing in the UK (ISA (UK)), we are required to report specific matters identified from the audit of the annual accounts to those charged with governance of East Lothian Council in sufficient time to enable appropriate action. For East Lothian Council, those charged with governance is the Audit and Governance Committee. We present for the committee's consideration our draft Annual Audit Report on the 2024/25 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts, including those that we are required to report to you.

3. The Annual Audit Report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. The Annual Audit Report will be issued in final form after the audit of the annual accounts has been completed.

Uncorrected misstatements

5. We also report to those charged with governance all uncorrected misstatements in the annual accounts which we have identified during the course of our audit, other than those of a trivial nature, and request that these misstatements be corrected.

6. There are two misstatements which if corrected, would increase net expenditure by £0.239 million and decrease the net assets in the Balance Sheet by the same amount. Full details of the uncorrected errors are included in Appendix 2 of the Annual Audit Report.

Other ISA (UK) matters

7. In presenting this letter and the Annual Audit Report to the Audit and Governance Committee, we seek confirmation from those charged with governance on the following matters:

- if they are aware of any instances of actual, suspected, or alleged fraud,
- if they are aware of any subsequent events that have occurred since the date of the financial statements,

- if they are content that the methods, assumptions, and data used in making accounting estimates in the annual accounts are appropriate,
- if all related party relationships and transactions they are aware of are reflected in the annual accounts, and
- if they are aware of any non-compliance with laws and regulations.

8. Any issues that we have identified from our audit in relation to other ISA (UK) matters that we are required to report to those charged with governance have been reported in the section headed “Other matters to report” in the Annual Audit Report.

Representations from the Section 95 Officer

9. As part of the completion of the audit, we are seeking written representations from the Depute Chief Executive Resources and Economy who is the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.

10. A draft letter of representations is attached at [Appendix B](#). This should be returned to us by the Section 95 Officer with the signed annual accounts prior to the Independent Auditor’s Report being signed.

Outstanding matters

11. There are some areas where I still require additional information to conclude on audit work, and these are identified below:

- Subsequent events up to the date of signing and final quality report.

Appendix A: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Lothian Council and its group for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Group Only Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, Movement on the HRA Statement, the Common Good Movement in Reserves Statement, the Common Good Comprehensive Income and Expenditure Statement, the Common Good Balance Sheet, the Trust Movement in Reserves Statement, the Trust Comprehensive Income and Expenditure Statement, the Trust Fund Balance Sheet, the Council Tax Income Account and the Non Domestic Rate (NDR) Income Account and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2025 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services

prohibited by the Ethical Standard was not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Depute Chief Executive Resources and Economy and Audit and Governance Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Depute Chief Executive Resources and Economy is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Depute Chief Executive Resources and Economy determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Depute Chief Executive Resources and Economy is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Audit and Governance Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud.

Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Depute Chief Executive Resources and Economy as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Depute Chief Executive Resources and Economy concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Depute Chief Executive Resources and Economy is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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

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

Matters on which I required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd FCPFA
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Appendix B: Letter of Representations (ISA (UK) 580)

John Boyd FCPFA
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear John,

East Lothian Council

Annual accounts 2024/25

1. This representation letter is provided in connection with your audit of the annual accounts of East Lothian Council and its group, (hereafter referred to as the council), for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view and have been properly prepared, and for expressing other opinions on the Remuneration Report, Management Commentary, and Annual Governance Statement.

2. I confirm to the best of my knowledge and belief, and having made such enquiries as I considered necessary, the following representations given to you in connection with your audit of East Lothian Council's annual accounts for the year ended 31 March 2025.

General

3. I have fulfilled my responsibilities for the preparation of the 2024/25 annual accounts as set out in your 2024/25 Annual Audit Plan. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (2024/25 Code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003, and the Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the Local Authority Accounts (Scotland) Regulations 2014, I have ensured that the financial statements give a true and fair view of the financial position of the council as at 31 March 2025 and the transactions for 2024/25.

Accounting Policies and Estimates

7. All material accounting policies applied are as shown in the note included in the financial statements. The accounting policies are determined by the 2024/25 Code, where applicable. Where the 2024/25 Code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All

accounting policies applied are appropriate to the council's circumstances and have been consistently applied.

8. The methodology, significant assumptions, and data used in making accounting estimates are reasonable, and have been properly reflected and disclosed in the financial statements in accordance with the 2024/25 Code. Judgements made in making estimates have been based on the latest available and reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting.

Assets

10. All assets at 31 March 2025 of which I am aware have been reported in the financial statements.

11. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2025 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

12. I carried out an assessment at 31 March 2025 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified in the financial statements.

13. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2025.

14. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised in the financial statements.

15. Owned assets are free from any lien, encumbrance, or charge, except as disclosed in the financial statements.

16. The pension assumptions made by the actuary in the IAS 19 report for the council have been reviewed and I confirm that they are consistent with management's own view. The pension asset has been capped to reflect the asset ceiling as determined through IFRIC 14. I am satisfied that the assumptions applied in the calculation are consistent with management's own view.

Liabilities

17. All liabilities at 31 March 2025 of which I am aware have been reported in the financial statements.

18. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2025 of which I am aware where the conditions specified in IAS 37, as adapted by the 2024/25 Code, have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2025. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

19. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2025, or to reflect material changes in the assumptions underlying the calculations of the provisions.

20. The accrual recognised in the financial statements for annual leave untaken by 31 March 2025 has been estimated on a reasonable basis.

21. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent Liabilities

22. There are no significant contingent liabilities, other than those disclosed in Note 29 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the financial statements. All known contingent liabilities have been fully and properly disclosed in accordance with IAS 37, as adopted by the 2024/25 Code.

Litigation and Claims

23. All known actual or possible legal claims have been disclosed to you and have been accounted for and disclosed in the financial statements in accordance with the 2024/25 Code.

Fraud

24. I understand my responsibilities for the design, implementation, and maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

25. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud,
- any allegations of fraud or suspected fraud affecting the financial statements, and
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

26. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

27. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24, as adopted by the 2024/25 Code. I have made available to you the identity of all of the council's related parties and all the related party transactions of which I am aware.

Remuneration Report

28. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

Management Commentary

29. I confirm that the Management Commentary has been prepared in accordance with statutory guidance, and the information is consistent with the financial statements.

Corporate Governance

30. I confirm the council has undertaken a review of the system of internal control during 2024/25 to establish the extent to which it complies with proper practices set out in Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

31. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements, or issues identified, since 31 March 2025 which require to be reflected in the Annual Governance Statement or annual accounts.

Group Accounts

32. I have identified all the other entities in which the council has an interest and have classified and accounted for them in accordance with the 2024/25 Code. Any significant issues, including those related to fraud and any qualified audit opinions, in relation to the financial statements of group entities, have been provided to you. Any significant issues identified by you as group auditor have been communicated to management of group components, where relevant to those components.

Common Good Fund

33. I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good fund financial statements and where appropriate, common good assets in use by the council have been assessed and accounted for in line with IFRS 16.

Events Subsequent to the Date of the Balance Sheet

34. All events subsequent to 31 March 2025 for which IAS 10, as adopted by the 2024/25 Code, requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Sarah Fortune
Depute Chief Executive Resources and Economy
Section 95 Officer

Dr Bruce Fund (SC019149)

2024/25 Annual Audit Report PROPOSED

7b



Prepared for the Dr Bruce Fund
November 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key messages

Audit of the annual accounts

- 1** All audit opinions stated that the annual accounts were free from material misstatement.
- 2** There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the Dr Bruce Fund.

Financial Sustainability and Best Value audit

- 3** There are no medium- and longer-term plans in place to secure the financial sustainability of the Dr Bruce Fund.
 - 4** The Dr Bruce Fund has effective and appropriate arrangements in place for securing Best Value.
-

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Dr Bruce Fund's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to the Dr Bruce Fund and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Mark Ferris, of Audit Scotland, has been appointed as external auditor of the Dr Bruce Fund for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Mark Ferris as engagement lead and the audit team are independent of the Dr Bruce Fund in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from Dr Bruce Fund, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Dr Bruce Fund and the staff at East Lothian Council, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts and the Trustees' Annual Report.
- Concluding on the financial sustainability of the Dr Bruce Fund.
- Reporting on the Dr Bruce Fund arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the body and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the Dr Bruce Fund arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the body from its responsibilities outlined below.

Dr Bruce Fund responsibilities

9. The Dr Bruce Fund has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the body that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the Dr Bruce Fund.

Audit opinions on the annual accounts

10. The Dr Bruce Fund annual accounts were approved by the Audit and Governance Committee on 25 November 2025 and certified by the appointed auditor on 25 November 2025. The Independent Auditor's Report is included in the Dr Bruce Fund annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

11. The unaudited annual accounts and all working papers were received on 31 July 2025 in accordance with the agreed audit timetable.

Audit Fee

12. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £2,000. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

13. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

14. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

15. Materiality levels for the Dr Bruce Fund were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated, and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the Dr Bruce Fund

Materiality	Amount
Materiality – set at 2 per cent of net assets	£300
Performance materiality – set at 75 per cent of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£225
Reporting threshold – set at 5 per cent of materiality	£15

Source: Audit Scotland

Significant findings and key audit matters

16. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the Dr Bruce Fund is the Audit and Governance Committee.

17. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

18. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.

- Significant events or transactions that occurred during the year.

19. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

20. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

21. The appropriateness of accounting policies adopted by the Dr Bruce Fund was assessed as part of the audit. These were considered to be appropriate to the circumstances of the Dr Bruce Fund, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Disclosures in the financial statements

22. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was considered to be adequate except in respect of related party transactions.

23. ISA (UK) 550 requires the auditors to report any significant matters in connection with related parties identified during the audit.

24. The Dr Bruce Fund does not have its own bank account, and all financial transactions are processed through the bank accounts of East Lothian Council. An inter-entity account is maintained within the ledgers of East Lothian Council to account for these transactions and at 31 March 2025 the amounts owed by East Lothian Council to the Dr Bruce Fund in respect of cash held on their behalf was £3,166.

25. The amount owed was included within Other Debtors at 31 March 2025, however our audit work identified that no disclosures were included within the annual accounts to identify this as a related party balance.

26. The annual accounts have been updated to include a related parties note detailing the transactions and balances with East Lothian Council and the Debtors note to the accounts was revised to separately disclose the amounts owed to the Dr Bruce Fund by East Lothian Council at 31 March 2025.

Significant matters discussed with management

27. All significant matters identified during the audit and discussed with the Dr Bruce Fund's management have been reported in the Annual Audit Report.

28. We reported within the 2023/24 Annual Audit Report of East Lothian Council that the council could consider the external appointment of a trustee to the Dr Bruce Fund. This would remove the Section 106 requirement for an audit and reduce the scrutiny requirement to an independent examination of the accounts and accounting records.

29. No progress has been made in respect of this recommendation in 2024/25. Discussions with management has noted that the appointment of an external trustee is being targeted by 31 March 2026.

30. East Lothian Council has reached an agreement with another council to undertake an independent examination of the 2025/26 annual accounts.

Significant risks of material misstatement identified in the Annual Audit Plan

31. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit , \(page 10\)](#).

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> Evaluate the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Test journals entries, focusing on those that are assessed as higher risk. Evaluate significant transactions outside the normal course of business. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> The design and implementation of controls over journal processing were appropriate. No inappropriate or unusual activity relating to the processing of journal entries was identified. No significant issues were identified from testing of journal entries. There were no transactions identified which were outside the normal course of business.

Risk of material misstatement	Planned audit response	Outcome of audit work
	<ul style="list-style-type: none"> Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. 	<ul style="list-style-type: none"> The controls in place for identifying related party relationships were adequate. See Paragraph 24 for findings relating to disclosures to related party transactions in the financial statements. <p>Conclusion: No evidence of fraud caused by management override of controls.</p>

Source: Audit Scotland

Financial Sustainability and Best Value audit

Conclusion

There are no medium and longer-term plans in place to secure the financial sustainability of the Dr Bruce Fund.

The Dr Bruce Fund has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

32. The Annual Audit Plan reported the Dr Bruce Fund was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of the Dr Bruce Fund.

Duty of Best Value

33. The duty on auditors to consider the arrangements in place to secure Best Value applies to the body as it falls within section 106 of the Local Government (Scotland) Act 1973.

34. Consideration of the arrangements Dr Bruce Fund has in place to secure Best Value has been carried out alongside the wider scope audit.

Conclusions on Financial Sustainability

35. During the year ended 31 March 2025, the Dr Bruce Fund awarded grants to individuals and organisations totalling £3,650 and there was a net reduction in funds in the year of £3,064.

36. The income generated by the Fund's investments were insufficient to cover the expenditure incurred in delivering the Funds activities. At 31 March 2025, the total unrestricted funds of the Dr Bruce Fund were £17,182.

37. There are no medium and longer-term plans in place to secure the financial sustainability of the Dr Bruce Fund.

38. If the Dr Bruce Fund continues with the disbursements at the level of 2024/25, the Funds will be depleted by 31 March 2031.

39. We reported in the 2023/24 Annual Audit Report of East Lothian Council that a review of the council's charitable trusts, including the Dr Bruce Fund was being undertaken and a report had been presented in June 2023 setting out the potential options arising from the review.

40. The council has not yet finalised a decision on the re-organisation, transfer or amalgamation of the charitable trusts due to the prioritisation of officer's and Councillors time.

41. We will continue to monitor the progress by the council as part of our 2025/26 audit.

Conclusions on Duty of Best Value

42. The audit work performed on the arrangements Dr Bruce Fund has in place for securing Best Value found these were effective and appropriate. This judgement is evidenced by:

- Dr Bruce Fund having well established and effective governance arrangements in place.
- the arrangements Dr Bruce Fund has in place to secure financial sustainability which help ensure the effective use of available resources.

Dr Bruce Fund (SC019149)

2024/25 Annual Audit Report PROPOSED: Proposed



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot

Audit and Governance Committee

11 November 2025

Dr Bruce Fund

Report to those charged with governance on the audit of the 2024/25 annual accounts

Independent auditor's report

1. My audit work on the 2024/25 financial statements is now substantially complete. Subject to receipt of a revised set of financial statements for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 25 November 2025 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. In accordance with the Charities Accounts (Scotland) Regulations 2006 an audit is required for all registered charities where the local authority is the sole trustee, irrespective of the size of the charity. This is due to the interaction of Part VII of the Local Government (Scotland) Act 1973 and section 44 (1)(c) of the Charities and Trustees Investment (Scotland) Act 2005.

3. Under International Standards on Auditing in the UK, I am required to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The trustees of the charity are the elected officials of East Lothian Council (Musselburgh) in an ex-officio capacity. The trustees have identified East Lothian Council's Audit and Governance Committee as those charged with governance for approving the Dr Bruce Fund financial statements. I present for the committee's consideration my draft Annual Audit Report on the 2024/25 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts, including those that I am required to report to you.

4. The Annual Audit Report also sets out conclusions on wider scope areas that frame public audit as set out in the Code of Audit Practice.

5. The annual report on the 2024.25 audit will be issued in final form after the financial statements has been completed.

Unadjusted misstatements

6. I also report to those charged with governance all unadjusted misstatements in the annual financial statements which I have identified during the course of my audit, other than those of a trivial nature and request that these misstatements be corrected.

7. There are no uncorrected misstatements to report.

Other ISA (UK) matters

8. In presenting this letter and the Annual Audit Report to the Audit and Governance Committee, I seek confirmation from those charged with governance on the following matters:

- if they are aware of any instances of actual, suspected, or alleged fraud,
- if they are aware of any subsequent events that have occurred since the date of the financial statements,
- if they are content that the methods, assumptions, and data used in making accounting estimates in the annual accounts are appropriate,
- if all related party relationships and transactions they are aware of are reflected in the annual accounts, and
- if they are aware of any non-compliance with laws and regulations.

9. Any issues that I have identified from my audit in relation to other ISA (UK) matters that I am required to report to those charged with governance have been reported in the section headed “Other matters to report” in the Annual Audit Report.

Representations from Section 95 Officer

10. As part of the completion of our audit, I am seeking written representations from the Executive Director for Council Resources, who is the Section 95 Officer, on aspects of the annual financial statements, including the judgements and estimates made.

11. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to me by the Section 95 Officer with the signed financial statements prior to the independent auditor’s report being signed.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the trustees of the Dr Bruce Fund and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Dr Bruce Fund for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2025 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charity's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charity;
- inquiring of the Trustees and Depute Chief Executive Resources and Economy as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charity;
- inquiring of the Trustees and Depute Chief Executive Resources and Economy concerning the charity's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Other information

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Mark Ferris FCCA
Senior Audit Manger
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Date:

Mark Ferris is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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Appendix B: Letter of Representation (ISA 580) - to be reproduced on client's letterhead

Mark Ferris, Senior Audit Manager
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Mark

Dr Bruce Fund (SC019149) Financial Statements 2024/25

1. This representation letter is provided about your audit of the financial statements of the Dr Bruce Fund for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view and have been properly prepared.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the trustees as I considered necessary, the following representations given to you in connection with your audit of the Dr Bruce Fund's financial statements for the year ended 31 March 2025.

General

3. The charity's trustees and I have fulfilled our statutory responsibilities for the preparation of the 2024/25 financial statements as set out in your 2024/25 Annual Audit Plan. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the financial statements have been made available to you for the purposes of your audit. All transactions undertaken by the Dr Bruce Fund have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The financial statements financial statements have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the regulations 8(1), (2) and (3) of the Charities Accounts (Scotland) Regulations 2006.

Accounting Policies and Estimates

6. All material accounting policies applied are as shown in the notes to the financial statements. All accounting policies applied are appropriate to the Dr Bruce Fund's circumstances and have been consistently applied.
7. The significant assumptions used in making accounting estimates are reasonable and properly reflected and disclosed in the financial statements. Judgements used in making estimates have been based on the latest available and reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

8. I have assessed the Dr Bruce Fund's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the Dr Bruce Fund's ability to continue to adopt the going concern basis of accounting.

Assets

9. All assets at 31 March 2025 of which I am aware have been reported in the financial statements.

10. The investments shown in the balance sheet at 31 March 2025 were owned by the registered charity. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

11. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised in the financial statements.

Liabilities

12. All liabilities at 31 March 2025 of which I am aware have been reported in the financial statements.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Litigation and Claims

14. All known actual or possible legal claims have been disclosed to you.

Fraud

15. I understand my responsibilities for the design, implementation, maintenance of internal control to prevent fraud and I believe I have appropriately fulfilled those responsibilities.

16. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud
- any allegations of fraud or suspected fraud affecting the financial statements, and
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

17. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

18. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with IAS 24. I have made available to you the identity of all the Dr Bruce Fund's related parties and all the related party relationships and transactions of which I am aware.

Trustees' Annual Report

19. I confirm that the Trustees' Annual Report has been prepared in accordance with the Charities SORP (FRS 102) and the information is consistent with the financial statements.

Corporate Governance

20. I confirm the Dr Bruce Fund has undertaken a review of the systems of internal control during 2024/25. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

21. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2025.

Events Subsequent to the Date of the Balance Sheet

22. All events subsequent to 31 March 2025 for which IAS 10 requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Sarah Fortune

Depute Chief Executive Resources and Economy

(Chief Financial Officer)

Date:

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	25 November 2025
BY:	Chief Executive for Resources and Economy
REPORT TITLE:	Annual Accounts 2024-25
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To provide the Committee with an update on any changes arising during the audit of the draft financial statements, and to ask the Committee to approve the audited accounts for 2024-25, noting that some further changes to the accounts are still being finalised.

2 RECOMMENDATIONS

- 2.1 Members are recommended to:
- Approve the audited Accounts for the Council and Group components.
 - Delegate responsibility to the Council's Chief Finance Officer and Chair of the Audit & Governance Committee to make appropriate changes to the Accounts, subject to completion of audit work relating to asset valuations, and formal sign off from External Audit.
 - Approve the 2024-25 audited accounts for the Dr Bruce Fund

3 BACKGROUND

- 3.1 The draft Accounts were formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2025 and were formally considered at Council on the 26 August 2025. The commencement of the audit was deferred due to external audit scheduling arrangements and the audit commenced in September 2025 and was completed in November.

- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3-week period starting from 1 July 2025. No objections were received during this period.
- 3.3 East Lothian Council's statutory accounts include the financial results for both the Council and its group components. The audited financial accounts are set out in Appendix 1, and include an independent audit opinion on the financial statements, and as also highlighted in the auditor's draft annual audit report, I am pleased to report that an unmodified audit opinion has been presented signalling that the financial statements presented represent:
- A true and fair view of the affairs of the Council and the wider Group and are properly prepared in accordance with the financial reporting framework;
 - The audit part of the remuneration report, management commentary and the annual governance statement are all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Adjustment: Value of Land and Building Assets

- 3.4 The accounts submitted for audit did not include the valuations for land and buildings as these were not available ahead of submission deadline due to the delays in the 2023-24 audited accounts. Once received, the adjustments for valuations were included in the accounts and the amended version was provided to audit ahead of audit work commencing.
- 3.5 Further amendments were required to land and building asset values due to a misstatement found in the revaluation calculations for three Primary Schools. These amendments did not change the Council's General useable reserves balance but did have an impact on the Council's unusable reserves.

Adjustment: Debtor from Edinburgh Innovation Park Joint Venture

- 3.6 It has been agreed with Edinburgh Innovation Park Joint Venture that the additional funds advanced from the Council during 2024-25 would be recovered. An adjustment was therefore included to include a debtor for the amounts due to be received. This has no impact on the Council's General useable reserves, but it has increased the Capital Fund useable reserves.

Unadjusted Items

One item of expenditure had been fully charged to financial year 2024-25 that includes costs relating to 2025-26. This amount is not material to the Accounts and the Council applies a consistency approach of accounting for annualised 12 months expenditure.

An invoice had also been duplicated resulting in debtors being overstated in 2024-25, with the correction found to be put through in 2025-26. This misstatement is also not material to the accounts and is corrected in the 2025-26 financial period.

Dr Bruce Fund Accounts

- 3.7 In addition to the Council's financial statements, Audit Scotland also provide an audit opinion of the Dr Bruce Trust which is administered by the Council. The final audited accounts are included within Appendix 2, of this report for Members information, and an unqualified audit opinion has been issued.

Approval and Signing of the Annual Accounts

- 3.8 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2024-25 accounts will be formally signed by the Council (Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland once the Audit checks relating to the valuations obtained have been completed.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this request.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: As noted above.
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a

X

corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

☐

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 None

8 BACKGROUND PAPERS

8.1 Council 26 August 2025– Draft Annual Accounts 2024-25 (Item 2)

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Ann-Marie Glancy Kim Millar
Designation	Service Manager – Corporate Accounting Principal Accountant
Tel/Email	aglancy@eastlothian.gov.uk kmillar1@eastlothian.gov.uk
Date	25 November 2025

Head of Service Approval

Name	Ellie Dunnet
Designation	Head of Finance
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
Approval Date	14 November 2025

ANNUAL ACCOUNTS 2024-25



Sharing achievements
Delivering council priorities
Reporting on our financial position
Plans for the future

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Management Commentary and Assurance

1

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Management Commentary

Introduction

The Audited Annual Accounts present the financial position and performance of the Council, together with the wider Council Group, for the year to 31 March 2025. They have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code). The Code is based on International Financial Reporting Standards (IFRS), with interpretation appropriate to the public sector.

The following management commentary provides a summary of East Lothian’s financial performance for the year and how this has supported delivery of the 2024/25 Council Plan. It also outlines the financial outlook and the challenges the Council faces delivering its priorities for East Lothian.

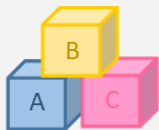
About East Lothian

East Lothian Council provides the council’s c.113,000 residents with a wide range of services including education, adult and children’s wellbeing, planning, economic development, roads, community housing, transportation, environmental health and food safety, trading standards, refuse collection and recycling, street cleaning, community learning and development, sports, recreation, parks and countryside, libraries, museums, registration of marriages, births and deaths, and burial grounds.

Around 4,952 (4,095 full-time equivalent) people work for the Council.

Each Year the Council:

Educates some **15,124** pupils in our primary and secondary school



Provides Early Learning and Childcare to **2,507** children

Serves **1.4 million** school meals



Looks after over **87** vulnerable children in care homes, foster care and other care settings



Provides:

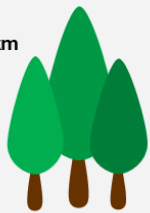
- **20,315 hours** of care at home each week to vulnerable adults and older people
- Looked after **615** over 65 year olds in residential and nursing homes

Carried out:

- Approximately **4.7 million** household waste collections
- A reduction in the amount of non recyclable waste collected of over **1,000 tonnes**
- Over **24,000** households signed up to the fortnightly garden waste subscription service.

Maintains:

- **290** parks, pitches, play areas and burial grounds
- **1,147 km** of roads and **674km** of footways
- **19,798** street lights (98% of which are LED)
- Repaired **3,599** potholes



Manages and maintains over **450** property assets (excluding parks) to support public services including:

- Schools, early learning and childcare facilities
- Social care homes and centres
- Business development properties
- Community properties, including community centres, museums and libraries
- Public facilities including car parks and toilets

Provides over **9,400** council dwellings and **1,100** garages for council tenants

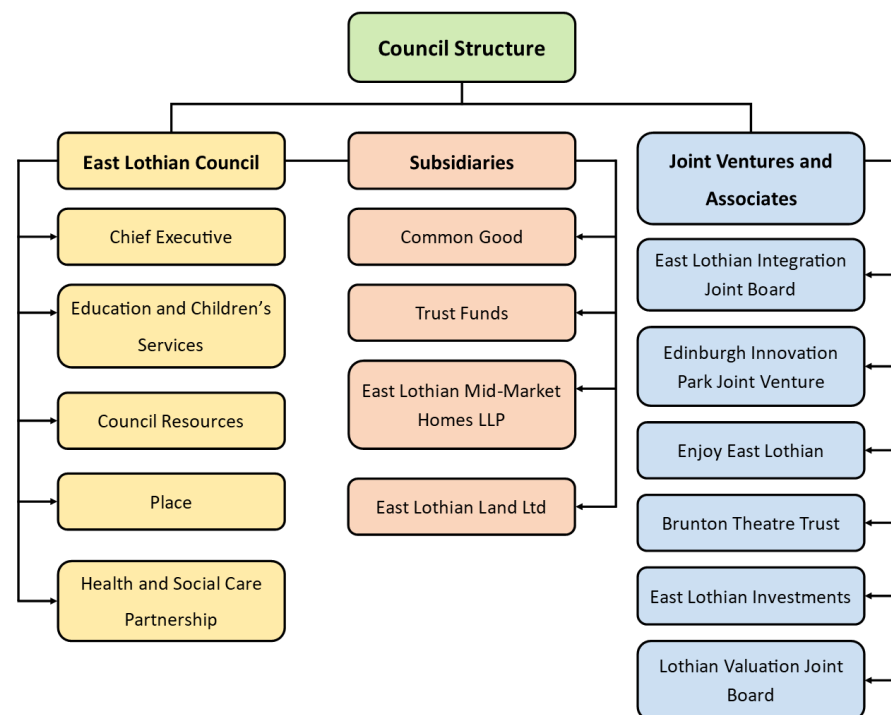
About East Lothian Council's Group Entities

The Council's activities and assets predominantly relate to services provided for and on behalf of taxpayers and housing tenants. The Council also however has control of, or influence on, other bodies and activities where they consist of a separate and distinct responsibility or entity. In most cases these activities or entities are subject to different or specific legislative frameworks compared to the Council's normal taxpayer and housing tenant activities.

These other bodies, generally referred to as group entities, comprise:

- Subsidiaries: where the Council effectively has full control of and responsibility for the entity; and
- Joint Ventures and Associates: where the Council has joint control or significant influence, but not full control.

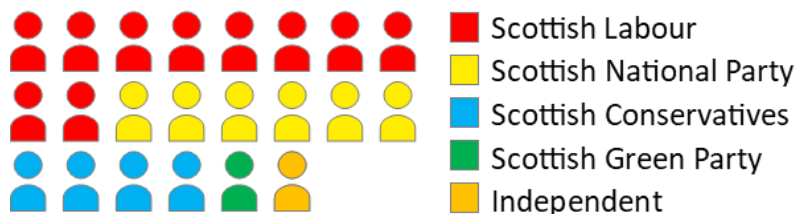
The Subsidiaries, Joint Ventures and Associates are illustrated in the following diagram. More detail on the nature and purpose of these bodies is provided in the financial strategies section of this management commentary, as well as in Notes G1 to G6 of the financial statements.



Political Structure

East Lothian Council has [22 elected councillors](#) who are responsible for setting the Council policies that determine how services are delivered, and for setting the Council budget that determines how the Council's money is spent.

The Council's political structure during 2024/25 was established by the Council elections held in May 2022. The current political make-up of the Council is ten Scottish Labour, six Scottish National Party, four Scottish Conservative and Unionist, one Scottish Green Party and one Independent councillor. Council is led by a minority Labour Administration.



Management Structure and Decision Making

The [Council's Management Team](#) is made up of senior officers and is led by the Chief Executive. Financial plans and monitoring reports for 2024/25 reflected the following Directorates:

- Education and Children's Services
- Council Resources
- Health and Social Care Partnership
- Place

Specific financial planning and reporting is also undertaken for the Housing Revenue Account.

Scheme of Administration

The Council's [Standing Orders and Scheme of Administration](#) (revised February 2025) sets out the Council's governance arrangements. These include:

- Full council meetings take place every two months and are the focus for local democracy and carrying out the Council's statutory requirements, with an additional meeting to set the budget.
- Cabinet meets every two months and makes decisions on areas such as policy, strategy, financial reporting and partnership working.

- Service specific committees within the Council include Education & Children's; Education Appeals, Petitions and Community Empowerment Review; and Planning. There are also a number of sub-committees in operation.

Scrutiny of the 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 and Governance Committee](#) and [Policy and Performance Review Committee](#). In addition, the Council has a [Police, Fire and Community Safety Scrutiny Committee](#) which scrutinises the performance of Police Scotland and the Scottish Fire and Rescue Service in East Lothian. [A full list of Committees is available online.](#)

The [East Lothian Integration Joint Board \(IJB\)](#) is a partnership between East Lothian Council and NHS Lothian and was established in order to integrate how health and social care services are planned, commissioned and delivered.

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.

Chief Executive Retirement

Monica Patterson was the Council's Chief Executive and retired on 16 February 2025 following over 14 years in East Lothian Council, the last 5 of which she had been in the post as Chief Executive.

Following a public recruitment campaign the Council has appointed Laurence Rockey as it's new Chief Executive and he formally took up his role on 22 April 2025.

Strategy and Priorities

The [2022-2027 East Lothian Council Plan](#), was approved by the Council in August 2022. The Plan sets out the Council's ambitious vision of '*an even more prosperous, safe and sustainable East Lothian with a dynamic and thriving economy that enables our people and communities to flourish.*' It establishes three overarching objectives that have been set in response to the fundamental challenges the council faces:

- **Recovery and Renewal** – recovering from the COVID pandemic by investing in regeneration and a sustainable future
- **Reduce poverty and Inequality** – supporting our communities to deal with the growing levels of poverty and inequality
- **Respond to the Climate Emergency** – meeting our net zero climate change targets

And it re-affirmed the four thematic objectives that were established in previous Plans:

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



The Council also adopted the Council Plan Action Plan that sets out the key actions which will deliver the [2022-2027 Council Plan](#) objectives, predominantly through key strategies and plans, including the:

- [Recovery and Renewal Plan](#)
- [Poverty Plan](#)
- [Equality Plan](#)
- [Climate Change Strategy](#)
- [Economic Development Strategy](#)
- [Education Improvement Plan](#)
- [IJB Strategic Plan](#)
- [Local Housing Strategy](#)
- [Local Transport Strategy](#)
- [Financial Strategy](#)

In February 2024 the Council agreed to adopt three new inter-linked short-term priorities to respond to the growing financial and demographic challenges it faces. These new priorities are aligned to the Council's overarching and long-term thematic objectives. The new priorities are as follows.

Ensure the financial sustainability of the Council through the delivery of approved savings and transforming the way we deliver services.

This clearly contributes to the long-term objective: *Grow our Capacity: deliver excellent services as effectively and efficiently as possible within our limited resources*. It means setting a sustainable balanced budget over the next five years and prioritising the delivery of transformation projects that deliver savings and transform the way we deliver services, including digital by default, the redesign of services to generate efficiencies and making the best use of our assets.

Target resources on statutory services and focus on the highest risks and those most in need.

This sits under the long-term objective: *Grow our People: give our children the best start in life and protect vulnerable and older people*. It means prioritising funding and staff resources to deliver statutory services such as education and social care, over non-statutory services, whilst targeting resources to meet the needs of the most vulnerable in our communities. This will also contribute to the Council's overarching objective to: *Reduce Poverty and Inequality* and the Council Plan action to: *Target services and resources, led by data and evidence, to those people and areas most in need*.

Deliver key infrastructure, economic development and environmentally sustainable projects within available council resources and maximising external funding.

This contributes to the long-term objectives: *Grow our Economy and Grow our Communities*. It means maximising funding from Scottish and UK Government funding streams such as the City Region Deal and

Levelling Up funds, to deliver projects such as the QMU Innovation Hub, flood protection schemes, active travel routes, and the development of the former Cockenzie Power Station site that are critical to supporting the sustainable future of East Lothian and responding to the climate emergency.

Financial Outlook for the Council

The financial outlook for the Council is particularly challenging, in both the near term and further ahead. The cost, demand and funding pressures which became evident and more pressing throughout 2023/24 continue to be a significant challenge for the Council. During 2024/25 the Council has maintained its focus on addressing these with mitigations in place to help reduce overspends across services. "Managing the Financial Environment" remains one of the highest risks on the Corporate Risk Register and continues to represent the key corporate priority risk due to the potential impact on the services and support provided for the people and organisations of East Lothian.

There is still significant pressure to reduce the gap between available funding and expenditure demands, particularly within Health and Social Care Services delegated to the IJB, Children's Services and Homelessness. The level of general reserves at 31 March 2025 is recognised as being neither sufficient nor appropriate to adequately support the annual revenue budget into the future therefore the Council faces difficult decisions on how to ensure financial sustainability and deliver a front line service.

This is especially important given the population growth experienced, and expected to continue, in East Lothian. This increases the demand for services, and the assets needed for those services. The financial pressures arising however are not projected to be offset by a similar increase in taxpayer funding, whether through local taxation or from Scottish Government funding resources.

The financial sustainability of the Council is a critical priority for the financial governance of the Council, the stewardship of public funds, and ultimately and most importantly the provision of services for the people of East Lothian.

In seeking financial sustainability the Council's future plans, including [the Local Development Plan 2](#), and current projects in progress (detailed further below), need to allow for the different challenges and opportunities arising. Factors affecting these plans include the needs of the people of East Lothian, population growth, forecast funding levels, income generation options, financial management opportunities within the statutory framework, service transformation and redesign, digital services, and asset usage reviews.

More details on the mitigation actions and the statutory adjustments utilised in 2024-25 are provided later in this Management Commentary (see the [Financial Statements Overview Section](#)) and in the [Financial Statements](#).

Best Value

In 2023, Audit Scotland began a new approach to auditing Best Value in Scottish Councils. The new approach continues to audit against the statutory duty but is now fully integrated with the annual audit at each council. It also includes detailed work each year, focusing on a theme across all of the councils, which will be collated into a national report.

Each year, the Commission identified a theme for Best Value thematic work. The theme for 2022-23 was Leadership, then in 2023-24 the theme was Workforce Innovation. Some of the key messages and findings of the East Lothian Council Audit on Workforce Innovation (see the [Best Value Thematic Report](#)) were:

1. The council has a Workforce Plan covering the period 2023-2027. The Workforce Plan contains workforce data although

there is an opportunity to continue to develop the range of data and intelligence used.

2. The workforce plan captures the workforce challenges that the council faces however actions included within the action plan need to be SMART to allow progress to be monitored and reported. The council should develop further guidance to ensure alignment with service plans and workforce planning which supports the objectives included within the 2023-2027 Workforce Plan.
3. The council has completed a limited number of corporate digitalisation projects. The council has not yet measured the impact of the digital technology it has introduced on workforce productivity and service outcomes. The council's Transformation Strategy 2024-29 includes plans to do this. Further progress and pace is now required to support and enhance digital opportunities.
4. The Digital Strategy 2022-27 sets out an intention to address digital exclusion. The council monitors the digital skills of its staff through its annual employee engagement survey, the results of which have informed the development of digital support such as the creation of digital champions and digital leaders.
5. The council has revised its flexible and homeworking policies to enhance flexible working options for employees. The council developed a detailed measurement framework in 2020 to capture the impact of its employees working more remotely. There is an opportunity to coordinate data to enhance future reporting to inform improvements to maximise job satisfaction and productivity.
6. The 2023 employee engagement survey focussed on staff health and wellbeing. Staff have reported work-related stress with as key factor being workload. The council has a range of initiatives in place to promote staff wellbeing.
7. Current workforce capacity and the ongoing recruitment and retention of staff remain significant challenges. The council

established a short life recruitment task group to support current recruitment challenges including maximising apprentices, professional training and a grow your own culture. The council must continue to explore opportunities to develop long-term sustainable leadership programme for both senior and middle managers and this will be used to support succession planning challenges.

8. As a result of a dispute between the trade unions and the council, Joint Consultative Committee meetings were suspended from June 2023 until June 2024. The council and all five trade unions signed a Recognition Agreement in March 2024 to promote and maintain a positive and constructive employment relationship.

The audit concluded with eight recommendations on the actions Council could take to improve on these findings. These can be found alongside Council's response to these recommendations in [Appendix 1 of the Improvement Action Plan](#).

2024/25 Service Performance

The Council adopted a new set of Top 50 Council Plan indicators to report on progress with the 2022-2027 Council Plan in February 2023.

The [Annual and 'Top 50' Council Plan Performance Indicators Report](#) provides an overview and summary of how the council performed in 2024/25 reviewing the Top 50 and Annual indicators.

The Top 50 Council Plan Indicators have different reporting timeframes and many rely on national data and associated reporting times. In addition, five indicators rely on the results of the residents' survey carried out by the council. The survey that was hoped would be carried out in 2023 was delayed until 2024. [The 2024 survey results were reported to Council on 29 October 2024 \(Item 10\)](#).

Based on the information available as at September 2024 only 37 of the Top 50 indicators had up-to-date comparable data that allowed comparison to be made with previous year's results.

The Council is currently undertaking a Performance Framework refresh. The first refreshed performance report was presented to the PPRC in September 2025.

An analysis comparison of the 40 Top 50 indicators for which comparable data is available shows that overall, 13 of these indicators improved in performance over the last year, 10 maintained performance and 17 showed a decline in performance.

Performance of Top 50 Indicators		
Green (above target)	Amber (moving towards target)	Red (below target)
13	10	17
32.5%	25%	42.5%

Ten of the Top 50 indicators have been designated as Top 10 indicators. Four of the Top 10 indicators declined and were below target – *% of children living in households with less than 60% of average income after housing costs*. The data for this indicator comes from End Child Poverty and has a two-year lag. Therefore, the latest data available is for 2023/24, which is compared to the previous year. This shows that child poverty in East Lothian increased from 21.3% to 22.1%. The second Top 10 indicator to decline was *Attainment gap in quintiles 1 to 5 in the no. school leavers attaining 1+ passes at SCQF level 5* – a key indicator of attainment. The latest figures saw the attainment gap increase from 25.7% to 37.7% against a target of 29%. The third indicator to show a decline against the target is *Number of affordable house completions and Open Market Acquisitions* from 452 to 136. The last indicator is *Corporate annual greenhouse emission (tonnes CO2e)* shows an increase from 13,990 to 16,858 tonnes, against a target of 12,600.

Five of the Top 10 indicators showed improvement or maintained performance in 2024/25:

- Proportion of people working age (16-64) in employment in East Lothian is above target (80%) at 82.5%.
- Business base increased slightly from 3,110 to 3,160 and just out with the target of 3,300.
- Re-registrations of children on the child protection register within 24 months increased to 3% but remains within target.
- The percentage of people aged 65 or over with long-term care needs receiving personal care at home remained at around 56% and was just above the target of 55%.
- The number of on-line form transactions increased from 52,022 to 88,563, against a target of 60,000.

Other Top 50 indicators that are of particular interest include:

Improve employability and reduce unemployment

% claiming out of work allowance reached 2.5% in Q1, then dropped back down to 2.3% (1570 claimants) by the end of 2024/25. The rate remains below the Scottish average of 3.1%. Claimant count in the age group 18 to 21 decreased to 4.4% against the average of 4.8%. The number of people participating in East Lothian Works employability programmes increased from 836 in 2023/24 to 996 in 2024/25. The service continues to see an increase in referrals from those that are furthest away from the labour market with significant and entrenched barriers and access to employment. 189 people have been supported into work during 2024/25, which is a 13% increase from 2023/24. Funding is utilised to provide a range of programmes including supported job opportunities. Although the number participating in employability programmes has increased, the percentage progressing into employment has fallen from 22% to 19%.

Reducing poverty related attainment gap & participation rate

Only the 2023/24 academic year indicators used to track progress in reducing the poverty related attainment gap were available at the time of producing this report. The indicators show improvement is being made towards achieving the stretch aims for reducing the poverty related attainment gap. The attainment gap between quintiles 1 and 5 for primary 1, 4 and 7 combined in literacy reduced from 23.3% to 22.5%. Literacy rates of pupils living in the least and the most deprived areas in East Lothian increased in 2023-24 on the previous year with learners from the most deprived areas recording their highest achievement rates to date at 54.7%. All schools have in place improvement plans and specific targets to raise attainment and reduce the poverty-related attainment gap. The participation rate for 16-19 year olds remained steady at 94.6% but below target of 92.7%.

Older people staying cared for at home

The number of days people aged 75+ spent in hospital when they were ready to be discharged (per 1,000 population) increased from 224 to 626. Although figures are out with target, performance remains below the Scottish rate (952 per 1,000 population). The rise in East Lothian patient delays for during the latter part of 2024 reflected the national picture, resulting from continuing pressure on services and resource constraints.

East Lothian HSCP continued to develop and improve on it's coordinated, multi-disciplinary approach to the closing, monitoring and management of hospital flow.

Re-letting vacant housing properties

The average number of days to re-let properties increased from 49.9 to 62.5 days. A concerted cross-team effort to tackle the overall number of empty properties (from 283 to 179) resulted in a 36% reduction over the period. This included a notable number of longer-term voids, which saw the overall average number of days increase. East Lothian void performance remains around 14 days shorter than the Scottish Local Authority average of 78.1 days.

Connected communities activity & volunteering

Total number of people involved in Connected Communities (CLD) activity increased from 24,468 to 30,377. This total includes 12,328 young people, 8,405 adults and 9,644 children. The increase reflects the development of community centre programmes, sustaining levels of engagement with children and specialist Youth Worker engagement in schools and outreach work. The total number of volunteering hours volunteers engaged in Connected Communities activity also increased from 12,183 to 15,713. Volunteering involves a wide range of activities including Duke of Edinburgh award scheme, Area Partnership meetings and networks, management committees and youth provision.

Attendance management

The overall 2024/25 average number of sickness absence days per local government employee and teachers increased from 11.87 to 12.81. The absence days per teacher increased slightly from 6.65 to 7.72 days. Scottish average is 7.6 (2023/24). The average days lost for all other local government employees increased from 13.73 to 14.57 days. Scottish average is 13.9 (2023/24 LGBF). The top reason for absence is stress, anxiety and depression. Ongoing support is provided to assist and manage attendance.

Council Tax collection and rent arrears

Percentage of income due from Council Tax received by the end of the year is 96.8% and on target. 882 new properties were added to our domestic property base in 2024/25, taking our overall property base to 53,912. Rent arrears also reduced from £1.5M to £1.43M in Q4 against a target of £1.45M. Average time to process a change in circumstances in Housing Benefit improved further in Q4 from 3.57 to 1.84 days. Figures are within target (6 days) with an annual figure of 2.70 days. This reflects a highly efficient service and demonstrates the team's continued commitment to delivering timely support to our residents.

Benefit maximisation and support

East Lothian Council continues to ensure Business Rates, Council Tax and Rent income is maximised through efficient collection and debt recovery methods, whilst ensuring residents are signposted to money, benefits or debt advice when needed. Council Services continue to support residents through maximising entitlement to welfare benefits and other financial support. A total of £1,620,975.68 in annual benefit related financial gains was secured for 361 clients in 2024/25. This equates to an average gain of £4,490.24 for those eligible.

Property Structural Defects Assessment

The historic use of Reinforced Autoclaved Aerated Concrete (RAAC) in buildings has been noted by the Institution of Structural Engineers as presenting a risk of the existence of potential structural defects. This is considered to require identification and assessment of buildings with RAAC. During 2022/23 the Council commenced a review of the structural integrity of its property portfolio in relation to the use and condition of RAAC. Full rectification works have been completed in Preston Lodge High School and Ross High School. Other properties affected are either long term unoccupied or partially unoccupied due to area usage restrictions being implemented.

Brunton Hall

A significant consideration for the Council in relation to RAAC is the structural integrity of the Brunton Hall in Musselburgh. Substantial parts of the building have already been vacated. The Council meeting of [29 October 2024](#) debated a report which concluded that rectification work was unaffordable. The report therefore recommended:

- relocating services still currently using the Hall,
- decommissioning the building,
- undertaking a statutory public consultation regarding demolition of the building, and

- undertaking a place-based development project on options for future arts service delivery arrangements in the Musselburgh area.

Since the above report, the following circumstances and actions have taken place:

1. Historic Environment Scotland has carried out a public consultation on listing the Brunton Hall. East Lothian Council have made representation to them appealing against this.
2. Most services have now re-located from the Brunton Hall building, with accommodation for these services being provided at John Muir House following the necessary works and fit-out. Further work is presently being completed for temporary accommodation for service delivery that must remain within Musselburgh, including the upgrade of 141 High Street, to provide a customer services point and accommodation for Community Housing staff. Also, accommodation is required for Justice Social Work and lease negotiations are continuing and alterations and fit-out work being planned.
3. No decommissioning work can take place until the last of the services vacate Brunton Hall, which will not be before the end of 2025. However, engineering designs are progressing to separate the heating of Brunton Court from Brunton Hall – with work anticipated to take place during 2026.
4. No statutory consultation has taken place on the demolition of the building, as we are still assessing solutions on how to progress.
5. The place-based development project is underway for the whole of East Lothian, and this includes Musselburgh and the Brunton Hall. This has included public engagement involving building stakeholder workshops, on line questionnaires and public drop-in sessions.
6. Two additional papers have been approved at Council, and these and relevant actions are as follows:

- Report to Council [26 August 2025](#) on Brunton Hall Replacement Project (approved).

Recommendations:

- Agree the continuing commitment to ensuring accommodation of the arts in the town of Musselburgh through the exploration of opportunities to finance the replacement of the Brunton Hall. No action required.
- Approve the development of a Prior Information Notice (PIN) to test the market for the redevelopment of the Brunton Hall site to include a theatre and performance space. This was then agreed to change to a PMC notice which was issued through public procurement portal on Monday 27 October 2025 with a return date given of 30 January 2026.
- Approve the establishment of a project development team to further progress this proposal. A short life team was set up to agree the notice and will re-convene after the returns to assess these.

- Report to Council [28 September 2025](#) on Asset Review – Place Making Project Proposals (approved)

Recommendations:

- Instruct the head of infrastructure to develop an Outline Business Case to present options and costings for the creation of six core Library & Area Hubs. This includes undergoing a range of feasibility studies as outlined in the report including for Musselburgh. A project plan for this is being prepared.
- The report references the August 2025 report on Brunton Hall in the section on Musselburgh Library & Area Hub. The recommendations in that previous report would have been included in this report, however, were moved forward as there was significant public interest.

Future Plans: Projects in Progress

The Council has a focus on ensuring existing and new communities continue to be great places in which to live and work, with an even more dynamic local economy. Between 2024 and 2033, the population of south east Scotland is expected to grow by 220,000 people. [East Lothian Council's Local Development Plan \(LDP1\)](#) allocated land capable of delivering just over 10,000 new homes. It also identifies some 200 hectares of employment land for job creation. The City Region Deal aims to tackle the national housing emergency. As part of this Blindwells is one of seven strategic housing sites being developed which will facilitate sustainable growth and development in the region.

The Council has a number of key development projects in progress including:

- **Edinburgh Innovation Hub**



The [Edinburgh Innovation Hub](#) forms part of the [Edinburgh and South East Scotland City Deal](#), a £1.3 billion regional investment programme funded by the UK and Scottish Governments and regional partners, including East Lothian Council. The Hub is funded by £28.6 million from the UK Government, £1.4 million from the Scottish Government and £10 million from East Lothian Council.

The development of the Hub will create a nationally significant facility to capture, support and grow innovation-led enterprise in East Lothian and the wider Edinburgh region. The Hub will be a best in class innovation facility developed as the first phase of a wider Edinburgh Innovation Park, a new and unique development for innovation-led enterprise adjacent to Queen Margaret University, on land owned by the Council.

The Hub will provide services and fitted commercial laboratory and office space for high growth tech and innovation-based businesses. The Hub will become a vibrant innovation cluster where high growth SMEs and innovation-led businesses co-locate with research and business networks under one roof to deliver a specialist service offering for commercial innovation.

The Hub will be a regional and national resource that will enable cross-sector collaborations and interactions at all levels. Business will benefit from a network of business support and people and businesses will be brought together to share knowledge and skills at the 'crossing point' between R&D and commercialisation.

Companies locating to the Hub will benefit from facilitated access to the University, its social and intellectual capital and to its business support services. Co-location will encourage mentoring and peer support. Close access to business development staff and business support intermediaries will enhance the support on offer, facilitating connections with investors and enabling business collaboration.

A contractor for the Innovation Hub was appointed in December 2023 with work commencing on the Hub in January 2024. Completion is expected at the end of the Autumn 2025.

- **New Council Housing**



The Housing Revenue Account plans to continue to invest in new council housing with £79.767 million of investment planned over the next five years

Completed in 2024/25:

- Letham, Haddington – 18 units
- Craighall, Musselburgh – 9 units
- Windygoul, Tranent – 11 units

Planned for completion in 2025/26:

- Fa'side Lodge, Wallyford – 28 units
- Hallhill North – 28 units
- Osborne Court, Port Seton – 1 unit
- Longniddry – 31 units
- Shaw Road, Prestonpans – 2 units
- Open Market Acquisitions – 4 units

With 38 units completed in 2024/25 and a further 94 units expected in 2025/26 this highlights the Housing Revenue Accounts continuing investment into affordable housing for our community.

- **Former Cockenzie Power Station site**

Purchased in 2018 to promote economic development and employment opportunities, East Lothian Council is working to further understand and realise the full potential of the [Former Cockenzie Power Station](#), a 200-acre brownfield site. [Our priority](#) is to secure an outcome which supports the local economy and contributes to enhancing vibrant neighbouring communities. The Council welcomes the removal of planning constraints on the site contained within the new National Planning Framework 4 and will seek to plan the future development of the site in line with this. A small parcel of land, approximately 7 acres has been sold to an offshore wind development company and construction of their onshore transmission substation commenced in February 2023. The Council continues to work closely with the renewable energy sector and has an option agreement in place for another offshore wind onshore substation and heads of terms established for a battery energy storage development. Planning permissions have also been granted for on-site link road infrastructure to open the site up for development and also enabling works to remediate parts of the site for future development. The latter enabling works were subject to a successful £11.3M bid to UK Government's Round 2 of the Levelling Up Fund that will cover 90% of the cost works, with planning permission granted in June 2024. Both the link road (100% ELC funded) and enabling works (10% ELC funded) are now under construction with works due to be complete in December 2025.

The Levelling Up funded works will prepare up to 30 hectares of the former power station site for future economic development opportunities. Any development opportunities without these works would have been severely constrained. The Council is currently in discussions with a data centre developer for part of

the site. The link road opens up access to parts of the site for future development as well as reducing traffic through the centre of Cockenzie and Port Seton and provides a dedicated walking and cycleway.

- **Investing in people and learning**



Creating places for the Community to Meet and Learn Together are key priorities for East Lothian Council.

Our vision is for new learning community facilities to sit at the heart of their villages, creating central hubs and providing a focus for a range of services and activities for the community. The new facilities will be digitally enabled learning environments for children and adults with opportunities for multi-generational and inter-agency service delivery. A multi-million-pound programme of modernisation, expansion and improvement of the learning estate is underway to develop new education spaces that benefit East Lothian's learners and communities. Examples of major investment include three new primary schools, in [Whitecraig](#), [Craighall](#) and [Blindwells](#). These projects started construction in February 2024 and completion is due later this year.

- **Musselburgh Flood Protection**

The [Musselburgh Flood Protection Scheme](#) project (The Scheme) has been established in liaison with partners following identification of Musselburgh as a Potentially Vulnerable Area (PVA) for flood risk by the Scottish Environment Protection Agency (SEPA). Several project objectives have been identified including flood risk reduction, economic, environmental, social & cultural and regeneration aspects. Public consultation was a key feature in determining the Outline Design which was approved by a [full meeting of Council in January 2024](#). After this period of extensive community engagement, and with the Outline Design approved, the Council approved [the Scheme](#) to be notified in accordance with the Flood Risk Management (Scotland) Act 2009 ("the Act"). This happened on 21 March 2024 and was followed by a formal consultation period during when an objection of EIA Representation could be submitted, as required by the Act. This period concluded on 24 April 2024. After the closure of the notification period, East Lothian Council's legal team were responsible for managing the formal process under the Act. As part of the assessment of the valid objections a report was prepared, and seventy-one distinct themes were identified. In respect of each objection theme raised, council officers detailed the position of the Council in relation to each theme which was published in the [Members Library in October 2024](#). Meetings with those who submitted a valid Objection and/or an EIA Representation were held between October 2024 and May 2025. It is noted that following the meetings it was determined that it would not be possible for all valid objections and/or late objections to be withdrawn. Accordingly, the Act sets out the process that the Council must follow, insofar as it must make a preliminary decision to: (a) confirm the proposed Scheme without modification; (b) confirm the proposed Scheme with modifications; or (c) reject the proposed Scheme. The proposed

scheme to reduce flood risks for up to 3,200 properties in the Musselburgh area was confirmed without modifications after councillors gave preliminary approval at a [special meeting of Council](#) on the 30th of Sept 2025. Councillors also approved an amendment asking Scottish Ministers to consider the proposals and hold a public local inquiry. The final decision on the scheme progressing would then be made by Ministers.

- **Property Asset Review**

The Property Asset Review will assist in meeting budget efficiencies, implementing the Council's [Property Asset Strategy and Management Plan 2024-2028 agreed at East Lothian Council meeting 25th June 2024](#) and providing input to the actions identified in the Council's Climate Change Strategy and Council Plan.

The Property Asset strategy is based on the following guiding principles:

- **Principle 1:** Effectively manage property assets
- **Principle 2:** Meet immediate savings targets and address future affordability gap
- **Principle 3:** Meet demographic need for services
- **Principle 4:** Generate income and encourage economic development
- **Principle 5:** Reduce greenhouse gas emissions
- **Principle 6:** Work with communities and partners to maximise shared opportunities

Recognising that the way in which many services are being delivered is changing and with significant financial challenges placed on Council the review of our accommodation and properties is required to ensure that these are efficient and effective. With more employees working from home or on a

hybrid basis, the opportunity to review accommodation in relation to asset rationalisation is being progressed with work continuing to implement New Ways of Working settings and accommodation amendments within our offices, including for staff being displaced from Brunton Hall due to the presence of RAAC, to use the available capacity of existing buildings more appropriately.

The Asset Review supports work to ensure that the Council can continue to deliver effective services, and engagement has commenced for rationalisation of the wider Council property assets which includes a 'Place Making Project' that looks at how the Council delivers services within the six main ward areas and will subsequently allow for further rationalisation of property.

Any buildings which are not fit for purpose or at end of life will continue to be reviewed based on building condition, suitability for use and the available capacity of existing buildings with business cases being prepared to include rationalisation and provision of alternative suitable facilities for the continued delivery of essential services.

- **New Finance Management System**

At the June 2024 meeting of the Digital Transformation Board, approval was given to purchase the Connected Intelligence Anywhere (CIA) system from Technology One. Progress has been made during the financial year to develop the new system with implementation scheduled for 2026.

Financial Strategies

Financial Strategy

The Council's Financial Strategy forms the platform for the Council's stewardship over taxpayer's funds. The strategy is refreshed each year to reflect any changes in the financial planning landscape and to ensure that the strategy remains appropriate. The most recent and current strategy was approved by Council in December 2024 covering the five year period 2025/26-2029/30 and can be found in the [East Lothian Council meeting papers of 10 December 2024](#) (Agenda Item 3). Alongside this, and in line with the requirements set out within the Prudential Code, the Financial Strategy is supported by a Capital Strategy, also approved by the Council in December 2024 (Agenda Item 3), which supports the Council's capital and borrowing decisions.

The strategies are used to inform the development of financial plans and cover the General Services and Housing Revenue Account (HRA) financial plans, as well as the strategy for the use of the Council's reserves and the Capital Expenditure plan.

Treasury Strategy

The Council publishes an annual Treasury Management Strategy. This strategy links the Council's capital investment plans to its treasury management activities including borrowing and investment strategies. The report "Treasury Management Strategy 2025/26-2029/30" can be found in the [East Lothian Council meeting papers of 18 February 2025](#) (Agenda Item 03).

Group Entities

The Council also has effective control of the finances of its subsidiaries, and an interest in the finances of its joint ventures and associates. The Council's decision making and strategies for these entities reflects the purposes and legislative framework of each entity. The Council's role in relation to the group entities is summarised below.

Subsidiary	Purpose and Council Role
Common Good	Responsible for the stewardship of Common Good assets and the use of those assets in accordance with legislation.
Trust Funds	Responsible for the stewardship of Trust Funds' assets and the use of those assets in accordance with legislation and relevant trust deeds.
East Lothian Mid-Market Homes LLP	Established by the Council and the Scottish Futures Trust to manage new build properties for mid-market rent which do not form part of the Housing Revenue Account.
East Lothian Land Ltd	Established by the Council for the East Lothian area to manage land to support economic development.

Joint Venture or Associate	Purpose and Council Role
East Lothian Integration Joint Board (IJB)	A joint venture, created as required by statute, between East Lothian Council and NHS Lothian to support the integration of health and social care services in East Lothian. The Council has legislative responsibilities and agreements in relation to funding provided to the IJB, and for delivering services commissioned by the IJB.
Edinburgh Innovation Park (EIP)	A joint venture established with Queen Margaret University to create an innovation park, with particular focus on food, drink and health sciences, as part of the Edinburgh & South East Scotland City Region Deal .
Enjoy East Lothian Ltd (Enjoy Leisure)	Established in pursuit of Council objectives for the East Lothian area to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council. The Council pays Enjoy Leisure for services provided to the people of East Lothian.
Brunton Theatre Trust (BTT)	A trust, located in Musselburgh, which in accordance with the trust deeds aims to provide a widely accessible programme of cultural activities and performances. The Council provides funding for BTT activities, and also receives income related to services it provides or undertakes on behalf of BTT.
East Lothian Investments Ltd	Established in pursuit of Council objectives to grant interest free loans to businesses in East Lothian to encourage commercial enterprise. It also has involvement in the East Lothian Gift Card scheme. The Council has previously provided loan support which is now fully repaid.

Joint Venture or Associate	Purpose and Council Role
Lothian Valuation Joint Board	A joint board, created as required by statute, to undertake council tax and other property asset valuations, and to maintain an electoral registrar for a number of Lothian Councils. The Council has funding responsibilities under the legislative arrangements.

More information is provided in Notes G1 to G6 of the financial statements.

Financial Statements Overview

The Group Financial Statements

The financial position and financial performance of the group predominantly reflect the position in relation to the Council's taxpayer and tenant services. Those service responsibilities represented 96% (2023/24: 95%) of the group's net assets and 106% (2023/24: 124%) of Total Comprehensive Income and Expenditure. A brief overview of the Group's financial statements is therefore provided here, with more detail on the finances for taxpayer and tenant services further below.

The group balance sheet shows net assets of £793.906 million (2023/24: £751.018 million). The entities, other than the Council as the parent organisation, which primarily affect the net assets reported relate to Common Good and Trust Funds, which have net assets of some £28.488 million (see Note G3, 2023/24: £25.926 million). Additionally the Council's share of the net assets of its associates and joint ventures adds some £3.310 million (2023/24: £8.653 million). For Common Good and Trust Funds the net assets largely reflect land and building properties held, as well as financial investment portfolios which are managed by an independent adviser. The figure for

associates and joint ventures mainly relates to Enjoy East Lothian, the Lothian Valuation Joint Board, and the East Lothian Integration Joint Board.

The Group Comprehensive Income and Expenditure Statement shows that the Group Deficit on the Provision of Services was £4.145 million (2023/24: a deficit of £83.644 million).

The subsidiaries which have the largest impact on this are:

- the Common Good surplus £0.127 million (2023/24: surplus £0.548 million) relating primarily to the performance of investment returns; and
- Trust Funds surplus £0.064 million (2023/24: surplus £0.389 million) relating primarily to investment returns.

East Lothian Mid-Market Homes achieved a surplus of £0.008 million (2023/24: £0.021 million).

The Group's share of the deficit on provision of services of joint ventures and associates is £2.291 million (2023/24: surplus £3.317 million), which primarily reflects the deficit reported by the East Lothian Integration Joint Board for the year (share of deficit £1.440 million, 2023/24 £2.889 million).

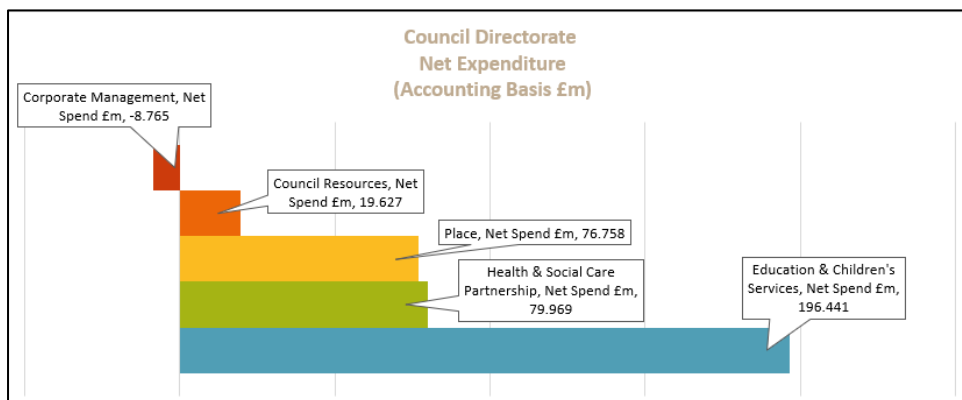
The key aspects of the group entities, excluding the Council as parent, which affect the group position therefore largely relate to Common Good and Trust Fund assets and investments, and the extent to which the East Lothian Integration Joint Board has residual funding balances for the year.

Council Provision of Services Income and Expenditure

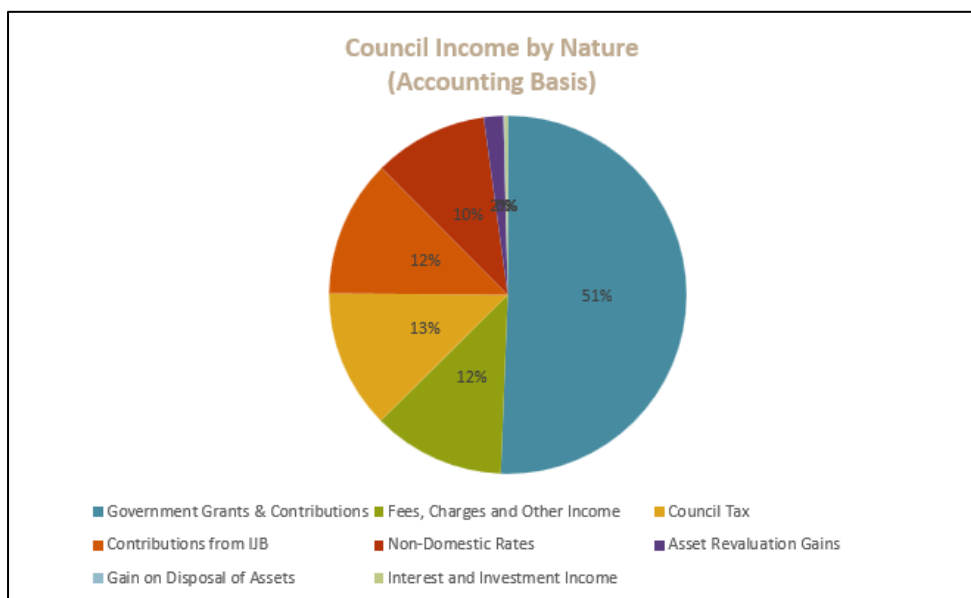
The cost of taxpayer and tenant services provided by the Council on an accounting basis in 2024/25 was net expenditure of £364.599 million (2023/24 £391.061 million), a decrease of £26.462 million (-6.8%). This decrease is related to a number of factors. Increases totalled £44.596 related to employee pay costs, increased estimate of current service cost of employer pensions, depreciation, government grants and contributions, and general service costs. These were partially offset by decreases in costs (or increases in income) totalling £71.058 million. These included asset valuation gains in the Net Cost of Services, reduced asset revaluation losses, and other service income.

The net deficit on the provision of services, after applying funding to the cost of services, was £2.019 million (2023/24: net deficit of £81.278 million). A £26.462 million decrease in the Net Cost of Services, £31.285 million of Revenue Support Grant and £17.717 million in capital grants and contributions are factors affecting the increase in the accounting surplus reported.

The chart below shows service based net expenditure, after deducting service income, on a directorate basis. The net income in Corporate Management reflects Scottish Government funding which is used to support expenditure by other directorates.



The nature of income supporting council services, is shown in relative proportion in the following chart.



Expenditure and Funding Analysis

The financial performance in the financial statements is presented in accordance with accounting requirements. The legislative framework

within which the Council operates means that statutory and other adjustments are applied in the Movement in Reserves Statement which affects the final balance of the Council's usable reserves.

The Expenditure and Funding Analysis (Note 6) provides a reconciliation between management reporting based net expenditure, and the accounting basis net expenditure provided in the Comprehensive Income and Expenditure Statement.

In order to align to the accounting presentation in the comprehensive income and expenditure statements, presentation adjustments are required to derive the figures in the first column of the expenditure and funding analysis (Note 6). These are summarised below:

	Outturn Report	Reserves Move-ments	Presentation Changes to Reflect Annual Accounts Reporting Requirements	EFA Column 1
	£000s		£000s	£000s
Education & Children's Services	167,369		(2,256)	165,113
Health & Social Care Partnership	77,507		(82)	77,426
Place	48,904		(1,838)	47,065
Council Resources	19,751		(1,441)	18,310
Corporate Management	(314,768)	(723)	316,364	873
HRA	(482)		(7,573)	(8,055)
Other Income and Expenditure			(303,174)	(303,174)
Cost of Services	(1,719)	(723)	-	(2,442)

The Council budgets and manages its finances during the year based on the impact on usable reserves, including the effect of legislative

requirements, and the financial performance for the year is further explained on that basis.

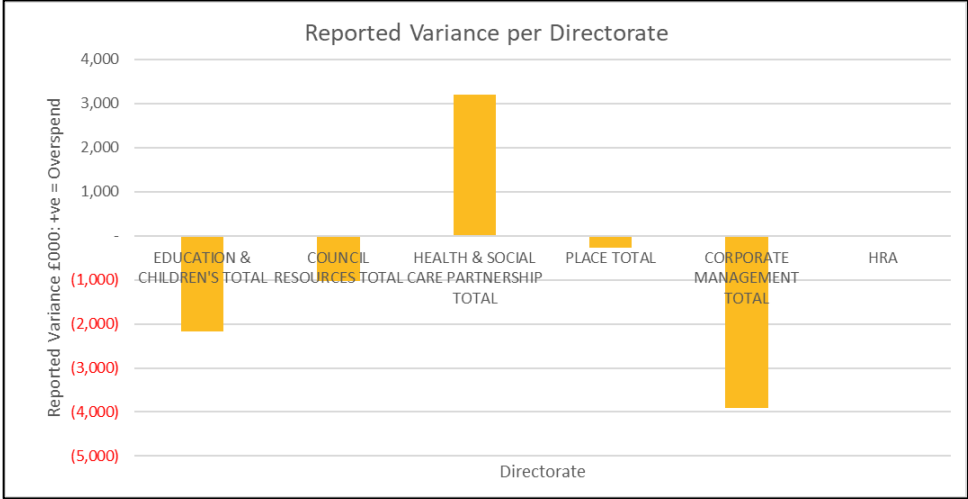
Council Management Reporting Outturn

Financial Challenges

The financial pressures which the Council faces continue to be a significant, and potentially growing, challenge for the Council. Cost control measures agreed during 2022/23 at a [Special Council Meeting \(22 November 2022\)](#) included adherence to revenue and capital budgets, review of future spending plans and projects, reductions in heating use, and a review of Council property assets to optimise usage or determine disposal.

During 2023/24 further mitigation measures were approved by the Council ([East Lothian Council meeting 29 August 2023, Item 3](#)) including recruitment restrictions and review processes, development of recovery actions, reducing property costs, and to pause and delay non-committed capital projects to reduce future pressures arising from the consequences of capital spend. It was agreed at the Council meeting on 25 June 2024 to continue these measures for following 12 months to control the amount of overspend across services.

The General Fund was also affected by the net expenditure on General Services (excluding HRA) through the year. The variance against budget reported for each directorate is illustrated below.



An initial outturn for General Services (excluding HRA) shows that, after eliminating transfers to earmarked reserves (£2.911 million) and before inclusion of significant one-off mitigations, an overspend of £1.497 million would have been reported. After the one-off mitigations of £2.735 million, which include £1.675m of VAT rebates, the net reported beneficial impact on fund balances is an increase of £1.238 million.

In terms of underlying budgetary performance, the key pressures in 2024/25 related to Children’s Services (£2 million for commissioned external placements) and IJB pressures (£2.8 million due to extra pressure in Commissioned Care Services). The IJB was unable to meet the overspend faced in 2024/25 for Council Services therefore the Council is responsible for funding this deficit. These pressures were offset through one off mitigations and non-recurring underspends and funding items, including additional Council Tax income that exceeded budget (£1.3 million) and additional pay and Staffing underspends (£3.7 million).

There remains a significant threat to the council’s financial sustainability and capacity to sustain front line service delivery over the medium term. These pressures arise from significant increases to the

cost of delivering services, growing demands aligned to population growth, and continued reductions and direction in national funding. The recurring pressures mean that there are still significant gaps between available funding and expenditure demands.

In addition to the mitigation measures agreed by Council, during 2024/25 Council also approved £7.925 million of planned efficiencies across services, of which £5.906m has been achieved in full. Whilst these savings have helped to balance the budget for 2024/25, there still remains uncertainty about how the future gap will be closed without significant increases in funding. It is essential that a key priority of the Council is to preserve the unallocated general fund balance over the coming year and to ensure that the Council holds adequate contingency whilst also having the capacity to respond to any future unforeseen events.

Housing Revenue Account

The Housing Revenue Account (HRA) delivered a minor surplus of £0.482 million to increase its fund balance, with a key element being the use of available funds and an element of reserves to contribute to in year capital expenditure. The accounting result for the year, including charges for depreciation, impairment and the HRA's share of corporate items was a deficit on HRA services for the year of £3.899 million (2023/24: £26.124 million deficit).

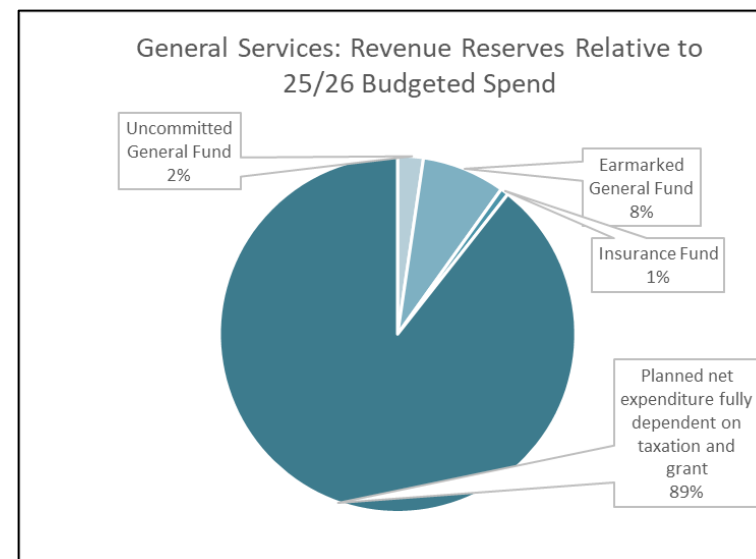
The reduction in the annual accounting deficit predominantly relates to significant council dwelling revaluation losses arising in 2023/24 not being replicated to the same extent in 2024/25. This improvement was partly offset by a decrease in capital grants and contributions for the HRA in 2024/25.

Reserves

At 31 March 2025 the Council had total usable reserves, including HRA and capital, of £58.066 million (2023/24: £55.507 million). This includes £2.017 million (2023/24: £1.535 million) for HRA revenue expenditure, and a total Capital Fund of £11.338 million (2023/24: £14.013 million). More details are provided in Note 32 and Note 34.

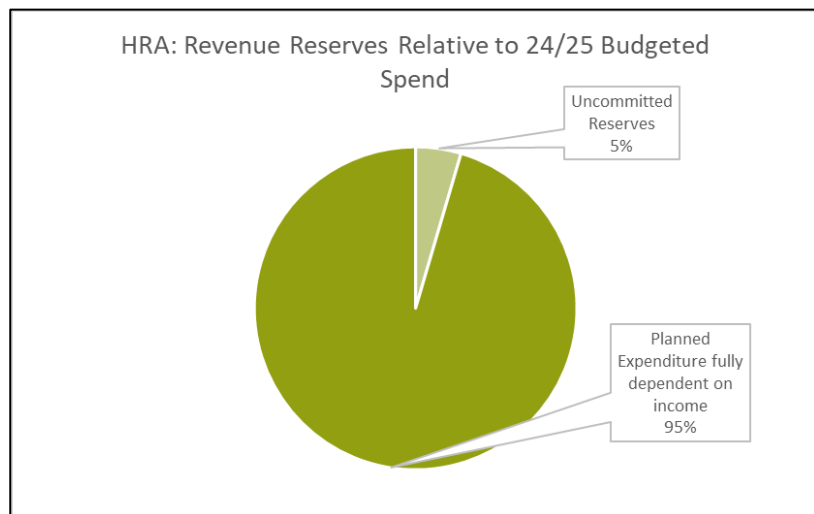
For general services revenue expenditure purposes the financial results for the year, in combination with the statutory framework applicable to local government reserves, has resulted in a specific General Fund balance of £36.129 million (2023/24: £34.169 million).

The following chart shows the level of reserves in comparison to planned expenditure for 2025/26. It illustrates the importance of ongoing taxation and grant income to support council services.



The Housing Revenue Account balance at 31 March stands at £2.017 million (2023/24: £1.535 million), above the strategic target minimum

balance of £1 million. The following chart shows the level of reserves compared to planned expenditure in 25/26.



Balance Sheet

The net assets for the Council have increased by £44.700 million or + 6.3% (2023/24: decreased by £4.062 million, 0.6%). Changes include:

- Property, plant and equipment and other non-current assets show a net increase of £97.815 million (2023/24: increase £32.596 million). Additions of £135.995 million (2023/24: £93.849 million) reflected spend on assets by the Council. Net revaluation gains recognised in the Revaluation Reserve totalled £41.463 million (2023/24: £67.618 million gains). Revaluation changes and impairments charged to the deficit on the provision of services reduced asset values by £6.750 million (2023/24: £67.702 million). Depreciation and amortisation for the year was £70.888 million (2023/24 £53.279 million). Other changes in asset values related to de-recognition and asset reclassifications.

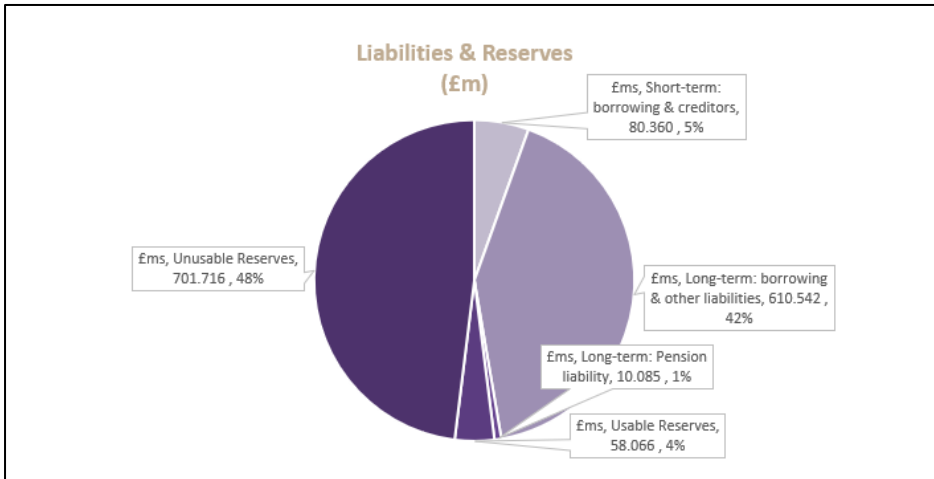
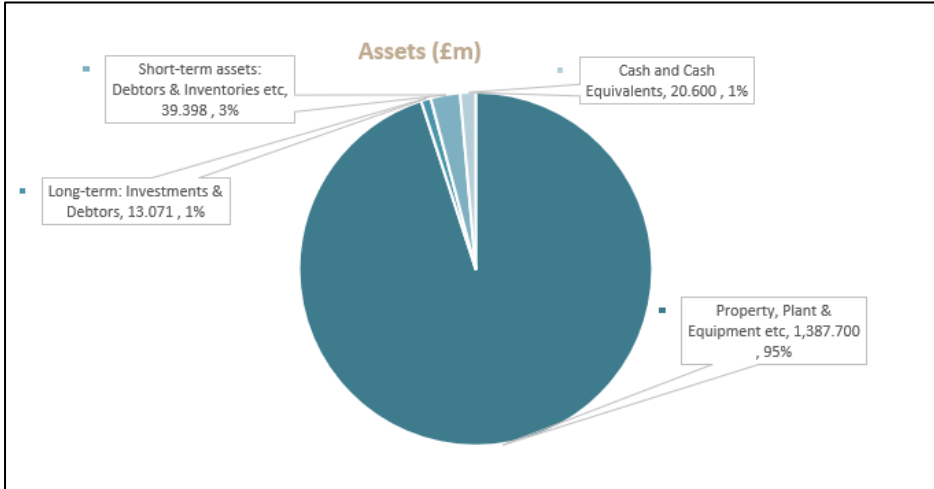
- Net pension liabilities decreased by £1.720 million (2023/24: £10.018 million decrease) to £10.085 million. Pensions assets exceeded estimated funded pension liabilities as at 31 March 2025, resulting in the continuation from last year of an asset ceiling being applied (see Note 31).
- Cash and cash equivalents increased by £7.399 million (2023/24 increase £0.817 million).
- Liabilities, excluding pensions, increased by £77.057 million (2023/24: £40.551 million increase), with long-term liabilities (excluding pensions) increasing by £72.938 million, largely due to an increase in long-term borrowing, and short term liabilities decreasing by £4.119 million, largely attributable to a decrease in short term creditors.

The following charts illustrate the relative proportions of the Council's assets, liabilities and reserves. Reserves represent the extent of assets over which the Council has control after liabilities are accounted for. Unusable reserves relate to legislative or accounting requirements which mean that they are not available to use to support service delivery.

For example the increase in the Revaluation Reserve in 2024/25 primarily relates to revaluations which reflect increases in the cost of acquiring or constructing assets which would be incurred if the services of those assets were bought at current prices. Those gains however are regarded as 'unrealised' and are therefore unusable for the funding of service provision.

Usable reserves however reflect the reserves available for the Council to consider and apply within both its Financial Strategy and budget setting processes.

Some usable reserves, including those relating to capital receipts, can have restrictions upon their use which affect the Council's options regarding application.



Capital

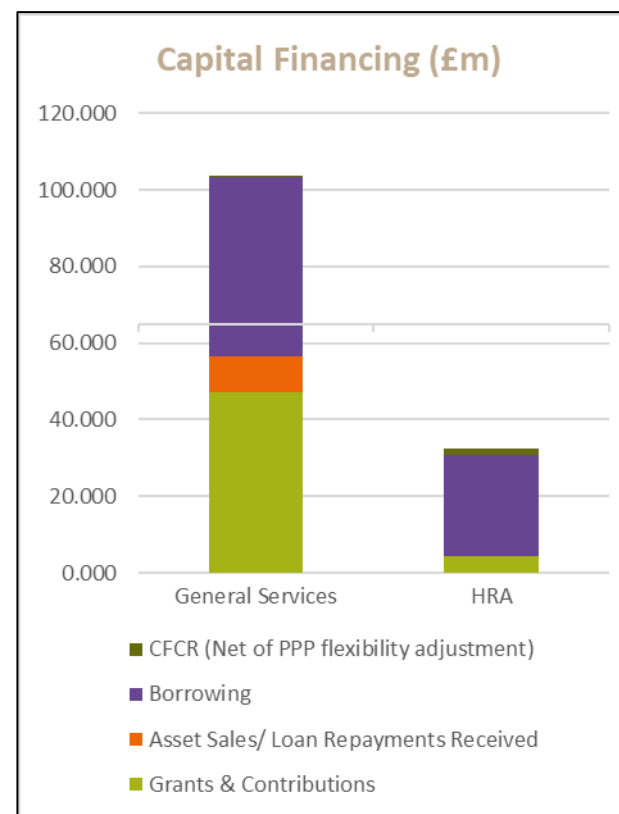
Key to delivering our outcomes for our communities and supporting the wider economy is the investment which the Council makes in capital infrastructure including our school estate and wider asset base, as well as our housing stock. In total, during 2024/25 the Council provided capital investment of £136.121 million (including intangible assets) (2023/24: £93.948 million). Some of the significant capital expenditures undertaken in 2024/25 include:

- Investment in Education related assets of £43.491 million (2023/24 £17.642 million), with significant works including Blindwells Primary, Craighall Primary, Whitecraig Primary and others.
- Investment in the Council's transport related infrastructure of £16.687 million (2023/24 £11.772 million).
- Community, regeneration and open space projects of £6.196 million
- Accelerating growth and other property projects, including developing the A1/ Queen Margaret University junction, of £17.502 million
- Vehicles and machinery £3.057 million
- Information Technology £2.695 million
- Additions to the Council's active housing stock and assets of £32.471 million (2023/24: £42.850 million).

For General Services a £52.497 million underspend compared to the budget primarily relates to mitigation measures approved at Council in August 2023 to address financial pressures, both now and in the future. Uncommitted capital expenditure was paused or delayed. A significant proportion of this underspend has already been re-profiled as part of the work on the 2025/26 capital plan and will be utilised in future years projects.

The Council can borrow to finance capital spend however the total gross capital expenditure is first offset by income received during the year. The graph shows the split of financing for capital spend between borrowing, grants, asset sales, capital funded from current revenue (CFCR) and any other.

In general any asset sales need to be used to finance future capital spending or the statutory repayment of debt.



Other Performance Indicators

The Council publishes performance results via its [performance website](#), with other information on performance available through the Council's [Performance Portal](#).

Financial Indicators

The Financial Indicator table includes various key statistics regarding the Council's overall performance.

2023/24 £000s / % / Days	Council Financial Indicator	2024/25 £000s / % / Days	Commentary
20.99%	Council Tax funding to overall level of taxation and non-specific grant funding	19.05%	Reflects the overall percentage of East Lothian Council funding from local taxation.
96.16%	In year Council Tax collection rate	96.24%	Reflects East Lothian Council's effectiveness in collecting Council Tax.
98.79%	In year NDR collection rate	98.91%	Reflects East Lothian Council's effectiveness in collecting NDR debt.
625,043	Capital Financing Requirement	682,861	The Council's underlying need to borrow.
(582,630)	External Debt Levels (Financial Liabilities per Note 27 to the financial statements)	(657,139)	The Council's actual levels of external debt and long term liabilities.
102.90%	Overall General Fund (excl HRA) actual net expenditure compared to planned, as a percentage of the original expenditure budget	99.63%	How closely expenditure compares to the set net expenditure budget for the year.
2.35%	Uncommitted General Fund balance as a % of next year's net expenditure budget before application of taxation based funding and use of reserves	2.33%	Reflects the amount of funding available to manage unplanned events.

Risks

In keeping with the Council's [Risk Management Strategy](#), the Corporate Risk Register is reviewed annually and reported to Cabinet. The Council's Risk Register (available on the [Audit and Governance Committee 17 June 2025 webpage, Item 2](#)) details all of the Council's risks, categorising them from Very High to Low Risk.

The following risk tables summarise the Very High and High risks and the ways the Council is attempting to mitigate the risks.

Medium risk is tolerable with control measures that are cost effective and low risk is broadly acceptable without any further action to reduce the risk.

Risk	Risk Level	Corporate Risk Summary Key Mitigation steps
Homelessness and Housing Pressures	Very High	Continue engagement with the Scottish Government to review and monitor the impact that legislative changes and Resettlement Schemes are having on meeting RRTP ambitions. Continue new build activity to increase housing stock. Further iterations of RRTP with clear plans to transform homelessness services kept under regular review in context of resource allocation and changing legislation. Revised Homelessness Operations Policy is ongoing alongside comprehensive review of existing policies and procedures.
Maintenance of Assets	Very High	On-going monitoring of condition and other data to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a safe operating condition. Identification and management of assets affected by RAAC and Siporex. Preparation of contingency plans to mitigate restricted use or unavailability of parts of buildings following assessments. Progress with work to support the asset review including Place Based Asset Review which will assist in prioritising future place-based assets and will inform future capital investment opportunities.
Managing the Financial Environment	Very High	On-going review of Capital planning and capital infrastructure priorities. ELC is continuing to support national discussions through CIPFA Directors of Finance aligned to ensuring the on-going financial sustainability of local government. On-going engagement with Scottish Government and COSLA on local government funding and distribution to support a fair and adequate allocation of resources to deliver local services. Continue engagement with SG and COSLA to adequately resource the funding requirements associated with population growth. Continue to support regional placed based funding discussions with City Region Deal Partners. Support national conversations aligned to SOLACE/Improvement Service Transformation Programme. CIPFAs financial management code has been adopted and remained under regular review by CMT and Audit & Governance Committee.
Refugee/Asylum Schemes	Very High	Quantification of future resource requirements to be identified and articulated as new and changing schemes are rolled out. Working closely with SG and COSLA to inform future iterations of Guidance. Ongoing discussions with the Scottish Government and the Home Office about the increase in numbers of UASC children coming to East Lothian. Work with ALACHO, SOLACE, COSLA and others to ensure future funding arrangements are adequate, in accordance with the revised approach to a warm Scots future.
Workforce Challenges	Very High	The 2023-27 Workforce Plan was approved by Cabinet (Jan 2023). Update Management Arrangements on Fire Safety and First Aid. Workforce planning to be added to service plan templates. A review of the Council's workforce plan action plan.

Risk	Risk Level	Corporate Risk Summary Key Mitigation steps
Climate and Nature Emergency	High	Identify budget and funding streams to continue delivering transformational change to Fleet and Asset Management. Secure the tools, powers and resources to enable the delivery of a 'Net Zero Council' and a Climate-ready Council. Identify interim emissions reduction targets across Council Services. Engage East Lothian Partnership to include carbon emissions reduction targets in review and update of the East Lothian Plan. Re-engage with the Resilient Communities initiative.
Limitation (Childhood Abuse) (Scotland) Act 2017	High	Consideration of how to ensure sufficient staffing resources are available to deal with claims court actions and submission of S21 requests and recovery of documentation and to preserve the Council's position. Fully engage with the SCAI. Ensure current social work practice with children who are accommodated away from home meets high professional standards and complied with legislation and national standard. Full review of the overall Council Records Management systems and behaviours required to be undertaken to streamline obtaining the relevant information requested.
Cyber Security Threats	High	Policy controls in place to dictate the standards for operation and security of our IT assets. ELC to take tech lead for procurement of National SOC project by Digital Office. Recruitment of IT Security Specialist. Evaluate and initiate project to deploy a "Zero Trust" Architecture effectively changing how ELC handles cyber security.
Flooding and Coastal Erosion	High	Flood studies have been included in the 2021-28 Flood Risk Management Plan and the 2022-28 Forth Estuary LFRMP. As part of the 2022-28 Local Flood Risk Management Plans Flood Protection Schemes for Musselburgh and Haddington are included in the list of actions for the Forth Estuary Local Plan District. ELC have undertaken Flood Studies for Musselburgh and Haddington within the 2016-2022 FRM cycle and are currently progressing the Musselburgh Flood Protection Scheme which is a fully established project. A full report on Coastal Change in Musselburgh was completed and published in March 2024.
Data Protection Threats	High	ELC has a comprehensive suite of measures to ensure compliance, including the retention of a statutory Data Protection Officer, the Data Protection Policy, Data Breach Procedure and multiple procedures governing the creation, use and disposition of records and personal data. The Information Governance and IT Infrastructure & Security services are drafting an Information Transformation Strategy. Completion of a procurement exercise to identify best value for document management services.
Duty of Care to the Public	High	Review of oversight and governance arrangements for assessment. Recent review of Social Governance arrangements undertaken for Adult Social Work. Alteration of the workforce model for delivery of care at home service including expansion of internal delivery and piloting of alternative models via Care at Home Change Board. Establishment of daily Care at Home Huddle and approval via Change Board to pilot alternative models of Care at Home delivery. Continual recruitment underway for care at home. Review of existing CAH packages. Refresh of Serious and Organised Crime Multi-Agency Plan, aligned to review of Anti-social Behaviour Strategy.
National Power Outage	High	Completion of the ELC National Power Outage framework plan. All services to carry out an annual business continuity test based on NPO. Review of ELCs usage of UHF and VHF radios for both corporate and community resilience purposes.

The Management Commentary is authorised
by:

Laurence Rockey
Chief Executive

Norman Hampshire
Council Leader

Sarah Fortune CPFA
Depute Chief Executive Resources and
Economy (CFO)

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 the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Executive Director for Council Resources who is the designated Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Audit and Governance Committee at its meeting on *[date to be inserted after audit complete]*.

Signed on behalf of East Lothian Council.

Norman Hampshire
Council Leader

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Accounting Code').

In preparing the Annual Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Chief Financial Officer has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer's Certification

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the Council (and its group) for the year ended 31 March 2025.

Sarah Fortune CPFA
Depute Chief Executive Resources and Economy
(CFO)

Annual Governance Statement

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Good Governance in Local Government Framework (2016) for the year ended 31 March 2025, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

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. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are

responsible for putting in place proper arrangements for the governance of East Lothian Council's affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, lead communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively, and ensuring that appropriate arrangements are in place for the management of risk.

The system can only provide reasonable and not absolute assurance of effectiveness.

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework defines the seven core principles of good governance, namely:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management; and
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Council's Management Team completes on an annual basis an assessment against the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016) being completed at the CMT meeting on the 14 May 2025.

The Council's Governance Framework

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, include:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in standing orders, last reviewed and approved by Council in February 2025 and scheme of delegation for officers, scheme of administration, and financial regulations.

Codes of conduct are in place for Councillors, who were trained on the code as part of their induction in May 2022 and the Officers code of conduct which is included in the scheme of Administration which define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public

business is conducted with fairness and integrity. Refresher training was also provided in 2023 and in March 2025 by the standards commission.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. Council Values and East Lothian Way Behaviours are understood by senior management and staff and included as integral parts of the 2022-27 Council Plan. Council values and behaviours are embedded in the PRD process and guidance has been reviewed to make it easier to use and relevant to all staff and reissued to managers.

The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, concluded that:

- The Council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.
- The Council's vision is aligned to the community plan priorities.
- The Council's leadership has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them.

In February 2024 the Council approved a reprioritisation of the Council Plan following

multiple changes in risk factors and this translated into three interlinked, complementary priorities which are aligned to the Council Plan's overarching and long-term thematic objectives.

The Council seeks feedback from the public through a regular East Lothian Residents Survey and the customer feedback procedures. A Whistleblowing Policy is in place covering all Council workers and was updated and approved by Cabinet, September 2022.

B. Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public unless there are good reasons for not doing so which are fully documented in accordance with the legislation on all occasions. When Council and Committee meetings are held using a virtual platform, they are live-streamed to ensure public access, and recordings can be accessed from the Council's website.

Unless confidential, decisions made by Council or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users including the 2024 East Lothian Residents Survey as reported to the October 2024 Council.

The 2017-2027 East Lothian Plan clearly sets out the objectives and outcomes for the East Lothian Partnership and each member; the Council is also an active partner in the City Region deal and the education regional collaborative.

The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, concluded that:

- The council's vision is aligned to the community plan priorities;
- The council communicated the publication of the new Council Plan to citizens, staff and partner agencies;
- Community empowerment is a key principle in the Council Plan 2022-27;
- The Connected Communities Service has a key role in delivering the Council's community empowerment objectives, encompassing the Community Learning and Development Service, support for Local Area Partnerships, Community Councils and grant funding for community organisations. There are 6 locally based Connected Communities

teams with a significant focus on taking a place-based approach;

- There are 6 Local Area Partnerships in East Lothian. These are chaired by local residents and supported by the Council via Connected Communities managers. Elected members from the relevant wards attend the partnerships but recognise the partnerships' independence. The partnerships foster good engagement and communication between local communities and the Council.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Council's vision, strategic objectives and priorities are set out in the 2022-2027 Council Plan and East Lothian Plan 2017-27 set out clear objectives, strategic goals and outcomes that are clearly linked to the vision and form the basis of overall strategy, other strategic plans and service plans. As part of East Lothian Council's 2023 'State of the Council' and Annual Performance Report in February 2024 the Council agreed a reprioritisation of the Council Plan in order to respond to the new challenges and the limited resources it has the Council focusing on delivering a smaller number of priorities. The Council has identified Top 50 Council Plan indicators to map out progress against the Council Plan objective, strategic goals and outcomes.

The Council's financial and capital strategies 2025-30 were approved by Council in December 2024 is based on delivering the Council Plan's outcomes on a sustainable basis within the resources that will be available however has been in the context that pressure on public finances will remain alongside a range of growing demands and pressures, which will mean some difficult choices in the years ahead in terms of developing sustainable services for East Lothian communities.

Capital and Revenue Budgets reports presented to Council in February 2025 identified the local and wider economic context within which budgets have been developed, including the factors which have contributed to the funding gap between forecast income levels and expenditure demands which taking account of planned savings and indicative council tax increases of 5% was £45.9 million to 2029/30.

The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that:

- The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its

annual budget, but financial pressures are increasing significantly, future funding levels are uncertain, and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making.

- The council's priorities have a focus on the need to reduce inequalities and on tackling climate change.

The Council approved the ELC Transformation Strategy 2024-2029 aiming to build on ambitions and prior achievements, in recognition of the financial challenges and the Changing world in which the Council is operating that there is a need to continue to modernise how we deliver Council services.

The Council commissioned consultants to produce a new local economic strategy during 2023 and the East Lothian Local Economy Strategy 2024-2034 was approved at the April 2024 Council Meeting setting out a shared vision and a set of shared objectives, actions, and performance measures for East Lothian Council and its partners to work towards over the next ten years.

The Climate Change Strategy 2025-30, approved by Council in April 2025 updated East Lothian Council's approach to tackling

climate change. Making use of the latest guidance and best practice, aligning with recent national policy developments, and fulfilling the statutory obligations relating to climate change and sustainability.

East Lothian Partnership's Poverty Plan 2024-2028 approved by Council in August 2024 focuses on 4 key objectives that focus on getting more cash in people's pockets, living in resilient communities that are ready for the future and are in line with Scottish legislative requirements.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council approved the ELC Transformation Strategy 2024-2029 is developing a set of user-friendly Portfolio Management toolkits and templates to improve consistent delivery and control of transformation projects, linked to a Stage gate control process. Decision makers receive detailed information indicating how intended outcomes would be achieved together with the risks, financial and other implications associated with the proposals.

Capital projects, new income charge proposals and transformation change projects are mainly accompanied by business cases which include options appraisal,

outcome or benefits projection and risk assessment.

Customer feedback, user surveys, and Residents Survey are all used to inform decisions about services.

Council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising.

The council has established cross party working arrangements for budget development which have been in place since 2022. All political parties are represented on the group which meets at regular intervals throughout the year. The purpose of group is to steer the development of the budget and savings proposals and to facilitate opportunities for cross-party working in relation to this.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Council Standing Orders (including the Scheme of Administration and scheme of Delegation), Officers and Councillors Codes of Conduct set out the roles and responsibilities of elected members and senior officers.

The Schemes of Administration and Delegation clearly specify the remits of Council, Cabinet and Committees and specifies what is delegated to officers.

The Council has placed a strong emphasis on leadership development. The Council Management Team and Service managers have undertaken a comprehensive leadership development programme. In the last year, two further programmes targeted at Aspiring Senior Leaders and Aspiring Service Managers have been rolled out, aimed at strengthening leadership capacity and building capacity in succession planning. The Council has a rigorous annual Personal Review and Development (PRD) process in place whereby all staff should have a PRD session which takes account of training or development needs. Changes to the templates during 2024 are fully supported by the CMT and reported to improved flexibility of recording PRD's.

The Elected Members Induction Programme took place following elections in May 2022 with a follow up training programme in 2023 and is supplemented by training events, seminars and briefings on a monthly basis. Members appointed to certain committees have also received specific training related to the responsibilities on these committees.

The 2023-2027 Council Workforce Plan has 32 actions based around three themes:

- Sustain a skilled, flexible, resilient and motivated workforce.
- Support and initiate transformational change, encouraging and supporting staff to work in a more agile way.
- Build and sustain leadership and management capacity.

The Audit Scotland Best Value thematic work in East Lothian Council 2023-24 finalised in December 2024 highlighted in the Workforce Innovation section that; Current workforce capacity and the ongoing recruitment and retention of staff remain significant challenges. The council established a short life recruitment task group to support current recruitment challenges. The council must continue to explore opportunities to develop long term sustainable solutions to meet the challenges it faces. The report contained 8 recommendations, and they are all being taken forward for implementation.

F. Managing risks and performance through robust internal control & strong public financial management

Corporate and Service Risk Registers – reviewed and revised regularly by Corporate and Service risk groups and CMT before being presented to Council and/or Audit & Governance Committee. The Council risk strategy is reviewed every four years and risks are reviewed regularly by the Corporate

Risk Management Group leading to strong risk management within the Council.

The Council has overall responsibility for directing and controlling the organisation. The Cabinet is a principal decision-making committee of the Council. The Performance Review and Scrutiny Committee is responsible for reviewing performance against policy objectives and commenting on decisions and policies and their impact.

The Council adopted a new set of Top 50 Council Plan Indicators based on the 2022-2027 Council Plan. These are reported on to PPRC in June, PPRC also reviews a series of quarterly KPI's and regular reporting on specific areas as requested by the Committee.

The Executive Director for Resources, as the Section 95 officer, along with the Head of Finance is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

The Council's system of internal financial control is based on a framework of financial regulations reviewed as part of the review of standing orders in February 2025, regular management information, administrative procedures (including segregation of duties), management supervision and a system of

delegation and accountability. This remains reliant on the staff within the framework to ensure management supervision and accountability are diligently enforced. It is noted that the Council ledger system will be out of support in 2026 and requires modernisation a project is underway to implement a new system and improvements in internal control are anticipated as part of this project.

In October 2019 CIPFA issued the Financial Management Code (FM Code). The FM Code is designed on a non-statutory basis, to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets out proposed standards of forward financial management for local authorities. Full compliance with the code was expected in 2021/22. The Council is able to confirm that, in all major regards, it conforms to the FM Code. The Head of Finance brought a full report on the implementation of the financial management code to the Audit & Governance Committee in September 2023, and Internal Audit Review provided reasonable assurance on implementation of the CIPFA FM code in June 2024. As part of the implementation of the recommendations from this review the Cabinet formally approved the principles of the CIPFA FM code in January 2025.

The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that:

- The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its annual budget, but financial pressures are increasing significantly, future funding levels are uncertain, and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making.

The Council has an approved strategy to tackle fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively, in all major regards it complies with the 2014 CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. It is however recognised that strategies and policies in relation to Fraud theft, bribery and corruption require to be reviewed and update during the 2025/26 financial year.

On the 10 January 2025 the Accounts Commission wrote in a letter to all Chief Executives of Scottish Local Authorities, copying in Directors of Finance and external

auditors highlighting the report of the 12 December 2024 relating to a significant council tax fraud perpetrated against Aberdeen City Council. Highlighting the Chief Executives responsibility to ensure arrangements are in place to help assure elected members and the public that risks are being identified and managed effectively. The letter encouraged all Chief Executives to use the annual governance statement as an opportunity to take stock of the key controls and processes and whether self-assessment procedures are sufficient to provide elected members and officers with the required assurances. The East Lothian Council Chief Executive had already commissioned a counter fraud assurance report completed in September 2024 in relation to Council Tax refunds that provided assurance that the Council tax system enforces segregation of duties, and has appropriate systems documentation, recommendations for improved monitoring have been implemented and testing identified that no substantial issues could be identified.

Revenue and Capital Budget Monitoring reports are presented to the Council on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development.

G. Implementing good practices in transparency, reporting & audit to deliver effective accountability

The independent and objective audit opinion of the Head of Internal Auditor (Service Manager – Internal Audit) is stated within the Internal Audit Annual Assurance Report 2024/25. This is based on work carried out by an in-house team, in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision. In April 2019 CIPFA issued a statement on the Role of the Head of Internal Audit (HIA). The statement articulated the core responsibilities of the HIA, with five principals defining the core activities and behaviours that belong to the role of the HIA. For each principle the Statement sets out the organisation's responsibilities to ensure HIAs are able to operate effectively and perform their core duties. This statement is, in all major regards, is conformed with and the Internal Audit service external quality assessment as reported to the Audit & Governance Committee in March 2024 demonstrated that the service fully conformed.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit & Governance Committee is integral to overseeing

independent and objective assurance and monitoring improvements in internal control and governance. The Audit & Governance Committee completes an Annual assessment against CIPFA Audit Committee Guidance, last completed in September 2024 although this has not been presented to Council as indicated with the guidance as best practice.

Quarterly Performance Reports were presented to the Performance, Review and Scrutiny Committee for monitoring the achievement of strategic priorities and key performance indicators.

The Annual Accounts and Report sets out the financial position in accordance with relevant accounting regulations.

Review of Adequacy and Effectiveness of the Council's Governance Framework

An annual review of the adequacy and effectiveness of the Council's overall governance framework has been carried out. The output is this Annual Governance Statement which is presented to the Audit & Governance Committee.

The review was further informed by assurances from: assessment of compliance against the Local Code; written assurance statements from the Executive Directors and Heads of Service; Internal Audit annual opinion, findings and recommendations; External Audit, and comments and

recommendations made by External Auditor and other external scrutiny bodies and inspection agencies.

The Council however recognises improvements are required in the areas presented below.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where improvement in governance arrangements can continue to be made to enhance compliance with the CIPFA/SOLACE Good Governance in Local Governance in Local Government Framework (2016) and to demonstrate Best Value:

- 1) There are weaknesses which have previously been identified by both Internal and External audit and the finance team within the control environment for purchasing and payment authorisation that are being resolved through the implementation of the new financial system. The Council will continue to operate with its current manual and multiple systems during 2025/26 whilst the new financial system is implemented in a number of phases. It is further noted that there has been an upward trend in use of single source procurement and VEAT notices the procurement teams will continue to work with services to examine if resourcing

issues are impacting on appropriate procurement rigour throughout 2025/26. It is also noted that a budget monitoring framework and procedures along with associated training and procedures have been introduced during 2024/25 to improve these processes.

- 2) The Council continues to operate within a very challenging financial environment with further challenges and savings to be achieved in the coming years. This may mean a reduction in service delivery in some areas. The Capital and Revenue Budgets paper presented to Council in February 2025 identified the local and wider economic context within which budgets have been developed, including the factors which have contributed to the funding gap between forecast income levels and expenditure demands which taking account of planned savings and indicative council tax increases of 5% was £45.9 million to 2029/30. The council continues to progress transformation workstreams to enable the significant programme of change that will be required to meet financial and operational challenges in the context of substantial growth pressures. The lack of clarity on future funding settlements creates additional challenges to providing medium term certainty around funding to public and third sector partners. Work has been undertaken on strengthening

our approach to the awarding of contracts and grants, including to the 3rd sector (one Council Partnership Fund). The National context remains uncertain and matters such as the ongoing debate around teacher numbers and learning hours. There remains uncertainty around the numbers of children who may require either an external residential placement or secure care. It is impossible to predict numbers and despite significant work undertaken around controls in this area in recent years, this may place additional strain on Council resources.

- 3) The Homeless Persons (Unsuitable Accommodation) (Scotland) Order came into effect on 1 October 2021. Whilst the Council are working to transform the service during the year, with a significant reduction evident in the number of breaches from a peak of 152 at Q2 2023/24, a total of 75 breaches recorded at 31 March 2025. The Housing Regulator met with the Head of Housing and the Service Manager at the end of January 2025 and although noting all of the efforts and transformation across the service, continues to highlight the heightened risk of systemic failure in the delivery of services to people experiencing homelessness in East Lothian. The Scottish Housing Regulator will continue to engage with the Council

and is asking for the following, during 2025/26:

- continue best efforts to meet the Council's statutory duty to provide temporary accommodation when it should and to comply with the Unsuitable Accommodation Order; and
 - keep the Scottish Housing Regulator updated on our capacity to meet our statutory duty to provide temporary accommodation when it should and to comply with the Unsuitable Accommodation Order.
- 4) Due to budget restrictions, there are risks that backlog maintenance on Council assets, including building roads and coastal defences (other than Musselburgh Flood Prevention Project), is not being completed and deteriorating the value of these assets. Further work will continue to be completed in accordance with the Property Asset Strategy and Management Plan 2024-28, approved by Council in May 2024 and the Capital strategy 2025-30 approved by Council in 2025-30 to manage the Council's assets within the budgets available in 2025/26.
 - 5) A review of the Council Counter Fraud Bribery and Corruption procedures and risks is required during 2025/26 as a result of the implementation of UK government guidance on the Crime of

Failure to Prevent Fraud. The Council is putting in place an officer Integrity Group who will oversee the implementation of these procedures and appropriate risk assessments.

- 6) The Cybersecurity risks to the Council have recently been reassessed and the risk assessment increased in severity. Reviews are being undertaken to ensure that the controls in place provide an appropriate framework for the current risk.
- 7) Internal Audit highlighted the following key areas for improvement as a part of the 2024/25 Internal audit work:
 - Sickness absence levels temporarily declined in local authorities during the Covid-19 pandemic, however absence levels have risen sharply in the past three financial years reaching an all-time average high of 13.9 days in 2023/24 for all Scottish local government employees (an increase of 4.6% from 2022/23) and an average of 7.6 days for teachers (an increase of 12.5%). Whilst East Lothian Council's levels remain lower than the Scottish Averages, they were recorded at an all-time high of an average number of sickness absence days per local government employee for 2023/24 being 13.73 days (10.9

days in 2022/23) for local government employees in 2023/24 and 6.66 days (5.8 days in 2022/23) for teachers in 2023/24. Internal Audit review has recommended greater focus by Service Management on retaining self-certification documentation and further development of Strategic HR panels to focus on improvements at an individual service level focussing on staff health and wellbeing.

- Whilst noting that Internal controls are generally reliable for housing voids as a result of significant improvements made since October 2024 that the undertaking of pre termination visits aligned with some further control improvements, including improved review of reporting on average turnaround times could further improve the housing void process.
- In relation to Capital Expenditure Contracts there was a lack of clear audit trails and a consistent approach for the authorisation of contract variations. A monthly cost reporting tool was being reintroduced to ensure that this was in place.

Prior Year Improvement Areas of Governance Implemented

The 2023/24 Annual Governance Statement for East Lothian Council contained the

following areas of improvement all of which have been taken forward:

- 1) Continue to work to close the identified residual budget gap for the next five years and continue to develop longer term financial planning whilst continuing to maintain sustainable services this has been progressed during 2024/25 and the budget gap further closed when possible but further work continues to be required as highlighted above.
- 2) Continue to monitor improvement in the participation rates in the annual Personal Review and Development (PRD) process and take action to improve participation if required. The CMT continues to monitor this and take appropriate action including revised PRD formats for multiple situations being utilised in 2024/25.
- 3) The Governance and Control processes covering the legal, financial and operational processes between the Council and the Brunton Theatre Trust had substantial gaps that required to be resolved. An SLA is now in place between the Council and the Brunton Theatre Trust and leases have been reviewed, further work is ongoing in response to the ongoing changes in relationship.
- 4) The Council required to improve its control processes in relation to Agency

Workers in particular to ensure that a control list of agency workers is maintained that an authorisation process is in place for agency workers that is utilised across the council consistently, and that a process for Agency Worker review should be in place to ensure adequate challenge of ongoing Agency contracts. Processes have been amended and regular information is now requested by HR teams on agency workers.

Laurence Rockey
Chief Executive

Conclusion and Opinion on Assurance

The conclusion from the review activity completed and subject to the successful progression of the areas for improvement highlighted above, our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of East Lothian Council's systems of governance, risk management and internal control. Although areas for further improvement have been identified, the annual review demonstrates

Norman Hampshire
Council Leader

sufficient evidence that the Governance is operating effectively, and that the Council complies with the CIPFA/SOLACE Good Governance in Local Government Framework (2016) for the year ended 31 March 2025 in most respects to meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Lothian Council and its group for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Group Only Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, Movement on the HRA Statement, the Common Good Movement in Reserves Statement, the Common Good Comprehensive Income and Expenditure Statement, the Common Good Balance Sheet, the Trust Movement in Reserves Statement, the Trust Comprehensive Income and Expenditure Statement, the Trust Fund Balance Sheet, the Council Tax Income Account and the Non Domestic Rate (NDR)

Income Account and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the 2024/25 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2025 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard was not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material

misstatement that I identified and my judgements thereon.

Responsibilities of the Depute Chief Executive Resources and Economy and Audit and Governance Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Depute Chief Executive Resources and Economy is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Depute Chief Executive Resources and Economy determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Depute Chief Executive Resources and Economy is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

there is an intention to discontinue the operations of the council and its group.

The Audit and Governance Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my

responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Depute Chief Executive Resources and Economy as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Depute Chief Executive Resources and Economy concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Depute Chief Executive Resources and Economy is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management

Commentary and Annual Governance Statement

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

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

Matters on which I required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or

- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
 - I have not received all the information and explanations I require for my audit.
- I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd FCPFA
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Remuneration report and trade union activity

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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 page 49
- Pay Bandings information page 50
- Senior Officer Remuneration page 50
- Total Councillor Remuneration page 50
- Pension Benefits information for Senior Councillors and Officers pages 53 to 56
- Exit Packages page 57

The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183 and SSI No. 2022/18). 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 2024/25 the salary for the Leader of East Lothian Council is £35,580 (excluding £1,000 allowance for role as APSE chair). 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 £216,135.

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council's policy is to set these within the national maximum limits as set out above. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members.

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

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

Senior Councillors' Remuneration

Salary, Fees and Allowances	Taxable Expenses	Total	Annualised Salary	Name	Office Held as at 31 March 2025	Salary, Fees and Allowances	Taxable Expenses	Total	Annualised Salary
2023/24 £	2023/24 £	2023/24 £	2023/24 £			2024/25 £	2024/25 £	2024/25 £	2024/25 £
34,503	-	34,503	34,503	Norman Hampshire	Leader of the Council and Cabinet Spokesperson for Community Planning	36,580	-	36,580	36,580
25,128	-	25,128	25,128	Lyn Jardine	Leader of the Opposition	26,686	-	26,686	26,686
25,128	-	25,128	25,128	Shamin Akhtar	Depute Leader and Cabinet Spokesperson for Health and Social Care	26,686	-	26,686	26,686
25,128	-	25,128	25,128	John McMillan	Provost and Cabinet Spokesperson for Environment, Economic Development and Tourism	26,686	-	26,686	26,686
25,128	-	25,128	25,128	Andy Forrest	Depute Provost and Cabinet Spokesperson for Housing and Property Maintenance	26,686	-	26,686	26,686
25,128	-	25,128	25,128	Fiona Dugdale	Cabinet Spokesperson for Education and Children's and Family Services	26,686	-	26,686	26,686
25,128	-	25,128	25,128	Colin McGinn	Cabinet Spokesperson for Community Wellbeing and Sport, Countryside and Leisure	26,686	-	26,686	26,686
185,271	-	185,271	185,271	Total		196,696	-	196,696	196,696

Total Councillors' Remuneration

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

The annual return of councillors' salaries and expenses for 2024/25 is available to view from the Council's ['payments to councillors' webpage](#).

2023/24 £	Type of Councillors' Remuneration	2024/25 £
485,754	Salaries	515,498
1,083	Allowances	1,017
6,679	Expenses	7,534
493,516	Total	524,049

Senior Officer Remuneration

The Council's employees receiving more than £50,000 remuneration for the year, excluding pension contributions, were paid the amounts shown in the Officers' Salary Brackets table.

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.

2023/24	Officers' Salary Brackets	2024/25
139	£50,000 - £54,999	144
82	£55,000 - £59,999	93
67	£60,000 - £64,999	63
46	£65,000 - £69,999	71
34	£70,000 - £74,999	39
7	£75,000 - £79,999	20
4	£80,000 - £84,999	10
2	£85,000 - £89,999	3
6	£90,000 - £94,999	3
2	£95,000 - £99,999	5
2	£100,000 - £104,999	4
5	£105,000 - £109,999	5
-	£110,000 - £114,999	-
1	£115,000 - £119,999	1
2	£120,000 - £124,999	1
-	£125,000 - £129,999	-
-	£130,000 - £134,999	-
1	£135,000 - £139,999	1
400	Total	463

During 2024/25 the Council paid the following amounts to senior employees:

Salary, Fees & Allowances 2023/24 £	Taxable Expenses 2023/24 £	Total 2023/24 £	Name	Post Title	Salary, Fees & Allowances 2024/25 £	Taxable Expenses 2024/25 £	Total 2024/25 £
138,508	-	138,508	Monica Patterson	Chief Executive (01/04/2024 - 16/02/2025)	132,466	-	132,466
-	-	-	Monica Patterson	Returning Officer (01/04/2024 - 16/02/2025)	2,787	-	2,787
-	-	-	Lesley Brown ¹	Interim Chief Executive (From 17/02/2025)	16,136	-	16,136
120,502	-	120,502	Lesley Brown ¹	Executive Director - Education & Children's Services (01/04/2024 - 16/02/2025)	109,978	-	109,978
120,502	-	120,502	Douglas Proudfoot	Executive Director - Place (01/04/2024 - 13/11/2024)	83,919	-	83,919
120,502	-	120,502	Sarah Fortune ²	Executive Director - Council Resources	124,840	-	124,840
105,487	-	105,487	Morag Ferguson	Head of Corporate Support (01/04/2024 - 28/05/2024)	17,333	-	17,333
-	-	-	Hayley Barnett	Head of Corporate Support (From 02/09/2024)	63,446	-	63,446
105,487	-	105,487	Ellie Dunnet	Head of Finance	109,285	-	109,285
6,354	-	6,354	Judith Tait	Head of Children's Services (01/04/2023 - 23/04/2023)	-	-	-
8,204	-	8,204	Lindsey Byrne	Acting Head of Children's Services (03/04/2023 - 30/04/2023)	-	-	-
97,099	-	97,099	Lindsey Byrne	Head of Children's Services	109,285	-	109,285
105,487	-	105,487	Nicola McDowell	Head of Education	109,285	-	109,285
27,222	-	27,222	Iain Gorman	Head of Operations (01/04/2023 - 03/07/2023)	-	-	-
-	-	-	Caroline Rodgers	Interim Head of Communities (From 01/05/2024)	100,178	-	100,178
105,487	-	105,487	Wendy McGuire	Head of Housing	109,285	-	109,285
105,487	-	105,487	Tom Reid	Head of Infrastructure	109,285	-	109,285
4,421	-	4,421	Michaela Sullivan	Head of Development (01/04/2023 - 14/04/2023)	-	-	-
5,954	-	5,954	Ray Montgomery	Interim Head of Development	109,285	-	109,285
105,487	-	105,487	Sharon Saunders	Head of Communities (01/04/2024 - 30/04/2024)	15,912	-	15,912
1,282,190	-	1,282,190	Total		1,322,705	-	1,322,705

Salary, fees and allowances shown is the gross salary for Senior Officers before Salary Sacrifice scheme contributions. The salary, fees and allowances for senior officers include any payments made in respect of election roles. During 2024/25, all Heads of Service were paid £109,285 (full time equivalent) and all Executive Directors £124,840 (full time equivalent).

The Council has agreed to pay a share of the post of Director of East Lothian Health and Social Care Partnership. 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.

In 2024/25, the Council paid £69,346 (including on-costs) as our shared cost of this

post - Fiona Wilson, Chief Officer of East Lothian Health and Social Care Partnership.

Head of Operations from 3rd July 2023 - this role is fully funded by NHS Lothian. This role is currently directly employed by NHS Lothian and is held by David Hood. The Head of Operations remains part of the Council management structure.

Subsidiary Bodies

The Council has two external subsidiary bodies, with details of the principal director or officer for the organisation provided in the table below. No additional remuneration is provided for their involvement in these posts.

No subsidiaries provide remuneration in excess of £150,000 per year to any officer or director.

Subsidiary	Principal Director or Officer	Role
East Lothian Land	Councillor Norman Hampshire (Council Leader)	Director
East Lothian Land	Councillor John McMillan (Provost)	Director
East Lothian Mid-Market Homes	Douglas Proudfoot (until 13/11/2024) (Executive Director, Place)	Senior ELC Officer on the Board
East Lothian Mid-Market Homes	Sarah Fortune ² (Executive Director, Council Resources)	Senior ELC Officer on the Board
East Lothian Mid-Market Homes	Lesley Brown ¹ (appointed 14/11/2024) (Executive Director, Education & Children's Services)	Senior ELC Officer on the Board

¹New Title since October 2025: Depute Chief Executive Children and Communities

²New Title since October 2025: Depute Chief Executive Resources and Economy

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 the pensionable pay for that year. This is then added to the individual's pension account. At the end of each year the amount

in the 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.

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. This information is provided by The Lothian Pension Fund. The Lothian Pension Fund administers these pensions and holds information that is not available to the Council at the date of this statement.

Pension Contributions

2023/24			2024/25	
Range	Rate	Whole Time Pay	Range	Rate
£			£	
25,300	5.50%	On earnings up to and including	27,000	5.50%
25,301 - 31,000	7.25%	On earnings above	27,001 - 33,000	7.25%
31,001 - 42,500	8.50%	On earnings above	33,001 - 45,300	8.50%
42,501 - 56,600	9.50%	On earnings above	43,501 - 60,400	9.50%
56,601	12.00%	On earnings above	60,401	12.00%

Pension Benefits - Senior Councillors

The estimated pension entitlements for Senior Councillors for the year to 31 March 2025 are shown in the table below, together with the contribution made by the Council during the year.

Name	Office Held as at 31 March 2025	Pension Contributions		Accrued Pension Benefits			
		For Year to 31 March 2024	For Year to 31 March 2025	As at 31 March 2025		Difference from 31 March 2024	
				Pension	Lump Sum	Pension	Lump Sum
		£	£	£000s	£000s	£000s	£000s
Norman Hampshire	Leader of the Council and Cabinet Spokesperson for Community Planning	7,798	6,438	10	2	1	-
Lyn Jardine	Leader of the Opposition*	5,679	4,697	2	-	1	-
Shamin Akhtar	Depute Leader and Cabinet Spokesperson for Health and Social Care	5,679	4,697	7	-	1	-
John McMillan	Provost and Cabinet Spokesperson for Environment, Economic Development and Tourism	5,679	4,697	7	-	1	-
Andy Forrest	Depute Provost and Cabinet Spokesperson for Housing and Property Maintenance	5,679	4,697	9	2	1	-
Fiona Dugdale	Cabinet Spokesperson for Education and Children's and Family Services	5,679	4,697	4	-	1	-
Colin McGinn	Cabinet Spokesperson for Community Wellbeing and Sport, Countryside and Leisure	5,679	4,697	4	-	1	-
Total		41,872	34,620	43	4	7	-

* - Member has less than 2 years' service but is entitled to a pension due to previous LGPS service.

All senior councillors shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to both the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

Pension Benefits - Senior Employees

The estimated pension entitlements for senior employees for the year to 31 March 2025 are shown in the table below, together with the contribution made by the Council during the year.

Name	Post title	Pension Contributions		Accrued Pension Benefits			
		For Year to 31 March 2024	For Year to 31 March 2025	As at 31 March 2025		Difference from 31 March 2024	
				Pension	Lump Sum	Pension	Lump Sum
		£	£	£000s	£000s	£000s	£000s
Monica Patterson	Chief Executive	31,303	22,248	90	141	6	4
Monica Patterson	Returning Officer	-	491	-	-	-	-
Lesley Brown ¹	Interim Chief Executive/Executive Director - Education & Children's Services**	27,233	20,651	16	-	3	-
Douglas Proudfoot	Executive Director - Place	27,233	13,610	63	101	4	2
Sarah Fortune ²	Executive Director - Council Resources**	27,233	21,972	40	22	5	1
Morag Ferguson	Head of Corporate Support	23,840	3,051	7	-	1	-
Hayley Barnett*	Head of Corporate Support	-	11,166	1	-	-	-
Ellie Dunnet	Head of Finance**	22,589	18,065	7	-	3	-
Judith Tait	Head of Children's Services (until 23/04/2023)	1,436	-	-	-	-	-
Lindsey Byrne	Head of Children's Services	23,798	19,234	16	-	3	-
Nicola McDowell	Head of Education**	23,361	17,742	24	-	3	-
Iain Gorman	Head of Operations (until 03/07/2024)	5,801	-	-	-	-	-
Caroline Rodgers*	Interim Head of Communities**	-	16,536	12	-	-	-
Wendy McGuire	Head of Housing**	22,288	18,025	42	47	4	1
Tom Reid	Head of Infrastructure	23,840	19,234	50	58	4	2
Michaela Sullivan	Head of Development (until April 2024)	999	-	-	-	-	-
Ray Montgomery*	Interim Head of Development**	1,346	19,234	2	-	2	-
Sharon Saunders	Head of Communities	23,840	1,603	55	71	1	-
Total		286,140	222,862	425	440	39	10

* Under 2 years' service in Senior role.

** Officer is a member of Salary Sacrifice Scheme

¹New Title since October 2025: Depute Chief Executive Children and Communities

²New Title since October 2025: Depute Chief Executive Resources and Economy

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The 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.

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.

Exit Packages

Exit Packages 2023/24					Exit Packages 2024/25			
Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages		Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages
			£000s	Cost Banding				£000s
2	27	29	147	£0 - £20,000	9	44	53	202
-	-	-	-	£20,001 - £40,000	5	1	6	175
-	-	-	-	£40,001 - £60,000	-	-	-	-
-	-	-	-	£60,001 - £80,000	-	-	-	-
-	-	-	-	£80,001 - £100,000	-	-	-	-
1	-	1	105	£100,000 - £120,000	-	-	-	-
3	27	30	252	Total	14	45	59	377

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 above for 2024/25, with comparative figures for 2023/24.

Trade Union Facility Time

The Council is required to publish details of Trade Union facility time incurred during the year. Further information is available on [the Trade Union Facility Time webpage](#).

2023/24		Relevant union officials	2024/25	
Non-Education Staff	Education Staff		Non-Education Staff	Education Staff
17	11	Number of employees who were relevant union officials during the relevant period	17	33
15.45	10.6	Full-time equivalent number	16.9	33

2023/24		Percentage of time spent on facility time	2024/25	
Non-Education Staff	Education Staff		Non-Education Staff	Education Staff
0	0	0%	0	0
15	10	1% - 50%	15	32
0	0	51% - 99%	0	1
2	1	100%	2	0

2023/24		Percentage of pay bill spent on facility time	2024/25	
Non-Education Staff	Education Staff		Non-Education Staff	Education Staff
£109,885	£106,748	Total cost of facility time	£121,954	£61,025
£136,353,345	£73,726,985	Total pay bill	£140,427,672	£77,663,751
0.08%	0.14%	Percentage of the total pay bill spent on facility time	0.09%	0.08%

2023/24		Paid Trade Union Activities	2024/25	
Non-Education Staff	Education Staff		Non-Education Staff	Education Staff
N/A	N/A	Hours spent by employees who were relevant Union Officials during the period on Trade Union Activities	374.8	37
N/A	N/A	Time spent on Trade Union activities as a percentage of total paid facility time hours	5.9%	1.8%

Laurence Rockey
Chief Executive

Norman Hampshire
Council Leader

Financial Statements: Primary Statements

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Council and Group Movement in Reserves Statement

The Movement in Reserves Statement (MiRS) shows the movement from the start to the end of the year on the different reserves held by the authority, analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and other 'unusable reserves'.

The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. Transfers to or from other statutory reserves, as a result of decisions by the Council, are separately identified in the statement.

The "(Increase)/Decrease in Year" line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. This statement also presents the movement in the year in the different reserves held by the combined group i.e. the Council, its associate companies, and subsidiaries

Movement in Reserves Statement For the Year Ended 31 March 2025	General Fund Balance £000s	Capital Grants Unapplied £000s	Capital Fund £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s	Group Usable Reserves £000s	Group Unusable Reserves £000s	Unusable: Minority Interests £000s	Total Group Reserves £000s
Balance at 1 April 2024	(34,169)	(3,106)	(14,013)	(2,684)	(1,535)	(55,507)	(659,575)	(715,082)	(81,172)	(669,664)	(182)	(751,018)
Opening Balances Adjustments	-	-	-	-	-	-	-	-	(582)	(10)	(78)	(670)
Revised Opening Balance	(34,169)	(3,106)	(14,013)	(2,684)	(1,535)	(55,507)	(659,575)	(715,082)	(81,754)	(669,674)	(260)	(751,688)
Total Comprehensive Expenditure and Income	(1,880)	-	-	-	3,899	2,019	(46,719)	(44,700)	4,229	(46,447)	1	(42,217)
Depreciation charged to the Revaluation Reserve	(24,324)	-	-	-	(4,262)	(28,586)	28,586	-	(28,716)	28,715	-	(1)
Adjustments Between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 9)	24,244	(2,792)	2,675	-	(119)	24,008	(24,008)	-	23,997	(23,997)	-	-
Transfers to/from Other Statutory Reserves	-	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in Year	(1,960)	(2,792)	2,675	-	(482)	(2,559)	(42,141)	(44,700)	(490)	(41,729)	1	(42,218)
Balance at 31 March 2025 Carried Forward	(36,129)	(5,898)	(11,338)	(2,684)	(2,017)	(58,066)	(701,716)	(759,782)	(82,244)	(711,403)	(259)	(793,906)

Movement in Reserves Statement For the Year Ended 31 March 2024	General Fund Balance £000s	Capital Grants Unapplied £000s	Capital Fund £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Council Reserves £000s	Group Usable Reserves £000s	Group Unusable Reserves £000s	Unusable: Minority Interests £000s	Total Group Reserves £000s
Balance at 1 April 2023	(26,414)	-	(14,607)	(2,684)	(1,487)	(45,192)	(673,952)	(719,144)	(72,590)	(681,628)	(193)	(754,411)
Opening Balances Adjustments	-	-	-	-	-	-	-	-	9	86	13	108
Opening Balance Adjustment for IFRS9	-	-	-	-	-	-	-	-	-	-	-	-
Revised Opening Balance	(26,414)	-	(14,607)	(2,684)	(1,487)	(45,192)	(673,952)	(719,144)	(72,581)	(681,542)	(180)	(754,303)
Total Comprehensive Expenditure and Income	55,131	-	-	-	26,147	81,278	(77,216)	4,062	83,147	(79,860)	(2)	3,285
Depreciation charged to the Revaluation Reserve	(15,716)	-	-	-	(4,011)	(19,727)	19,727	-	(19,845)	19,845	-	-
Adjustments Between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 9)	(44,855)	(3,106)	(1,721)	-	(22,184)	(71,866)	71,866	-	(71,893)	71,893	-	-
Transfers to/from Other Statutory Reserves	(2,315)	-	2,315	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in Year	(7,755)	(3,106)	594	-	(48)	(10,315)	14,377	4,062	(8,591)	11,878	(2)	3,285
Balance at 31 March 2024 Carried Forward	(34,169)	(3,106)	(14,013)	(2,684)	(1,535)	(55,507)	(659,575)	(715,082)	(81,172)	(669,664)	(182)	(751,018)

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 towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the authority in accordance with 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 MiRS for the difference between the two.

Council and Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement (CIES) 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 (or rents). 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 both the Expenditure and Funding Analysis (EFA) and the MiRS.

2023/24 Council			2023/24 Group	Comprehensive Income and Expenditure Statement	2024/25 Council			2024/25 Group
Gross Spend £000s	Gross Income £000s	Net Spend £000s	Net Spend £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s	Net Spend £000s
226,980	(8,470)	218,510	218,510	Education & Children's Services	211,681	(15,240)	196,441	196,441
1504,566	(79,008)	71,558	71,558	Health & Social Care Partnership	164,379	(84,410)	79,969	79,969
93,390	(23,131)	70,259	70,425	Place	104,930	(28,172)	76,758	77,240
37,007	(18,220)	18,787	18,842	Council Resources	37,491	(17,864)	19,627	19,661
1,034	(19,001)	(17,967)	(17,967)	Corporate Management	738	(9,503)	(8,765)	(8,764)
67,704	(37,790)	29,914	29,914	HRA	41,480	(40,911)	569	569
576,681	(185,620)	391,061	391,282	Cost of Services (Note 6)	560,699	(196,100)	364,599	365,116
				Other Income & Expenditure				
	(951)	(951)		-Other Operating Expenditure (Income) (Note 5)			(666)	(666)
	18,798	17,626		-Financing & Investment (Note 5)			20,621	19,939
	(327,630)	(327,630)		-Taxation and Non Specific Grant Income (Note 10)			(382,535)	(382,535)
	-	3,317		-Share of the Surplus(Deficit) on the provision of Services by Associates (Note G2)			-	2,291
	81,278	83,644		Deficit on Provision of Services (Note 8)			2,019	4,145
	(67,607)	(68,257)		(Surplus)/Deficit on Revaluation of Non-Current Assets (Note 14)			(41,463)	(43,836)
	-	-		Impairment losses on non-current assets charged to the revaluation reserve (Note 14)			-	-
	(789)	(793)		(Surplus)/Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income (Note 27)			295	(29)
	(8,820)	(8,820)		Actuarial (Gain) or Loss on Pension Assets/Liabilities (Note 31)			(5,551)	(5,551)
	-	(2,489)		Share of Other Comprehensive Income and Expenditure of Associates (Note G2)			-	3,053
	(77,216)	(80,359)		Other Comprehensive (Income) and Expenditure			(46,719)	(46,363)
	4,062	3,285		Total Comprehensive (Income) and Expenditure			(44,700)	(42,218)

Group Only Comprehensive Income and Expenditure Statement

2023/24 Group			Comprehensive Income and Expenditure Statement (Group Only)	2024/25 Group		
Gross Spend £000s	Gross Income £000s	Net Spend £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s
226,980	(8,470)	218,510	Education & Children's Services	211,681	(15,240)	196,441
150,566	(79,008)	71,558	Health & Social Care Partnership	164,379	(84,410)	79,969
94,426	(24,001)	70,425	Place	106,411	(29,171)	77,240
37,007	(18,165)	18,842	Council Resources	37,491	(17,830)	19,661
1,034	(19,001)	(17,967)	Corporate Management	738	(9,502)	(8,764)
67,704	(37,790)	29,914	HRA	41,480	(40,911)	569
577,717	(186,435)	391,282	Cost of Services (Note 6)	562,180	(197,064)	365,116
			Other Income & Expenditure			
	(951)		-Other Operating Expenditure (Income) (Note 5)			(666)
	17,626		-Financing & Investment (Note 5)			19,939
	(327,630)		-Taxation and Non Specific Grant Income (Note 10)			(382,535)
	3,317		-Share of the Surplus(Deficit) on the provision of Services by Associates (Note G2)			2,291
	83,644		Deficit on Provision of Services (Note 8)			4,145
	(68,257)		(Surplus)/Deficit on Revaluation of Non-Current Assets			(43,836)
	-		- Impairment losses on non-current assets charged to the revaluation reserve (Note 14)			-
	(793)		(Surplus)/Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income			(29)
	(8,820)		Actuarial (Gain) or Loss on Pension Assets/Liabilities (Note 31)			(5,551)
	(2,489)		Share of Other Comprehensive Income and Expenditure of Associates (Note G2)			3,053
	(80,359)		Other Comprehensive (Income) and Expenditure			(46,363)
	3,285		Total Comprehensive (Income) and Expenditure			(42,218)

Council and Group Balance Sheet

The Balance Sheet shows the value as at 31 March 2025 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:

Usable Reserves are 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.

Unusable Reserves are those that the authority is not able to use to provide services, including 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.

The Balance Sheet also shows the consolidated assets and liabilities of the entire East Lothian Group.

31 March 2024 Council £000s	31 March 2024 Group £000s	Balance Sheet	Note	31 March 2025 Council £000s	31 March 2025 Group £000s
1,288,056	1,299,344	Property, Plant & Equipment	14	1,386,062	1,405,014
716	716	Intangible Assets	16	525	525
1,113	1,123	Heritage Assets	17	1,113	1,123
5,661	12,553	Long Term Investments	23	5,366	12,667
-	8,653	Investments in Associates & JVs	23	-	3,310
8,014	8,122	Long Term Debtors	24	7,705	7,760
1,303,560	1,330,511	Long Term Assets		1,400,771	1,430,399
1,416	1,416	Assets Held for Sale	18	2,380	2,380
906	906	Inventories	25	853	853
21,649	22,141	Short Term Debtors	26	36,165	36,550
13,201	13,828	Cash and Cash Equivalents		20,600	21,362
37,172	38,291	Current Assets		59,998	61,145
(15,491)	(15,491)	Short Term Borrowing	27	(18,152)	(18,152)
(56,593)	(49,112)	Short Term Creditors	28	(60,685)	(52,969)
(1,235)	(1,235)	Short Term Provisions	29	(378)	(378)
(3,300)	(3,300)	Capital Grants Receipts in Advance	35	(1,523)	(1,523)
(76,619)	(69,138)	Current Liabilities		(80,738)	(73,022)
(218)	(230)	Provisions	29	(168)	(180)
(482,113)	(482,214)	Long Term Borrowing	27	(545,419)	(545,511)
(54,895)	(54,397)	Other Long Term Liabilities	30	(64,577)	(68,840)
(11,805)	(11,805)	Pension Liabilities (LGPS & Unfunded Benefit Obligations)	31	(10,085)	(10,085)
(549,031)	(548,646)	Long Term Liabilities		(620,249)	(624,616)
715,082	751,018	Net Assets		759,782	793,906
(55,507)	(81,172)	Usable Reserves	32	(58,066)	(82,244)
(659,575)	(669,846)	Unusable Reserves	34	(701,716)	(711,662)
(715,082)	(751,018)	Total Reserves		(759,782)	(793,906)

The unaudited accounts were submitted for audit on 27 June 2025, and the audited accounts were authorised for issue on 25 November 2025
Sarah Fortune (CPFA) Depute Chief Executive Resources and Economy (CFO).

Council and Group 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. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash

flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the authority.

The 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.

Group Cash Flow includes the cash flows of the Council and its subsidiary companies.

2023/24 Council £000s	2023/24 Group £000s	Cash Flow Statement	Note	2024/25 Council £000s	2024/25 Group £000s
Operating Activities					
81,278	83,644	Net Deficit on the Provision of Services		2,019	4,145
(126,945)	(129,135)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	37	(69,675)	(76,983)
37,732	37,732	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	38	58,032	58,032
(7,935)	(7,759)	Net Cash Flows from Operating Activities		(9,624)	(14,806)
Investing Activities					
91,026	91,062	Purchase of Property, Plant and Equipment		136,099	141,147
(31,380)	(31,380)	Other Receipts from Investing Activities		(59,533)	(59,533)
(1,769)	(1,769)	Proceeds from the Sale of Property, Plant and Equipment		(1,722)	(1,722)
57,877	57,913	Net Cash Flows from Investing Activities		74,844	79,892
Financing Activities					
(75,000)	(75,000)	Cash Receipts of Short and Long Term Borrowing		(75,000)	(75,000)
1,527	1,527	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Lease and On-Balance Sheet PFI Contracts		(7,025)	(7,026)
22,714	22,714	Repayments of Short and Long Term Borrowing		9,406	9,406
(50,759)	(50,759)	Net Cash Flows from Financing Activities	38	(72,619)	(72,620)
(817)	(605)	Net (Increase) or Decrease in Cash and Cash Equivalents		(7,399)	(7,534)
Reconciliation of Opening and Closing Cash and Cash Equivalents					
12,384	13,223	Cash and Cash Equivalents at the Beginning of the Reporting Period		13,201	13,828
817	605	Net Increase or (Decrease) in Cash and Cash Equivalents		7,399	7,534
13,201	13,828	Cash and Cash Equivalents at the End of the Reporting Period	38	20,600	21,362

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Notes to the Financial Statements

Note 1 General Accounting Policies

i. General Principles

The Statement of Accounts summarises the authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. 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 requires 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 2024/25, 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. The Statement of Accounts has been prepared on a 'going concern' basis.

Further accounting policies can be found throughout these accounts with the notes to which they relate.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

The Council applies a threshold limit and does not normally make manual accrual or prepayment adjustments for amounts of £1,000 or less.

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.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a material change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Employee Benefits

Short term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and charged on an accruals basis to the relevant service line of the CIES.

vi. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES 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 CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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 CIES 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 MiRS.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The authority's business model is to hold investments to collect contractual cash flows.

Financial assets are therefore classified at amortised cost, except for those whose contractual payments are not solely payment of principal and interest i.e. where the cash flows do not take the form of a basic debt instrument.

vii. Interests in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries and associates 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 or as investments designated at Fair Value through Other Comprehensive Income.

viii. Inventories and Long-term Contracts

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 or weighted average costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance

obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

ix. 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.

x. 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 CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS, 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.

xi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged, so that there is no impact on the level of Council Tax.

xii. VAT

The CIES excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure statement.

xiii. Events after the Reporting Period

Events after the Balance Sheet are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are 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 Annual Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have been 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 the authorisation for issue are not reflected in the Annual Accounts.

Note 2 Accounting Standards Not Yet Adopted

The following adopted International Financial Reporting Standards (IFRS) have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

a) IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability) issued in August 2023. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

b) IFRS 17 Insurance Contracts issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a

change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

Note 3 Critical Judgements Applied

In applying the accounting policies set out in Note 1 and throughout the other notes to the accounts, 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:

- Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and are included on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. In the event that this requires further asset transfers, for example if the Council ceases use of the buildings, the necessary adjustments will be enacted when an agreement is reached.
- The Private Finance Initiative (PFI) contract for the refurbishment and facilities management of six secondary schools is treated by recognising assets and liabilities on the authority's Balance Sheet. This is because the authority considers that it has the majority of the risks and rewards of ownership.
- Under IFRS 16, identified leases are treated by recognising a right of use asset and liability on the balance sheet. Leases with less than 12 months remaining or £6,000 in value are exempt and can continue to be charged to CIES as an expense of the services benefitting from use of the leased property, plant or equipment.
- The Council's actuarial advisers have estimated that the Council's attributable share of the Lothian Pension Fund (Local Government Pension Scheme) assets exceed the Council's estimated funded pension liabilities. The Council has assessed that, given the legislative obligations and framework for the LGPS and estimated future service costs and contributions, the Council's ability to obtain future economic benefits arising from the net asset for funded pension liabilities is restricted to the amount of the funded pension liabilities at 31 March 2025. Therefore an asset ceiling limit is applied for funded pensions and only the unfunded pension liability is recognised at 31 March 2025.

Note 4 Future Assumptions

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

from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2025, for which there is a significant risk of material adjustment in the forthcoming year, are shown in the following table:

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 used, the rate of projected salary increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The actual figure has proved to be variable over time and more detail regarding this has been referred to in Note 31. The Pensions Reserve balance at 31 March 2025 is £10.085 million (2023/24: £11.805 million) as a result of attributable assets at 31 March 2025 exceeding the estimated funded liabilities at that date, with a pensions asset ceiling being applied.	If actual results are different from assumptions, there is the potential for a significant change – either increasing or decreasing the potential liability or asset. The actuary has estimated (see Note 31) that a 0.1% decrease in the real discount rate would result in an increase to the pension liability of £10.011 million. Similarly, a 0.1% increase in the rate of salary increase and pension increase rates would increase the liability by £0.655 million and £9.614 million respectively. In terms of life expectancy, an increase of 1 year is estimated to equate to an increased liability of £23.352 million.
Property, Plant, and Equipment (PPE)	Assets are valued and depreciated over their useful lives in line with advice taken from external and internal valuers. The carrying amount of PPE at 31 March 2025 is £1.386.063 million (2023/24: £1.288.056 million) with depreciation charges for 2024/25 of £70.570million (excluding amortisation of intangible assets) (2023/24: £52.972 million). The current economic climate makes it uncertain that the authority will be able to sustain its	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. (See Notes 14 and 15). The estimated impact of a year's decrease in asset

	current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. There is therefore a risk that asset lives may be shorter than those currently anticipated.	life, across all assets being depreciated, is an increase in depreciation charge of approximately £10.881 million.
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Note 5 Other Income and Expenditure Items

Included within the Comprehensive Income and Expenditure Statement:

2023/24 Council Net Spend £000s	2023/24 Group Net Expenditure £000s	Other Income and Expenditure Items in the CIES	2024/25 Council Net Spend £000s	2024/25 Group Net Expenditure £000s
(951)	(951)	(Gain)/Losses on the Disposal of Non-Current Assets	(666)	(666)
(951)	(951)	Total Other Operating Expenditure	(666)	(666)
18,959	18,849	Interest Payable and Similar Charges	21,507	21,350
(1,634)	(2,157)	Interest Receivable and Similar Income	(1,614)	(2,013)
-	(471)	(Gains)/Losses on sale of investments	-	(156)
-	(68)	Changes in fair value of financial instruments held at Fair Value through Profit or Loss	-	30
505	505	Financial Instrument Impairments	80	80
968	968	Interest Expense of Pension Defined Benefit Obligation	648	648
18,798	17,626	Total Financing & Investments	20,621	19,939

Note 6 Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grants, rents, Council Tax and Non Domestic 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. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2023/24 Council				2024/25 Council		
Expenditure Chargeable to Usable Reserves £000s	Adjustments between Funding & Accounting Basis (EFA Note 1) £000s	Net Expenditure in CIES £000s	Expenditure and Funding Analysis	Expenditure Chargeable to Usable Reserves £000s	Adjustments between Funding & Accounting Basis (EFA Note 1) £000s	Net Expenditure in CIES £000s
GF and HRA combined				GF and HRA combined		
159,155	59,355	218,510	Education & Children's Services	165,113	31,328	196,441
69,403	2,155	71,558	Health & Social Care Partnership	77,426	2,543	79,969
49,890	20,369	70,259	Place	47,065	29,693	76,758
18,147	640	18,787	Council Resources	18,310	1,317	19,627
(26,991)	9,024	(17,967)	Corporate Management	872	(9,637)	(8,765)
(6,819)	36,733	29,914	HRA	(8,055)	8,624	569
262,785	128,276	391,061	Net Cost of Service	300,731	63,868	364,599
(268,273)	(41,510)	(309,783)	Other Income & Expenditure	(303,173)	(59,407)	(362,580)
(5,488)	86,766	81,278	(Surplus)/Deficit on Provision of Services	(2,442)	4,461	2,019

GF	HRA	Combined		GF	HRA	Combined
(26,414)	(1,487)	(27,901)	Opening Fund Balance	(34,169)	(1,535)	(35,704)
(5,440)	(48)	(5,488)	(Surplus)/Deficit for year chargeable to General Fund and HRA	(1,960)	(482)	(2,442)
(2,315)	-	(2,315)	Transfer to/from Other Statutory Reserves	-	-	-
(34,169)	(1,535)	(35,704)	Closing Fund Balances	(36,129)	(2,017)	(38,146)

EFA Note 1 – Adjustments between accounting and funding basis

2023/24 Council					2024/25 Council					
Adjustment for Capital Purposes (EFA Note 2) £000s	Net Change for Pension Adjustment (EFA Note 3) £000s	Other Statutory Differences £000s	Depreciation Charged to Revaluation Reserve £000s	Total Adjustments £000s	Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement	Adjustment for Capital Purposes (EFA Note 2) £000s	Net Change for Pension Adjustment (EFA Note 3) £000s	Other Statutory Differences £000s	Depreciation Charged to Revaluation Reserve £000s	Total Adjustments £000s
46,707	(634)	1,062	12,220	59,355	Education & Children's Services	11,045	847	249	19,187	31,328
2,180	(377)	-	352	2,155	Health & Social Care Partnership	1,504	489	-	550	2,543
18,167	(947)	-	3,149	20,369	Place	23,884	1,229	-	4,580	29,693
938	(298)	-	-	640	Council Resources	938	379	-	-	1,317
8,885	139	-	-	9,024	Corporate Management	(9,804)	167	-	-	(9,637)
32,776	(49)	-	4,006	36,733	HRA	4,284	71	-	4,269	8,624
109,653	(2,166)	1,062	19,727	128,276	Net Cost of Service	31,851	3,182	249	28,586	63,868
(42,346)	968	(132)	-	(41,510)	Other Income & Expenditure	(59,792)	649	(264)	-	(59,407)
67,307	(1,198)	930	19,727	86,766	Difference between deficit charged to fund balances and Comprehensive Income and Expenditure Statement Deficit	(27,941)	3,831	(15)	28,586	4,461

EFA Note 2 - Adjustments for capital purposes

There are various changes relating to capital assets, such as:

- Adding back depreciation, impairment and revaluation gains and losses that are charged to the cost of service.
- Adjusting the capital disposals and de-recognitions with a transfer of income on disposal of assets and the amounts written off for those assets.
- The statutory charges for capital financing, i.e. loans fund principal repayments and other revenue contributions, 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. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in year.

EFA Note 3 - Net change for pension adjustment

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services, this represents 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.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

EFA Note 4 - Other Statutory differences

Other statutory differences include:

- 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 5 – Depreciation charged to the Revaluation Reserve

Under accounting standards the valuation based portion of depreciation charges can be charged, as a movement between reserves, to the Revaluation Reserve. This negates the requirement to apply a statutory adjustment for this element of depreciation charges.

Note 7 Income and Expenditure Including Internal Recharges

The service lines in the Comprehensive Income and Expenditure Statement exclude internal recharges.

The income and expenditure for each service, inclusive of internal recharges, are shown below.

2023/24 Council				2024/25 Council		
Gross Spend £000s	Gross Income £000s	Net Spend £000s	Income and Expenditure for Each Service, Inclusive of Internal Recharges	Gross Spend £000s	Gross Income £000s	Net Spend £000s
245,050	(26,540)	218,510		229,300	(32,859)	196,441
157,087	(85,529)	71,558	Health & Social Care Partnership	170,858	(90,889)	79,969
117,441	(47,182)	70,259	Place	126,006	(49,248)	76,758
42,329	(23,542)	18,787	Council Resources	41,959	(22,332)	19,627
1,034	(19,001)	(17,967)	Corporate Management	738	(9,503)	(8,765)
68,438	(38,524)	29,914	HRA	41,983	(41,414)	569
631,379	(240,318)	391,061	Cost of Services	610,844	(246,245)	364,599

Note 8 Expenditure and Income Analysed by Segment and Nature

The Council is required to analyse the relevant service segments in the EFA on the basis of the organisational structure adopted. Reportable operating segments are based on the Council's internal management reporting used to assess service performance when considering the allocation of financial resources. The authority's expenditure and income is analysed as follows. In addition to the contribution to the IJB of £69.046 million, the Council also met an unbudgeted deficit of £2.804 million.

Council Expenditure and Income Analysed by Segment and Nature 2024/25	Education & Children's Services £000s	Health & Social Care Partnership £000s	Place £000s	Council Resources £000s	Corporate Management £000s	HRA £000s	Costs not included in a service £000s	Total £000s
Expenditure								
Employee Benefits Expenses	117,732	23,408	58,801	17,905	167	3,204	-	221,217
Other Service Expenses	49,633	65,798	29,881	23,038	361	16,263	-	184,974
Depreciation, Amortisation & Impairment	32,782	973	20,379	938	-	15,900	-	70,972
Reallocation of Internal Costs	5,746	502	(8,997)	(3,833)	210	6,372	-	-
Reallocation of Costs to Capital	(30)	(39)	(4,488)	(557)	-	(259)	-	(5,373)
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Asset Revaluation Losses	5,818	1,888	9,354	-	-	-	-	17,060
Interest Payments	-	-	-	-	-	-	22,234	22,234
Contribution to IJB	-	71,849	-	-	-	-	-	71,849
Total Expenditure	211,681	164,379	104,930	37,491	738	41,480	22,234	582,933
Income								
Fees, Charges and Other Service Income	(2,056)	(3,595)	(19,273)	(2,211)	(1,460)	(40,911)	-	(69,506)
Asset revaluation gains	(8,208)	(808)	(1,269)	-	-	-	-	(10,285)
Interest and Investment Income	-	-	-	-	-	-	(1,614)	(1,614)
Gain on Disposal of Assets	-	-	-	-	-	-	(665)	(665)
Income from Council Tax and Non-Domestic Rates	-	-	-	-	-	-	(132,792)	(132,792)
Contributions from IJB	-	(71,954)	-	-	-	-	-	(71,954)
Government Grants and Contributions	(4,977)	(8,053)	(7,630)	(15,653)	(8,042)	-	(249,743)	(294,098)
Total Income	(15,241)	(84,410)	(28,172)	(17,864)	(9,502)	(40,911)	(384,814)	(580,914)
Deficit on the Provision of Services								2,019

The prior year's expenditure and income by segment and nature is analysed as follows. The table reflects the 2023/24 data on a comparable basis to the 2024/25 table.

Council Expenditure and Income Analysed by Segment and Nature 2023/24	Education & Children's Services £000s	Health & Social Care Partnership £000s	Place £000s	Council Resources £000s	Corporate Management £000s	HRA £000s	Costs not included in a service £000s	Total £000s
Expenditure								
Employee Benefits Expenses	112,893	22,517	57,245	16,675	139	3,138	-	212,607
Other Service Expenses	46,658	60,787	26,549	24,471	682	14,420	-	173,567
Depreciation, Amortisation and Impairment	22,909	896	17,989	937	-	14,445	-	57,176
Reallocation of Internal Costs	6,311	714	(9,602)	(4,507)	213	6,870	-	(1)
Reallocation of Costs to Capital	(30)	-	(3,900)	(569)	-	(452)	-	(4,951)
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Asset Revaluation Losses	38,239	1,843	5,109	-	-	29,283	-	74,474
Interest Payments	-	-	-	-	-	-	20,432	20,432
Contribution to IJB	-	63,809	-	-	-	-	-	63,809
Total Expenditure	226,980	150,566	93,390	37,007	1,034	67,704	20,432	597,113
Income								
Fees, Charges and Other Service Income	(1,951)	(10,406)	(14,905)	(2,462)	(36)	(37,521)	-	(67,281)
Asset Revaluation Gains	(2,182)	(152)	(1,709)	-	-	(269)	-	(4,312)
Interest and Investment Income	-	-	-	-	-	-	(1,634)	(1,634)
Gain on Disposal of Assets	-	-	-	-	-	-	(951)	(951)
Income from Council Tax and Non-Domestic Rates	-	-	-	-	-	-	(126,889)	(126,889)
Contributions from IJB	-	(66,930)	-	-	-	-	-	(66,930)
Government Grants and Contributions	(4,337)	(1,520)	(6,517)	(15,758)	(18,965)	-	(200,741)	(247,838)
Total Income	(8,470)	(79,008)	(23,131)	(18,220)	(19,001)	(37,790)	(330,215)	(515,835)
Deficit on the Provision of Services								81,278

Note 9 Adjustments between Accounting and Funding Basis under Regulations

This note details adjustments that are made to the total CIES 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.

2023/24 Council				2024/25 Council		
General Fund Balance	Housing Revenue Account	Movement in Usable Reserves	Adjustments between Accounting and Funding Basis under Regulations	General Fund Balance	Housing Revenue Account	Movement in Usable Reserves
£000s	£000s	£000s		£000s	£000s	£000s
Adjustments Primarily Involving the Capital Adjustment Account						
Reversal of Items Debited or Credited to the CIES:						
(23,130)	(10,423)	(33,553)	Charges for Depreciation and Amortisation of Non-Current Assets	(30,692)	(11,611)	(42,303)
(3,886)	(11)	(3,897)	Impairment Losses on Property, Plant and Equipment	(57)	(27)	(84)
(41,148)	(29,013)	(70,161)	Revaluation Gains (Losses) on Property, Plant and Equipment in SDPS	(6,775)	-	(6,775)
25,469	10,494	35,963	Capital Grant and Contributions Applied	51,975	4,334	56,309
3,106	-	3,106	Capital Grants Transferred to Capital Grants Unapplied Account	2,792	-	2,792
2,315	-	2,315	Capital Grant Transferred to Capital Fund	-	-	-
884	66	950	Derecognition of non-current assets	741	(76)	665
10	-	10	Expected credit loss of assets funded from capital sources under statute	25	-	25
- Statutory Repayment of Debt:						
825	-	825	Statutory repayment of debt: PPP	880	-	880
(14,193)	-	(14,193)	Statutory repayment of debt: PPP -Permitted flexibility adjustment	-	-	-
67	-	67	Statutory repayment of debt: Finance Leases	2,022	-	2,022
4,328	5,382	9,710	Statutory repayment of debt: Loans Fund	6,807	5,831	12,638
- Funding of Capital Expenditure Incurred in the Year						
664	1,293	1,957	Capital Expenditure Charged Against the General Fund and HRA balances	695	1,516	2,211
(409)	-	(409)	Deferral of Charges Against the General Fund for PPP Lifecycle Capital Expenditure	(439)	-	(439)
(45,098)	(22,212)	(67,310)	Subtotal: Carried forward to next page	27,974	(33)	27,941

2023/24 Council			Adjustments between Accounting and Funding Basis under Regulations (continued)	2024/25 Council		
General Fund Balance	Housing Revenue Account	Movement in Usable Reserves		General Fund Balance	Housing Revenue Account	Movement in Usable Reserves
£000s	£000s	£000s		£000s	£000s	£000s
(45,098)	(22,212)	(67,310)	Subtotal: Brought forward from previous page	27,974	(33)	27,941
Adjustments Primarily Involving the Employee Statutory Adjustment Account:						
(1,062)	-	(1,062)	Employee Statutory Adjustments: Accumulated Annual Leave	(249)	-	(249)
Adjustments Primarily Involving the Financial Instruments Adjustment Account:						
258	-	258	Charge of deferred premiums from the refinancing of debt	256	-	256
(123)	-	(123)	Charge for interest rate adjustments related to stepped interest rate borrowing	8	-	8
Adjustments Primarily Involving the Pensions Reserve:						
(22,119)	(515)	(22,634)	Net Retirement Benefits per IAS 19	(22,838)	(525)	(23,363)
23,289	543	23,832	Employer's Contributions Payable to the Lothian Pension Fund	19,093	439	19,532
(44,855)	(22,184)	(67,039)	Total Adjustments to General Fund and HRA Balance	24,244	(119)	24,125
Adjustments to the Capital Fund						
		(2,315)	Capital Grants transferred to the Capital Fund (FC6/2023)			-
		(1,770)	Capital receipts transferred to the Capital Fund			(1,722)
		2,364	Capital receipts applied to fund capital expenditure			4,397
Adjustments to the Capital Grants Unapplied Account						
		(3,106)	Capital Grants transferred to the Capital Grants Unapplied Account			(2,792)
		(71,866)	Total Statutory Adjustments affecting Usable Reserves			24,008

2023/24	Statutory Adjustments - Reconciliation To Group Movement In Reserves Statement	2024/25
(71,866)	Total Council Statutory Adjustments per Above	24,008
	Adjustments affecting Group Share of Usable Reserves of Associates	
(46)	Depreciation & Impairment	(51)
31	Statutory Repayments for Capital Investment	36
2	Capital Expenditure Charged Against Fund Balances	22
(154)	Reversal of Pensions Entries in the CIES	(104)
133	Employer's Pension Contributions	89
7	Accumulated Annual Leave Adjustment	(3)
(71,893)	Total Statutory Adjustments for the Group	23,997

Note 10 Taxation and Non-Specific Grant Income

Grant income can take many forms: paid on account; by instalments or in arrears; government grants or third party contributions and donations. This is recognised as due to East Lothian Council when there is an assurance that the authority has complied with the necessary conditions attached to these payments. East Lothian Council credited the following to taxation and non-specific grant income in the CIES.

2023/24 £000s	Taxation and Non-Specific Grant Income	2024/25 £000s
(68,781)	Council Tax	(72,867)
(58,108)	Non Domestic Rates	(59,925)
(159,356)	Non Ring-fenced Government Grants	(190,641)
(41,385)	Capital Grants and Contributions	(59,102)
(327,630)	Total	(382,535)

Note 11 Agency Income and Expenditure

Where the Council fulfils an agency role on behalf of another organisation the associated income and expenditure is not included within the authority's CIES. Agency services provided include:

- the collection of cash for Scottish Water
- the management of funding, through the Edinburgh & South East Scotland City Region Deal, for the development of the Edinburgh Innovation Park
- salary sacrifice schemes representing expenditure on bicycles, childcare, pension and car schemes on behalf of employees, with employees reimbursing the Council for these costs.

Schemes for the distribution of COVID-19 Grants and Cost of Living Support for Council Tax Payers on behalf of the Scottish Government have now ceased. The Council also 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 and thus is not treated as agency expenditure.

2023/24 £000s	Agency Income and Expenditure	2024/25 £000s
23,254	Scottish Water Income Collected	25,951
2,004	City Region Deal- Edinburgh Innovation Park	15,775
1,058	Salary sacrifice schemes	1,914
26,316	Total	43,640

Note 12 Audit Costs

Audit Scotland was appointed as the authority’s external auditor in 2022/23. For 2024/25 the agreed audit fee is £323,280 (2023/24: £308,410). Actual expenditure in the year was £324,032 (2023/24: £295,617). No fees were payable in respect of other services provided by the appointed auditor.

Note 13 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). Grants received from government departments are set out in note 36.

Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members’ allowances paid in 2024/25 is shown in the Remuneration Report.

East Lothian Council approved total Grants of £3.468 million (2023/24: £3.746 million) which in 2024/25 is made up as follows:

2023/24 £000s	Council Grants Approved	2024/25 £000s
1,542	One Council Community Partnership	1,429
1,250	Area Partnership Funding	1,215
338	Children's Services	335
484	Health & Social Care partnership Grants to Voluntary Organisations	357
132	Community Council Administration Grants, Insurance & Local Priority Scheme	132
3,746	Total	3,468

Of these amounts, payments for 'Partnership Funding' totalling some £0.846 million (2023/24 £0.885 million) as shown in the table were awarded to organisations in which Members have representation. This represents 24% (2023/24: 24%) of the total £3.468m (2023/24: £3.746 million) grants awarded.

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 in the Related Parties table.

Related Parties	Partnership Funding £000s	Other £000s	Total £000s
Coastal Communities Museum Trust	6	-	6
Cockenzie House and Gardens	-	7	7
East Lothian Advice Consortium	334	-	334
Fa'side Community Kitchen	-	2	2
First Step	196	104	300
Gullane Area Community Council	-	8	8
Hallhill Ltd	73	-	73
Lamp of Lothian Management Committee	16	-	16
Lothian Mineworkers' Welfare Convalescent Home Trust	-	-	-
Pennypit Community Development Trust	99	83	182
Preston Lodge High School Excellence in Learning Foundation	-	-	-
Recharge Youth Facility	72	21	93
Safe Families organisation	-	40	40
Tranent and Elphinstone Community Council	-	14	14
Tranent Wombles	-	-	-
Volunteer Centre East Lothian	-	64	64
Volunteer Development East Lothian	50	-	50
Waggon Way	-	-	-
Total	846	343	1,189

Other Public Bodies

Other public bodies that the Scottish Government have control or significant influence over are considered related parties by IAS 24. The material transactions for these bodies are reported as follows:-

2023/24				Related Parties	2024/25			
Expenditure	Income	Net Expenditure	Debtor / (Creditor)		Expenditure	Income	Net Expenditure	Debtor / (Creditor)
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
3,214	2,335	879	4,195	Other Local Authorities	2,517	2,245	272	2,835
				National Records of Scotland	-	-	-	8
				Scottish Fiscal Commission	-	-	-	(3)
-	5	(5)	2	Food Standards Scotland	-	6	(6)	-
19	-	19	(1)	Scottish Courts and Tribunals Service	25	-	25	-
-	48	(48)	-	Care Inspectorate	-	-	-	-
-	4	(4)	1	Children's Hearings Scotland	-	5	(5)	-
				Community Justice Scotland	-	-	-	3
-	1	(1)	-	Historic Environment Scotland	-	-	-	-
42	-	42	31	Scottish Environment Protection Agency	72	-	72	-
510	-	510	-	Scottish Qualifications Authority	503	1	502	-
				South of Scotland Enterprise	-	-	-	33
1	315	(314)	33	Skills Development Scotland	1	222	(221)	-
63	-	63	-	VisitScotland	43	-	43	-
12	19	(7)	3	Scottish Water	9	11	(2)	-
				Accountant in Bankruptcy	-	-	-	1
30	-	30	(2)	Disclosure Scotland	25	-	25	-
15	10	5	2	Education Scotland	37	72	(35)	(3)
1	-	1	-	Forestry and Land Scotland	-	-	-	27
5	9	(4)	-	Social Security Scotland	-	5	(5)	-
-	-	-	-	Transport Scotland	-	-	-	-
13,046	14,564	(1,518)	501	NHS Lothian	12,261	14,477	(2,216)	-
				NHS Orkney	-	-	-	674
111	11	100	-	Scottish Police Authority	44	-	44	-
17,069	17,321	(252)	4,765	Total	15,537	17,044	(1,507)	3,575

Joint Ventures and Entities Controlled or Significantly Influenced by the Authority

Income & Expenditure	Position at Year End		Entity	Nature of Related Party Relationship	Income & Expenditure	Position at Year End		Nature of Transactions
	Debtor	Creditor				Debtor	Creditor	
	Balances	Balances				Balances	Balances	
2023/24	2023/24	2023/24			2024/25	2024/25	2024/25	
£000s	£000s	£000s			£000s	£000s	£000s	
1,820	-	(21)	Enjoy East Lothian Limited	Charitable organisation registered with Office of Scottish Charity Regulators.	1,644	-	(32)	Payment for provision of leisure services
22	-	(7)	East Lothian Land Limited	Company set up for the purpose of managing land to support economic development in East Lothian.	7	-	-	Rent is paid to ELL. The creditor balance is a loan from the company.
			East Lothian Investments Limited	Company set up to grant interest free loans to businesses in East lothian	100	-	-	
(169)	-	(560)	Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators.	(246)	-	(167)	Payment for provision of arts/cultural services
								Transactions for operational services provided and received, . Balances for cash held for the Common Good, and liabilities relating to finance leases
401	-	(5,707)	Common Goods	Council manages assets of historic burghs in line with statute.	148	-	(5,917)	Transactions for operational services provided and received,. Balances for cash held for the Trust Funds.
71	-	(2,225)	Trust Funds	A number of trust funds which are managed by the council in line with the respective trust deeds.	53	-	(2,374)	Payments to run valuation services
680	-	-	Lothian Valuation Joint Board	Statutory bodies set up by Scottish ministers.	738	-	-	Payments to run health & social care services, including NHS resource transfer and social care fund
76,372	-	(140)	East Lothian Integrated Joint Board	Statutory Body for the integration of health & social care services under The Public Bodies (Joint Working) (Scotland) Act 2014.	71,850	-	(120)	Payments towards development and construction of a food, drink and health innovation park (agency payments)
1,154	-	-	Edinburgh Innovation Park Joint Venture	Joint Venture with Queen Margaret University utilising City Region Deal funding.	2,736	-	-	Minor payments relating to normal operations
(145)	-	(184)	East Lothian Mid Market Homes LLP	Established to manage affordable housing properties, to be available for mid market rent.	(46)	-	(113)	
80,206	-	(8,844)			76,984	-	(8,723)	

The above table illustrates the year-end inter group positions between the Council and the entities with which it has significant influence or control. The full figures for these entities are disclosed in the group accounts elements of the Primary Statements, as well as further details provided in the Group Accounts Notes.

Note 14 Property Plant and Equipment Movements

Council Property, Plant & Equipment Movements 2024/25	Council Dwellings £000s	Other land and buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Right of Use Assets £000s	Total Property, Plant and Equipment £000s	PFI Assets Included in PPE £000s
2024/25										
Gross Book Value at 01 April 2024	430,261	687,981	73,032	See note	10,990	6,537	44,918	-	See note	139,694
Additions	18,163	10,058	8,826	8,512	234	-	82,624	7,578	135,995	3,947
Revaluation increase/(decrease) to Revaluation Reserve	-	2,441	-	-	-	295	-	-	2,736	(2,596)
Revaluation increase/(decrease) to SDPS	-	(6,700)	-	-	-	(50)	-	-	(6,750)	225
Transfer to/from assets held for sale	-	(1,833)	-	-	-	-	-	-	(1,833)	-
Disposals	(101)	(30)	(1,501)	-	-	-	(13)	-	(1,645)	-
Other movements	6,576	(31,147)	(1,506)	-	(32)	684	(6,846)	32,270	-	-
Gross Book Value at 31 March 2025	454,899	660,769	78,851	See note	11,192	7,466	120,683	39,848	See note	141,269
Accumulated depreciation at 01 April 2024	(265)	(17,699)	(45,471)	See note	(1,276)	(38)	(1,421)	-	See note	-
Depreciation charge for year	(15,849)	(37,912)	(6,551)	(6,802)	(61)	(223)	-	(3,172)	(70,570)	(10,685)
Revaluation written out to revaluation reserve	(27)	39,127	-	-	-	144	-	(517)	38,727	10,685
Impairment written out to SDPS	(27)	-	-	-	-	-	(57)	-	(84)	-
Depreciation eliminated on disposal	32	1	1,398	-	-	-	-	-	1,431	-
Other movements	-	11,065	1,404	-	6	(20)	-	(12,455)	-	-
Accumulated depreciation at 31 March 2025	(16,136)	(5,417)	(49,220)	See note	(1,332)	(136)	(1,478)	(16,144)	See note	-
Net Book Value at 31 March 2025	438,763	655,352	29,631	102,217	9,860	7,330	119,205	23,704	1,386,063	141,269
Net Book Value at 31 March 2024	429,996	670,282	27,561	100,507	9,714	6,499	43,497	-	1,288,056	139,694

Note: In relation to Infrastructure Assets the Council has elected to apply both statutory overrides allowed in Scottish Government Finance Circular 9/2022 (Statutory Override - Accounting for Infrastructure Assets). These constitute:

- Omission of the reporting of Gross Cost and Accumulated Depreciation balances for infrastructure assets. On this basis the cross sub-total for Property, Plant and Equipment is also excluded.
- The existing carrying amount of a replaced infrastructure asset is treated as zero when it is replaced.

Council Property, Plant & Equipment Movements 2023/24	Council Dwellings £000s	Other land and buildings £000s	Vehicles, Plant, Furniture & Equipment £000s	Infrastructure Assets £000s	Community Assets £000s	Surplus Assets £000s	Assets Under Construction £000s	Total Property, Plant and Equipment £000s	PFI Assets Included in PPE £000s
2023/24									
Gross Book Value at 1 April 2023	421,128	598,657	65,924	See note	10,522	4,382	136,777	See note	126,717
Additions	19,154	6,313	9,280	8,731	449	9	49,912	93,849	551
Revaluation increase/(decrease) to Revaluation Reserve	(15,726)	37,556	-	-	4	(987)	-	20,847	12,372
Revaluation increase/(decrease) to SDPS	(29,013)	(38,564)	-	-	-	(124)	-	(67,702)	55
Transfer to/from assets held for sale	-	(2,893)	-	-	-	(565)	-	(3,458)	-
Disposals	-	(114)	(2,172)	-	-	(350)	-	(2,636)	-
Other movements	34,718	87,025	-	15,825	13	4,173	(141,770)	(15)	-
Gross Book Value at 31 March 2024	430,261	687,981	73,032	See note	10,990	6,537	44,918	See note	139,694
Accumulated depreciation at 1 April 2023	(2,036)	(17,432)	(41,327)	See note	(1,225)	(88)	(774)	See note	-
Depreciation charge for the year	(14,413)	(27,554)	(6,114)	(4,792)	(51)	(46)	-	(52,972)	(7,673)
Revaluation written out to revaluation reserve	16,184	30,331	-	-	-	256	-	46,771	7,673
Impairment written out to SDPS	-	(3,251)	-	-	-	-	(647)	(3,897)	-
Depreciation eliminated on disposal	-	6	1,970	-	-	34	-	2,010	-
Other movements	-	200	-	-	(0)	(194)	-	6	-
Accumulated depreciation at 31 March 2024	(265)	(17,699)	(45,471)	See note	(1,276)	(38)	(1,421)	See note	-
Net Book Value at 31 March 2024	429,996	670,281	27,561	100,507	9,713	6,499	43,498	1,288,056	139,694
Net Book Value at 31 March 2023	419,093	581,225	24,597	80,743	9,297	4,294	136,002	1,255,252	126,717

Note 15 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 (PPE).

Recognition

Expenditure of over £6,000 on the acquisition, creation or enhancement of any PPE 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.

On 1 April 2024 The Council adopted IFRS 16. Operating and finance leases previously accounted for under IAS 17 are now recognised as right of use assets with a lease liability on the balance sheet. For further information on IFRS 16 treatment, please see note 19.

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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grants Income line of the Comprehensive Income and Expenditure Statement. Gains that are credited to the

Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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 and buildings (including right of use assets) – 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 (including right of use assets) – 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.

Assets included in the Balance Sheet at current value are revalued regularly, as described in the Revaluations section further below.

Where decreases in value are identified and 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. However, 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 CIES.

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 and 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. However 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 CIES.

Where an impairment loss is reversed it is credited to the relevant service line in the CIES, 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 PPE assets by systematic allocation of depreciable amount over their useful lives. Additional spend on assets is recognised at the end of the financial year and therefore there is no significant depreciation in the year for additional spend on assets. An entire year’s charge is made in the year of disposal. 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 basis:

- Council dwellings and other buildings (including right of use assets) – straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment and community assets (including right of use assets) – straight-line allocation over the life of the asset as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation.

The estimated useful lives of assets depreciating on a straight-line basis are disclosed in the Depreciation table. Where an item of PPE asset with a cost of over £5.500 million has major components and the cost of the components is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation	
Council Dwellings	22-60 years
Council Garages	9-10 years
Other Land and Buildings	0-60 years
Vehicles, Plant Furniture & Equipment	3-38 years
Infrastructure	5-51 years
Community Assets	23-38 years
Assets Under Construction are not Depreciated	

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation on assets and the depreciation based on their historical cost, being charged each year to the Revaluation Reserve.

Revaluations

The authority carries out a rolling programme that ensures that all PPE required to be measured at current value, are revalued at least every five years.

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 dates for full valuation are shown in the table.

Revaluations	Date of Last Valuation	Date of Next Valuation
Council Dwellings - Council Houses & Garages	31/03/2024	31/03/2029
Other Land & Buildings - Non Operational Industrial Lets etc.	31/03/2025	31/03/2030
Other Land & Buildings - Operational Portfolio of Schools, Community Centres etc.	31/03/2025	31/03/2030

The Council engaged with external valuers to undertake a full valuation of Operational and Non-Operational assets as at 31 March 2025.

As a full valuation was carried out in the prior year, a desktop valuation of council dwellings and garages was undertaken as at 31 March 2025 by external valuers. No material movement was identified and no change applied to the valuation of council dwellings and garages.

Capital Commitments

As at 31 March 2025 the Council entered into a number of contracts for the construction or enhancement of PPE in 2025/26 and future years budgeted to a value of £53.873 million (2023/24 £91.270 million: General Services £68,839 million, HRA £22,431 million). The gross

commitments for the Council's major projects are shown in the Capital Commitments table.

Capital Commitments	General Fund 2024/25 £000s	HRA 2024/25 £000s
Community Intervention Fund - Pump Tracks	546	
Amenties - Machinery & Equipment - replacement	75	
Vehicles - ordered awaiting delivery	1,946	
Coastal / Flood Protection schemes - Musselburgh	2,444	
Blindwells Primary - new school	4,865	
Craighall Primary - New School	5,169	
Gullane Primary - extension including Early Learning and 1140	6	
Whitecraig Primary - new school including Early Learning and 1140	11,270	
Ross High School - Extension	15	
Law Primary	181	
North Berwick High School Extension	98	
Ormiston PS - Extension	229	
Pinkie St. Peters PS - Extension	1,110	
Prestongrange museum	1,818	
Synthetic pitch replacement programme	11	
Wallyford Learning campus	80	
Accelerating Growth	7,719	
Markle Level Crossing	1,149	
Central Heating Installation Programme - HRA		2,316
Central Heating Maintenance Programme - HRA		96
Housing Management IT system		577
House Extension Framework Programme		679
Disabled Adaptations		213
UPVC Window-Door Programme - HRA		10,120
30nr Bathroomms		593
Wallyford Primary School		216
Summers Inman Surveyors Work (Adaptation Projects)		50
Alarms - Sheltered housing		71
Roofing Dunbar/Musselburgh		211
Total	38,731	15,142

Note 16 Intangible Assets

Intangible assets do not have physical substance but are controlled by the authority. Intangible assets held by the Council primarily relate to computer system software. Intangible assets are carried at amortised cost since valuation by reference to an active market is not normally possible.

Software rights can be obtained as part of wider system implementation initiatives. Software acquired during 2024/25 predominantly related to schools and corporate systems.

Note 17 Heritage Assets

The aim of the authority's museums service is to preserve and present the authority's Cultural and 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 PPE. However, some of the measurement rules are relaxed in relation to heritage assets.

Oil paintings are reported in the Balance Sheet at insurance valuation which is based on market values. Valuations were provided at 31 March 2022 by Lyon & Turnbull. Valuations are obtained every five years with the next valuation due 31 March 2027. The paintings are deemed to have indeterminate lives and a high residual value, hence the authority does not consider it appropriate to charge depreciation.

2023/24 £000s	Intangible Assets	2024/25 £000s
924	Net Carrying amount at the start of the year	716
99	Additions during the year	127
(307)	Amortisation for the year	(318)
716	Net carrying amount at the end of year	525

2023/24 £000s	Heritage Assets (Cost or Valuation)	2024/25 £000s
1,113	Net Carrying amount at the start of the year	1,113
-	Additions	-
-	Revaluation increases recognised in the Revaluation Reserve	-
-	Impairment Losses\ (Reversals) recognised in the Surplus or Deficit on the Provision of Services	-
-	Depreciation for the period	-
-	Other Movements	-
1,113	Net carrying amount at the end of year	1,113

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.

Note 18 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 CIES. 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 CIES as part of the gain or loss on disposal.

Receipts from disposals are credited to the same line in the CIES 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 either credited to the Capital Receipts Reserve or designated to the Capital Grants and Receipts Unapplied Account. They can then be used for new capital investment or to meet the cost of debt repayments.

The written off value of disposals and de-recognitions 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 MiRS.

2023/24 £000s	Assets Held for Sale	2024/25 £000s
613	Balance Outstanding at Start of Year	1,416
3,455	Assets Newly Classified as Held for Sale	1,833
(2,492)	Revaluation Losses	(35)
32	Revaluation Gains	10
(192)	Assets Sold	(844)
1,416	Balance outstanding at end of the year	2,380

Note 19 Leases

Council as Lessee

IFRS 16

The Council has adopted IFRS 16 from 1 April 2024, to recognise all right of use assets in the accounts. Where the Council acts as lessee, a right-of-use asset and a lease liability must be recognised for all leases identified as being within the scope of IFRS 16. As this is the first year of application, the Council has elected to apply a cumulative catch up method, meaning there is no retrospective application of IFRS 16 in the accounts.

Under IAS 17, the Council has previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under IFRS 16, the Council recognises right-of-use assets and lease liabilities for any contract that falls under definition of a lease unless they are considered exempt. For leases that were classified as finance leases under IAS 17, the carrying amount of the right of use asset and the lease liability at 1 April 2024 have been used on transition to IFRS 16.

The Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less, or for leases of low value assets. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

To calculate the right-of-use asset and corresponding liability, the appropriate incremental borrowing rate has been applied to lease liabilities as at 1 April 2024. The weighted average incremental borrowing rate is 5.47%. PPE recognised as a right of use asset 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 (where ownership of the asset does not transfer to the Council at the end of the lease period).

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 MiRS for the difference between the two.

The table below shows the change in the value of right of use assets held under leases by the authority:

Right of Use Assets	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Assets Under Construction	Total
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2024	-	-	-	-	-
Recognition of Right of Use Assets (Additions) ¹	6,160	1,221	-	-	7,381
Transfers to Right of Use Assets from Other Asset Categories ²	30,720	1,506	31	13	32,270
Adjusted Balance at 1 April 2024	36,880	2,727	31	13	39,651
Additions	197				
Depreciation	(13,705)	(1,915)	(8)	-	(15,627)
Revaluation written out to SDPS	(517)	-	-	-	(517)
Balance at 31 March 2025	22,855	812	24	13	23,704

¹Relates to right of use assets previously held under operating leases.

²Relates to right of use assets previously held under finance leases.

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 2024	Lease Liabilities (NPV of Minimum Lease Payments)	31 March 2025
£000s		£000s
(69)	Current	(1,952)
(570)	Non-Current	(4,046)
(4,181)	Finance Costs Payable in Future Years	(4,550)
(4,820)	Minimum Lease Payments	(10,548)

The minimum lease payments are payable as follows:

Minimum Lease Payments 31 March 2024 £000s	Lease Liabilities Repayments 31 March 2024 £000s	Future Minimum Lease Payments	Minimum Lease Payments 31 March 2025 £000s	Lease Liabilities Repayments 31 March 2025 £000s
287	69	Not Later Than One Year	2,459	1,952
1,028	207	Later Than One Year and Not Later Than Five Years	4,755	3,676
3,505	363	Later Than Five Years	3,334	370
4,820	639	Total	10,548	5,998

The total interest charge for finance leases in 2024/25 was £0.603m (2023/24: £0.220m)

Operating Leases

Properties and other vehicles, plant and equipment that fall under the scope of IFRS16 have now been reclassified as right of use assets on the balance sheet. The operating lease disclosures shown relate to low value assets (below £6,000) and leases that have less than 12 months to run. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

Rentals paid under operating leases are charged to CIES 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 amount paid under these arrangements in 2024/25 was £0.248 million (2023/24: £0.554 million).

The future minimum lease payments due under non-cancellable leases in future years are shown in the Operating Leases table.

Minimum Lease Payments 2023/24 £000s	Operating Leases	Minimum Lease Payments 2024/25 £000s
336	Not Later Than One Year	207
539	Later Than One Year and Not Later Than Five Years	257
1,054	Later Than Five Years	28
1,929	Total	492

Council as Lessor

Operating Leases

Under IFRS 16, lessor the accounting treatment is effectively unchanged with leases classified as either operating or finance. Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is recognised in the CIES 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). The amount received under this arrangement in 2024/25 was £2.769m (2023/24: £2.637m)

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 shown in the Council as Lessor table:

Future Minimum Lease Payments Receivable 31 March 2024 £000s	Council as Lessor	Future Minimum Lease Payments Receivable 31 March 2025 £000s
(1,219)	Not Later Than One Year	(1,427)
(3,279)	Later Than One Year and Not Later Than Five Years	(3,541)
(31,738)	Later Than Five Years	(33,611)
(36,236)	Total	(38,579)

Note 20 Private Finance Initiatives and Similar Contracts

Private Finance Initiative (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 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. . Following the implementation of IFRS 16 in financial year 2024/25, the lease liability outstanding at 31 March 2024 was remeasured based on the future contractual payments. In line with IFRS 16 requirements the lease liability was also remeasured at 31 March 2025. The lease will continue to be remeasured at 31 March annually. The remeasurements increased the outstanding lease amount due to cashflows being higher for future years than at original recognition, once prior year inflation is recognised. The remeasurement amounts are included in the table in the outstanding liability to the contractor section of this note.

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 CIES.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES.
- 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.

During 2002/03 the Council entered into a 32 year partnership with Innovate East Lothian Ltd for the provision and facility management of

schools and other facilities. No further rectification of structural issues (RAAC) was required during 2024/25 for PFI assets.

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 PPE balance in Note 14.

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 PFI 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 transfer back to the Council. Under the terms of the contract, all facilities will 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.

Change to the Accounting Basis for Service Concession Arrangements

Following the issue of local government Finance Circular 10/2022 on 6 September 2022, the temporary flexibility permitted for service concessions was considered and approved by East Lothian Council on 28 February 2023, with an effective application date of 1 April 2023.

The temporary flexibility permits a change in the statutory charges against the General Fund for service concession arrangements entered in to prior to 1 April 2022 and changes the profile of PPP statutory debt repayment charges to the asset life rather than the contract life. All of East Lothian Council's service concessions were entered into prior to 1 April 2022 and the permitted retrospective application has been used in

recalculating the statutory debt repayment profile for the six secondary schools, a swimming pool and a community centre that form the assets that are part of service concession arrangements.

Flow of Benefits from the Assets

The debt repayment on the annuity basis has been applied as it is considered to best represent the consumption of the assets over their useful lives and is consistent with our approach to calculating loans fund charges.

Accounting Treatment – Financial Year 2024/25 Onwards

Local government finance circular 7/2023 issued on 15 December 2023 outlines the accounting treatment for service concessions from 1 April 2024. This guidance will apply to any future service concession arrangements that East Lothian Council enters into.

The temporary flexibility noted above continues to apply in all subsequent financial years, where this has been applied to arrangements in place prior to 1 April 2022.

Payments remaining to be made under the PFI contract at 31 March 2025 are as follows:

Private Finance Initiatives and Similar Contracts as at 31 March 2025	Payment for Services £000s	Principal Repayments £000s	Interest £000s	Total £000s
Payable in 2025/26	7,680	2,020	2,091	11,791
Payable Within 2-5 Years	29,884	9,315	7,015	46,214
Payable Within 6-10 Years	30,220	20,378	4,114	54,712
Payable Within 11-15 Years	-	-	-	-
Payable Within 16-20 Years	-	-	-	-
Total	67,784	31,713	13,220	112,717

Outstanding Liability to the Contractor

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 2024 £000s	Outstanding Liability to the Contractor	31 March 2025 £000s
(31,507)	Balance at Start of Year	(30,047)
-	- IFRS16 Lease Remeasurement at 1/4/24	(2,389)
-	- IFRS16 Lease Remeasurement at 31/3/25	(876)
1,460	Payments	1,599
(30,047)	Balance Outstanding at Year End	(31,713)

Note 21 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the Capital Expenditure and Capital Financing table, 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 at the time assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Council that is financed by borrowing and consequently has not yet been charged against the Council's usable reserves.

31 March 2024 £000s	Capital Expenditure and Capital Financing	31 March 2025 £000s
567,654	Opening Capital Financing Requirement	625,043
	Capital Investment	
93,849	Property, Plant and Equipment	128,417
-	Right of Use Assets	7,578
99	Intangible Assets	127
	Sources of finance	
(2,364)	Capital receipts	(9,133)
(275)	Loan Repayment Received (ELHA)	(285)
(27,290)	Government grants	(42,694)
(8,673)	Other Contributions	(8,879)
(1,957)	Direct Revenue Contributions	(2,211)
409	Direct Revenue Contributions PPP Adjust	439
(10,602)	Statutory Repayment of Debt	(15,540)
14,193	PPP - Flexibility	-
625,043	Closing Capital Financing Requirement	682,861

Note 22 Impairment and Revaluation Losses Charged to SDPS

An impairment loss is a reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

Net revaluation losses charged to SDPS, as stated in Note 14, were £6.750 million in 2024/25 (2023/24: £67.702 million).

During 2024/25, specific impairment losses of £84,093 (2023/24: £3.897 million), as stated in Note 14, were recognised in the Surplus or Deficit on the Provision of Services (SDPS). This related to a number of properties impaired due to damage or shortened asset lives.

Note 23 Long Term Investments

The following long-term investments are held as designated through Other Comprehensive Income and Expenditure, which the Council considers to equal the net assets of the related companies.

31 March 2024 £000s	Long Term Investments	31 March 2025 £000s	Details
4,812	Lothian Buses plc	4,505	East Lothian Council holds 200,000 ordinary shares representing 3.1% of the share capital.
211	East Lothian Investments Limited	250	The Council's interest, estimated as 40% was inherited from the former Lothian Investments Board. No dividends are received.
638	East Lothian Land	611	Set up in 2000 for the purpose of managing land to support economic development. The Council is the sole shareholder. No dividends are received.
-	Racecourse Media Group (RMG)	-	Membership arises as part of the management of media rights in relation to Musselburgh racecourse. If the media management arrangements cease the Council has to surrender the shareholding. Consequently no market value is anticipated for the holding.
5,661	Total	5,366	

In the Council’s group accounts East Lothian Land is treated as a subsidiary and East Lothian Investments is treated as an associate. They are carried at fair value reflecting the potential for adverse changes which would affect the historic cost of the initial investments. Other group entities have insignificant historic cost investment values and are treated as carried at historic cost, since no significant impairment of

the historic cost of the impairment is possible. The Council’s share of the net assets of joint ventures and associates is presented in the group accounts. Lothian Buses is not part of the Council’s group and is therefore carried at fair value to fully reflect the Council’s interest in the organisation at the balance sheet date.

Note 24 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 one year, which is summarised below:

31 March 2024 £000s	Long Term Debtors	31 March 2025 £000s	Purpose
399	Private property owners - Common Repairs	374	Repairs to private property funded by secured ELC loans
1	Employees - Car/Other Loans	1	Loans to employees repaid over 3-5 years
7,629	East Lothian Housing Association	7,333	Loans secured on land and houses
(55)	Expected Credit Loss ELHA	(31)	Lifetime expected credit loss on East Lothian Housing Association loan above
33	Long Term VAT Debtor	19	VAT not immediately reclaimable
9	Other	9	Loans secured on houses
8,016	Total	7,705	

Note 25 Inventories

Inventories include materials or supplies held which will be used in the provision of services, as well as assets in the process of production for sale or distribution. Inventories are measured at the lower of cost and net realisable value.

31 March 2024 £000s	Inventories	31 March 2025 £000s
906	Stocks to be consumed in service provision	853
906	Total	853

Note 26 Short Term Debtors

A debtor is an 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 the accounting period. The amount owed to the Council as at 31 March 2025 is presented in the table. Based on past experience and our assessment of collection risks, we have made provision against non-payment of these debts, which reduces the reported value of the debtors.

31 March 2024 £000s	Short Term Debtors	31 March 2025 £000s
8,436	Central Government bodies	11,134
1,090	Other local authorities	533
2,395	NHS bodies	843
7,806	Trade and other receivables	19,554
2,548	HRA rents	2,331
14,877	Taxpayers - Council Tax	17,900
1,682	Prepayments	1,666
38,834	Total	53,961

31 March 2024 £000s	Short Term Debtors Provision Against Non-Payment	31 March 2025 £000s
(3,524)	Other Receivables	(3,157)
(1,693)	Tenants - Council House Rents	(1,676)
(11,968)	Taxpayers - Council Tax	(12,963)
(17,185)	Total	(17,796)
21,649	Short Term Debtors Total	36,165

Note 27 Financial Instruments

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

31 March 2024						Financial Instruments								31 March 2025					
£000s		£000s	£000s	£000s	£000s	£000s				£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
Cash & Cash Equivalents	Investments	Debtors	Investments	Debtors	Total	Financial Assets and Other Debtors	Cash & Cash Equivalents	Investments	Debtors	Investments	Debtors	Total							
Short Term			Long Term			Short Term			Long Term										
13,201	-	17,015	-	7,982	38,198	Held at Amortised Cost	20,600	-	22,922	-	7,686	51,208							
-	-		5,661	-	5,661	Designated Equity Instruments held at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	-	5,366	-	5,366							
-		4,634	-	32	4,666	Other Debtors (Not Financial Assets)	-		8,506	-	19	8,525							
13,201	-	21,649	5,661	8,014	48,525	Total Financial Assets and Other Debtors	20,600	-	31,428	5,366	7,705	65,099							

Borrowings	Creditors	Borrowings	Creditors	Total	Financial Liabilities	Borrowings	Creditors	Borrowings	Creditors	Total
Short Term		Long Term				Short Term		Long Term		
(15,491)	(29,585)	(482,113)	(24,754)	(551,943)	Held at Amortised Cost	(18,152)	(31,504)	(545,419)	(29,780)	(624,855)
-	(31,543)	-	(42,164)	(73,707)	Non-Financial Instruments	-	(31,081)	-	(45,049)	(76,130)
(15,491)	(61,128)	(482,113)	(66,918)	(625,650)	Total Financial Liabilities	(18,152)	(62,585)	(545,419)	(74,829)	(700,985)

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 CIES 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 CIES 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 CIES. 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 derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income (FVOCI)

With the introduction of IFRS 9, an equity instrument can be elected into a 'Fair Value Through Other Comprehensive Income' treatment rather than 'fair value through profit or loss', if it is not held for trading. The impact of an election in relation to an equity instrument to post gains/losses to other comprehensive income, is that movements in fair value will not be debited/credited to the Surplus or Deficit on the Provision of Services as they arise. Instead, movements will be accumulated in the Financial Instruments Revaluation Reserve until the

asset is derecognised, at which point the net gain or loss would be transferred to the General Fund Balance, and the gain/loss is recognised in the 'Surplus or Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income'.

The Council has designated some of its Long Term Investments (see Note 23) as Fair Value through Other Comprehensive Income, as they are not held for trading or income generation, rather, longer term policy initiatives. The Council has no current intention to dispose of these shareholdings.

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 measurement techniques are categorised in accordance with the fair value hierarchy detailed in Note 40.

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

Financial Instruments Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

2023/24			2024/25		
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Financial Instruments Income, Expenses, Gains & Losses	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	
£000s	£000s		£000s	£000s	
		<i>Net Gains/Losses on:</i>			
-	(789)	Investments in Equity Instruments designated at FVOCI	-	295	
505	-	Financial Assets carried at Amortised Cost: Impairment Allowance	79	-	
505	(789)	Total Net Gains/Losses	79	295	
		<i>Interest Revenue:</i>			
(1,534)	-	Financial Assets measured at Amortised Cost	(1,614)	-	
-	(100)	Other Financial Assets measured at FVOCI	-	-	
(1,534)	(100)	Total Interest Revenue	(1,614)	-	
18,959	-	Interest Expense	21,506	-	
26	-	Fee Expense	28	-	

Financial Liabilities and Financial Assets – Fair Value

As at 31 March 2025, the Council held £56.574 million (2023/24: £43.859 million) financial assets and £657.139 million (2023/24: £582.63million) 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 Link 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 are shown in the Financial Liabilities and Financial Asset tables.

31 March 2024			31 March 2025		
Carrying Amount	Fair Value	Financial Liabilities	Carrying Amount	Fair Value at Level 2	
£000s	£000s		£000s	£000s	
(467,247)	(400,594)	PWLB Debt	(533,235)	(403,483)	
(30,357)	(24,582)	Non-PWLB Debt	(30,335)	(21,503)	
(29,584)	(29,584)	Short Term Creditors	(31,504)	(31,504)	
(1,583)	(1,583)	Short Term Finance Lease Liability	(2,091)	(2,091)	
(24,754)	(24,754)	Long Term Creditors	(29,781)	(29,781)	
(29,105)	(29,105)	Long Term Finance Lease Liability	(30,193)	(30,193)	
(582,630)	(510,202)	Total Liabilities	(657,139)	(518,555)	

31 March 2024			31 March 2025		
Carrying Amount	Fair Value	Financial Assets	Carrying Amount	Fair Value at Level 2	
£000s	£000s		£000s	£000s	
13,201	13,201	Cash & Cash Equivalents (Short term Investments)	20,600	20,600	
5,661	5,661	Long Term Investments	5,366	5,366	
17,015	17,015	Short Term Debtors	22,922	22,922	
7,982	7,982	Long Term Debtors	7,686	7,686	
43,859	43,859	Total Assets	56,574	56,574	

The fair value of the liabilities is less than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans, where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2025) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £403.483 million 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 lower value of 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,
- 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,
- 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 required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

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).

Expected Credit Losses / Credit Risk

The changes in the loss allowance for investments and trade receivables during the year are shown in the Expected Credit Loss table.

31 March 2024				31 March 2025		
12 Month	Lifetime	Lifetime	Expected Credit Loss (ECL)	12 Month	Lifetime	Lifetime
ELHA	ELHA	Sundry Accounts		ELHA	ELHA	Sundry Accounts
£000s	£000s	£000s		£000s	£000s	£000s
-	66	2,235		Opening Balance	-	56
-	(10)	(116)	Changes in Models/Risk Parameters	-	(25)	(268)
-	56	2,119	Closing Balance	-	31	1,851

During the year the authority wrote off financial assets with a contractual amount outstanding of £0.372 million (£0.129 million in 2023/24).

The Expected Credit Loss (ECL) required under IFRS 9 was calculated for East Lothian Housing Association (ELHA) on a lifetime expected credit loss basis. This was based for ELHA on an 85% expectation of full collection, an 11% expectation of 99.98% collection (this rate was provided by a professional rating agency) and a 4% expectation of a

90% collection due to current economic conditions of the carrying amount of £7.629 million.

Also to comply with IFRS 9, the ECL calculation of the Sundry Accounts provides for lifetime expected losses. This is calculated using a simplified approach methodology based on the type and age of the debt. The age of the debt is shown in the Credit Risk table.

31 March 2024	Credit Risk	31 March 2025
£000s		£000s
2,158	Less than one month (not past due date)	5,134
653	Between 1 and 3 months	567
557	Between 3 and 12 months	668
457	Between 1 and 2 years	510
782	Between 2 and 5 years	640
1,007	More than 5 years	1,074
5,614	Total	8,593

Market Risks

Price Risk

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

However, it does have interests with a carrying value of £5.366 million (2023/24: £5.661million) in a number of bodies. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in their carrying value. Where the historic cost of the interest could result in a substantive impairment loss to the Council, or where the entity is not part of the Council's group, the interests are classified as Equity Instruments Designated as Fair Value through Other

Comprehensive Income. Consequently movements in the carrying values will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

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

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

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 CIES 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 CIES 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 CIES.

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 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 rate borrowing would be postponed.

According to this assessment strategy, at 31 March 2025, if all interest rates had been 1% higher (with all other variables held constant) the financial effect is shown in the Interest Rate Risk table.

31 March 2024 £000s	Interest Rate Risk	31 March 2025 £000s
359	Increase in Interest Payable on Variable Rate Borrowings	341
(99)	Increase in Interest Receivable on Variable Rate Borrowings	(343)
260	Impact on Surplus or Deficit on the Provision of Services	(2)
116	Share of overall impact debited to the HRA	(1)
79,069	*Decrease in Fair Value of Fixed Rate Borrowings Liabilities	34,061

**No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure*

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.

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. Therefore, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All short term debtors are due to be paid to the Council 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.

Actual 31 March 2024 £000s	Refinancing and Maturity Risk	Approved Minimum Limits	Approved Maximum Limits	Approved Maximum Limits 2024/25 £000s	Actual 31 March 2025 £000s
22,828	Less than 1 year	0%	20%	113,923	25,329
5,723	Between 1 and 2 years	0%	30%	170,885	39,623
55,697	Between 2 and 5 years	0%	40%	227,847	105,898
100,755	Between 5 and 10 years	0%	40%	227,847	89,963
39,501	Between 10 and 20 years	0%	75%	427,213	29,506
37,902	Between 20 and 30 years	0%	75%	427,213	54,902
93,396	Between 30 and 40 years	0%	75%	427,213	81,396
148,000	Over 40 years	0%	75%	427,213	143,000
503,802	Total				569,617

Note 28 Short Term Creditors

A creditor is an amount 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. The amounts owed by the Council as at 31 March 2025 were:

31 March 2024 £000s	Short Term Creditors	31 March 2025 £000s
(11,426)	Central government bodies	(9,149)
(3,106)	Other local authorities	(2,835)
(516)	NHS bodies	(257)
(1)	Public corporations	-
(20,277)	Trade and Other Payables	(24,306)
(2,452)	Income in Advance	(2,707)
(7,080)	Other Employee Costs	(7,125)
(10,152)	Other Related Parties	(10,334)
(1,583)	PPP & Finance Leases	(3,972)
(56,593)	Total	(60,685)

Note 29 Provisions, Contingent Liabilities and Contingent Assets

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.

Opening Balance at 1 April 2023 £000s	Provisions Made in 2023/24 £000s	Provisions Reversed in 2023/24 £000s	Provisions Used in 2023/24 £000s	Provisions Transfers between short & long term in 2023/24 £000s	Closing Balance at 31 March 2024 £000s	Provision	Opening Balance at 1 April 2024 £000s	Provisions Made in 2024/25 £000s	Provisions Reversed in 2024/25 £000s	Provisions Used in 2024/25 £000s	Provisions Transfers between short & long term in 2024/25 £000s	Closing Balance at 31 March 2025 £000s
-	-	-	-	-	-	Municipal Mutual	-	-	-	-	-	-
(993)	(242)	-	-	-	(1,235)	Other	(1,235)	(110)	967	-	-	(378)
(993)	(242)	-	-	-	(1,235)	Current Provisions	(1,235)	(110)	967	-	-	(378)
(168)	(50)	-	-	-	(218)	Municipal Mutual	(218)	-	50	-	-	(168)
-	-	-	-	-	-	Other	-	-	-	-	-	-
(168)	(50)	-	-	-	(218)	Non-Current Provisions	(218)	-	50	-	-	(168)
(1,161)	(292)	-	-	-	(1,453)	Total Provisions	(1,453)	(110)	1,017	-	-	(546)

Provisions are not recognised for individual, non-aggregating, amounts of less than £30,000. The Council maintains an Insurance Fund reserve (see Note 32) with balances to support future settlements arising from both known and unknown liabilities which are not regarded as meeting the criteria for creation of a provision.

Provisions are charged to the appropriate service revenue account in the CIES 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 recognised as income in the relevant service revenue account only if it is virtually certain that reimbursement will be received.

Municipal Mutual

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. Previously, 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 pre-arranged Scheme of Arrangement would be triggered. Under the scheme, the creditors are required to pay a levy designed to meet the deficit between assets and liabilities. The determination of any settlement amount is dependent on finalisation of the claims being settled.

Other Provisions

At 31 March 2025 'other provisions' includes estimated allowances for:

- An estimated obligation relating to lease dilapidation commitments arising from the cessation of the lease and

occupation of 1-16 Old Course Gate in March 2025. The final value of these costs is still to be determined.

- Potential settlements, in excess of any insurance cover, related to two historic child abuse claims. Other claims are treated as a contingent liability (see below).
- An estimated settlement relating to employment tribunal cases lodged by the GMB union relating to 10 claimants. This excludes further potential settlements which may be required relating to the Harpur versus Brazel determination on holiday pay, which is treated as a contingent liability (see below).

Due to the ongoing nature of the issues above it is not appropriate to include further details on these matters. The determination of any settlement amounts is anticipated to occur during 2024/25.

Contingent Liability -Historic Child Abuse Claims

A change in legislation has removed a time-limit for compensation claims related to child abuse cases. The Council recognises that this could result in a potential liability to the authority, however the likelihood of such a liability which might arise from historic or current cases cannot be quantified, nor can the extent to which insurance policy cover may reimburse the Council for such claims. Consequently the Council has only recognised a provision for two settlements, but considers other claims, or potential claims, to be a contingent liability.

Contingent Liability - Common Good Assets Judicial Review

Following a judicial review decision, and the issue by East Lothian Council of a public consultation on the identification of Common Good assets, a number of assets were transferred from East Lothian Council's balance sheet to the Common Good Funds in the 2020/21 annual accounts. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and

remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. Consequently the Council considers any potential remaining transfers to be a contingent liability.

Contingent Liability - Reinforced Autoclaved Aerated Concrete (RAAC)

Survey works confirmed the presence of RAAC in Brunton Hall, which is leased from the Musselburgh Common Good fund, with substantial areas of the building's roof being affected. An impairment charge reflecting the loss of space capacity was made in 2022/23 as well as recognition of a contingent liability for rectification work. On 29 October 2024 the Council considered a report which recommended decommissioning of the building, after relocating the services still using the facility, and a public consultation on potential demolition. To reflect the expected reduction in the future use of the building a further impairment charge was made in 2023/24. Consequently the Council has not recognised a provision for rectification work.

Contingent Liability – Historic Holiday Pay Claims (Harpur Trust vs Brazel Judgement)

A final appeal judgement has been delivered in the Harpur Trust vs Brazel case. The case referred to the correct calculation of holiday pay entitlement which is based on normal weekly pay including additional elements such as overtime and shift allowances. The ruling concluded that the calculation for part-year workers, for example those working only during school terms, should not be pro-rata to a full time equivalent but requires that the minimum 5.6 weeks entitlement should be based on full working weeks. Consequently the Council now anticipates that some historic employment tribunal cases relating to holiday pay may now require a final settlement, and some further claims may be lodged within the required time limit. A quantification of the potential liability is not currently available and the Council is actively assessing the potential financial impact.

Note 30 Long Term Liabilities

Long term liabilities are creditors whom the Council is not due to pay within the next 12 months.

31 March 2024 £000s	Other Long Term Liabilities	31 March 2025 £000s	Description of Liability
(24,754)	Deferred Liabilities - Developers Contributions	(29,781)	These amounts represent the payments received from developers and are linked to future capital spending. Funding is retained until project is completed.
(339)	Deferred Liabilities - Rental Income in Advance	(335)	Income to be released over the lease period.
(699)	Other	(309)	Other long term commitments including lifetime replacement of 3G pitches and tennis courts, and reimbursement of coastal protection works undertaken by a third party.
(29,103)	PPP and Finance Lease Liabilities	(34,152)	This amount represents the outstanding obligations that the council has in relation to finance and PFI leases. More details are provided in Notes 16 and 17.
(54,895)	Total Long Term Liabilities	(64,577)	

Note 31 Defined Benefit Pension Schemes

Participation in Pension 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 two post-employment schemes:

- The Local Government Pension Scheme, administered by the Lothian Pension Fund operated by the City of Edinburgh Council – this is a funded defined benefit career average revalued earning (CARE) 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 – this is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, 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 (LGPS) 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 later in this 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

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 CIES 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 CIES as part of Corporate and Central Services.
 - Net Interest on the net defined benefit liability i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the CIES – 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 at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Re-measurements comprising:
 - The return on plan assets – excluding amounts included in the net interest on the net defined liability; 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.

Effects of Recent Court Cases

- Goodwin - An employment tribunal case (Goodwin v Department for Education) has also established a requirement that UK LGPS funds should pay equal survivor benefits between same and opposite sex widowers. The remedy is still uncertain however actuarial advice is that the impact may be to increase pension liabilities by approximately 0.1% to 0.2%. On this basis actuarial advice is that a specific adjustment is neither necessary or appropriate due to the low impact they perceive this would have.
- Other Court Cases – other court cases that may impact future LGPS benefits are Walker and O'Brien. The actuarial assessment is that these are unlikely to be significant judgements. No allowance has been made until further information is available.

31 March 2024 £000s	Defined Benefit Pension Schemes	31 March 2025 £000s
Comprehensive Income and Expenditure Statement		
Cost of Service Comprising:		
21,524	Current Service Cost	22,544
142	Past Service Costs (Including Curtailments)	171
Financing and Investment Income and Expenditure		
968	Net Interest Expense	648
22,634	Total Post Employment Benefit Charged to the Surplus or Deficit	23,363
Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the Net Defined Benefit Liability Comprising:		
(10,737)	Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	16,686
(22,777)	Actuarial Gains and Losses Arising on Changes in Financial Assumptions	(104,591)
(11,110)	Actuarial Gains and Losses Arising on Changes in Demographic Assumptions	(1,113)
(204,537)	Elimination of Prior Year Asset Ceiling and Interest Effect	(180,687)
172,411	Application of Asset Ceiling in Current Year	270,984
67,930	Other Remeasurement Experiences	(6,830)
(8,820)	Post-Employment Benefits Charged (Credited) to Other Comprehensive Income and Expenditure	(5,551)
13,814	Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	17,812
Movement in Reserves Statement (Revised Presentation)		
(22,634)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code.	(23,363)
23,832	Actual Amount Charged Against the General Fund Balance for Pensions in the Year (Total Employer Contributions)	19,532
1,198	Net Statutory Adjustment in the Movement in Reserves Statement	(3,831)

Statutory Charge to the General Fund/HRA

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 MiRS, 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 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.

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 MiRS. The Defined Benefit Pension Schemes table shows transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

Lothian Pension Fund –Asset Ceiling

The Council's actuarial advisers have estimated that the Council's attributable share of the Lothian Pension Fund (Local Government Pension Scheme) assets exceed the Council's estimated pension funded liabilities. The Council has assessed that, given the legislative obligations and framework for the Council's ongoing participation in the LGPS, the Council has no unconditional right to a refund of the surplus assets of the scheme. Therefore an 'asset ceiling' has been applied and reflected in Other Comprehensive Income and Expenditure. Consequently, only the unfunded pension liability is recognised on the balance sheet.

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

31 March 2024 £000s	Pension Assets and Liabilities Recognised in the Balance Sheet	31 March 2025 £000s
	Local Government Pension Scheme Net Estimated Liability	
(647,900)	Present Value of the Defined Benefit Obligation	(573,706)
820,311	Fair Value of Plan Assets	844,690
(172,411)	Asset Ceiling Cap	(270,984)
-	Local Government Pension Scheme Net Estimated Liability	-
	Additional Estimated Obligations for Post-Retirement Benefits ('Unfunded Benefits')	
(7,336)	Additional funding commitments for LGPS Benefits	(6,236)
(4,469)	Additional funding commitments for Teachers' Pensions	(3,849)
(11,805)	Unfunded Benefits-Estimated Funding Commitments	(10,085)
(11,805)	Net (Liability) Asset Arising from Pension Obligations	(10,085)

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

The opening balance, as at 1 April 2023, for the prior year column has been restated. This is due to an error in the presentation of the impact of employer secondary contribution rate adjustments in the prior year.

31 March 2024 Restated £000s	Reconciliation of the Movements in the Fair Value of the Scheme Assets	31 March 2025 £000s
586,140	Opening Fair Value of Scheme Assets	647,900
37,286	Interest Income	39,387
-	Remeasurement Gain/(Loss):	-
10,737	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(16,686)
(9,275)	Interest on the effect of the prior year asset ceiling	(8,276)
23,832	Contributions from Employer	19,532
5,936	Contributions from Employees into the Scheme	6,145
(25,902)	Benefits Paid	(23,999)
(12,980)	Other Experience	-
204,537	Elimination of Prior Year Asset Ceiling Cap	180,687
(172,411)	Asset Ceiling Cap Applied at 31 March	(270,984)
647,900	Closing Fair Value of Scheme Assets	573,706

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

2023/24 £000s	Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2024/25 £000s
(595,769)	Opening Balance at 1 April (LGPS)	(647,900)
(12,194)	Opening Balance at 1 April (Unfunded Benefits)	(11,805)
(607,963)	Total Opening Benefit Obligations	(659,705)
(21,524)	Current Service Cost	(22,544)
(28,979)	Interest Cost	(31,759)
(5,936)	Contributions from Scheme participants	(6,145)
	Remeasurement (Gains) and Losses:	
22,777	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	104,591
11,110	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	1,113
(54,950)	Other	6,830
(142)	Past Service Cost	(171)
25,902	Benefits Paid	23,999
(659,705)	Closing Balance at 31 March	(583,791)
	Constituting	
(647,900)	Local Government Pension Scheme Benefit Obligations	(573,706)
(11,805)	Unfunded Benefits-Estimated Funding Commitments	(10,085)
(659,705)	Closing Balance at 31 March	(583,791)

The maturity profile of the scheme liabilities is as follows:

Maturity Profile of Defined Benefit Obligation	Liability Split £000s	Liability Split %
Active Members	278,155	48.5%
Deferred Members	56,953	9.9%
Pensioner Members	238,598	41.6%
Total for Funded Obligations	573,706	100.0%
Unfunded Pensioner Liabilities	10,085	
Total Pension Liability	583,791	

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 31 March 2025 have been assessed by rolling forward the value of the liability calculated at the latest formal valuation date (31 March 2023), allowing for the different financial assumptions required under the Accounting Standard at the reporting date.

The liability includes an approximate allowance for the McCloud judgement and Guaranteed Minimum Pension (GMP) indexation.

The main financial assumptions in the actuaries' calculations are shown in the tables.

Male 2023/24	Female 2023/24	Mortality Assumptions Longevity at Age 65	Male 2024/25	Female 2024/25
20.3	23.2	Current Pensioners	20.2	23.1
21.2	24.9	Future Pensioners	21.1	24.9

2023/24	Rate of Inflation	2024/25
3.5%	Rate of Increase in Salaries	3.5%
2.8%	Rate of Increase in Pensions	2.8%
4.8%	Rate for Discounting Scheme Liabilities	5.8%

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	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount
Actuarial Assumptions Sensitivity Analysis	%	£000s
0.1% decrease in Real Discount Rate	2%	10,011
1 year increase in member life expectancy	4%	23,352
0.1% increase in the Salary Increase Rate	0%	665
0.1% increase in the Pension Increase Rate	2%	9,614

The fair value of the Lothian Local Government Pension Scheme Assets was determined as indicated in the table. An analysis of the Lothian LGPS scheme assets is available in the most recent [Lothian Pension Fund annual report and accounts](#).

31 March 2024 £000s	Scheme Assets Fair Value	31 March 2025 £000s
623,278	Quoted Prices in Active Markets	651,946
197,033	Quoted Prices not in Active Markets	192,744
820,311	Total	844,690

Impact on Council's Cash Flows

Due to the external financial environment, there has been a significant movement in the valuation of the pension balance. As at 31 March 2025 the actuarial assessment is that the Council's pension assets exceed the estimated funded pension liabilities. As noted above the Council has applied an 'asset ceiling' accounting treatment and therefore an unfunded pension liability is recognised. Statutory arrangements for funding the Lothian Pension Fund LGPS however mean that the Council expects to continue to make employer 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 2026 is £18.201 million.

Pension schemes accounted for as defined contribution schemes

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

The scheme is a defined benefit scheme. Although the scheme is unfunded, the STPS uses 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.

In 2024/25, the Council paid £14.479 million (2023/24: £12.442 million) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 26% of pensionable pay (2023/24: 23%). The estimated contribution for 2025/26 is £14.913 million based on estimated pay increases and an employer's contribution rate of 26%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement, outside of the terms of the STPS. In 2024/25, the Council paid £0.485 million (2023/24: £0.470 million) 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 2024/25, the Council paid £0.053 million (2023/24: £0.051 million) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.199 million.

Note 32 Usable Reserves

Usable Reserve	General Fund £000s	Capital Grants Unapplied £000s	Capital Fund £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total £000s
Balance at 31 March 2024	(34,169)	(3,106)	(14,013)	(2,684)	(1,535)	(55,507)
(Surplus) / Deficit on Provision of Service	(1,880)	-	-	-	3,899	2,019
Depreciation charged to Revaluation Reserve	(24,324)	-	-	-	(4,263)	(28,587)
Adjustments Between Accounting and Funding Basis	24,244	(2,792)	2,675	-	(118)	24,009
Transfers Between Reserves	-	-	-	-	-	-
Balance at 31 March 2025	(36,129)	(5,898)	(11,338)	(2,684)	(2,017)	(58,066)

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.

Capital Grants Unapplied Account

Capital contributions, where the Council has met the conditions of the contribution but has not yet applied the funding, were recognised in the year. The contributions of £2.792 million (2023/24: £3.106 million) predominantly relate to contributions for work on the A1 Junction.

Capital Fund

The Council has statutory powers to hold a Capital Fund to meet future capital investment costs, either reducing loans fund advances or to

fund the principal repayments of the loans fund. Some £1.874 million of the balance at 31 March 2025 (31 March 2024: £1.869 million) relates to the Housing Revenue Account (HRA) to be used for the benefit of HRA tenants.

Insurance Fund

The Insurance Fund is used where the authority could insure against a risk but has chosen not to do so, defraying any loss or damage suffered or expenses incurred by the authority as a consequence of that risk. It can also be used to pay premiums on a policy to insure against a risk. The Council determined that no transfers to or from the Insurance Fund were required in 2024/25 (2023/24: Nil).

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. 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 33 Earmarked Elements of the General Fund

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 2024/25 are:

Balance at 1 April 2023	Transfers Out	Transfers In	Balance at 31 March 2024	Council Earmarked Balance	Balance at 1 April 2024	Transfers Out	Transfers In	Balance at 31 March 2025
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
(5,826)	1,042	(13,741)	(18,525)	Transformation Fund	(18,525)	1,486		(17,039)
(2,253)	428		(1,825)	Other Ring-fenced Funds	(1,825)		(101)	(1,926)
(1,463)		(161)	(1,624)	Statutory Earmarking of Council Tax Income for Affordable Housing	(1,624)		(756)	(2,380)
-		(1,292)	(1,292)	SFT Earmarked Reserve (Rosehill Campus, Wallyford)	(1,292)		(1,722)	(3,014)
(1,148)			(1,148)	Devolved School Management Balances	(1,148)		-	(1,148)
(8,524)	9,727	(2,315)	(1,112)	Committed for Future Budgets	(1,112)	1,112		-
-		(1,043)	(1,043)	Service Concession (PPP) Reserve (support for deferred charge)	(1,043)		(1,073)	(2,116)
-			-	COVID-19 Funding	-			-
-			-	Cost Reduction Fund	-			-
-			-	General Services Capital	-			-
-			-	Civil Emergency Fund	-			-
-			-	Other Balances	-			-
-			-	Mid and East Lothian Drugs & Alcohol Project	-			-
(19,214)	11,197	(18,552)	(26,569)	Total Earmarked Balances	(26,569)	2,598	(3,652)	(27,623)
			(7,600)	Uncommitted General Fund (General Services) Balance				(8,506)
			(34,169)	Total General Fund (General Services) Balance				(36,129)

Note 34 Unusable Reserves

Unusable reserves cannot be used to support services. Unusable reserves include gains and losses which will only become available to support services if the assets are sold. These gains and losses are referred to as unrealised. The authority has several different unusable reserves, the balances of which are shown in this table, with expanded explanations below.

31 March 2024 £000s	Unusable Reserve	31 March 2025 £000s
(406,635)	Revaluation Reserve	(418,182)
11,805	Pensions Reserve	10,085
6,484	Employee Statutory Adjustment Account	6,733
(268,489)	Capital Adjustment Account	(297,643)
(4,662)	Financial Instruments Revaluation Reserve	(4,367)
1,922	Financial Instruments Adjustment Account	1,658
(659,575)	Total	(701,716)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PPE. 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
- Disposed of, or de-recognised, and the gains are realised.

The reserve contains revaluation gains only 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 2024 £000s	Revaluation Reserve	31 March 2025 £000s
(359,259)	Balance at 1 April	(406,635)
(85,690)	Upward Revaluation of Assets	(76,015)
18,083	Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provision of Services	34,552
(67,607)	Surplus of Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(41,463)
19,727	Depreciation charged to the Revaluation Reserve	28,586
504	Accumulated Gains on Assets Sold or Scrapped	1,330
-	- Derecognition of Assets	-
-	- Assets Transferred to Common Good	-
(406,635)	Balance at 31 March	(418,182)

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 CIES 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. A debit balance on the Pensions Reserve therefore indicates a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. In that event the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

As at 31 March 2025 the actuarial assessment is that the Council's pension assets exceed the estimated funded pension liabilities. The Council has assessed that, given the legislative obligations and framework for the LGPS an asset ceiling limit should be applied for funded pensions. The net liability remaining reflects the Council's unfunded pension liability.

31 March 2024 £000s	Pension Reserve	31 March 2025 £000s
21,823	Balance at 1 April	11,805
(181,231)	Actuarial Gains or Losses on Pensions Assets and Liabilities	(276,535)
172,411	Application of Asset Ceiling Cap	270,984
22,634	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the CIES	23,363
(23,832)	Employer's Pension Contributions and Direct Payments to Pensioners Payable in the Year	(19,532)
11,805	Balance at 31 March	10,085

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. The balance on the reserve relates solely to employee annual leave.

31 March 2024 £000s	Employee Statutory Adjustment Account	31 March 2025 £000s
5,422	Balance at 1 April	6,484
(5,422)	Settlement or Cancellation of Accrual Made at End of the Preceding Year	(6,484)
6,484	Amount Accrued at the End of the Current Year	6,733
1,062	Amount by Which Employee Remuneration Charged to the CIES on an Accruals Basis is Different from Remuneration Chargeable in the Year in Accordance with Statutory Requirements	249
6,484	Balance at 31 March	6,733

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 CIES (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 enhancements. The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all of the transactions posted to the account.

31 March 2024 £000s	Capital Adjustment Account	31 March 2025 £000s
(340,119)	Balance at 1 April	(268,489)
	Opening Balance Adjustment	(2)
(340,119)	Revised Balance at 1 April	(268,491)
33,246	Depreciation charged to the Capital Adjustment Account	41,985
307	Intangible asset amortisation charged to the Capital Adjustment Account	318
70,161	Revaluation Gains / Losses on Property, Plant and Equipment	6,775
(10)	Charges for expected credit loss of Non-Current financial assets funded as capital expenditure	(25)
3,897	Impairment Losses on Property, Plant and Equipment	84
313	Assets Written Off on Disposal or Sale	(271)
107,914	Net Amounts Written Out of the Cost of Non-Current Assets Consumed in the Year	48,866
	Capital Financing applied in the year	
(2,364)	Capital Receipts Applied	(4,397)
(35,963)	Capital Grants and Contributions Credited to the CIES that Have Been Applied to Capital Financing	(56,309)
(10,602)	Statutory Provision for the Financing of Capital Investment Charged Against the General Fund and HRA Balances	(15,540)
14,193	PPP-Permitted Flexibility Adjustment	-
(1,957)	Capital Expenditure Charged Against the General Fund and HRA Balances	(2,211)
409	PPP - Lifecycle Expenditure Charged Against the General Fund Balance Adjustment	439
(36,284)		(78,018)
(268,489)	Balance at 31 March	(297,643)

Financial Instruments Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are designated as measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

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

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account adjusts the timing of charges to fund balances for some financial instrument transactions.

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 CIES when they are incurred, but reversed out of the General Fund Balance to the Account in the MiRS. 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 2024 £000s	Financial Instruments Revaluation Reserve	31 March 2025 £000s
(3,873)	Balance at 1 April	(4,662)
(789)	Upward Revaluation of Investments	(39)
-	Downward Revaluation of Investments	334
(789)		295
(4,662)	Balance at 31 March	(4,367)

31 March 2024 £000s	Financial Instruments Adjustment Account	31 March 2025 £000s
2,054	Balance at 1 April	1,922
	Annual charge for effective interest rate adjustments related to historic stepped interest rate borrowing	(8)
(255)	Annual recharge of deferred premiums from the refinancing of debt	(256)
(132)	Amount by Which Finance Costs Charged to the CIES are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Provisions	(264)
1,922	Balance at 31 March	1,658

As at 31 March 2025 the balance of the account represented £0.512 million (2023/24: £0.767million) relating to historic deferred premiums, with two years remaining, arising from the early repayment of debt. The remaining £1.146 million (2023/24: £1.155 million) relates to the adjustment to interest charges for historic stepped interest rate borrowing.

Note 35 Capital Grant Receipts in Advance

The Council has received a number of grants and contributions that have not been recognised as income immediately as the conditions attached to them have not been met. There may be circumstances in which the Council has to return the funds to the provider.

31 March 2024 £000s	Capital Grants & Contributions Receipts in Advance	31 March 2025 £000s
(1,815)	Early Learning and Child Care	(173)
(232)	Accelerating Growth Projects	(908)
(746)	Town Centre Regeneration Fund	(219)
-	Prestongrange RCGF	(5)
(50)	Community Intervention funding	(75)
(162)	Roads contributions	(85)
(10)	Lottery funding	(16)
(103)	UK Shared Prosperity Fund	-
(182)	Visit Scotland	(42)
(3,300)	Total	(1,523)

Note 36 Grant Income

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 Council 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 CIES until conditions attached to the grant or contribution have been satisfied. It is stipulated 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.

2023/24 £000s	Grant Income	2024/25 £000s
	Credited to Taxation & Non-Specific Grant Income	
(242,053)	Government grants	(295,040)
(16,796)	Non Government grants	(14,628)
(258,849)	Total	(309,668)

2023/24 £000s	Grant Income	2024/25 £000s
	Credited to Services	
(17,034)	Government Grant: Housing Benefit Subsidy	(16,458)
(12,702)	Government Grant & Contributions: NHS	(12,628)
(20,306)	Government Grant & Contributions: Other	(12,402)
(1,849)	Non-Government Grants & Contributions	(2,867)
(51,891)	Total	(44,355)

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 CIES.

Where capital grants are credited to the CIES, they are reversed out in the General Fund Balance in the MiRS. 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.

Note 37 Cash Flow Statement – Non-Cash Movements

The surplus or deficit on the provision of services (in the Operating Activities section of the Cash Flow Statement) has been adjusted for the following non-cash movements:

Council 2023/24 £000s	Group 2023/24 £000s	Adjustment to Net Deficit on the Provision of Services for Non-Cash Movements	Council 2024/25 £000s	Group 2024/25 £000s
(53,280)	(53,515)	Depreciation and Amortisation	(70,889)	(71,328)
(3,897)	(3,897)	Impairments and Downward Valuations	(84)	(84)
(70,161)	(69,520)	Revaluation of Assets	(6,775)	(4,482)
-	68	Increase (Decrease) in fair value of investments	-	(30)
(819)	(819)	Carrying Amount of Non-Current Assets Held for Sale, Sold or Derecognised	(1,058)	(1,058)
(22,634)	(22,634)	Net Charges Made for Retirement Benefits in Accordance with IAS 19	(23,363)	(23,363)
23,832	23,832	Employer's Contributions Payable to the Lothian Pension Fund	19,532	19,532
(122)	(122)	Non Cash Interest Adjustment	8	8
-	(3,318)	Change in Associates SDPS - Non-Cash Movement	-	(2,291)
-	-	Investment income adjustment	-	-
(922)	(922)	Decrease (Increase) in interest charges accrued	(379)	(379)
(292)	(290)	Decrease (Increase) in Provisions	907	907
78	78	Increase (Decrease) in Inventories	(53)	(53)
11,717	11,707	Decrease (Increase) in Revenue Creditors	(1,865)	(6,598)
(10,445)	(9,783)	Increase (Decrease) in Revenue Debtors	14,344	12,236
(126,945)	(129,135)	Total	(69,675)	(76,983)

Note 38 Cash Flow Statement- Other Disclosures

Investing and Financing Activities

The surplus or deficit on the provision of services (in the Operating Activities section of the Cash Flow Statement) has been adjusted for the following investing and financing activities.

Council 2023/24 £000s	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	Council 2024/25 £000s
35,963	Proceeds from Capital Grants	56,310
1,769	Proceeds from Sale of PPE, Assets Held for Sale and Other Non-Current Assets	1,722
37,732	Total	58,032

Analysis of Cash and Cash Equivalents

31 March 2024 £000s	Analysis of Cash and Cash Equivalents	31 March 2025 £000s
44	Cash Held by Officers	42
10,777	Held in Bank Accounts (Net)	20,297
2,379	Transactions in Transit to/From Bank Accounts (Net)	261
13,200	Total Cash and Cash Equivalents Held by Council	20,600
627	Cash at Bank and In Hand Held by Subsidiaries	762
13,827	Total Cash and Cash Equivalents for Group	21,362

Reconciliation of Liabilities Arising From Financing Activities

1 April 2023 £'000	Financing Cash Flows £'000	Non-Cash Flow: Interest Accrual Adjustments & ST/LT Reclassification £'000	31 March 2024 £'000	Reconciliation of Liabilities Related to Financing Activities	1 April 2024 £'000	Financing Cash Flows £'000	Non-Cash Flow: Interest Accrual Adjustments & ST/LT Reclassification £'000	31 March 2025 £'000
(430,243)	(52,287)	417	(482,113)	Long-term borrowing	(482,113)	(65,594)	2,288	(545,419)
(14,031)	-	(1,460)	(15,491)	Short-term Borrowing	(15,491)	-	(2,661)	(18,152)
(707)	68	-	(639)	Lease liabilities	(639)	(5,359)	-	(5,998)
(31,507)	1,460	-	(30,047)	On Balance Sheet PFI liabilities	(30,047)	(1,666)	-	(31,713)
(476,488)	(50,759)	(1,043)	(528,290)	Total liabilities from financing activities	(528,290)	(72,619)	(373)	(601,282)

Note 39 Material Items of Income and Expense

Where items are not disclosed on the face of the CIES, 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.

Material items of income credited to service revenue accounts within the CIES largely relate to grants and contributions and these are disclosed in Note 36. Subsidy income in relation to the payments of Housing Benefit (included in the table) is also disclosed in note 36.

2023/24 £000s	Council Material Items of Income and Expense	2024/25 £000s
53,280	Depreciation and Amortisation Charged on Assets	70,889
3,897	Impairments and Downward Valuations	84
17,072	Housing Benefit Paid	16,688
11,071	Unitary Charge/PPP Payments to Contractor	11,896

Note 40 Fair Value Hierarchy

Fair Value Measurement

The authority measures some of its equity instruments and non-financial assets, such as surplus assets, at fair value at each reporting date. Fair value is the price that would be received upon selling 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 Council'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.

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2025, are shown in the Fair Value Hierarchy table:

31 March 2024		31 March 2025
Total Fair Value £000s	Council Fair Value Hierarchy	Total Fair Value £000s
<i>Recurring fair value measurements at</i>		
<i>Level 2 for:</i>		
5,661	Equity Instruments	5,366
7,915	Non-Financial Assets	9,711
13,576	Total	15,077

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.

Note 41 Events after the Reporting Period

There were no events to report after the balance sheet date.

Specific Group Notes

The Council undertakes a broad range of activities, often in conjunction with external organisations. In some cases, the Council has an interest in these organisations demonstrated through ownership or control/significant influence.

The CIPFA Code of Practice requires that, where the Council has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these

statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

In order to give these group statements their due prominence they have been displayed alongside the Council's own statements. The following notes provide further information regarding these entities and the transactions included in the group accounts.

Note G1 Combining Entities

The extent of the Council's interest in these entities has been reviewed in determining those that should be consolidated and incorporated within the Group Accounts. Under accounting standards, the Council is required to fully consolidate the results of all subsidiary companies into the Group Accounts using the acquisition method of accounting. Associates and joint ventures have been accounted for using the equity

method of accounting, where the original investment in the Council's accounts are adjusted for post-acquisition changes and the Council's share of surplus or deficits is recognised through the CIES. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

Note G2 Associates and Joint Ventures

Associates and Joint Ventures	Percentage Share 2023/24	Percentage Share 2024/25	Carrying Value at 31 March 2025 £000s	Share of (Surplus) or Deficit 2024/25 £000s	Other CIES Items 2024/25 £000s
East Lothian Investments	40.00%	40.00%	250	(39)	-
Enjoy East Lothian Ltd	33.33%	33.33%	2,315	728	85
Brunton Theatre Trust	28.57%	22.22%	97	125	-
East Lothian IJB	50.00%	50.00%	733	1,440	-
Edinburgh Innovation Park Joint Venture Ltd	50.00%	50.00%	(68)	40	-
Lothian Valuation Joint Board	12.50%	12.50%	(17)	(3)	2,968
Total			3,310	2,291	3,053

Associate entities are those over which the Council has been deemed to exercise significant influence. The entities, along with the relative share shown in the table, have been treated as associate companies within the terms of the Code of Practice on Local Authority Accounting.

These associates and joint ventures have been incorporated in line with the draft financial statements made available to East Lothian Council.

East Lothian Investments Ltd

East Lothian Investments (ELI) principal activity is granting interest free loans to businesses in East Lothian, with the aim of encouraging commercial activity and enterprise in the area. Two of the five directors of ELI are councillors of East Lothian Council.

Enjoy East Lothian Ltd

Enjoy East Lothian Limited (Enjoy) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council. The current contract between Enjoy and the Council

runs until 30 September 2031. All of the facilities are owned by the Council, with the exception of Dunbar Leisure Pool, which is wholly owned by Enjoy. Four of the twelve directors are councillors of East Lothian Council.

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.

Brunton Theatre Trust

Brunton Theatre Trust aims to provide a widely accessible programme for the enrichment and enjoyment of audiences and participants. Projects are undertaken that encourage harder to reach groups to engage with the work presented and the associated creative learning and arts development programmes, to enable participants to learn new skills whilst exploring a range of themes and issues. The aim of the Theatre programme is to provide the highest quality drama; dance; music; theatre for children and young people; film and comedy nights for the enjoyment and enrichment of the communities that the theatre serves. At the Balance Sheet date two of the nine trustees of the Theatre were Council appointments.

East Lothian Integration Joint Board

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 Council has 50% control of the partnership entity.

The Council, along with NHS Lothian provides funding to the IJB. The IJB develops a strategy and commissioning plan for health and care services for East Lothian citizens, and pays the Council and NHS Lothian to deliver services in accordance with the commissioning strategy.

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.

During 2024/25 East Lothian Council contributed £69.046 million (2023/24: £63.809m), excluding NHS resource transfers, to the annual running costs. Expenditure was incurred, and income earned, by both

partners during the financial year in providing services in accordance with the commissioning directions from the IJB. As at the Balance Sheet date the Council currently has a creditor balance with the IJB totalling £0.120 million (2023/24: creditor balance of £0.140 million).

Edinburgh Innovation Park Joint Board

The [Edinburgh Innovation Park Joint Venture](#) is a joint venture partnership established with Queen Margaret University to create an innovation park, with particular focus on food, drink and health sciences, as part of the [Edinburgh & South East Scotland City Region Deal](#). The Council has 50% control of the partnership entity. The joint venture has related subsidiary bodies for the development and eventual operation of the Innovation Park. The primary source of funding for the project is from the City Region Deal, with the Council responsible for the administration and proper use of the grant. Additional funding also comes directly from the Council as part of the City Deal agreement.

Lothian Valuation Joint Board

The Lothian Valuation Joint Board (LVJB) was established under the Valuation Joint Boards (Scotland) Order 1995 and provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services. The Board comprises 16 members appointed from the constituency authorities, of which two are from East Lothian Council.

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.

The summarised financial information of the various associates and joint ventures for the financial year 2024/25 is presented below:

Associates/Joint Ventures 2024/25	Assets at the End of the Year	Liabilities at the End of the Year	Net Assets at the End of the Year	Revenues During the Year	(Surplus) or Deficit for the Year
	£000s	£000s	£000s	£000s	£000s
East Lothian Investments	687	(63)	624	(158)	(127)
Enjoy East Lothian Ltd	7,535	(591)	6,945	(7,242)	77
Brunton Theatre Trust	583	(144)	438	(852)	363
East Lothian IJB	1,466	-	1,466	(234,837)	2,877
Edinburgh Innovation Park Joint Venture Ltd	28,443	(28,580)	(137)	-	81
Lothian Valuation Joint Board	3,700	(3,834)	(134)	(7,222)	(10)
Total	42,414	(33,212)	9,202	(250,311)	3,261

Associates/Joint Ventures 2023/24	Assets at the End of the Year	Liabilities at the End of the Year	Net Assets at the End of the Year	Revenues During the Year	(Surplus) or Deficit for the Year
	£000s	£000s	£000s	£000s	£000s
East Lothian Investments	559	(32)	527	(24)	7
Enjoy East Lothian Ltd	9,997	(615)	9,382	(6,838)	(23)
Brunton Theatre Trust	991	(213)	778	(1,057)	323
East Lothian IJB	20,571	(16,228)	4,343	(221,621)	5,779
Edinburgh Innovation Park Joint Venture Ltd	3,253	(3,309)	(56)	-	37
Lothian Valuation Joint Board	26,634	(3,044)	23,590	(6,286)	727
Total	62,005	(23,441)	38,564	(235,826)	6,850

Note G3 Subsidiaries

Subsidiary entities are those in which the Council has a controlling share.

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

No subsidiaries have been excluded.

East Lothian Land Ltd

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 2025 show net assets of £610,965 (31 March 2024: £627,597), and a loss before taxation of £16,632 (31 March 2024: loss of £15,769). 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.

Trust Funds and Common Goods

The Council acts as a majority or sole Trustee for 46 trusts, bequests and other funds as well as separate Common Good Funds. The net value of the Trusts included within the Group Accounts is £7.034 million (2023/24: £6.913 million). Although included as a subsidiary, the Council does not expect a dividend as a result of its involvement. The total value of the Common Good funds within the Group Accounts is £21.454 million (2023/24: £19.013 million). The annual accounts for the Common Good Funds and Trust Funds are included in the 'Other Accounts' section of these annual accounts.

East Lothian Mid-Market Homes LLP

The Limited Liability Partnership was established to manage new build properties in Dunbar, to be available for mid-market rent. East Lothian Council has 83% control of the partnership, with the Scottish Futures Trust also maintaining a 'minority interest' which is presented separately in the group accounts. The partnership leases housing from a third party and also purchases housing directly. It subsequently leases the dwellings to individuals at a mid-market rent, not as social housing provision. The partnership accounts to 31 March 2025 show net assets of £2.244 million (2023/24 £2.238 million), and comprehensive net income of £0.021 million (2023/24: £0.054 million).

Note G4 Financial Impact of Consolidation

The effect of inclusion of the associate and subsidiary companies on the Group Balance Sheet is to increase Net Assets and Reserves by £34.138 million (2023/24: £35.936 million). This is largely due to the value of Common Good and Trust Funds property and investment

values, and the Council’s share of the East Lothian Integration Joint Board’s net assets.

Note G5 Non Material Interest

East Lothian Council has two members on the committee of Scotland Excel. **Scotland Excel** is a joint committee established to replace the Authorities Buying Consortium and other similar bodies across Scotland. It is the largest non-profit purchasing agency in Scotland and serves the buying needs of 32 local authorities and similar public sector bodies in Scotland.

The Council’s extent of control and influence in relation to these entities is deemed to be insufficient to meet the criteria for inclusion in the authority’s group accounts.

East Lothian Council is also a participating authority in **SEEMIS Group LLP**. The principal activity of the group is the provision of information technology solutions to Education services and is funded by the 32 participating authorities.

Note G6 Reconciliation of the Council Deficit to the Group Deficit

This statement shows how the surplus or deficit on the Council’s single entity Comprehensive Income and Expenditure Statement reconciles to the surplus or deficit for the year for the Group.

2023/24 £000s	Reconciliation of the Council Surplus / Deficit to the Group Surplus / Deficit	2024/25 £000s
81,278	Deficit for the Year on Authority Comprehensive Income & Expenditure Account	2,019
3,317	Associates	2,291
(951)	Subsidiaries	(165)
83,644	(Surplus) / Deficit for the Year on the Group Income & Expenditure Account	4,145

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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, the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2023/24 £000s	Housing Revenue Account	2024/25 £000s
	Income	
(36,024)	Dwelling Rents	(39,255)
(684)	Non-Dwelling Rents	(731)
(269)	Non-Current Assets Revaluation Gains	-
(673)	Service Charges	(717)
(140)	Other Income	(208)
(37,790)	Total Income	(40,911)
	Expenditure	
11,606	Repairs and Maintenance	13,111
8,938	Supervision and Management	8,683
43,728	Depreciation, Impairment and Revaluation Losses of Non-Current Assets	15,900
117	Impairment of Debtors	187
2,873	Other Expenditure	3,157
67,262	Total Expenditure	41,038
29,472	Net Expenditure of HRA Services as Included in the Whole Authority Comprehensive Income and Expenditure Statement	127
442	HRA Services Share of Corporate and Democratic Core	442
-	HRA Share of Other Amounts Included in the Whole Authority Net Cost of Services but not Allocated to Specific Services	-
29,914	Net Expenditure of HRA Services	569
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement	
(66)	Losses on Sale of HRA Non-Current Assets	76
6,979	Interest Payable and Similar Charges	7,755
(208)	HRA Interest and Investment Income	(183)
22	Pensions Interest Cost and Expected Return on Pension Assets	15
(10,494)	Capital Grants and Contributions Receivable	(4,333)
26,147	Deficit for the year on HRA Services	3,899

Movement on the HRA Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the HRA reserve balance.

2023/24 £000s	Movement on the HRA Statement	2024/25 £000s
(1,487)	Balance on the HRA at the End of the Previous Period	(1,535)
26,147	Deficit for the year on the HRA Income and Expenditure Statement	3,899
(4,011)	Depreciation charged to the Revaluation Reserve	(4,262)
(22,184)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(119)
(48)	Net Decrease in the Balance before Transfer to or from Reserves	(482)
-	- Adjustment for the Elimination of Internal Recharges	-
-	- HRA Balance Transferred to General Services	-
(48)	Decrease in year on the HRA	(482)
(1,535)	Balance on the HRA at the End of the Current Period	(2,017)

Note to the Movement on the HRA Statement

This note details the adjustments that are made to the HRA deficit, recognised in the year, in accordance with proper accounting practice.

2023/24 £000s	Note to the Movement on the HRA Statement	2024/25 £000s
(39,447)	Depreciation, Revaluation and Impairment of Fixed Assets	(11,638)
10,494	Capital Grant and Contributions Applied	4,334
66	(Loss) on sale of HRA Non-Current Assets	(76)
28	HRA share of contributions to or from the pensions reserve	(86)
5,382	Loans Fund Principal Repayments	5,831
1,293	Capital Expenditure Funded by the HRA	1,516
(22,184)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(119)

Number of HRA Houses

The Council is currently going through an expansion programme which is reflected in the increase in housing provision in the year.

Number Of HRA Houses	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt	6 Apt	7 Apt	8 Apt	Total
As at 31 March 2024	43	1,941	4,745	2,394	256	8	1	1	9,389
As at 31 March 2025	43	1,941	4,763	2,399	261	11	1	1	9,420
Increase/(Decrease) in Year	-	-	18	5	5	3	-	-	31

Housing Rent Debtors

As at 31 March 2025 housing rent debtors amounted to £2.331 million (2023/24: £2.548 million). In the interests of prudent financial management the council has made an allowance for non-collection of £1.676 million (2023/24: £1.693 million).

Common Good Account

There are separate Common Good Funds which are related to the former Burghs of Dunbar, Haddington, Musselburgh, North Berwick and Cockenzie, Port Seton & Tranent. The funds 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.

Common Good Movement in Reserves Statement

Usable Reserves 2023/24 £000s	Unusable Reserves 2023/24 £000s	Total Fund Reserves 2023/24 £000s	Movement in the Common Good Reserves	Usable Reserves 2024/25 £000s	Unusable Reserves 2024/25 £000s	Total Fund Reserves 2024/25 £000s
(13,133)	(4,690)	(17,823)	Opening Balance	(13,774)	(5,239)	(19,013)
(13,133)	(4,690)	(17,823)	Adjusted Balance at 1 April brought forward	(13,774)	(5,239)	(19,013)
			Movement in reserves during the period			
(548)	-	(548)	(Surplus) or deficit on provision of services	(127)	-	(127)
-	(642)	(642)	Other Comprehensive Expenditure and Income	-	(2,314)	(2,314)
(548)	(642)	(1,190)	Total Comprehensive Expenditure and Income	(127)	(2,314)	(2,441)
			Adjustments between usable and unusable reserves			
(93)	93	-	Depreciation charged to the Revaluation Reserve	(101)	101	-
(93)	93	-	Total adjustments between usable and unusable reserves	(101)	101	-
(641)	(549)	(1,190)	Increase/Decrease in Year	(228)	(2,213)	(2,441)
(13,774)	(5,239)	(19,013)	Balance at 31 March 2025 carried forward	(14,002)	(7,452)	(21,454)

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

Common Good Comprehensive Income and Expenditure Statement

The Common Good returned a surplus for the year of £2.441 million (2023/24: Surplus £1.190 million). The change is largely attributable to gains on property asset revaluations (£2.314 million) and investment and interest returns (£0.258 million).

A key factor in the change in investment and interest returns relates to the performance of the investment portfolio. Over the course of the year, the investment portfolio remained relatively stable. For 2024/25 there was only a slight increase in the investment portfolio's value.

Cash income was largely maintained through realised gains arising from the sale of investments during the year. Additionally the interest earned on Common Good cash balances lodged with East Lothian Council increased.

2023/24 £000s	Common Good Comprehensive Income and Expenditure Statement	2024/25 £000s
	Income	
(522)	Rents and Other Income	(672)
-	Property Asset Transfers from General Services Recognised in Usable Reserves	-
-	Revaluation Gains for Property Assets Recognised in Usable Reserves	(14)
(522)	Total Income	(686)
	Expenditure	
105	Premises-related Expenditure	199
67	Supplies and Services	184
142	Third Party Grants and Payments	209
-	Revaluation losses for non-current assets recognised in usable reserves	35
188	Depreciation	190
502	Total Expenditure	817
(20)	Cost Of Services	131
(209)	(Gains)/Loss on the sale of investments	(91)
(254)	Interest receivable and similar income	(193)
(65)	Changes in the fair value of investments	26
(548)	(Surplus) or Deficit on Provision of Services	(127)
(642)	Gains on Revaluation of Property, Plant & Equipment	(2,314)
-	Property Asset Transfers from General Services Recognised in Revaluation Reserve	-
(642)	Other Comprehensive (Income) and Expenditure	(2,314)
(1,190)	Total Comprehensive (Income) and Expenditure	(2,441)

Common Good Balance Sheet

The Common Good Balance Sheet shows the consolidated position of the combined Common Good Funds. Included within this is a debtor of £5.382 million (2023/24: £5.171 million) that is East Lothian Council. This is due to the Common Good Funds not having banking facilities of their own, instead the Council releases monies held on behalf of the Common Good as required.

Long-term financial investment values have remained stable with a slight increase from 2023/24. Liquidity has also improved with an increased balance due from East Lothian Council, generally reflecting cash from sale of investments and increased interest earned on the cash balances held by East Lothian Council.

The unaudited accounts were submitted for audit on 27 June 2025.

Sarah Fortune CPFA
Depute Chief Executive Resources and Economy
(CFO)
XXXX

2023/24 £000s	Common Good Balance Sheet	2024/25 £000s
9,129	Property Plant & Equipment	11,269
3,833	Long Term Investments	3,873
553	Long Term Debtors	507
13,515	Long Term Assets	15,649
350	Sundry Debtors	425
5,171	Operating Balance Debtor (East Lothian Council)	5,382
5,521	Current Assets	5,807
(23)	Short Term Creditors	(2)
(23)	Current Liabilities	(2)
19,013	Net Assets	21,454
(5,239)	Property Revaluation Reserve	(7,452)
(13,774)	Usable Reserves	(14,002)
(19,013)	Total Reserves	(21,454)

Notes to the Common Good Account

Non-Current Assets

The value of the Common Good property, plant and equipment changed in the following way.

2023/24 £000s	Common Good Property, Plant & Equipment	2024/25 £000s
8,676	Opening Net Book Value	9,129
-	- Additions	37
-	- Disposals and Derecognitions	-
642	Revaluations	2,293
-	- Assets Transferred from General Services (Revaluation Balances)	-
(188)	Depreciation	(190)
-	- Impairments	-
9,130	Closing Net Book Value	11,269

Finance Lease

Details of Common Good Finance Leases

Common Good buildings used by the Council for the provision of taxpayer services are not included on the Common Good balance sheet. They are treated as equivalent to finance leases. There is currently no rental charge for some building assets currently used by the Council which are on Common Good land.

Brunton Theatre Structural Defects

The Brunton Theatre is a Musselburgh Common Good property which is treated as being leased to East Lothian Council. It therefore is not included on the Common Good balance sheet. In February 2023 structural defects related to the historic use of Reinforced Autoclaved Aerated Concrete (RAAC) were identified. Consequently parts of the

building have been removed from use. On 29 October 2024 the Council considered a report which recommended decommissioning of the building, after relocating the services still using the facility, and a public consultation on potential demolition. The Council recognised a further impairment charge in 2023/24 to reflect the expected reduction in the future use of the building.

Rental Income

Where a rent schedule is in place a debtor is shown on the Common Good balance sheet. Future Minimum Lease Payments, and the debtor repayment schedule, are shown in the following table. Formal arrangements for continued Council use of Common Good assets, which recognise and reflect Common Good ownership, are anticipated to be agreed. Any adjustments will be accounted for when an agreement is reached.

2023/24	2023/24		2024/25	2024/25
Minimum Lease Payments £000s	Inclusive of Debtor Repayments £000s	Common Good Finance Leases	Minimum Lease Payments £000s	Inclusive of Debtor Repayments £000s
247	37	Income Receivable in the next year	288	72
947	135	Income Receivable in years 2 to 5	951	161
3,505	363	Income Receivable after 5 years	3,299	338
4,699	535	Total Receivable	4,538	571

Fund Analysis

The separate funds are valued at 31 March 2025 as:

Common Good Fund Analysis	Dunbar £000s	Haddington £000s	Musselburgh £000s	North Berwick £000s	Cockenzie, Port Seton & Tranent £000s	Total £000s
Balance Brought forward at 1 April 2024	(929)	(848)	(9,823)	(1,751)	(423)	(13,774)
(Surplus) Deficit in the Year	38	(42)	(101)	(22)	-	(127)
Depreciation charged to the Revaluation Reserve	(5)	-	(82)	(14)	-	(101)
Fund Balance at 31 March 2025	(896)	(890)	(10,006)	(1,787)	(423)	(14,002)
Property Revaluation Reserve	(426)	(61)	(4,742)	(1,705)	(518)	(7,452)
Total Reserves	(1,322)	(951)	(14,748)	(3,492)	(941)	(21,454)

Fund balances at 31 March 2025 include accumulated fair value gains on financial instrument investments of £0.705 million (2023/24: £0.728 million). The change reflects market value losses recorded in the year. The accumulated gains are unrealised and should be regarded as deferred gains. It would not be considered prudent for these gains to be used until they are realised. The fund balances also reflect the value of Common Good property assets. Some properties are inalienable and therefore their values cannot be realised through sale of the assets. The fund balances for Cockenzie, Port Seton & Tranent arise solely from the recognition of land assets transferred from the Council's balance sheet.

Trust Funds Account

The Council acts as a majority or sole Trustee for 46 trusts, bequests and other funds, which are administered in accordance with their individual terms. The Council has initiated a review of trusts administered by East Lothian Council with an objective to improve the effectiveness of all the Trust Funds and support achievement of their objectives. The remit relates to potential changes in the stewardship, governance, and administration arrangements of the Trust Funds. The review is ongoing, with progress affected by resource requirements and competing priorities, which will affect the conclusion of the process. The Trusts Funds have been accounted for on a 'going concern' basis due to the expectation that the underlying purposes of the funds will continue to be met, with funds being used to support the trusts' objectives.

Trust Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Trust funds, analysed between usable reserves i.e. those that can be applied to fund expenditure, and other reserves. Fund balances at 31 March 2025 include accumulated fair value gains on financial instruments. These gains are unrealised and should be regarded as deferred gains. It would not be considered prudent for these gains to be used until they are realised.

Usable Reserves 2023/24 £000s	Unusable Reserves 2023/24 £000s	Total Fund Reserves 2023/24 £000s	Movement in the Trust Reserves	Usable Reserves 2024/25 £000s	Unusable Reserves 2024/25 £000s	Total Fund Reserves 2024/25 £000s
(5,645)	(871)	(6,516)	Opening Balance at 1 April brought forward	(6,061)	(852)	(6,913)
			Movement in reserves during the period			
(389)	-	(389)	(Surplus) on provision of services	(64)	-	(64)
-	(8)	(8)	Other Comprehensive Expenditure and Income	-	(57)	(57)
(389)	(8)	(397)	Total Comprehensive Expenditure and Income	(64)	(57)	(121)
			Adjustments between usable and unusable reserves			
(27)	27	-	Depreciation charged to the Revaluation Reserve	(28)	28	-
(27)	27	-	Total adjustments between usable and unusable reserves	(28)	28	-
(416)	19	(397)	Increase/Decrease in Year	(92)	(29)	(121)
(6,061)	(852)	(6,913)	Balance at 31 March carried forward	(6,153)	(881)	(7,034)

Trust Comprehensive Income and Expenditure Statement

During the year 2024/25, the Trust Funds returned a surplus for the year of £0.121 million (2023/24: Surplus £0.397 million).

The main factors contributing to the change since last year are an increase in premises-related expenditure and decrease in gains on the sale of investments:

- Premises-related expenditure - increased significantly due property and maintenance charges at Bleaching fields at Dunbar.
- Gains on the sale of investments - Over the course of the year, the investment portfolio remained relatively stable. For 2024/25 there was only a slight increase in the investment portfolio's value.

Cash income was largely maintained through realised gains arising from the sale of investments during the year. Additionally the interest earned on cash balances lodged with East Lothian Council increased.

2023/24 £000s	Trusts Comprehensive Income and Expenditure Statement	2024/25 £000s
	Income	
(46)	Rents and Other Income	(52)
(46)	Total Income	(52)
	Expenditure	
3	Premises-related expenditure	105
40	Supplies and Services	34
12	Third Party Grants and Payments	17
31	Depreciation	31
86	Total Expenditure	187
40	Cost Of Services	135
(262)	(Gains) on the sale of investments	(66)
(164)	Interest receivable and similar income	(137)
(3)	Changes in the fair value of investments	4
(389)	(Surplus) or Deficit on Provision of Services	(64)
(8)	(Surplus) on Revaluation of Property, Plant & Equipment	(57)
(8)	Other Comprehensive Income and Expenditure	(57)
(397)	Total Comprehensive Income and Expenditure	(121)

Trust Fund Balance Sheet

Trust Fund net assets increased in the year to £7.034 million (2023/24: £6.913 million) largely due to increases in the market value of financial investments. Cash and short term liquid assets have also increased.

The unaudited accounts were submitted for audit on 27 June 2025.

Sarah Fortune CPFA
Depute Chief Executive Resources and Economy
(CFO)
XXXX

2023/24 £000s	Trusts Balance Sheet	2024/25 £000s
913	Property Plant & Equipment	939
3,807	Long Term Investments	3,844
54	Long Term Debtors	47
4,774	Long Term Assets	4,830
24	Short Term Debtors	25
2,225	Operating balance debtor (East Lothian Council)	2,374
2,249	Current Assets	2,399
(2)	Short Term Creditors	(103)
(2)	Current Liabilities	(103)
(108)	Other Long Term Liabilities	(92)
(108)	Long Term Liabilities	(92)
6,913	Net Assets	7,034
(852)	Property Revaluation Reserve	(881)
(6,061)	Usable Reserves	(6,153)
(6,913)	Total Reserves	(7,034)

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 2025 are shown in the Trust Investments table.

2023/24 £000s	Trust Investments	2024/25 £000s
	<u>Investments >£100,000 at End of Each Year:</u>	
339	JPMorgan ETFs (Ire JPM Us Rei Equity Esg Etf	356
270	Vanguard Funds Plc S&P 500 Ucits Etf USD Dis	284
-	TM Natixis Inv Fds TM N Ls Us Eqty Ldrs Qa Acc	217
149	JPMorgan Fund Icvc JPM Us Eq Inc C2 GBP Net Di	178
249	Brown Advisory Fds BWN Adv Us Sust Gth Si GBP	173
166	BA Beutel Goodman BA Beutel Goodman Us Val C	171
151	Blackrock Fm Ltd Blackrock European Dynamic	130
34	Ishares Ii Plc Core MSCI Europe Ucits Etf	123
14	Ishares V Plc MSCI Acwi Ucits Etf USD Acc	123
122	JH Inv Fds Srs I JH EURP Seld Opps G GBP Dis	119
85	Invesco Physical Secured Gold Lkd Nts 31/12/	116
	<u>Investments <£100,000 at End of Each Year:</u>	
2,209	Other stocks and shares	1,745
19	Held as Cash / Liquid Assets	109
3,807	Total Investments	3,844

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 CIES 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.

2023/24 £000s	Council Tax Income Account	2024/25 £000s
(84,655)	Gross Council Tax Levied and Contributions in Lieu	(86,459)
	Adjusted For:	
6,148	Council Tax Reduction Scheme	6,271
6,673	Other Discounts and Reductions	5,678
2,601	Provision for Non Collection	1,522
(69,233)	Council Tax Income in Year	(72,988)
452	Adjustments to Previous Years' Council Tax	122
(68,781)	Transfer to General Fund	(72,866)

Council Tax Base

The Council Tax base is calculated as follows:

Council Tax Base	A	B	C	D	E	F	G	H	Total
Charge for Each Band (£)	957.08	1,116.59	1,276.11	1,435.62	1,886.25	2,332.88	2,811.42	3,517.27	
Effective Properties	919	7,779	13,499	6,307	6,674	5,941	5,030	668	46,817
Ratio to Band D	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360	
Band D Equivalents	612	6,050	11,999	6,307	8,769	9,654	9,850	1,637	54,878
Provision for non-payment (2.85%)									(1,564)
Council Tax Base									53,314

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. These payments are calculated on a pre-determined formula.

Non-Domestic Rate (NDR) 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.

2023/24 £000s	Non Domestic Rate Income Account	2024/25 £000s
(72,741)	Gross Rates Levied and Contributions in Lieu	(76,778)
13,449	Relief and Other Deductions	13,034
26		45
(59,266)	Net Non-Domestic Rate Income	(63,699)
301	Adjustments to Previous Years' National Non-Domestic Rates	1,649
(58,965)	Total Non-Domestic Rate Income (Before Authority Retentions)	(62,050)
-	Non-Domestic Rate Income retained by the Council (BRIS)	-
(58,965)	Contribution to the National Non-Domestic Rate Pool	(62,050)
(58,108)	Non Domestic Rate income credited to the General Fund	(59,925)

Business Rate Incentivisation Scheme (BRIS)

The Business Rates Incentivisation Scheme (BRIS) permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government. There was no BRIS income retained in 2024/25 (2023/24: Nil retained).

Rateable Values

An analysis of the rateable values at 01 April 2024 is detailed in the Rateable Values table.

Rateable Values	Number	Rateable Value £000s
Shops, Offices and other Commercial Subjects	1,689	29,591
Industrial and Freight Transport	984	12,896
Miscellaneous (Schools etc.)	1,073	98,435
Total	3,746	140,922

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:

- 49.8p (2023/24: 49.8p) per pound for properties with a rateable value of up to £51,000 (2023/24: £51,000),
- 54.5p (2023/24: 51.1p) per pound for properties with a rateable value of over £51,000 and up to £100,000 (2023/24: £51,000 up to £100,000),
- 55.9p (2023/24: 52.4p) per pound for properties with a rateable value of £100,000 or over (2023/24: £100,000 or over)
- 49.8p (2023/24: 49.8p) per pound for newly re-occupied properties with rateable value of £100,000 or less, subject to conditions relating to being unoccupied on or after 1 April 2024; being continuously unoccupied for at least 6 months before re-occupation; and re-occupation having occurred in the last 12 months.

From 1 April 2024 levels of rates relief were set at:

Entry on Roll	Rateable Value (RV)	Relief Offered
Single Property	Up to £12,000	100%
Single Property	Over £12,000 to £15,000	Tapering percentages ranging from 100% (RV £12,001, 0.00p) to 25% (RV £15,000, 37.4p)
Single Property	Over £15,000 up to £20,000	Tapering reliefs ranging from 25% (RV over £15,001, 37.4p) to 0% (RV £20,000, 49.8p)
Multiple Properties	Total RVs up to £12,000	100%
Multiple Properties	Total RVs over £12,000 up to £35,000	For each individual property with RV £15,000 or less 25% rate relief (37.4p); For individual properties with RV over £15,000 and less than £20,000 a tapering rate relief from 25% (£15,000, 37.4p) to 0% (£20,000, 49.8p)

The reliefs in 2024/25 were:

Single Property

- 100% for eligible properties with a Rateable Value (RV) of less than £12,000
- Tapering percentages ranging from 100% (RV £12,001, 0.00p) to 25% (RV £15,000, 37.4p) for eligible properties with a Rateable Value (RV) of Over £12,000 to £15,000
- Tapering reliefs ranging from 25% (RV over £15,001, 37.4p) to 0% (RV £20,000, 49.8p) for eligible properties with a Rateable Value (RV) of Over £15,000 up to £20,000

Multiple Properties

- 100% for eligible properties with a combined Rateable Value (RV) of up to £12,000
- For each individual property with RV £15,000 or less 25% rate relief (37.4p); For individual properties with RV over £15,000 and less than £20,000 a tapering rate relief from 25% (£15,000, 37.4p) to 0% (£20,000, 49.8p)

Glossary of Terms

6

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 or 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. **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.
23. **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.

24. **Impairment** - A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.
25. **Insurance Fund** - This covers the main classes of insurance and is earmarked for insurance purposes.
26. **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.
27. **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.
28. **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.
29. **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.
30. **Net Book Value (NBV)** - 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.
31. **Non-Current Assets** - These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.
32. **Operating Lease** - A lease where the ownership of a non-current asset remains with the lessor.
33. **Past Service Cost (Pensions)** - For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.
34. **Pension Reserve** - The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Lothian Pension Fund and the change in the Council's share of the Pension Fund net liability chargeable to the CIES.
35. **Pension Scheme Liabilities** - The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "projected unit method", reflect the benefits that the employer is committed to provide for service up to the valuation date.
36. **Post-Employment Benefits** - All forms of consideration given by an employer in exchange for services rendered by employees that are payable after

the completion of employment (e.g. pensions in retirement).

- 37. **Provision** - An amount put aside in the accounts for future liabilities or losses which are certain, or very likely to occur, but the amounts or dates of when they will arise are uncertain.
- 38. **Public Works Loan Board (PWLb)** - A Central Government Agency, which provides loans for one year and above to councils at interest rates only based on those at which the Government can borrow itself.
- 39. **Rateable Value** - The annual assumed rental of a non-housing property, which is used for national Non-Domestic Rates purposes.
- 40. **Related Parties** - Entities or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.
- 41. **Remuneration** - All sums paid to or receivable by an employee and sums due by way of expenses, allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than cash.
- 42. **Reserves** - The accumulation of surpluses, deficits and appropriation over the past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves, such as the Revaluation Reserve, cannot be used to meet current expenditure.
- 43. **Revaluation Reserve** - The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sale.
- 44. **Revenue Expenditure** - The day-to-day running costs associated with the provision of services within one financial year.
- 45. **Subsidiary** - An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.



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East Lothian Council
Business Finance
John Muir House
Haddington EH41 3HA
www.eastlothian.gov.uk

COMMITTEE:	AUDIT AND GOVERNANCE COMMITTEE
MEETING DATE:	25 November 2025
BY:	Depute Chief Executive for Resources and Economy
REPORT TITLE:	Treasury Management– Mid Year Review 2025-26
REPORT STATUS:	Public

1 PURPOSE OF REPORT

An update to the Committee on Treasury Management activity during the first six months of 2025-26.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the content of the report.

3 BACKGROUND

- 3.1 CIPFA's treasury management code requires that a mid-year review of treasury management activity is prepared and presented to members. Treasury management is defined as being the management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. This mid-year report is reviewed against the current Treasury Management Strategy that was approved by Council on 18 February 2025.
- 3.2 A main function of treasury management operations is to ensure that the cash flow is adequately planned, with cash being available when it is required. Surplus monies are invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

- 3.3 In addition, the treasury management service manages the accounting and funding of the Council's capital plans. The approved capital plans provide a guide to the borrowing need of the Council, including setting out the longer-term cash flow planning to ensure the Council can meet its capital spending obligations in future years. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, any debt previously incurred may be restructured to meet wider risk or cost objectives.
- 3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- A. An economic update for the first part of the 2025-26 financial year;
 - B. A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - C. The Council's capital position (prudential indicators);
 - D. A review of the Council's investment portfolio for 2025-26.
 - E. A review of the Council's borrowing strategy for 2025-26.
 - F. A review of any debt rescheduling undertaken during 2025-26.

Part A – Economic Update

- 3.5 The Monetary Policy Committee (MPC) decreased interest rates by 0.25% in May and again in August, taking Bank rate from 4.50% in March to 4.00% in August. It is expected that the MPC will apply caution to making further cuts until inflation starts making a downward trajectory back towards 2%.
- 3.6 Interest rates are expected to continue to decrease slowly, with the rate expected to hold at 4.00% until the end of 2025. In line with the Bank of England strategy for managing inflation, which has held steady at 3.8% is expected to fall in 2026.
- 3.7 The MPC's thoughts and the economic conditions have informed our Treasury advisors forecast for the period December 2025 to September 2028 as shown in Table 3.1. It shows Bank Rate at 4.00% with an expectation that it will continue to decrease by 0.25% in March 2026 and again in September 2026 with the rate then remaining constant at 3.50% for the next twelve months, before a drop of 0.25% to 3.25%.

Table 3.1

MUFG Corporate Markets Interest Rate View 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25 yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

Part B – Review of Treasury Management Strategy Statement and Annual Investment Strategy

- 3.8 The Treasury Management Strategy Statement (TMSS) sets out the wider Treasury and Investment Strategy and was approved by Council on 18 February 2025. The Strategy includes several key treasury management indicators. This report provides an update on the Treasury Management activity undertaken by the Council relative to the approved strategy taking account of the updated economic position and budgetary changes already approved.
- 3.9 Table 3.2 below provides a summary of the current position relative to approved indicators, with more details around the position on each indicator set out in the remainder of this report.

Table 3.2

Prudential Indicators 2025-26	Approved £m	Current Estimated Prudential Indicator £m
Capital Financing Requirement	753	742
Operational Boundary	753	742
Authorised Limit	774	774

Includes long term liabilities for PPP arrangements and finance leases

Part C - The Council's Capital Position (Prudential Indicators)

- 3.10 The current projections set against the approved indicators are set out below.

Capital Expenditure and Financing of the Capital Programme

- 3.11 Table 3.3 below sets out the current projected outturns for the Council's capital investment programmes for 2025-26 relative to the approved budget set on 18 February 2025.

The table sets out how the programme is financed, highlighting the supported and unsupported elements and the expected financing arrangements.

The borrowing requirement increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). This in part will be offset by any revenue charges for the repayment of debt.

Table 3.3

	2025-26	2025-26
--	---------	---------

Capital Expenditure	Approved Budget £m	Projected Outturn * £m
General Services	57	65
HRA	44	35
Total capital expenditure	101	100
Financed by:		
Capital receipts	5	12
Capital Grants	11	3
CFCR	3	3
Total financing	19	18
Borrowing requirement	82	82

** Projected outturn is based on the position to be reported in the December Council update and remains subject to change*

Impact on Prudential Indicators

- 3.12 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Table 3.4 below, sets out the CFR and the expected debt position over the period, which is termed the Operational Boundary.
- 3.13 Overall, the Council is currently projecting to be under the approved limits for both CFR and Operational Boundary.
- 3.14 However, while General Services started the year under the CFR projected, due to delays onsite within Education projects, particularly Blindwells, Craighall and Whitecraig Primary Schools, carry forwards from these projects from 24/25 to 25/26 have given the increase in the projected General Service expenditure
- 3.15 The adjustments due to adoption of IFRS16, which changes the accounting treatment for leased assets increased the CFR by £9 million at the year end.
- 3.16 The decrease in HRA is due mainly to delays at both Herdmanflatt site and Wallyford Phase 1.

Table 3.4

Prudential Indicators	2025-26 Approved Limits £m	2025-26 Projected Outturn £m
Capital Financing Requirement		
CFR – General Services	441	436
CFR – HRA	312	306
Total CFR	753	742
Operational Boundary for external debt		
Borrowing	721	708
Other long term liabilities*	32	34
Total debt (year-end position)	753	742

* PPP arrangements and finance leases

Limits to Borrowing Activity

- 3.17 One of the key controls over the treasury activity is to ensure that over the medium term, net borrowing (borrowing less investments) will only be for a capital purpose. Gross external borrowing should not, (except in the short term), exceed the total of CFR in the previous year plus the estimates of any additional CFR for 2025-26 and next two financial years. This allows some flexibility for limited early borrowing for future years should the need arise.
- 3.18 Table 3.5 below sets out that the Council is currently managing to operate within this limit and continue to maintain an under-borrowed position. The table below shows that at the end of this financial year the Council is currently forecasting to have external borrowing of £625 million and to utilise £83 million of cash flow funds (under-borrowing) in lieu of borrowing. This is the most prudent and cost-effective approach in the current economic climate and remains consistent with the approved Treasury Management Strategy.

Table 3.5

	2024-25 Estimate £m	2024-25 Actual £m	2025-26 Original Estimate £m	2025-26 Revised Estimate £m
External borrowing	559	559	638	625
Other long term liabilities*	29	38	32	34

Total external debt	588	597	670	659
CFR* (year end position)	685	683	753	742
Under-borrowing	97	86	83	83

** Includes PPP arrangements and finance leases etc.*

- 3.19 The Authorised Limit is a statutory requirement that represents the limit beyond which borrowing is prohibited and sets an overall control on the level of borrowing. This limit reflects the level of borrowing which while not desired, could be afforded in the short term, but is not sustainable in the longer term. The approved Authorised Limit for 2025-26 is £756 million and as highlighted in Table 3.2 above, the Council continues to operate well within approved limits, and therefore there is no change to the overall strategy required.

Part D - Investment Portfolio 2025-26

- 3.20 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return consistent with the Council's risk appetite. Wider loan interest rates remain in line with the latest Bank Rate. Bank interest rates are forecast remain at 4.00% for the remainder of the year and are then expected to fall to 3.75% for the remainder of the financial year. Given this, investment returns will be lower than in 2024-25.
- 3.21 The Council's investment decisions are made in accordance with the approved strategy. Seventy-two short term investments were placed during the first 6 months of the financial year as shown in Appendix 1 for which the council received £486k of interest. Four of the investments placed are due to mature in the next financial quarter of the year.

Ethical, Sustainable, Governance (ESG) investments are sought where interest rates are comparable with other bodies and the criteria for risk exposure are also met and 3 investments of this type were placed in the period. Any other surplus cash balances are held in the Council's bank account.

These short term investments are aligned to the overall strategic direction to take opportunities to maximise income while maintaining overall liquidity and remaining in alignment with TMP1 (Treasury Management Practices) as per the Annual Investment Strategy within the approved 2025/26 Treasury Strategy.

Additionally, a call account at Lloyds was used to hold funds which has yielded a further £57k.

3.22 An external investment management company, Rathbones (previously Investec which has been incorporated into Rathbones) manages East Lothian Council Common Good funds and Charitable Trust funds in two separate portfolios. The returns on these investments continue to be closely monitored during the year. As of 30 September 2024:

- The Common Good portfolio was valued at £4.244 million, an increase of £0.353 million over the 6 month period. The performance of this portfolio over the first 6 months was lower than the benchmark by 0.80% it was also marginally lower than benchmark by 0.10% in the first 3 months of the financial year.
- The East Lothian Charitable Trust portfolio was valued at £4.184 million, an increase of £0.341 million over the 6 month period. The performance of this portfolio over the first 6 months was below the benchmark by 0.80% and it was marginally lower than benchmark by 0.30% in the first 3 months of the financial year.

Part E – Borrowing Strategy 2025-26

3.23 In recent years, the Council has predominately used PWLB as its main source of funding partly due to the level of risk and interest rates available. Consideration is given to both the maturity profile and interest rates to manage cost and refinancing risk. Interest rates at this point in the year are slightly higher than forecast within the approved capital and borrowing plans

Looking forward, the Council will need to consider further both the affordability of capital investment plans and potentially seek alternative sources and/or methods of borrowing in order to achieve the best rates and terms. Whilst it remains unclear as to the extent of any further decrease in borrowing rates or the duration of any peak, the Council's treasury advisor, MUFG Corporate Markets provides regular forecasting of PWLB rates so that an informed decision can be made on the timing of the borrowing for the capital programme.

3.24 One long term external loan was taken in the first 6 months of the financial year. Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement – CFR, currently £742 million) it is currently estimated that further new external borrowing of £72 million will be required during the second half of this financial year.

Table 3.6

Loan	Date	Principal £m	Maturity (Years)	Interest rate
PWLB - Maturity	03/04/2025	10	2	4.53%

3.25 No PWLB loans matured during the first six months. Payment of £8.140m was made in relation to 4 annuities and 9 EIP loans.

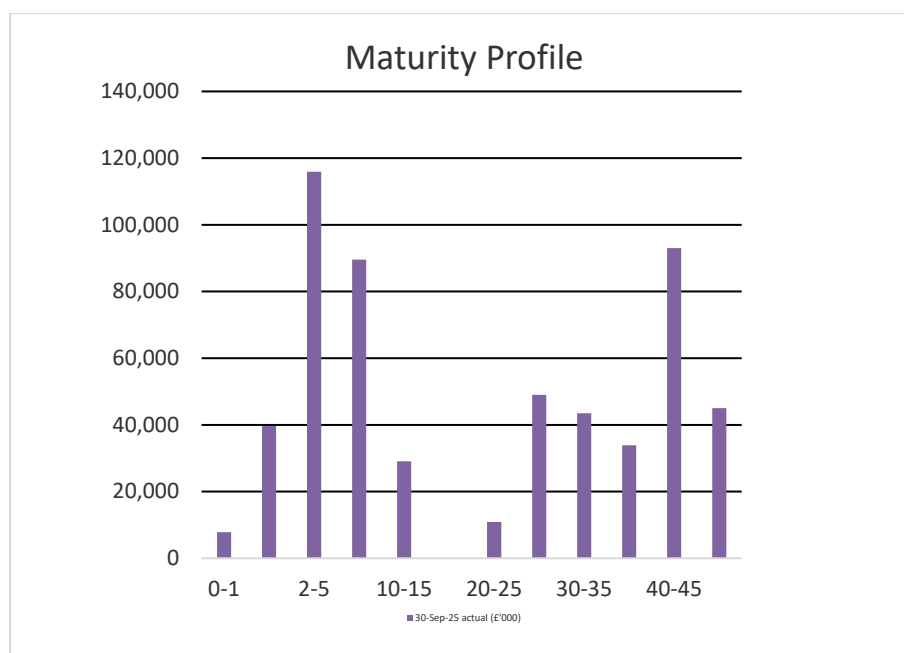
3.26 Two long term market loans were repaid early as shown in table 3.8

Table 3.7

Loan	Date repaid	Principal £m	Original Maturity	Date Repaid	Interest rate
Barclays Bank	21/06/2007	5	21/06/2066	25/07/2025	4.25%
Dexia	24/03/2006	4	30/03/2056	30/09/2025	4.10%

Current Loan Maturity Profile

3.27 The graph below sets out the current external borrowing maturity profile for the Council.



Part F – Debt Rescheduling

3.28 Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings.

- 3.29 As noted above in 3.26 two loans were repaid.
- 3.30 During the second quarter of the year, the opportunity arose to repay a £5 million market loan from Barclays Bank which was not due to mature until June 2066 at a discounted rate.
- 3.31 Given that the interest rate (4.25%) was higher than the rate that the council could receive from investing surplus cash balances (3.95%), and that interest rates are forecast to fall further by the time that refinancing of this debt will be required, a decision was taken to repay this loan.
- 3.32 This decision has given rise to a £1.1 million gain due to the discounted repayment, which will be used to reduce forecast debt charges.
- 3.33 At the end of the second quarter Dexia exercised their option on their £4 million loan to alter the interest rate from 4.10% to 6.56%. This allowed the Council to exercise its option to repay as this was higher than other interest rates available.
- 3.34 Given that the interest rates available (4.18%-5.26% depending on the term) were higher than the rate that the council could receive from investing surplus cash balances (3.95%), and that interest rates are forecast to fall further by the time that refinancing of this debt will be required, a decision was taken to repay this loan.

Part G - Introduction of Reporting Standard IFRS16

- 3.35 International Financial Reporting Standard 16 – Leases came into operation from 1 April 2024. The standard brings the value of assets where the Council has the right of use including lease agreements onto the Council's balance sheet. The standard also requires that these values are reflected in both capital and debt calculations. This standard had implications for the treasury prudential indicators, particularly the Capital Financing Requirement as well as the Operational Boundary and Authorised Limit.
- 3.36 The implementation of the new standard and the £9m adjustment required were included in the year report with an estimate of £8m incorporated into Treasury Strategy for 2025-26. Future reporting and Treasury Strategies will include these assets.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report; however the Council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy. No changes to the current strategy are recommended on the basis of this mid-year review.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: There are no direct financial implications associated with this report however the Council's Treasury Management and Capital activity clearly has a significant impact on the management of the Council's financial resources
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 Appendix 1 : April 2025- September 2025 Short-term Investment

8 BACKGROUND PAPERS

8.1 Treasury Management Strategy 2025-26 to 2029-30 – East Lothian Council 18 February 2025

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Ann-Marie Glancy Michelle Ritchie Karen Duff
Designation	Service Manager – Corporate Accounting Principal Accountant – Capital, Treasury and Banking Treasury and Banking Officer
Tel/Email	aglancy@eastlothian.gov.uk
Date	11 November 2025

Head of Service Approval

Name	Ellie Dunnet
Designation	Head of Finance
Confirmation that IIA and other relevant checks (e.g.	Yes

Name	Ellie Dunnet
finance/legal) have been completed	
Approval Date	14 November 2025

Treasury Management Mid-Year Review 2025-26

Appendix 1 : April 2025- September 2025 Short-term Investment

Investment with	Principal £m	Interest Rate	Investment Date	Term (Days)	Interest	Date Repayable/ Repaid
DMADF (UK Government)	8.00	4.450%	01/04/2025	2	1,950.68	03/04/2025
DMADF (UK Government)	6.00	4.450%	02/04/2025	5	3,657.53	07/04/2025
DMADF (UK Government)	6.00	4.450%	03/04/2025	7	5,120.55	10/04/2025
DMADF (UK Government)	4.00	4.450%	03/04/2025	4	1,950.68	07/04/2025
DMADF (UK Government)	5.00	4.445%	07/04/2025	4	2,435.62	11/04/2025
DMADF (UK Government)	5.00	4.440%	07/04/2025	7	4,257.53	14/04/2025
DMADF (UK Government)	5.00	4.440%	07/04/2025	10	6,082.19	17/04/2025
DMADF (UK Government)	6.00	4.445%	09/04/2025	2	1,461.37	11/04/2025
DMADF (UK Government)	6.00	4.440%	10/04/2025	7	5,109.04	17/04/2025
DMADF (UK Government)	3.00	4.435%	15/04/2025	17	6,196.85	02/05/2025
DMADF (UK Government)	6.00	4.450%	16/04/2025	1	731.51	17/04/2025
DMADF (UK Government)	6.00	4.450%	17/04/2025	7	5,120.55	24/04/2025
DMADF (UK Government)	4.00	4.450%	17/04/2025	12	5,852.05	29/04/2025
DMADF (UK Government)	7.00	4.450%	24/04/2025	8	6,827.40	02/05/2025
DMADF (UK Government)	4.00	4.450%	29/04/2025	1	487.67	30/04/2025
DMADF (UK Government)	10.00	4.450%	01/05/2025	7	8,534.25	08/05/2025
DMADF (UK Government)	5.00	4.385%	06/05/2025	3	1,802.05	09/05/2025
DMADF (UK Government)	5.00	4.200%	08/05/2025	8	4,602.74	16/05/2025
DMADF (UK Government)	10.00	4.200%	09/05/2025	6	6,904.11	15/05/2025
DMADF (UK Government)	6.00	4.200%	15/05/2025	8	5,523.29	23/05/2025

DMADF (UK Government)	2.00	4.200%	22/05/2025	15	3,452.05	06/06/2025
DMADF (UK Government)	10.00	4.200%	28/05/2025	2	2,301.37	30/05/2025
DMADF (UK Government)	5.00	4.210%	30/05/2025	13	7,497.26	12/06/2025
DMADF (UK Government)	3.00	4.205%	02/06/2025	4	1,382.47	06/06/2025
DMADF (UK Government)	3.00	4.205%	05/06/2025	4	1,382.47	09/06/2025
DMADF (UK Government)	5.00	4.200%	11/06/2025	5	2,876.71	16/06/2025
DMADF (UK Government)	3.00	4.200%	12/06/2025	1	345.21	13/06/2025
DMADF (UK Government)	8.00	4.200%	16/06/2025	3	2,761.64	19/06/2025
DMADF (UK Government)	3.50	4.200%	18/06/2025	1	402.74	19/06/2025
DMADF (UK Government)	2.50	4.200%	19/06/2025	1	287.67	20/06/2025
DMADF (UK Government)	2.50	4.200%	20/06/2025	7	2,018.49	27/06/2025
DMADF (UK Government)	3.50	4.200%	24/06/2025	3	1,209.66	27/06/2025
DMADF (UK Government)	9.00	4.205%	25/06/2025	5	5,184.25	30/06/2025
DMADF (UK Government)	4.00	4.200%	01/07/2025	2	920.55	03/07/2025
DMADF (UK Government)	10.00	4.210%	01/07/2025	9	10,380.82	10/07/2025
DMADF (UK Government)	6.00	4.205%	02/07/2025	5	3,456.16	07/07/2025
DMADF (UK Government)	4.00	4.200%	03/07/2025	1	460.27	04/07/2025
DMADF (UK Government)	8.00	4.210%	08/07/2025	10	9,227.40	18/07/2025
DMADF (UK Government)	5.00	4.210%	09/07/2025	21	12,110.96	30/07/2025
DMADF (UK Government)	10.00	4.210%	10/07/2025	14	16,147.95	24/07/2025
DMADF (UK Government)	3.00	4.205%	16/07/2025	5	1,728.08	21/07/2025
DMADF (UK Government)	7.00	4.210%	23/07/2025	7	5,651.78	30/07/2025
DMADF (UK Government)	6.00	4.210%	24/07/2025	8	5,536.44	01/08/2025
DMADF (UK Government)	8.00	4.210%	30/07/2025	7	6,459.18	06/08/2025
DMADF (UK Government)	4.00	4.200%	01/08/2025	7	3,221.92	08/08/2025

DMADF (UK Government)	5.00	4.070%	05/08/2025	7	3,902.74	12/08/2025
DMADF (UK Government)	8.00	3.970%	06/08/2025	7	6,090.96	13/08/2025
DMADF (UK Government)	3.00	3.950%	07/08/2025	7	2,272.60	14/08/2025
DMADF (UK Government)	5.00	3.950%	12/08/2025	7	3,787.67	19/08/2025
DMADF (UK Government)	5.00	3.950%	13/08/2025	9	4,869.86	22/08/2025
DMADF (UK Government)	6.00	3.950%	13/08/2025	15	9,739.73	28/08/2025
DMADF (UK Government)	3.00	3.955%	14/08/2025	29	9,426.99	12/09/2025
DMADF (UK Government)	5.00	3.950%	20/08/2025	6	3,246.58	26/08/2025
DMADF (UK Government)	5.00	3.950%	21/08/2025	8	4,328.77	29/08/2025
DMADF (UK Government)	3.00	3.955%	26/08/2025	24	7,801.64	19/09/2025
DMADF (UK Government)	4.00	3.950%	27/08/2025	16	6,926.03	12/09/2025
DMADF (UK Government)	4.00	3.950%	29/08/2025	6	2,597.26	04/09/2025
DMADF (UK Government)	1.50	3.960%	01/09/2025	28	4,556.71	29/09/2025
DMADF (UK Government)	3.00	3.960%	03/09/2025	26	8,462.47	29/09/2025
DMADF (UK Government)	4.00	3.960%	05/09/2025	14	6,075.62	19/09/2025
DMADF (UK Government)	3.00	3.960%	10/09/2025	22	7,160.55	2-Oct-25
DMADF (UK Government)	7.00	3.960%	16/09/2025	13	9,872.88	29/09/2025
DMADF (UK Government)	5.00	3.960%	16/09/2025	35	18,986.30	21-Oct-25
DMADF (UK Government)	3.00	3.950%	17/09/2025	2	649.32	19/09/2025
DMADF (UK Government)	2.00	3.950%	19/09/2025	5	1,082.19	24/09/2025
DMADF (UK Government)	3.00	3.970%	25/09/2025	35	11,420.55	30-Oct-25
DMADF (UK Government)	1.50	3.965%	30/09/2025	24	3,910.68	24-Oct-25
Central Bedfordshire	5.00	4.200%	14/05/2025	92	52,931.51	14/08/2025
Perth & Kinross	5.00	4.000%	14/08/2025	32	17,534.25	15/09/2025
Standard Chartered - Sustainable Deposit	5.00	4.290%	15/04/2025	91	53,478.08	15/07/2025

Standard Chartered - Sustainable Deposit	5.00	4.070%	15/07/2025	31	17,283.56	15/08/2025
Standard Chartered - Sustainable Deposit	5.00	3.810%	15/08/2025	31	16,179.45	15/09/2025
Total					£485,586.11	