

**REPORT TO:** Audit & Governance Committee

**MEETING DATE:** 26 October 2020

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Annual Accounts 2019/20

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## **1 PURPOSE**

- 1.1 To provide the Committee with an update on the main changes arising during the audit of the draft financial statements, and to ask the Committee to approve the now audited accounts for 2019-20.

## **2 RECOMMENDATIONS**

- 2.1 Members are recommended to;
- Note the main changes arising during the course of the audit.
  - Approve the 2019-20 audited accounts for the Council and its group components.

## **3 BACKGROUND**

- 3.1 The Council's draft financial accounts for 2019-20 were considered at an Emergency Recess Approval Session which took place on the 29 June 2020, and formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2020. The audit commenced early July 2020 and was completed mid-October.
- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3 week period commencing 1 July 2020. 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;
- Have been properly prepared in accordance with respective accounting standards.
- An Emphasis of Matter paragraph has been included within the Independent Auditor's report which refers to the impact of Covid-19 on the valuation of property, plant and equipment. This reflects the ongoing uncertainty attached to valuations at this time and this has been disclosed within the Accounts.

3.4 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 unmodified audit opinion has been issued.

### **Main changes to Unaudited Financial Position**

3.5 During the course of the audit there were a number of proposed changes to the accounts, the most significant of these are set out below.

- The final accounts include a notable movement in the Pensions liability due to a revision of the estimated impact of the McCloud discrimination ruling. This related to a judgement that age discrimination occurred in the transition arrangements implemented when changes to the Scottish LGPS were applied. An initial estimate of £10.7 million was included in the liability in 2018/19, however following further actuarial review the estimated impact has now been revised. Consequently a credit of £4.9 million has been recognised in past service costs in 2019/20, reducing the liability. A further employment tribunal case has also established a requirement that UK LGPS funds should pay equal survivor benefits between same and opposite sex widowers. A full actuarial analysis and reliable quantification is not currently available and as such this has been disclosed as a contingent liability.
- An adjustment was made to the depreciation charge for Roads assets in the accounts which added £219,000. Community Assets had been revalued, however as these are normally carried at cost the valuation gain of £316,000 has been removed.
- An amount of £1.4 million has been removed from both Inventories and Creditors as the related housing units had been transferred during 2019/20.
- An error relating to additional expenditure being posted to service lines instead of against suspense accounts to offset amounts recovered from HMRC has been discovered. This is an uncorrected misstatement figure of £125,000 and the coding issues relating to this error are currently being addressed.

- 3.6 Whilst overall there have been a number of presentational amendments to the draft accounts, the key results which were presented to Council in June 2020 have been maintained and there has been no impact on the usable reserves position which remains at £21.1 million (General Fund including Insurance Fund £19.121 million and HRA £2.009 million).
- 3.7 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2019-20 accounts will be formally signed by the Council (Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland prior to the extended statutory deadline of 30 November 2020, and will be placed on the Council's website.

#### **4 POLICY IMPLICATIONS**

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

#### **5 INTEGRATED IMPACT ASSESSMENT**

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

#### **6 RESOURCE IMPLICATIONS**

- 6.1 Financial – as described above
- 6.2 Personnel - none
- 6.3 Other – none

#### **7 BACKGROUND PAPERS**

- 7.1 None.

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<b>DATE</b>	14 October 2020



# ANNUAL ACCOUNTS 2019-20

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

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# Foreword by the Head of Council Resources

Welcome to the Annual Accounts for East Lothian Council for the year ended 31 March 2020. These have been produced to provide the public, Elected Members and other stakeholders with information concerning the financial management, administration and performance for the Council in the financial year 2019/20.

The management commentary, which accompanies the Annual Accounts, outlines:

- Who we are
- How we are organised to deliver priorities
- What our strategy and priorities are
- Our financial position for 2019/20
- Key aspects of our performance during 2019/20
- Our plans for the future.

## Key Results of 2019/20

The COVID-19 pandemic emerged as an issue for the people of East Lothian in March 2020. The financial reporting for the year predominantly reflects results arising from the period prior to COVID-19, however there were some financial consequences for the Council arising from COVID-19 in 2019/20, with most of the impact likely to be reflected in 2020/21 and beyond.

The Council continues to operate within an extremely challenging financial environment, and regular and more frequent financial reviews have been reported during 2019/20 which have demonstrated the on-going challenges faced by services. Work has continued with Senior Managers across the Council to mitigate the financial pressures and ensure the delivery of planned efficiency savings. Within this context,

the key financial results for the year ending 31 March 2020 are set out below:

- Delivery of capital investment of around £72 million to support increased investment in schools, roads and wider assets to support the communities in which we live;
- Delivery of an additional £5.208 million efficiencies, delivering a cumulative total of around £35 million since 2012;
- Lower than planned draw down from general reserves relative to approved budget plans.

There remains significant service overspending, and the financial position has only been achieved by considerable in year mitigation, most of which has either been reflected in future budget plans or is non-recurring.

The Council now faces very significant financial challenges going forward, and this has unquestionably been compounded due to the severe and on-going impact of managing the COVID-19 crisis. Whilst we have already embarked on a journey to find ways to explore how we can maintain high quality service provision through an enhanced approach to transformation designed to deliver service improvements and savings that will help make the Council and its services financially sustainable, it remains clear that without a significant injection of additional resource, the Council will undoubtedly face a major challenge to maintain all services at existing levels and will have some very difficult choices to make if financial plans and budgets are to be balanced.

## **Acknowledgements**

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

**Jim Lamond (CPFA)**  
**Head of Council Resources (CFO)**  
**East Lothian Council**



# Management Commentary

## About East Lothian

East Lothian Council provides the Council's 105,000 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 4,800 (3,750 full-time equivalent) people work for the Council.

Over the last year the Council has:

- educated just under 14,500 pupils in our improving secondary and primary schools
- provided almost 22,000 hours of care at home each week to vulnerable adults and older people and looked after just over 600 over 65 year olds in care homes
- looked after 234 vulnerable children in care homes, foster care and other care settings
- recycled over 53% of domestic waste from the total of over 50,000 tonnes of waste collected from 6.8m bins
- kept open 139 council buildings including 30 public toilets and 12 libraries
- maintained 276 parks, pitches, play areas and burial grounds, over 920km of roads, and almost 19,000 street lights.

## 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.

Since the May 2017 elections, the political make-up of the Council is nine Scottish Labour, seven Scottish Conservative and Unionist and six Scottish National Party councillors and the 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, structured to cover three Directorates:

- Resources and People including Education, Children's Services and Council Resources
- Partnership and Communities covering Infrastructure, Development and wider Communities
- Health and Social Care Partnership

During the year, the previous Chief Executive Angela Leitch left the Council and was replaced by Monica Patterson who was previously the Depute Chief Executive for Partnership & Communities.

The Scheme of Administration 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.
- There are two other service committees within the Council – Education and Planning.

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

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

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

The Council has adopted a Code of Corporate Good Governance based on the seven principles of good governance and the self-evaluation model outlined in The Chartered Institute of Public Finance and Accountancy (CIPFA) / SOLACE Guidance on Delivering Good Governance in Local Government. The results of the annual Corporate Governance self-evaluation are reported to the Audit and Governance Committee and form the basis of the Annual Governance Statement.

## Strategy and Priorities

The [2017-2022 East Lothian Council 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 will enable our people and communities to flourish.’*** The Plan sets out how the Council will strive to achieve this vision with an overarching objective to ***Reduce inequalities within and across our communities*** and four themes:

- ***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 has set itself strategic goals, which will make the biggest impact in delivering these themes and objectives. These include:

- Reduce unemployment, and improve the employability of East Lothian’s workforce.
- Reduce the attainment gap, and raise the attainment and achievement of our children and young people.

- Improve the life chances of the most vulnerable people in our society.
- Extend community engagement and decision making, and Increase community and individual resilience.
- Deliver transformational change, and harness the opportunities that technology offers in the provision of services.

Alongside the [2017-2022 East Lothian Council Plan](#), over the last two years the Council has adopted strategic plans that set out how it will meet these challenges. These include a five year Financial Strategy; a [five year Capital Programme](#); an [Economic Development Strategy](#); a [Local Housing Strategy](#); a [Local Transport Strategy](#); a delivery plan for 1140 hours of early learning and childcare; an [Education Improvement Plan](#); and the [Integration Joint Board's Strategic Plan](#).

## 2019/20 Highlights

The Council adopted a revised Continuous Improvement Framework ([Improvement to Excellence](#)) in March 2019. A key part of the new framework was the adoption of a suite of Top 50 Council Plan Indicators as the key indicators that monitor progress in achieving the Council's strategic goals and key commitments.

The latest [Analysis of the Top 50 indicators](#) shows that of the 45 indicators for which up-to-date data was available (October 2019) showed:

- thirty (67%) show positive trends from their baseline and/or are already at their target
- three (7%) have not improved from their baseline and not made progress towards meeting their target
- twelve (27%) had declined from their baseline.

Progress continued to be made against the two primary goals set for the Economic Development Strategy: reduce unemployment, and improve the employability of East Lothian's workforce.

The Business Count data showed that from 2010 to 2018 the number of businesses in East Lothian had increased from 2,515 to 3,180, and was just 120 short of the 2022 target. The job density figure (proportion of people of working age (16-64) in employment in East Lothian, including self-employed) increased from 0.55 in 2016 to 0.56 in 2018 and was approaching the 2022 target of 0.60.

Over the last year the Council continued to work with its partners in the Connected Economy Group and local employers to implement the Developing East Lothian's Young Workforce Strategy and Action Plan; maximising opportunities for young people through support for craft and modern apprenticeships, and school work experience within the Council and in local businesses; and, through the continued use of Community Benefit clauses in council contracts. East Lothian Works was successful in supporting substantial numbers of unemployed people to participate in employability programmes and in supporting around 1,000 school pupils gain the benefit of work experience placements.

Two key commitments in the Council Plan are to 'Maximise the opportunities presented by the City Region Deal, particularly in relation to Innovation and Inclusion, and supporting new jobs and growth at the Edinburgh Innovation Park and to 'Maximise the use of land identified for business growth in the Local Development Plan'. Significant progress was made on both these commitments over the last year.

Plans for the new settlement at Blindwells and an Innovation Park adjacent to Queen Margaret University (QMU) at Musselburgh are projects supported by the Edinburgh and South East Scotland City

Region Deal. Taken together with the re-development of the former Cockenzie Power Station site, these projects are East Lothian's most significant long-term inclusive growth opportunities.

Two key council priorities are to reduce the attainment gap, and raise the attainment and achievement of our children and young people.

The 2019 exam results that were announced in August 2019 showed some improvement in overall attainment. Overall, a total of 11,051 awards were certificated for 2,356 candidates across East Lothian's schools, an increase on last year from 10,681 and 2,302. The number of young people in East Lothian achieving A-C grades in National 5 qualifications increased by 3% to 78% and is now in line with the national average of just over 78%.

Raising educational attainment and achievement for all and reducing the attainment gap at all stages are the key priorities for the Education Service. Our vision and values within East Lothian Council align with the Key Priorities in the National Improvement Framework for Scottish Education 'Achieving Excellence and Equity' (Scottish Government, January 2016) and Delivering Excellence and Equity in Scottish Education (Scottish Government, June 2016). The [Education Service Local Improvement Plan 2018/19](#) set out three key areas for improvement under Attainment and Achievement to:

- Develop a self-improving system to drive forward improvement and raise attainment
- Improve learning, teaching and assessment
- Close the poverty related attainment gap in the broad general education.

Over the last year, priorities for improvements in education have included:

- Continuing to improve the attainment of Literacy and Numeracy at SCQF Levels 5 and 6
- Improving the attainment of school leavers in breadth and depth measures
- Continuing to improve the attainment outcomes for young people in the Scottish Index of Multiple Deprivation (SIMD) Quintile 1 (the bottom 20% of areas in relation to socio-economic determinants), care experienced and with additional needs at higher levels of qualification (SCQF Levels 5 and 6).

## The Environment and Climate Change

The [2017-2022 East Lothian Council Plan](#) reflected the concern about the environment and the dangers posed by Climate Change. It included a commitment to '*Develop a Sustainable Energy and Climate Action Plan, which will give strategic direction to continuous improvement in relation to energy efficiency, climate adaptation and sustainable transport*'.

It also committed the Council to continue to '*Work closely with partners to meet our commitment to Climate Change targets, embedding sustainability principles into decision making and translating them into tangible actions, protecting and enhancing open spaces and habitats.*'

The Council developed a detailed [draft Climate Change Strategy](#) which was issued for public consultation in May 2019. The consultation attracted a very high level of public interest and the comments and suggestions for quicker and further action were reflected in the final version of the Strategy.

In response to the growing public concern about Climate Change, the August 2019 council meeting approved the following motion:

*“There is a global climate emergency. The evidence is irrefutable and the science is clear. Warnings have been issued about the damage human beings are causing to the planet and how that damage has accelerated over the past 50 years. The impacts of climate change are having a serious effect on our communities. We believe that it’s not too late for us to turn things around but to do so requires transformative change and action now.*

*“East Lothian Council therefore resolves to “Declare a Climate Emergency that requires urgent action to make all our council services net Zero Carbon as soon as reasonably practicable or in any case by 2045 and to lobby, support and work with all relevant agencies, partners and communities to fulfil this commitment. East Lothian Council will also commit to work with our communities and partners towards making East Lothian a carbon neutral county as well as enabling the county to deliver its part of wider national and international commitments.”*

### **East Lothian Council’s COVID-19 Response**

The COVID-19 emergency has been the biggest challenge our society has faced for many generations. East Lothian Council has worked tirelessly to protect vulnerable people, continue to deliver critical services whilst keeping staff as safe as possible; following the advice to Stay Home, Protect the NHS to Save Lives.

On 23<sup>rd</sup> March, as ‘lockdown’ was called by the Scottish and UK Governments, the Council invoked its Business Continuity Plans and put into practice our longstanding and detailed plans for dealing with emergencies. This meant that responding to the COVID-19 emergency became the Council’s single priority. Our strategy has been to ensure the Council continues to provide public service, minimising the impact of the developing COVID-19 outbreak, ensuring critical services are

prioritised and to plan for council services to recover beyond the outbreak.

All council staff who could work from home were asked to work from home and every effort was made to continue to deliver critical services with non-essential services (and buildings) mothballed in order to follow the strict advice to Stay at Home.

The Council’s response has been driven by our three **ELC** values – Enabling, Leading and Caring.

**Enabling** – recognising that the Council cannot do everything itself, we have supported the vast voluntary effort that has risen up in all our communities.

**Leading** – the Council has led the response to the emergency in East Lothian. We have ensured that critical services continue to be delivered and have established, virtually overnight, critically important services to protect vulnerable children, older people and those most at risk from the virus.

**Caring** – throughout the emergency we have put the needs of the vulnerable in our society and our communities at the heart of our response.

The Council’s response to COVID-19 has been built on the principles which we have set ourselves and our staff.

**WORKING TOGETHER:** We collaborate with our partners, customers and colleagues to build strong and lasting relationships based on understanding, compassion, trust, integrity and mutual respect.

**BE THE BEST WE CAN BE:** Staff take responsibility and use their initiative to deliver the highest quality of services as efficiently and effectively as possible.

**INITIATE AND EMBRACE CHANGE:** The Council and its staff embrace the need for change and initiate new ways of working.

**MAKE THINGS HAPPEN:** We plan and deliver our work effectively, making sure we understand needs and priorities.

**CUSTOMER FOCUSED:** We put our customers at the heart of everything we do.

## COVID-19 – Relaxation of Lockdown; Recovery, and Renewal

As we adapt to living with COVID-19 and move through the four phases of relaxation of lockdown set out in the Scottish Government’s route map the Council will also need to begin to prepare for recovery and renewal following the emergency. The Council’s approach will continue to follow key principles, to ensure that we preserve life and protect vulnerable groups and ensure the response is proportionate and flexible, working closely with our NHS, education, Police, third sector and business partners and our communities to support phased relaxation in line with national guidelines and regulations and for the benefit of East Lothian.

To support this the Council has an approved recovery and renewal framework, which is supported by five key areas each of which will be led by a multi-agency group:

- Economy
- Community
- Health and Social Care
- Education and Children’s Services
- Environment and Infrastructure

Through the Recovery and Renewal process we will also focus on meeting the two overarching themes of reducing poverty and inequality and meeting our commitment to tackling the Climate Change crisis.

As we recover from COVID-19 and set about renewing the Council, our economy and our communities we will grasp the opportunity, not to revert back to the way we were, but to move on to a new, positive future, as set out in the East Lothian vision:

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

## 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 current strategy was approved by Council in December 2019 covering the five year period 2020-2025 and can be found in the [East Lothian Council meeting papers of 17 December 2019](#) (Agenda Item 4). Alongside this, and in line with the requirements set out within the Prudential Code, the Financial Strategy is supported by a Capital Strategy, approved by the Council in December 2019, 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 2020/21 – 2024/25" can be found in the [East Lothian Council meeting papers of 3 March 2020](#) (Agenda Item 3).

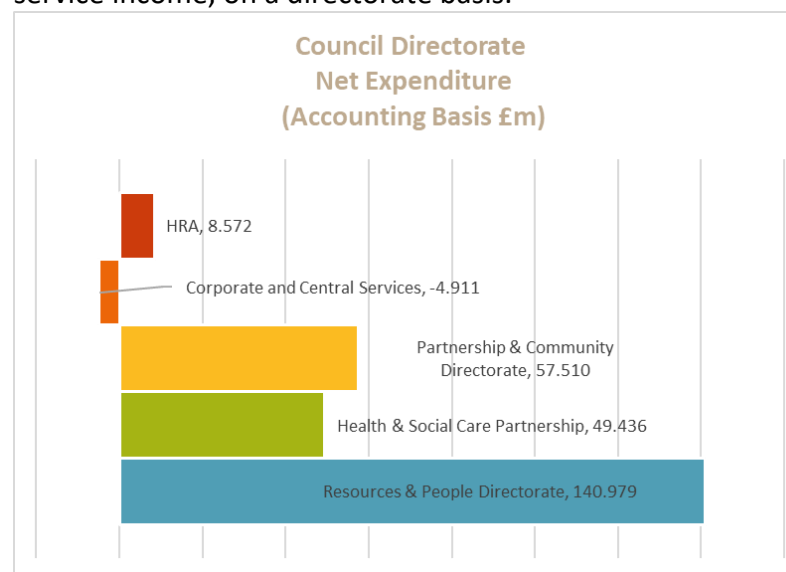
## Financial Statements Overview

### Provision of Services Income and Expenditure

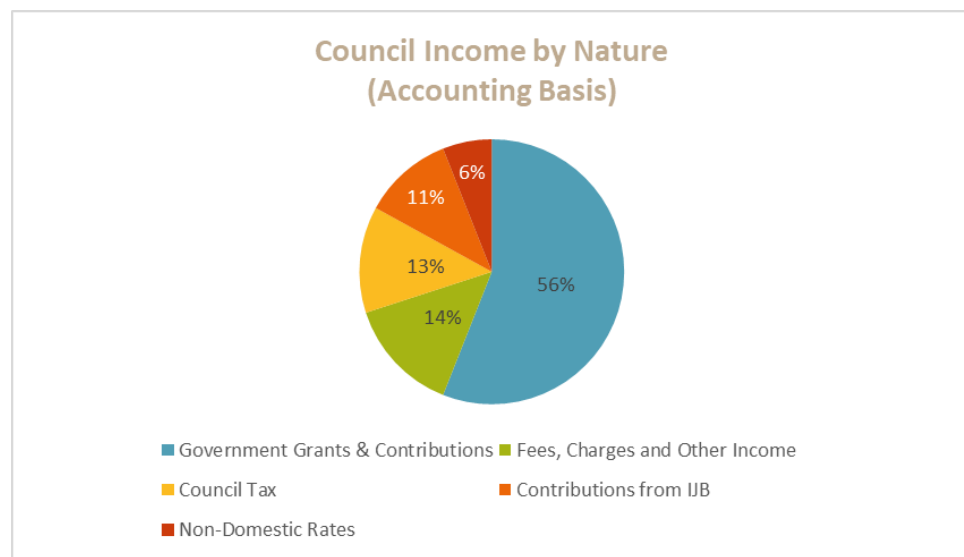
The net cost of service provision on an accounting basis in 2019/20 was £251.586 million, a 1.37% decrease from 2018/19. This reduction is largely attributable to the revision of a non-recurring pension liability change primarily related to an age discrimination ruling affecting public pension schemes changes. Some £10.697 million was included in the costs for 2018/19, however this has now been revised downwards with a credit of some £4.933 million recognised in 2019/20 leading to reduced costs on an accounting basis.

The surplus on the provision of services, after applying funding to the cost of services, was £2.862 million (2018/19: £30.072 million). An increase in capital grants and contributions of £20.482 million contributed to the improvement.

The chart below shows service based net expenditure, after deducting service income, on a directorate basis.



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 5) 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 5). These are summarised below:

Adjustments to Outturn Reporting	2019/20			
	Outturn	Revenue	Presentation	EFA
	Report	Reserves	Adjusts	Column 1
	£000s	Usage	£000s	£000s
Resources & People Directorate	129,616	275	(8,141)	121,750
Health & Social Care Partnership	53,154	(175)	(6,216)	46,763
Partnership & Community Directorate	43,310	(1,380)	(379)	41,551
Corporate and Central Services	(226,083)	2,307	230,463	6,687
HRA	4,059	-	(6,141)	(2,082)
Other Income and Expenditure	-	-	(214,186)	(214,186)
<b>Cost of Services</b>	<b>4,056</b>	<b>1,027</b>	<b>(4,600)</b>	<b>483</b>

\*- Balance of £4.6m on presentation adjustments relates to the application of the Capital Fund/ Capital Receipts Reserve

The Council budgets and manages its financial controls 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.

### Management Reporting Outturn

There were financial consequences for the Council arising from COVID-19 from March 2020. Examples affecting 2019/20 finances include the loss of dividend income, initial costs of significant changes to service delivery arrangements, and an adverse impact on many income streams.



The financial results for 2019/20 are however primarily representative of performance during the earlier part of the financial year. Relative to approved budget plans service directorates, excluding the Housing Revenue Account, overspent by £3.191 million.

The most significant adverse variance of £3.126 million related to children’s services. The financial pressure primarily relates to external residential care with further pressures in secure placements and external fostering. A Children’s Services Project Board has been established that seeks to develop a clear understanding of financial pressures, identify opportunities to transform delivery of Children’s Services and reduce current costs to a sustainable level.

A wide range of pressures exist within each directorate, however these have in part been mitigated by a range of non-recurring ‘benefits’ including; loans fund re-profiling exercise (£3.8 million) and the retention of an increase in retained Non-Domestic Rates (£0.723 million) due to the Business Rate Incentivisation Scheme. These benefits are not anticipated to be available to address future financial pressures.

Recurring savings targets of £5.228 million were included in the 2019/20 budget, with £5.208 million being delivered in year.

Significantly the Council also took the opportunity to utilise capital receipts (£4.600 million), as allowed under the statutory framework, to partially support the 2019/20 loans fund charges. This has significantly enhanced the General Fund balance, but is also a non-recurring benefit, and will be used to support the delivery of the 2020/21 planned draw down from reserves.

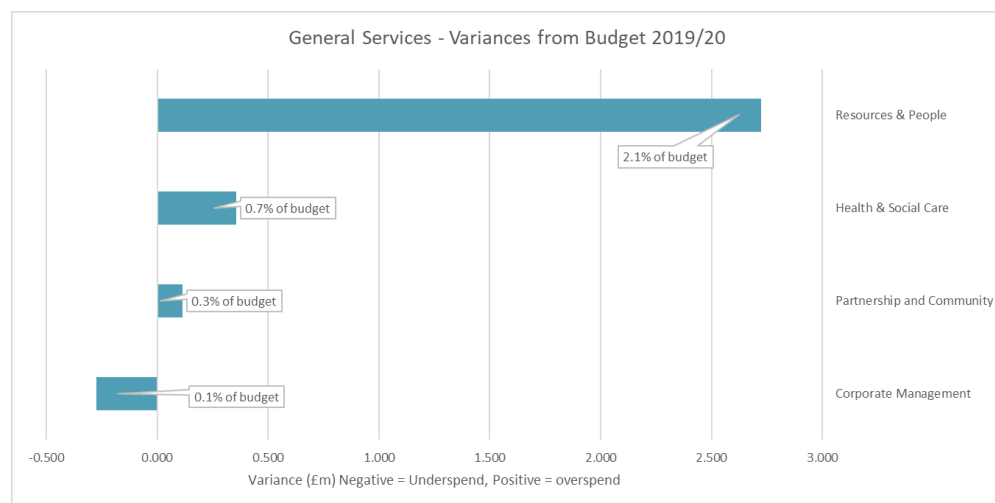
On a budgetary control basis the HRA delivered a surplus of some £1 million, which has been used to minimise the impact of future debt charges, and maximise the use of Capital From Current Revenue. Positive variances included underspends on staffing, lower than budgeted loans fund charges and lower than anticipated increase in bad debt provision.

The accounting deficit, including charges for depreciation, impairment and the HRA’s share of corporate items was a deficit on HRA services for the year of £7.392 million.

After the application of statutory adjustments there was a decrease in the HRA balance of £4.059 million for the year. A key factor in this was the commitment of £7.700 million of revenue funding to support in year capital expenditure, in accordance with an overall strategy of utilising reserves for investment in housing. This minimises future debt charges for the longer term benefit of HRA tenants.

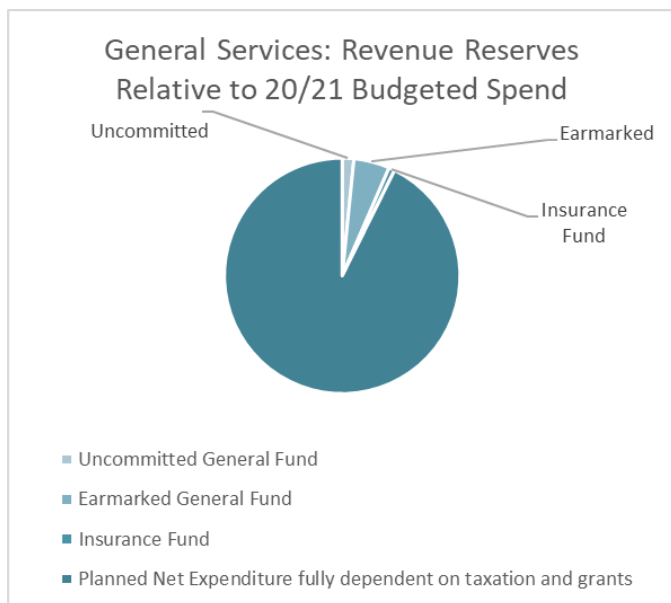
### Reserves

At 31 March 2020 the Council had total usable reserves, including HRA and capital, of £21.130 million (2018/19: £25.500 million). This includes £19.121 million for the total General Services reserves and £2.009 million for HRA. A significant factor in the decrease has been the application of HRA balances to support capital expenditure.

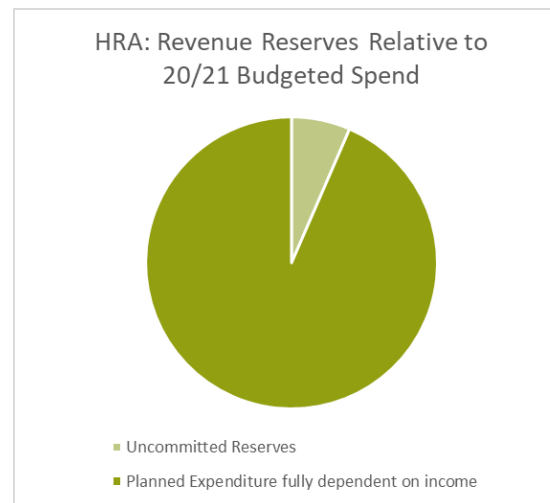


For general services revenue expenditure purposes the financial results for the year, in combination with the statutory framework applicable to local government reserves, has resulted in a specific General Fund balance of £16.154 million (2018/19: £12.766 million). A contributory factor to the increase is the use of £4.600 million of capital receipts to support the statutory repayment of debt in 2019/20. Without this the general services balance would have reduced to £11.554 million.

The following chart shows the level of reserves in comparison to planned expenditure in 2020/21. It illustrates the importance of ongoing taxation and grant income to support council services.



The Housing Revenue Account balance at 31 March stands at £2.009 million (2018/19: £6.068 million), above the strategic target minimum balance of £1 million. The decrease in balance is largely reflective of the planned decision to apply £7.700 million of revenue resources to support capital expenditure in the year. The chart shows the level of reserves compared to planned expenditure in 2020/21.



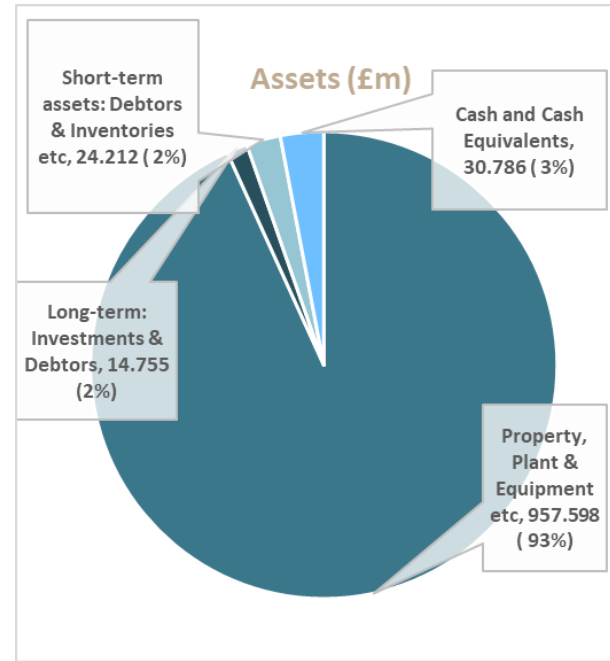
### Balance Sheet

The net assets for the Council have increased by £43.011 million (12.7%). Changes include:

- Pension liabilities decreased by £31.067 million (see Note 28). Pension asset values at 31 March suffered due to the impact of COVID-19 on markets. This was however more than offset by a significant credit for past service costs, and lower forecast pension inflation and forecast salary increases used in the calculation of pension liabilities. The combined impact decreased the net liability.
- Property, plant and equipment and other non-current assets show a net increase of £22.795 million. Additions of £72.189 million were partially offset by depreciation, impairment, revaluation and other movements totalling £49.394 million (see Notes 11, 12 and 13). Due to the timing and impact of COVID-19 a [RICS practice alert](#) indicates there may be

restrictions and an increased level of uncertainty affecting asset valuations.

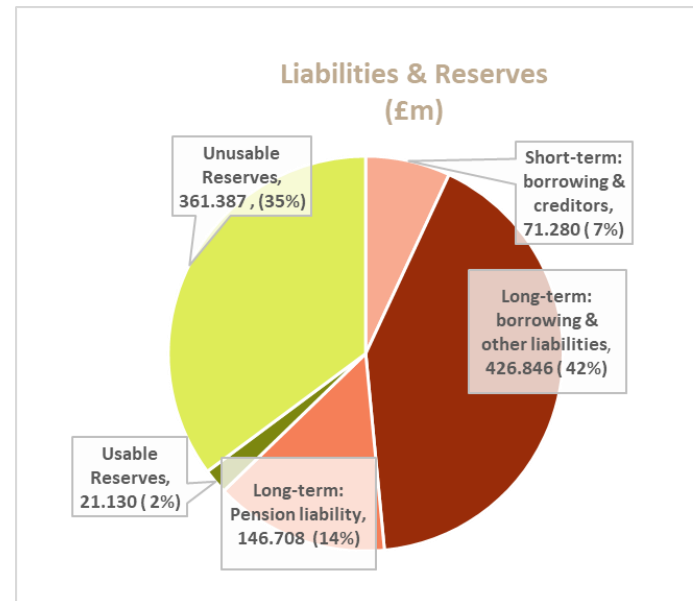
- Cash and cash equivalents increased by £15.027 million (see Cash Flow Statement). This is largely attributable to prudential borrowing in March ensuring that the Council had sufficient liquid funds to address the consequences of COVID-19.
- Liabilities, excluding pensions, increased by £13.414 million (see above regarding the increase in cash and Notes 24, 25, 26 and 27).
- Other short-term assets decreased by £11.582 million (see Notes 15, 22 and 23). A significant factor in this has been the review of debtor balances, including improved processes to collect or impair debtor balances, and the application of developer contributions. Inventories increased by £1.274 million primarily due to the construction of housing for sale to a third party.



The 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.

Usable reserves therefore 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 2019-20 the Council provided capital investment of around £72 million. Some of the significant capital projects delivered in 2019-20 include:

- New Community Centre at Whitecraig
- Progression of design and works in preparation for the extended provision of Early Learning including completion of projects at three schools
- Investment in the Council's roads infrastructure of around £9 million
- Investment in the Council's housing stock and assets of around £29.930 million

In relation to General Services most of the underspend of £18.883 million compared to the approved budget relates to re-profiling of projects into future years. A number of projects were reviewed and therefore delayed to ensure that individual projects were aligned with the overall asset and service strategy.

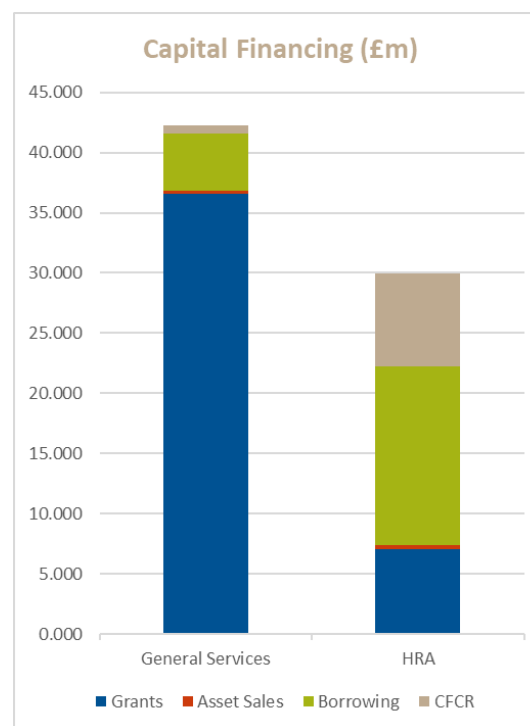
Some of the reduction and deferral is due to the impact of COVID-19, and the further impact on capital project delivery in 2020/21 and later years is likely to be significant.

The HRA capital programme delivered an underspend of £2.960 million against the planned budget during 2019/20. A key factor in this is a lower than anticipated number of Mortgage to Rent applications, accounting for some £0.840 million. Additionally works which result in

housing assets for sale to a third party have been reclassified as inventories.

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. Legislation changes allow the Council, up to 31 March 2022, to designate the use of these funds to be used to fund transformational projects that will result in future cost savings. More details can be found in Note 29 .



## The Council's Group

The Council also supports and promotes services for the people of East Lothian through its group arrangements.

The Council has overall stewardship responsibilities for common good funds, a number of trust funds, and effective control of other entities. These are included as subsidiaries in the group accounts.

The Council also has significant influence over the activities of some entities, and these are included as associates, with the Council's share of their net expenditure and net assets reflected in the group accounts.

Additionally the Council has 50% control of the East Lothian Integration Joint Board, which is classed as a joint venture.

The group financial performance largely reflects that of the authority as a single entity. A key exception however is that, primarily due to the impact of COVID-19 on markets, the value of investments held by common good and trust funds fell significantly at the end of March. The group therefore shows a loss in the fair value of investments of £0.898 million.

The common good and trust fund usable reserves were affected by this. For the common good funds however some of the impact was offset by the release of the Capital Adjustment Account (£2.993m) to usable reserves. This was as a result of a review of the legislative framework for the Capital Adjustment Account.

Any wider effects of COVID-19 on the Council's group interests are anticipated to emerge in 2020/21.

## Other Performance Indicators

The Council published an Annual Performance Report in October 2019 outlining its performance for the previous financial year. The Council also publishes up-to-date performance results via its [performance website](#).

### Best Value Assurance Report

In 2018 Audit Scotland performed a 'Best Value Assurance Report' (BVAR) on East Lothian Council. The report highlights that governance arrangements, decision-making processes, leadership and scrutiny have improved since the previous report in 2007. The full report is available on the Council's [Best Value Report webpage](#).

The Council created an Improvement Plan based on recommendations and actions identified by the BVAR and the Council's Corporate Governance Self-Evaluation.

The plan includes areas such as: workforce planning; reviewing performance indicators; report formats; implementation of the improvement framework; community engagement; transformational change and focus on children and young people in East Lothian.

## Financial Indicators

The Financial Indicator table includes various key statistics regarding the Council's overall performance.

2018/19 £000s / % / Days	Financial Indicator	2019/20 £000s / % / Days	Commentary
21.39%	Council Tax funding to overall level of taxation and non-specific grant funding	20.18%	Reflects the overall percentage of East Lothian Council funding from local taxation.
96.34%	In year Council Tax collection rate	96.54%	Reflects East Lothian Council's effectiveness in collecting council tax.
99.09%	In year NDR collection rate	99.04%	Reflects East Lothian Council's effectiveness in collecting NDR debt.
451,580	Capital Financing Requirement	457,290	The Council's underlying need to borrow.
(461,782)	External Debt Levels (Financial Liabilities per Note 24 to the financial statements)	(480,010)	The Council's actual levels of external debt and long term liabilities.
98.60%	Overall General Fund (excl HRA) actual net expenditure compared to planned, as a percentage of the original expenditure budget.	101.79%	How closely expenditure compares to the set net expenditure budget for the year.
1.56%	Uncommitted General Fund balance as a % of next year's net expenditure budget before application of taxation based funding and use of reserves.	1.59%	Reflects the amount of funding available to manage unplanned events.
1,921	Sundry debtors collection: Average number of days of overdue debts	768	Reflects how promptly monies owed to the Council for sundry debts are collected.

## 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 June 2020 webpage](#), Agenda Item 9) details all of the Council's risks, categorising them from Very High to Low Risk. The risk table summarises 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.

Appendix 2 of the same paper provides a specific risk register in relation to COVID-19.

Risk	Risk Level	Corporate Risk Summary Key Mitigation steps
Britain's Exit From the EU	High	The Council has established a working group to consider the implications of EU withdrawal. The Council is working proactively across the public sector.
Climate Emergency	High	Implementation and delivery of actions set out in the Climate Change Strategy.
Financial Environment	High	The Council has developed substantial medium term financial planning arrangements, a five year Financial Strategy; Three year General Services Revenue Budgets; Five year General Services Capital and HRA budgets; Enhancing in year monitoring, continued scrutiny and challenge of longer term efficiency measures. Exploring options to maximise income generation for the Council.
Welfare Reform	High	The Benefits Service is continuing to make full use of additional Discretionary Housing Payment (DHP) and continues to monitor its Scottish Welfare Fund and DHP expenditure. Council services will continue to work with the Universal Credit Project Team in respect of timescales for the Managed Migration phase rollout of UC full service (UCFS).
Information Security and Data Protection	High	The Council uses the international standard ISO 27001:2017 as the framework for its ISM system. Upgrade of external facing systems taking place to increase security of our internet facing gateways. The Council has a dedicated Data Protection inbox.
Flooding and Coastal Erosion	High	As part of a Flood Protection Scheme, studies and plans for prioritised actions have been undertaken.
ELCC Expansion	High	Expansion to 1140 hours provision is undertaken in liaison with the Scottish Government and Scottish Futures Trust. As a result of the impact of COVID-19 the implementation has been delayed, although no new date has been determined.
Duty of Care and Protection	High	A single agency self-evaluation exercise, in alignment with a Care Inspectorate framework, is to be reinstated.
Limitation (Childhood Abuse) (Scotland) Bill	High	Child Abuse Claims Group and SCAI Overview Group – East Lothian co-ordination of responses, reported strategically, managed flow and collaboration. 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. The potential liability is disclosed as a contingent liability in the Council's accounts (Note 26 Provisions and Contingent Liabilities).

Risk	Risk Level	COVID-19 Specific Risk Register - Actions
Inappropriate plans and contingencies to ensure critical service delivery	Very High	COVID-19 Oversight Group working with the Council Management Team (Crisis Response Team). CMT COVID-19 meetings are on a weekly basis with measures monitored on a weekly basis. The oversight group meets twice weekly.
Financial Environment	Very High	Recording of COVID-19 specific spending and enhanced financial monitoring arrangements. Funding allocations to support COVID-19 pressures and services are monitored and reconciled. Co-ordination with other councils on emerging financial issues is undertaken through COSLA.
Service Delivery and Staffing	Very High	New working arrangements, IT investment, business continuity plans, infection control, property adaptations/ arrangements.
Education	Very High	Cleaning and risk assessments prior to any recommencement, parent survey, transportation planning, home learning, Education Recovery Group established.
Health & Social Care / Care	Very High	Multi-agency working, including NHS, care providers and carers; PPE requirements; Hub working arrangements; responsibilities for oversight.
IT / Digital Resilience	Very High	Additional investment in laptops, support for home based staff, use of video communications.
Businesses Resilience	Very High	Monitoring of funding and support to businesses, arrangements in case of recommencement, co-ordinated advice and guidance.
Roads	Very High	Lack of maintenance is a risk, plans are in development in case of easing of restrictions.



The Management Commentary is authorised  
by:

Monica Patterson  
Chief Executive

Willie Innes  
Council Leader

Jim Lamond (CPFA)  
Head of Council Resources (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 one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Council Resources, who is the designated Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 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 26 October 2020.

Signed on behalf of East Lothian Council.

Willie Innes  
Council Leader

## The Chief Finance Officer's responsibilities

The Chief Finance 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 Finance 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 Accounting Code (in so far as it is compatible with legislation).

The Chief Finance 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 Finance 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 2020.

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

# Annual Governance Statement

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

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

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

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Council to monitor the achievement of its strategic objectives and to

consider whether those objectives have led to the delivery of appropriate services and value for money.

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

## Annual Self-Evaluation of Corporate Governance

The 2020 corporate governance self-evaluation has found that East Lothian Council continues to have good governance and control arrangements in place across the seven corporate good practice principles. In March 2020 the COVID-19 emergency provided a serious test for the Council's risk management and business continuity frameworks. The Business Continuity Plans

that were invoked as the UK and Scottish Governments declared the COVID-19 public health emergency on 23rd March provided the basis for the Council's response to the emergency and the 'lockdown' measures imposed by Government.

There have been many examples of service redesign, technology and culture change being rapidly embraced to deliver critical services to the community. The Council's ELC values – Enabling, Leading and Caring – and the East Lothian Way behaviours have underpinned the Council and council staff response to the emergency.

The Council has implemented amended governance arrangements, significant investment, new ways of decision-making, leadership and implementation including virtual meetings, conference calls, and systems remote access and authorisation processes. Control environments have been at increased risk for short periods of time whilst appropriate controls have been implemented. It will be important for the Council, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

The Council's governance self-evaluation has identified several areas for further development and improvement, but just as

importantly, has re-affirmed that it will continue to review and benchmark its practices and policies to build on existing good practice and improvement actions already being implemented, in order to ensure the Council continues its progress from continuous improvement through to excellence.

### Declaration of Assurance

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

All Chief Officers provided assurance that, to the best of their knowledge and understanding, the Internal Financial Controls in their areas operated satisfactorily, although some have raised some areas where controls could be improved and these are currently being explored.

### Internal Audit Review

The Council's review of governance arrangements is informed by a number of sources including the work of Internal Audit. The Council maintains an Internal Audit service which operates in accordance with the Public Sector Internal Audit Standards. The Internal Audit Manager reports annually to the Audit and Governance Committee on the overall adequacy and effectiveness of

the Council's framework of governance, risk management and control. The agenda and minutes of this meeting can be accessed on the [Audit and Governance Committee webpages](#).

All internal audit reports into service areas include recommendations, agreed actions and an implementation date. During 2018/19 areas identified with scope for improvement included the following:

- Non-compliance with the Council's Corporate Procurement Procedures and a failure to demonstrate best value.
- The lack of an overarching framework in place for identifying, monitoring and managing potential conflicts of interest.
- Internal financial controls including reconciliations, monitoring and checking arrangements and the retention of supporting documentation.
- Delays in invoices being raised following the supply of goods and services by the Council.
- The controls in place for the prevention and detection of duplicate payments.

Internal Audit follows up on all recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. In

2019/20 follow-up reports were submitted to the Audit and Governance Committee on Management actions taken in respect of Homelessness, Overtime, Complaints Handling Procedure, Council Tax Liabilities, IT Access Controls, Business Grants, Contracts, Debtors, Planning Enforcement and Creditors. The follow-up work highlighted that the majority of recommendations made had been implemented and that action was being taken towards the outstanding recommendations.

The Internal Audit function also gives an assurance statement on the effectiveness of the system of internal controls within the Council. This was reported to the June 2020 meeting of the Audit & Governance Committee. For 2019/20, Internal Audit has concluded that subject to a number of weaknesses which are outlined below, reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year ended 31 March 2020. Those areas which have been identified with scope for improvement included:

- The controls in place for the prevention and detection of duplicate payments, with in year follow up work identifying that the majority of recommendations have been implemented in this area.

- Completeness and accuracy of the underlying records within services to allow for appropriate accounting for fixed assets.
- Maintenance of appropriate audit trails for authorisation and completion of procurement processes, and a need for formal contract management processes.
- Implementation of a clear framework across services for the maintenance of digital records.
- Continued formal review and approval of policies, procedures and plans, and maintenance of training processes for all procedures.

Plans are currently being developed to review these areas and consider appropriate actions for improvement during 2020/21.

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

In 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised statement on the role of the Chief Finance Officer (CFO) in public service organisations. The statement sets out the principles that define the core activities and behaviours that are key to the role of the CFO in public sector organisations. For each principle the statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Council is able to confirm that, in all major regards, it conforms with the governance arrangements of the CIPFA statement.

### Results

It is our opinion that reasonable assurance can be placed on the governance and control arrangements within East Lothian Council and its Group during 2019/20.

Monica Patterson  
Chief Executive

Willie Innes  
Council Leader

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

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

## Report 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 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only, Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement, the council-only Housing Revenue Account, the Common Good Account, the Trust Funds Account, the Council Tax Income Account, and the Non-Domestic Rate (NDR) Income Account, and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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 under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. 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 were 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.

### Emphasis of Matter – Property valuation

I draw attention to the Critical judgements, Future assumptions, and Revaluation sections of the Accounting Policies in the financial statements, which describe the effects of increased levels of uncertainty, due to the impact of Covid-19, affecting property valuations. My opinion is not modified in respect of this matter.

### **Conclusions relating to going concern basis of accounting**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Council Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### **Responsibilities of the Head of Council Resources and the Audit and Governance Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Council Resources 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 Head of Council Resources 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 Head of Council Resources is responsible for assessing the council'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 deemed inappropriate.

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 economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**

The Head of Council Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. 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 matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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 am 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 part 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; or
- there has been a failure to achieve a prescribed financial objective.



I have nothing to report in respect of these matters.

EH3 9DN

### **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 120 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.

Gillian Woolman (MA FCA CPFA)  
Audit Director

Audit Scotland  
102 West Port  
Edinburgh

# 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 on page 33
- Senior Officer Remuneration on page 34
- Pay Bandings information on page 34
- Pension Benefits information for Senior Councillors and Officers on pages 37 to 40.

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. 2019/23). 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 2019/20 the salary for the Leader of East Lothian Council is £29,119. 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 £176,892.

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 2018/19 £	Taxable Expenses 2018/19 £	Total 2018/19 £	Annualised Salary 2018/19 £	Name	Office Held as at 31 March 2020	Salary, Fees and Allowances 2019/20 £	Taxable Expenses 2019/20 £	Total 2019/20 £	Annualised Salary 2019/20 £
28,326	-	28,326	28,326	Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning	29,119	-	29,119	29,119
21,245	-	21,245	21,245	John McMillan	Provost and Cabinet Spokesperson for Economic Development & Tourism	21,840	-	21,840	21,840
21,245	721	21,966	21,245	Andy Forrest	Depute Provost	21,840	776	22,616	21,840
21,245	-	21,245	21,245	Shamin Akhtar	Cabinet Spokesperson for Education and Children's Services	21,840	-	21,840	21,840
21,245	1,987	23,232	21,245	Jim Goodfellow	Cabinet Spokesperson for Housing and Community Wellbeing	21,840	2,045	23,885	21,840
21,245	1,214	22,459	21,245	Fiona O'Donnell	Cabinet Spokesperson for Health and Social Care	21,840	990	22,830	21,840
22,245	-	22,245	21,245	Norman Hampshire	Depute Leader and Cabinet Spokesperson for Environment	22,840	2,248	25,088	21,840
9,383	432	9,815	-	Brian Small	Leader of the Opposition (to 10/09/2018)	-	-	-	-
11,862	-	11,862	21,245	Jane Henderson	Leader of the Opposition (from 11/09/2018)	21,840	-	21,840	21,840
<b>178,041</b>	<b>4,354</b>	<b>182,395</b>	<b>177,041</b>	<b>Total</b>		<b>182,999</b>	<b>6,059</b>	<b>189,058</b>	<b>181,999</b>

## Total Councillors' Remuneration

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

The annual return of councillors' salaries and expenses for 2019/20 is available to view

from the Council's ['payments to councillors' webpage](#).

2018/19 £	Type of Councillors' Remuneration	2019/20 £
413,400	Salaries	424,700
1,000	Allowances	1,000
22,106	Expenses	23,258
<b>436,506</b>	<b>Total</b>	<b>448,958</b>

## 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.

A formal review of the Chief Officer structure was last carried out in February 2012, although there have been minor variations approved since then, the most recent of which was effective from April 2019.

2018/19	Officers' Salary Brackets	2019/20
55	£50,000 - £54,999	78
20	£55,000 - £59,999	61
21	£60,000 - £64,999	30
3	£65,000 - £69,999	18
4	£70,000 - £74,999	1
-	£75,000 - £79,999	2
3	£80,000 - £84,999	5
4	£85,000 - £89,999	2
-	£90,000 - £94,999	4
-	£95,000 - £99,999	-
2	£100,000 - £104,999	-
-	£105,000 - £109,999	2
-	£110,000 - £114,999	-
1	£115,000 - £119,999	-
<b>113</b>	<b>Total</b>	<b>203</b>

During 2019/20 the Council paid the following amounts to senior employees:

Salary, Fees and Allowances	Taxable Expenses	Total	Name	Post Title	Salary, Fees and Allowances	Taxable Expenses	Total
2018/19 £	2018/19 £	2018/19 £			2019/20 £	2019/20 £	2019/20 £
116,492	293	116,785	Angela Leitch	Chief Executive (to 26/11/2019)	81,752	244	81,996
				Chief Executive (from 03/02/2020)			
101,250	155	101,405	Monica Patterson	Depute Chief Executive-Partnership & Services for Communities (to 02/02/2020)	106,013	318	106,331
101,250	-	101,250	Alex McCrorie	Depute Chief Executive-Resources & People Services	105,941	-	105,941
88,540	46	88,586	Jim Lamond	Head of Council Resources	96,194	145	96,339
88,540	97	88,637	Douglas Proudfoot	Head of Development	91,746	-	91,746
32,424	296	32,720	Thomas Shearer	Head of Communities & Partnerships (to 02/04/2018) and then Head of Infrastructure (until 31/07/2018)	-	-	-
59,027	423	59,450	Thomas Reid	Head of Infrastructure (from 01/08/2018)	91,746	104	91,850
88,540	398	88,938	Sharon Saunders	Head of Children & Adult Services (to 02/04/2018) Head of Communities & Partnerships (from 03/04/2018)	91,196	490	91,686
-	-	-	Iain Gorman	Head of Operations (from 28/10/2019) Post 100% funded by NHS Lothian	38,979	135	39,114
88,540	701	89,241	Fiona Robertson	Head of Education (from 28/08/2018 to 19/01/2020)	73,406	349	73,755
45,948	16	45,964	Lesley Brown	Chief Operating Officer - Education (from 28/08/2018)	81,377	-	81,377
-	-	-	Sarah Fortune	Chief Operating Officer - Finance (from 01/04/2019)	79,165	-	79,165
-	-	-	Judith Tait	Chief Operating Officer - Children's Services (from 03/06/2019)	67,429	179	67,608
<b>810,551</b>	<b>2,425</b>	<b>812,976</b>	<b>Total</b>		<b>1,004,944</b>	<b>1,964</b>	<b>1,006,908</b>

The salary, fees and allowances for senior officers include any payments made in respect of election roles. During 2019/20, all Heads of Service were paid £91,196 (full time equivalent) and all Chief Operating Officers £79,165 (full time equivalent).

At its meeting of 25 June 2013, the Council agreed to pay a share of the Director of East Lothian Health and Social Care Partnership

post from August 2013. The costs are shared on a 50/50 basis with NHS Lothian. All payroll and pension arrangements for this post are administered by NHS Lothian.

During 2019/20 the Council paid £63,355 (including on-costs) as our shared cost of this post. Alison MacDonald was appointed to this post in July 2018.

Prior to Judith Tait’s appointment as Chief Operating Officer – Children’s Services on 03/06/19 she was employed as Head of Children and Adult Services on a secondment basis from the Care Inspectorate. The cost of which was £18,759 (including on-costs) covering Apr/May 2019.

### Subsidiary Bodies

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

includes an additional salary payment of £1,000. His overall remuneration package for 2019/20 includes a P11D benefit of £16,703 for car and fuel and £680 for private medical insurance.

equivalent to 10% of pensionable salary on an annual basis. For 2019/20 this totalled £12,023 (18/19 - £11,672).

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

The 2019/20 salary figure for the General Manager of Musselburgh Racecourse

The General Manager of Musselburgh Racecourse is not a member of the Council's defined benefit pension scheme, although he receives employer’s pension contributions

2018/19				Name	Post Title	2019/20			
Salary	Expenses & Allowances	Non-Cash Benefits	Total			Salary	Expenses & Allowances	Non-Cash Benefits	Total
£	£	£	£		£	£	£	£	
114,943	-	17,334	<b>132,277</b>	William Farnsworth	General Manager Musselburgh Racecourse	121,226	-	17,383	<b>138,609</b>

## 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 1/60<sup>th</sup> of final pensionable salary and years of

pensionable service. Prior to this the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>ths</sup> of final pensionable salary and years of pensionable service. From 1 April 2015 the accrual rate is 1/49<sup>th</sup> of pensionable pay in each year. The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

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



2018/19			2019/20	
Range	Rate	Whole Time Pay	Range	Rate
£			£	
21,926	5.50%	On earnings up to and including	22,441	5.50%
21,927 - 26,377	5.60% - 5.80%	On earnings above	22,442 - 26,990	5.60% - 5.80%
26,378 - 35,796	5.90% - 6.50%	On earnings above	26,991 - 36,652	5.90% - 6.50%
35,797 - 48,301	6.60% - 7.30%	On earnings above	36,653 - 49,489	6.60% - 7.30%
48,302	7.40% - 11.20%	On earnings above	49,490	7.40% - 11.20%

## Pension Benefits - Senior Councillors

The estimated pension entitlements for Senior Councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council during the year.

Name	Office Held as at 31 March 2020	Pension Contributions		Accrued Pension Benefits			
		For Year to 31 March 2019	For Year to 31 March 2020	As at 31 March 2020		Difference from 31 March 2019	
		£	£	Pension £000s	Lump Sum £000s	Pension £000s	Lump Sum £000s
Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning	6,175	6,494	6	2	-	-
John McMillan	Provost and Cabinet Spokesperson for Economic Development & Tourism	4,631	4,870	3	-	-	-
Andy Forrest	Depute Provost	4,631	4,870	5	1	1	-
Shamin Akhtar	Cabinet Spokesperson for Education and Children's Services	4,631	4,870	3	-	-	-
Jim Goodfellow	Cabinet Spokesperson for Housing and Community Wellbeing	4,631	4,870	3	-	-	-
Fiona O'Donnell	Cabinet Spokesperson for Health and Social Care	4,631	4,870	1	-	1	-
Norman Hampshire	Cabinet Spokesperson for Environment and also Depute Leader of the Council	4,849	5,093	5	2	-	-
Brian Small *	Leader of the Opposition (to 10/09/2018)	3,805	-	-	-	-	-
Jane Henderson	Leader of the Opposition (from 11/09/2018)	4,222	4,870	1	-	1	-
<b>Total</b>		<b>42,206</b>	<b>40,807</b>	<b>27</b>	<b>5</b>	<b>3</b>	<b>-</b>

\* - Less than two years membership so no entitlement to pension benefits

## Pension Benefits - Senior Employees

The estimated pension entitlements for senior employees for the year to 31 March 2020 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 2019	For Year to 31 March 2020	As at 31 March 2020 Pension	Lump Sum	Difference from 31 March 2019	
		£	£	£000s	£000s	£000s	£000s
Angela Leitch	Chief Executive (to 20/11/2019)	25,395	17,541	60	110	2	2
Angela Leitch	Returning Officer (to 26/11/2019)	-	690	1	-	-	-
Monica Patterson	Chief Executive (from 03/02/2020) Depute Chief Executive-Partnership & Services for Communities (to 02/02/2020)	22,073	23,580	56	105	4	5
Alex McCrorie *	Depute Chief Executive-Resources & People Services	-	-	22	66	1	2
Sharon Saunders	Head of Children & Adult Services (to 02/04/2018) Head of Communities & Partnerships (from 03/04/2018)	19,302	20,337	39	61	3	2
Fiona Robertson	Head of Education (to 19/01/2020)	19,302	16,291	5	-	5	-
Lesley Brown***	Chief Operating Officer - Education (from 28/08/2018)	10,017	18,043	-	-	-	-
Douglas Proudfoot	Head of Development	19,302	20,337	40	79	3	2
Thomas Shearer**	Head of Communities & Partnerships (to 02/04/2018) and then Head of Infrastructure (until 31/07/2018)	6,318	-	n/a	n/a	n/a	n/a
Thomas Reid	Head of Infrastructure (from 01/08/2018)	17,209	20,337	33	51	5	6
Jim Lamond	Head of Council Resources	19,302	20,337	43	74	3	2
Iain Gorman ***	Head of Operations (from 28/10/2019)	-	8,692	-	-	-	-
Sarah Fortune	Chief Operating Officer - Finance (from 01/04/2019)	-	17,654	20	15	5	4
Judith Tait ***	Chief Operating Officer - Children's Service (from 03/06/2019)	-	14,993	-	-	-	-
<b>Total</b>		<b>158,220</b>	<b>198,832</b>	<b>319</b>	<b>561</b>	<b>31</b>	<b>25</b>

\* - Member no longer active in the pension scheme

\*\* - Retired from scheme on 31/7/2018 therefore no preserved benefits at 31/3/2020

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

## 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 2018/19					Exit Packages 2019/20				
Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages £000s	Cost Banding	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages £000s	
1	1	2	10	£0 - £20,000	2	4	6	82	
-	-	-	-	£20,001 - £40,000	-	1	1	23	
-	1	1	42	£40,001 - £60,000	-	-	-	-	
<b>1</b>	<b>2</b>	<b>3</b>	<b>52</b>	<b>Total</b>	<b>2</b>	<b>5</b>	<b>7</b>	<b>105</b>	

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 2019/20, with comparative figures for 2018/19.

# Trade Union Facility Time

From April 2017, the Council is now required to publish details of Trade Union facility time incurred during the year. The proportion of salary spent on facility time can be found below. Further information is available on the [Trade Union Facility Time webpage](#).

## Percentage of Pay Bill Spent on Facility Time

2018/19			2019/20	
Non-Education Staff	Education Staff	Percentage of pay bill spent on facility time	Non-Education Staff	Education Staff
£79,272	£30,337	Total cost of facility time	£90,561	£40,043
£91,826,969	£51,161,040	Total pay bill	£95,743,248	£57,130,060
0.09%	0.06%	Percentage of the total pay bill spent on facility time	0.09%	0.07%

Monica Patterson  
Chief Executive

Willie Innes  
Council Leader

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

# Main statements

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## 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.

<b>Movement in Reserves Statement For the Year Ended 31 March 2020</b>	<b>General Fund Balance</b> £000s	<b>Capital Grants &amp; Receipts Unapplied</b> £000s	<b>Capital Fund/Capital Receipts Reserve</b> £000s	<b>Insurance Fund</b> £000s	<b>Housing Revenue Account</b> £000s	<b>Total Usable Reserves</b> £000s	<b>Unusable Reserves</b> £000s	<b>Total Authority Reserves</b> £000s	<b>Group Usable Reserves</b> £000s	<b>Group Unusable Reserves</b> £000s	<b>Total Group Reserves</b> £000s
<b>Balance at 31 March 2019</b>	<b>(12,766)</b>	<b>(245)</b>	<b>(4,600)</b>	<b>(1,821)</b>	<b>(6,068)</b>	<b>(25,500)</b>	<b>(314,006)</b>	<b>(339,506)</b>	<b>(39,919)</b>	<b>(318,581)</b>	<b>(358,500)</b>
Opening Balances	-	-	-	-	-	-	-	-	269	494	<b>763</b>
Adjustments											
<b>Restated Opening Balance</b>	<b>(12,766)</b>	<b>(245)</b>	<b>(4,600)</b>	<b>(1,821)</b>	<b>(6,068)</b>	<b>(25,500)</b>	<b>(314,006)</b>	<b>(339,506)</b>	<b>(39,650)</b>	<b>(318,087)</b>	<b>(357,737)</b>
Total Comprehensive Expenditure and Income	(10,254)	-	-	-	7,392	(2,862)	(40,149)	(43,011)	(1,781)	(41,246)	(43,027)
Depreciation charged to the Revaluation Reserve	(7,507)	-	-	-	(3,062)	(10,569)	10,569	-	(10,690)	10,690	-
<b>Net Movement before statutory adjustments and transfers</b>	<b>(17,761)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,330</b>	<b>(13,431)</b>	<b>(29,580)</b>	<b>(43,011)</b>	<b>(12,471)</b>	<b>(30,556)</b>	<b>(43,027)</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 6)	14,185	-	3,887	-	(271)	<b>17,801</b>	(17,801)	-	<b>16,364</b>	(16,364)	-
<b>Net Movement before Transfers to Other Statutory Reserves</b>	<b>(3,576)</b>	<b>-</b>	<b>3,887</b>	<b>-</b>	<b>4,059</b>	<b>4,370</b>	<b>(47,381)</b>	<b>(43,011)</b>	<b>3,893</b>	<b>(46,920)</b>	<b>(43,027)</b>
Transfers to/from Other Statutory Reserves	188	-	-	(188)	-	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(3,388)</b>	<b>-</b>	<b>3,887</b>	<b>(188)</b>	<b>4,059</b>	<b>4,370</b>	<b>(47,381)</b>	<b>(43,011)</b>	<b>3,893</b>	<b>(46,920)</b>	<b>(43,027)</b>
<b>Balance at 31 March 2020 Carried Forward</b>	<b>(16,154)</b>	<b>(245)</b>	<b>(713)</b>	<b>(2,009)</b>	<b>(2,009)</b>	<b>(21,130)</b>	<b>(361,387)</b>	<b>(382,517)</b>	<b>(35,757)</b>	<b>(365,007)</b>	<b>(400,764)</b>

The previous year's restated Movement in Reserves Statement is presented below for comparison with the current year's figures.



<b>Movement in Reserves Statement For the Year Ended 31 March 2019</b>	General Fund Balance	Capital Grants & Receipts Unapplied	Capital Fund/ Capital Receipts Reserve	Insurance Fund	Housing Revenue Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 31 March 2018</b>	<b>(12,553)</b>	-	<b>(4,600)</b>	<b>(1,883)</b>	<b>(5,395)</b>	<b>(24,431)</b>	<b>(316,964)</b>	<b>(341,395)</b>	<b>(35,308)</b>	<b>(324,932)</b>	<b>(360,240)</b>
Opening Balances	-	-	-	-	-	-	-	-	(181)	59	(122)
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-	78	78	(2,884)	2,962	78
Adjustment for IFRS9	-	-	-	-	-	-	-	-	-	-	-
<b>Restated Opening Balance</b>	<b>(12,553)</b>	-	<b>(4,600)</b>	<b>(1,883)</b>	<b>(5,395)</b>	<b>(24,431)</b>	<b>(316,886)</b>	<b>(341,317)</b>	<b>(38,373)</b>	<b>(321,911)</b>	<b>(360,284)</b>
Total Comprehensive Expenditure and Income	21,625	-	-	-	8,447	30,072	(28,261)	1,811	29,887	(28,103)	1,784
Depreciation charged to the Revaluation Reserve	(7,657)	-	-	-	(1,499)	(9,156)	9,156	-	(9,284)	9,284	-
Adjustments Between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-
<b>Net Movement before statutory adjustments and transfers</b>	<b>13,968</b>	-	-	-	<b>6,948</b>	<b>20,916</b>	<b>(19,105)</b>	<b>1,811</b>	<b>20,603</b>	<b>(18,819)</b>	<b>1,784</b>
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 6)	(14,364)	-	-	-	(7,621)	(21,985)	21,985	-	(22,149)	22,149	-
<b>Net Movement before Transfers to Other Statutory Reserves</b>	<b>(396)</b>	-	-	-	<b>(673)</b>	<b>(1,069)</b>	<b>2,880</b>	<b>1,811</b>	<b>(1,546)</b>	<b>3,330</b>	<b>1,784</b>
Transfers to/from Other Statutory Reserves	183	(245)	-	62	-	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(213)</b>	<b>(245)</b>	-	<b>62</b>	<b>(673)</b>	<b>(1,069)</b>	<b>2,880</b>	<b>1,811</b>	<b>(1,546)</b>	<b>3,330</b>	<b>1,784</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>(12,766)</b>	<b>(245)</b>	<b>(4,600)</b>	<b>(1,821)</b>	<b>(6,068)</b>	<b>(25,500)</b>	<b>(314,006)</b>	<b>(339,506)</b>	<b>(39,919)</b>	<b>(318,581)</b>	<b>(358,500)</b>

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

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

The authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue 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.

## 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.

2018/19 (Restated)			2018/19(Restated)	Comprehensive Income and Expenditure Statement	2019/20			2019/20
Gross Spend £000s	Gross Income £000s	Net Spend £000s	Group Net Expenditure £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s	Group Net Expenditure £000s
138,409	(8,430)	129,979	129,993	Resources & People Directorate	155,026	(14,047)	140,979	140,967
108,175	(61,288)	46,887	46,888	Health & Social Care Partnership	113,944	(64,508)	49,436	49,436
74,252	(15,261)	58,991	59,126	Partnership & Community Directorate	72,795	(15,285)	57,510	57,910
27,950	(18,523)	9,427	9,427	Corporate and Central Services	13,248	(18,159)	(4,911)	(4,911)
39,957	(30,159)	9,798	9,798	HRA	40,210	(31,638)	8,572	8,572
<b>388,743</b>	<b>(133,661)</b>	<b>255,082</b>	<b>255,232</b>	<b>Cost of Services</b>	<b>395,223</b>	<b>(143,637)</b>	<b>251,586</b>	<b>251,974</b>
		105	25	(Gain)/Losses on the Disposal of Non-Current Assets			(1,051)	(1,051)
		16,321	16,326	Interest Payable and Similar Charges			16,420	16,395
		(705)	(1,096)	Interest Receivable and Similar Income			(527)	(750)
		-	-	(Gains)/Losses on sale of investments			-	(94)
		-	-	Changes in fair value of financial instruments held at Fair Value through Profit or Loss			-	898
		3,864	3,864	Interest Expense of Pension Defined Benefit Obligation			4,422	4,422
		(244,595)	(244,595)	Taxation and Non Specific Grant Income			(273,712)	(273,712)
		-	131	Share of the Surplus (or Deficit) on the provision of Services by Associates			-	137
		<b>30,072</b>	<b>29,887</b>	<b>Deficit (Surplus) on Provision of Services</b>			<b>(2,862)</b>	<b>(1,781)</b>
		(48,535)	(48,535)	(Surplus)/Deficit on Revaluation of Non-Current Assets			2,990	2,307
		(15)	(15)	(Surplus)/Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income			399	399
		20,289	20,289	Re-measurement of the net defined benefit pension liability			(43,538)	(43,538)
		-	158	Share of Other Comprehensive Income and Expenditure of Associates			-	(414)
		<b>(28,261)</b>	<b>(28,103)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(40,149)</b>	<b>(41,246)</b>
		<b>1,811</b>	<b>1,784</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(43,011)</b>	<b>(43,027)</b>

The CIES shows the results for the entire East Lothian Group, including the Council, its associates and subsidiaries. The impact of this is shown in the Reconciliation below.

The Health and Social Care Partnership service segment within the statement includes contributions to, and service commissioning income received from, The East Lothian Integration Joint Board (IJB) in line with guidance.

In 2019/20 the Council amended the services which each directorate is responsible for. Children's Services is now part of Resources and People, and Community Councils are in the remit of the Partnership and Community directorate. The 2018/19 comprehensive income statement and relevant notes, primarily the expenditure and funding analysis, have been restated to provide comparable figures to the 2019/20 presentation.

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

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

2018/19 £000s	Reconciliation of the Council Surplus / Deficit to the Group Surplus / Deficit	2019/20 £000s
30,072	Deficit for the Year on Authority Comprehensive Income and Expenditure Account	(2,862)
131	Associates	137
(316)	Subsidiaries	944
<b>29,887</b>	<b>(Surplus) / Deficit for the Year on the Group Income &amp; Expenditure Account</b>	<b>(1,781)</b>

# Group Balance Sheet

The Balance Sheet shows the value as at 31 March 2020 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** i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

**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.

The unaudited accounts were issued on 29 June 2020, and the audited accounts were authorised for issue on 26 October 2020.

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

31 March 2019 Authority £000s	31 March 2019 Group £000s	Balance Sheet	Note	31 March 2020 Authority £000s	31 March 2020 Group £000s
933,751	939,587	Property, Plant & Equipment	11	955,837	961,480
		Intangible Assets	13	709	709
1,052	1,052	Heritage Assets	14	1,052	1,052
5,428	11,517	Long Term Investments	20	5,030	10,451
-	1,069	Investments in Associates	20	-	590
10,209	10,391	Long Term Debtors	21	9,725	9,762
<b>950,440</b>	<b>963,616</b>	<b>Long Term Assets</b>		<b>972,353</b>	<b>984,044</b>
-	-	Short Term Investments		-	16
766	766	Assets Held for Sale	15	701	701
593	593	Inventories	22	1,867	1,867
34,435	37,988	Short Term Debtors	23	21,644	22,377
15,759	16,254	Cash and Cash Equivalents		30,786	31,417
<b>51,553</b>	<b>55,601</b>	<b>Current Assets</b>		<b>54,998</b>	<b>56,378</b>
(19,148)	(17,555)	Short Term Borrowing	24	(18,841)	(19,016)
(41,867)	(42,336)	Short Term Creditors	25	(42,226)	(37,442)
(3,645)	(3,645)	Short Term Provisions	26	-	-
(4,646)	(4,646)	Capital Grants Receipts in Advance	32	(10,213)	(10,213)
<b>(69,306)</b>	<b>(68,182)</b>	<b>Current Liabilities</b>		<b>(71,280)</b>	<b>(66,671)</b>
(1,651)	(1,651)	Provisions	26	(459)	(459)
(343,917)	(343,808)	Long Term Borrowing	24	(366,621)	(366,531)
(69,838)	(69,301)	Other Long Term Liabilities	27	(59,766)	(59,289)
(177,775)	(177,775)	Pension Liability	28	(146,708)	(146,708)
<b>(593,181)</b>	<b>(592,535)</b>	<b>Long Term Liabilities</b>		<b>(573,554)</b>	<b>(572,987)</b>
<b>339,506</b>	<b>358,500</b>	<b>Net Assets</b>		<b>382,517</b>	<b>400,764</b>
(25,500)	(39,919)	Usable Reserves	29	(21,130)	(35,757)
(314,006)	(318,581)	Unusable Reserves	30	(361,387)	(365,007)
<b>(339,506)</b>	<b>(358,500)</b>	<b>Total Reserves</b>		<b>(382,517)</b>	<b>(400,764)</b>

## 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.

2018/19 Authority £000s	2018/19 Group £000s	Cash Flow Statement	Note	2019/20 Authority £000s	2019/20 Group £000s
		<b>Operating Activities</b>			
30,072	29,887	Net Deficit (Surplus) on the Provision of Services		(2,862)	(1,781)
(65,266)	(64,992)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	34	(70,888)	(71,967)
24,445	24,316	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	35	45,247	45,109
<b>(10,749)</b>	<b>(10,789)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(28,503)</b>	<b>(28,639)</b>
		<b>Investing Activities</b>			
60,978	60,978	Purchase of Property, Plant and Equipment		75,915	75,915
(705)	(705)	Proceeds from Short Term Investments		(527)	(527)
(49,013)	(49,015)	Other Receipts from Investing Activities		(39,795)	(39,795)
(588)	(588)	Proceeds from the Sale of Property, Plant and Equipment		(1,086)	(1,086)
<b>10,672</b>	<b>10,670</b>	<b>Net Cash Flows from Investing Activities</b>		<b>34,507</b>	<b>34,507</b>
		<b>Financing Activities</b>			
(20,000)	(20,000)	Cash Receipts of Short and Long Term Borrowing		(61,213)	(61,213)
1,478	1,478	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Lease and On-Balance Sheet PFI Contracts		1,348	1,348
17,586	17,637	Repayments of Short and Long Term Borrowing		38,834	38,834
<b>(936)</b>	<b>(885)</b>	<b>Net Cash Flows from Financing Activities</b>		<b>(21,031)</b>	<b>(21,031)</b>
<b>(1,013)</b>	<b>(1,004)</b>	<b>Net (Increase) in Cash and Cash Equivalents</b>		<b>(15,027)</b>	<b>(15,163)</b>
(14,746)	(15,250)	Cash and Cash Equivalents at the Beginning of the Reporting Period		(15,759)	(16,254)
<b>(15,759)</b>	<b>(16,254)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>		<b>(30,786)</b>	<b>(31,417)</b>

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# Notes to the East Lothian Council Accounts

## Note 1 General Accounting Policies

### i. General Principles

The Statement of Accounts summarises the authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20, 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.

### 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. Further information is in Note 2.

## **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.

## **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 Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's Income and Expenditure statement.

## Note 2 Accounting Standards Not Yet Adopted

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

- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

## 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:

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

## Note 4 Future Assumptions

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

The implementation of IFRS 16 *Leases* was originally phased for 2020/21 but this has been deferred to 2021/22. Implementation will require more lease arrangements to be recognised as assets with associated liabilities on the balance sheet. Quantification of the impact is not currently available.

- COVID-19 has resulted in an increased level of uncertainty in some areas including the impairment of debtors, asset valuations and group arrangements. A [joint statement](#) by the Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA) encourages users of financial statements to take into account the uncertainties and limitations arising from the impact of COVID-19.
- 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.

from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2020, 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
<b>COVID-19: Debtors; Asset valuations; Group entities</b>	During March 2020 the potential for the COVID-19 pandemic to affect the people of East Lothian and the Council began to emerge. The implications for the finances of the Council are expected to become more clearly defined during 2020/21. COVID-19 may particularly affect the collectability of monies owing to the Council as at 31 March 2020, the audited results of group entities, and the valuation of assets. Based on the evidence available during the preparation of the accounts the Council has currently assumed that it will maintain its existing level of debtor collection; and that group results for 2019/20 and asset valuations at 31 March 2020 do not require material adjustment.	If evidence during 2020/21 contradicts the assumptions there is the potential for significant change – most particularly to require additional impairment of debtors. (See Notes 21 and 23)
<b>Pensions Liability</b>	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 28. The Pensions Reserve balance at 31 March 2020 is £146.708 million.	If actual results are different from assumptions, there is the potential for a significant change – either increasing or decreasing the potential liability. (See Note 28.)
<b>Property, Plant, and Equipment (PPE)</b>	Assets are valued and depreciated over their useful lives in line with advice taken from external and internal valuers. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The carrying amount of PPE at 31 March 2020 is £955.837 million with depreciation charge for 2019/20 of £36.637 million (excluding amortisation of intangible assets).	If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. (See Note 11 and Note 12.)
<b>Arrears</b>	At 31 March 2020 the authority had balances of £10.064 million relating to Council Tax debt and £2.473 million relating to Council House rent debt. The authority believes it has provided for the potential of doubtful debts. However, it is possible that future economic conditions could have a detrimental impact on collection rates.	If collection rates were to deteriorate, then there would be a requirement to increase the value of the doubtful debt provision. (See Note 23.)

## Note 5 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 business rates) by local authorities, in comparison with those resources consumed or earned by authorities, in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2018/19 (Restated)				2019/20		
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		
114,380	15,598	129,978	Resources & People Directorate	121,750	19,229	140,979
44,640	2,248	46,888	Health & Social Care Partnership	46,763	2,673	49,436
43,131	15,860	58,991	Partnership & Community Directorate	41,551	15,959	57,510
9,534	(107)	9,427	Corporate and Central Services	6,687	(11,598)	(4,911)
(6,682)	16,480	9,798	HRA	(2,082)	10,654	8,572
<b>205,003</b>	<b>50,079</b>	<b>255,082</b>	<b>Net Cost of Service</b>	<b>214,669</b>	<b>36,917</b>	<b>251,586</b>
(206,072)	(18,938)	(225,010)	Other Income & Expenditure	(214,186)	(40,262)	(254,448)
<b>(1,069)</b>	<b>31,141</b>	<b>30,072</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>483</b>	<b>(3,345)</b>	<b>(2,862)</b>
GF	HRA	Combined		GF	HRA	Combined
(12,553)	(5,395)	(17,948)	Opening Fund Balance	(12,766)	(6,068)	(18,834)
(396)	(673)	(1,069)	(Surplus)/Deficit for year chargeable to General Fund and HRA	(3,576)	4,059	483
183	-	183	Transfer to/from Other Statutory Reserves	188	-	188
<b>(12,766)</b>	<b>(6,068)</b>	<b>(18,834)</b>	<b>Closing Fund Balances</b>	<b>(16,154)</b>	<b>(2,009)</b>	<b>(18,163)</b>

The 2018/19 information has been restated to provide figures which are comparable to the 2019/20 service structure and presentation.

## EFA Note 1 – Adjustments between accounting and funding basis

2018/19 (Restated)					2019/20					
Adjustment for Capital Purposes (EFA Note 2)	Net Change for Pension Adjustment (EFA Note 3)	Other Statutory Differences (EFA Note 4)	Depreciation Charged to Revaluation Reserve (EFA Note 5)	Total Adjustments	Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement	Adjustment for Capital Purposes (EFA Note 2)	Net Change for Pension Adjustment (EFA Note 3)	Other Statutory Differences (EFA Note 4)	Depreciation Charged to Revaluation Reserve (EFA Note 5)	Total Adjustments
8,175	3,647	(52)	3,828	15,598	Resources & People Directorate	9,821	4,784	372	4,252	19,229
411	1,645	-	192	2,248	Health & Social Care Partnership	407	2,088	-	178	2,673
7,705	4,547	-	3,608	15,860	Partnership & Community Directorate	7,052	5,831	-	3,076	15,959
(10,288)	10,416	(264)	29	(107)	Corporate and Central Services	(6,396)	(4,933)	(269)	-	(11,598)
14,484	497	-	1,499	16,480	HRA	7,312	279	-	3,063	10,654
<b>20,487</b>	<b>20,752</b>	<b>(316)</b>	<b>9,156</b>	<b>50,079</b>	<b>Net Cost of Service</b>	<b>18,196</b>	<b>8,049</b>	<b>103</b>	<b>10,569</b>	<b>36,917</b>
(22,802)	3,864	-	-	(18,938)	Other Income & Expenditure from the Expenditure and Funding Analysis	(44,684)	4,422	-	-	(40,262)
<b>(2,315)</b>	<b>24,616</b>	<b>(316)</b>	<b>9,156</b>	<b>31,141</b>	<b>Difference between deficit charged to fund balances and Comprehensive Income and Expenditure Statement Deficit</b>	<b>(26,488)</b>	<b>12,471</b>	<b>103</b>	<b>10,569</b>	<b>(3,345)</b>

The 2018/19 information has been restated to provide figures which are comparable to the 2019/20 service structure and presentation.

## 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 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. This presentation is newly adopted for 2019/20. The figures for 2018/19 have been restated to provide comparable information.



## Note to Comprehensive Income and Expenditure Statement

The service lines in the Comprehensive Income and Expenditure Statement exclude internal recharges.

The 2018/19 information has been restated to provide figures which are comparable to the 2019/20 service structure and presentation.

The income and expenditure for each service, inclusive of internal recharges, are shown below.

2018/19			Income and Expenditure for Each Service, Inclusive of Internal Recharges	2019/20		
Gross Spend £000s	Gross Income £000s	Net Spend £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s
204,417	(74,438)	129,979	Resources & People Directorate	230,588	(89,609)	140,979
114,637	(67,750)	46,887	Health & Social Care Partnership	120,402	(70,966)	49,436
94,077	(35,086)	58,991	Partnership & Community Directorate	92,875	(35,365)	57,510
30,816	(21,389)	9,427	Corporate and Central Services	16,105	(21,016)	(4,911)
40,371	(30,573)	9,798	HRA	40,742	(32,170)	8,572
<b>484,318</b>	<b>(229,236)</b>	<b>255,082</b>	<b>Cost of Services</b>	<b>500,712</b>	<b>(249,126)</b>	<b>251,586</b>

## 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:

Expenditure and Income Analysed by Segment and Nature 2019/20	Resources & People Directorate £000s	Health & Social Care Partnership £000s	Partnership & Community Directorate £000s	Corporate and Central Services £000s	HRA £000s	Costs not included in a service £000s	Total £000s
<b>Expenditure</b>							
Employee Benefits Expenses	98,384	18,139	51,376	(4,518)	2,491	-	165,872
Other Service Expenses	41,124	46,862	20,109	20,616	10,209	-	138,920
Depreciation, Amortisation & Impairment	14,073	585	10,128	(229)	21,877	-	46,434
Reallocation of Internal Costs	1,835	899	(6,015)	(2,621)	5,902	-	-
Reallocation of Costs to Capital	(390)	-	(2,803)	-	(269)	-	(3,462)
Interest Payments	-	-	-	-	-	20,842	20,842
Contribution to IJB	-	47,459	-	-	-	-	47,459
<b>Total Expenditure</b>	<b>155,026</b>	<b>113,944</b>	<b>72,795</b>	<b>13,248</b>	<b>40,210</b>	<b>20,842</b>	<b>416,065</b>
<b>Income</b>							
Fees, Charges and Other Service Income	(3,952)	(9,567)	(12,171)	(625)	(31,638)	-	(57,953)
Interest and Investment Income	-	-	-	-	-	(527)	(527)
Gain on Disposal of Assets	-	-	-	-	-	(1,051)	(1,051)
Income from Council Tax and Non-Domestic Rates	-	-	-	-	-	(81,512)	(81,512)
Contributions from IJB	-	(47,459)	-	-	-	-	(47,459)
Government Grants and Contributions	(10,095)	(7,482)	(3,114)	(17,534)	-	(192,200)	(230,425)
<b>Total Income</b>	<b>(14,047)</b>	<b>(64,508)</b>	<b>(15,285)</b>	<b>(18,159)</b>	<b>(31,638)</b>	<b>(275,290)</b>	<b>(418,927)</b>
<b>Surplus on the Provision of Services</b>							<b>(2,862)</b>

Prior year's expenditure and income by segment and nature is analysed as follows. The 2018/19 information has been restated to provide figures which are comparable to the 2019/20 service structure and presentation.

Expenditure and Income Analysed by Segment and Nature 2018/19 (Restated)	Resources & People Directorate £000s	Health & Social Care Partnership £000s	Partnership & Community Directorate £000s	Corporate and Central Services £000s	HRA £000s	Costs not included in a service £000s	Total £000s
<b>Expenditure</b>							
Employee Benefits Expenses	88,585	16,986	48,514	10,831	2,580	-	167,496
Other Service Expenses	36,264	44,506	22,733	20,014	9,956	-	133,473
Depreciation, Amortisation and Impairment	12,004	603	11,313	(159)	22,015	-	45,776
Reallocation of Internal Costs	1,904	1,022	(5,773)	(2,736)	5,583	-	-
Reallocation of Costs to Capital	(348)	-	(2,535)	-	(177)	-	(3,060)
Loss on Disposal of Assets	-	-	-	-	-	192	192
Interest Payments	-	-	-	-	-	20,185	20,185
Contribution to IJB	-	45,058	-	-	-	-	45,058
<b>Total Expenditure</b>	<b>138,409</b>	<b>108,175</b>	<b>74,252</b>	<b>27,950</b>	<b>39,957</b>	<b>20,377</b>	<b>409,120</b>
<b>Income</b>							
Fees, Charges and Other Service Income	(4,571)	(8,715)	(13,151)	(866)	(30,159)	-	(57,462)
Interest and Investment Income	-	-	-	-	-	(705)	(705)
Gain on Disposal of Assets	-	-	-	-	-	(87)	(87)
Income from Council Tax and Non-Domestic Rates	-	-	-	-	-	(76,071)	(76,071)
Contributions from IJB	-	(45,058)	-	-	-	-	(45,058)
Government Grants and Contributions	(3,859)	(7,515)	(2,110)	(17,657)	-	(168,524)	(199,665)
<b>Total Income</b>	<b>(8,430)</b>	<b>(61,288)</b>	<b>(15,261)</b>	<b>(18,523)</b>	<b>(30,159)</b>	<b>(245,387)</b>	<b>(379,048)</b>
<b>Deficit on the Provision of Services</b>							<b>30,072</b>

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

This note details the 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. Figures for 2018/19 are restated to exclude depreciation charged to the Revaluation Reserve.

2018/19			2019/20			
General Fund Balance £000s	Housing Revenue Account £000s	Movement in Usable Reserves £000s	Adjustments between Accounting and Funding Basis under Regulations	General Fund Balance £000s	Housing Revenue Account £000s	Movement in Usable Reserves £000s
<b>Adjustments Primarily Involving the Capital Adjustment Account</b>						
<u>Reversal of Items Debited or Credited to the Comprehensive Income and Expenditure Statement</u>						
(16,352)	(10,821)	(27,173)	Charges for Depreciation and Amortisation of Non-Current Assets	(17,193)	(8,883)	(26,076)
-	(3,696)	(3,696)	Impairment Losses on Property, Plant and Equipment	(86)	(9,931)	(10,017)
248	(5,999)	(5,751)	Revaluation Gains/Losses on Property, Plant and Equipment	229	-	229
15,768	7,374	23,142	Capital Grant and Contributions Applied	36,572	7,061	43,633
(426)	87	(339)	Gain/Loss on the sale or derecognition of non-current assets	678	373	1,051
7	-	7	Charges for expected credit loss of Non-Current Assets funded from capital sources under statute	36	-	36
<u>Statutory Repayment of Debt</u>						
1,421	-	1,421	Statutory repayment of debt: PPP	1,288	-	1,288
58	-	58	Statutory repayment of debt: Finance Leases	60	-	60
8,390	2,832	11,222	Statutory repayment of debt: Loans Fund	8,666	3,802	12,468
			Application of Capital Fund / Capital Receipts Reserve supporting statutory repayment of debt	(4,600)		(4,600)
<u>Funding of Capital Expenditure Incurred in the Year</u>						
224	3,200	3,424	Capital Expenditure Charged Against the General Fund and HRA balances	717	7,700	8,417
<b>Adjustments Primarily Involving the Employee Statutory Adjustment Account:</b>						
52	-	52	Employee Statutory Adjustments: Accumulated Annual Leave	(372)	-	(372)
<b>Adjustments Primarily Involving the Financial Instruments Adjustment Account:</b>						
256	-	256	Annual recharge of deferred premiums from the refinancing of debt	256	-	256
8	-	8	Annual charge for effective interest rate adjustments related to historic stepped interest rate borrowing	12	-	12
<b>Adjustments Primarily Involving the Pensions Reserve:</b>						
(39,622)	(1,020)	(40,642)	Net Retirement Benefits per IAS 19	(28,666)	(833)	(29,499)
15,604	422	16,026	Employer's Contributions Payable to the Lothian Pension Fund	16,588	440	17,028
(14,364)	(7,621)	(21,985)	<b>Total Adjustments</b>	<b>14,185</b>	<b>(271)</b>	<b>13,914</b>

## Note 7 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 to the CIES:

2018/19 £000s	Taxation and Non-Specific Grant Income	2019/20 £000s
(52,327)	Council Tax	(55,238)
(23,744)	Non Domestic Rates	(26,274)
(145,372)	Non Ring-fenced Government Grants	(148,566)
(23,152)	Capital Grants and Contributions	(43,634)
<b>(244,595)</b>	<b>Total</b>	<b>(273,712)</b>

## Note 8 Agency Income and Expenditure

The authority provides an agency service to Scottish Water. Associated income and expenditure is not included within the authority's CIES. In 2019/20, £18.8m (2018/19: £18.3m) was paid over to Scottish Water.

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

## Note 9 Audit Costs

Auditors are appointed for five years by the Accounts Commission. Audit Scotland was appointed as the authority's external auditor in 2016/17. In 2019/20 the audit fee was £247,080 (2018/19: £241,440). No fees were payable in respect of other services provided by the appointed auditor.

## Note 10 Related Parties

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

### Government – Including UK and Scottish Government

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

### Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in the Remuneration Report.

East Lothian Council approved total Grants of £4,620,673 which in 2019/20 is made up of: One Council Community Partnership funding of £1,697,276; Area Partnership funding of £1,850,000; Children's Services £393,495. Community Council Administration Grants, Insurance and Local Priority Scheme Grants total £131,920. Health and Social Care Partnership Grants to Voluntary Organisations of £547,982.

Related Parties	Partnership		
	Funding £000s	Other £000s	Total £000s
Beyond Boundaries East Lothian	4	-	4
Blooming Haddington	-	13	13
Coastal Communities Museum Trust	8	-	8
Cockenzie House and Gardens	-	5	5
Dunbar and District Twinning Association	-	1	1
East Lothian Advice Consortium	527	-	527
Edinburgh and Lothian's Greenspace Trust	-	1	1
First Step	209	50	259
Gullane Area Community Council	-	8	8
Haddington CAB Management Committee	-	5	5
Haddington Twinning Association	-	1	1
Hallhill Ltd	78	-	78
Hallhill Ltd - Late Application	5	-	5
Lamp of Lothian Management Committee	20	-	20
Lothian Mineworkers' Welfare	7	-	7
Convalescent Home Trust	-	-	-
Pennypit Community Development Trust	99	114	213
Preston Lodge High School Excellence in Learning Foundation	-	3	3
Preston/Seton/Gosford Twinning Association	1	-	1
Recharge Youth Facility	-	28	28
Tranent and Elphinstone Community Council	1	17	18
Waggon Way	-	2	2
<b>Total</b>	<b>959</b>	<b>248</b>	<b>1,207</b>

Of these amounts, payments for 'Partnership Funding' totalling some £1.207 million as shown in the table were awarded to organisations in which Members have representation. This represents 26% of the total 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 above.

## Joint Ventures and Entities Controlled or Significantly Influenced by the Authority

Payments in The Year	Position at Year End		Entity	Nature of Related Party Relationship	Payments in The Year	Position at Year End		Nature of Transactions
	Debtor Balances	Creditor Balances				Debtor Balances	Creditor Balances	
2018/19 £000s	2018/19 £000s	2018/19 £000s			2019/20 £000s	2019/20 £000s	2019/20 £000s	
2,096	41	-	Enjoy East Lothian Limited	Charitable organisation registered with Office of Scottish Charity Regulators.	2,027	38	-	Payment for provision of leisure services
20	-	(108)	East Lothian Land Limited	Company set up for the purpose of managing land to support economic development in East Lothian.	19	-	(90)	Loan from the company
43	-	-	East Lothian Investments Ltd	Granting interest free loans to the businesses of East Lothian with the aim of encouraging commercial activity and enterprise in the area.	31	226	-	Payment for setup costs of EL Gift Card
455	-	(337)	Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators.	512	-	(524)	Payment for provision of arts/cultural services
-	-	(3,394)	Common Goods	Council manages assets of historic burghs in line with statute.	-	-	(3,642)	Cash balances relating to normal operations
-	609	-	Musselburgh Racing Associated Committee	Unincorporated organisation which organises racing on Musselburgh Links under minute of agreement with the Council.	115	123	-	Cash balances relating to normal operations
-	-	(1,593)	Trust Funds	A number of trust funds which are managed by the Council in line with the respective trust deeds.	-	-	(1,710)	Cash balances relating to normal operations
636	-	-	Joint Boards	Statutory bodies set up by Scottish ministers.	642	-	-	Payments to run valuation services
54,500	-	(301)	East Lothian Integrated Joint Board	Statutory Body Formed During 2015/16 Under the Terms of The Public Bodies (Joint Working) (Scotland) Act 2014.	56,901	175	-	Payments to run health & social care services
-	-	-	East Lothian Mid-Market Homes LLP	Established to manage 50 new build properties in Dunbar, to be available for mid-market rent.	1	-	(31)	Minor payments relating to normal operations
<b>57,750</b>	<b>650</b>	<b>(5,733)</b>			<b>60,248</b>	<b>562</b>	<b>(5,997)</b>	

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 Main Statements, as well as further detail provided in the Group Accounts Notes.



## Note 11 Property Plant and Equipment Movements

Movements in 2019/20	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
<b>Cost or Valuation</b>									
At 1 April 2019	366,262	524,426	51,537	107,345	11,335	4,124	12,331	<b>1,077,360</b>	133,324
Additions	24,121	8,400	3,851	9,039	214	-	26,013	<b>71,638</b>	368
Accumulated Depreciation & Impairment written out	-	(1,943)	-	-	(26)	-	-	<b>(1,969)</b>	-
Revaluation increases/(Decreases) Recognised in the Revaluation Reserve	-	5,374	-	-	(65)	250	-	<b>5,559</b>	-
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	-	229	-	-	-	-	-	<b>229</b>	-
Derecognition - Disposals	-	(25)	(717)	-	-	-	-	<b>(742)</b>	-
Reclassified as Intangible Assets	-	-	(1,383)	-	-	-	-	<b>(1,383)</b>	-
Asset Reclassified (to)/from Held for Sale	-	-	-	-	-	65	-	<b>65</b>	-
Other Movements including reclassifications	1,922	3,206	2	(491)	(922)	(130)	(3,586)	<b>1</b>	-
<b>At 31 March 2020</b>	<b>392,305</b>	<b>539,667</b>	<b>53,290</b>	<b>115,893</b>	<b>10,536</b>	<b>4,309</b>	<b>34,758</b>	<b>1,150,758</b>	<b>133,692</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2019	(3,835)	(56,315)	(40,289)	(41,223)	(1,892)	(53)	(2)	<b>(143,609)</b>	(15,779)
Depreciation Charge	(11,946)	(17,642)	(2,797)	(4,198)	(54)	-	-	<b>(36,637)</b>	(5,360)
Accumulated Depreciation written out to GCA	-	1,942	-	-	27	-	-	<b>1,969</b>	-
Impairment Recognised in the Revaluation Reserve	(8,528)	(22)	-	-	-	-	-	<b>(8,550)</b>	-
Impairment Recognised in the Surplus/Deficit on the Provision of Services	(9,931)	(86)	-	-	-	-	-	<b>(10,017)</b>	-
Derecognition - Disposals	-	-	706	-	-	-	-	<b>706</b>	-
Reclassified as Intangible Assets	-	-	1,215	-	-	-	-	<b>1,215</b>	-
Other Movements including reclassifications	-	(156)	2	20	138	(2)	-	<b>2</b>	-
<b>At 31 March 2020</b>	<b>(34,240)</b>	<b>(72,279)</b>	<b>(41,163)</b>	<b>(45,401)</b>	<b>(1,781)</b>	<b>(55)</b>	<b>(2)</b>	<b>(194,921)</b>	<b>(21,139)</b>
<b>Net Book Value At 31 March 2020</b>	<b>358,065</b>	<b>467,388</b>	<b>12,127</b>	<b>70,492</b>	<b>8,755</b>	<b>4,254</b>	<b>34,756</b>	<b>955,837</b>	<b>112,553</b>
<b>Net Book Value At 1 April 2019</b>	<b>362,427</b>	<b>468,111</b>	<b>11,248</b>	<b>66,122</b>	<b>9,443</b>	<b>4,071</b>	<b>12,329</b>	<b>933,751</b>	<b>117,545</b>

Prior year's property, plant and equipment movement is presented below for comparison.

Movements in 2018/19	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
<b>Cost or Valuation</b>									
At 1 April 2018	399,410	488,426	49,089	94,299	10,902	3,843	20,871	<b>1,066,840</b>	127,347
Additions	13,639	2,424	3,739	7,426	72	83	32,545	<b>59,928</b>	5,977
Accumulated Depreciation & Impairment written out	(90,320)	(30)	-	-	(2)	-	-	<b>(90,352)</b>	-
Revaluation increases/(Decreases) Recognised in the Revaluation Reserve	48,209	(20)	-	-	363	-	-	<b>48,552</b>	-
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,999)	(19)	-	-	-	267	-	<b>(5,751)</b>	-
Derecognition - Disposals	(321)	(149)	(1,291)	-	-	-	-	<b>(1,761)</b>	-
Asset Reclassified (to)/from Held for Sale	-	(65)	-	-	-	-	-	<b>(65)</b>	-
Other Movements including reclassifications	1,644	33,859	-	5,620	-	(69)	(41,085)	<b>(31)</b>	-
<b>At 31 March 2019</b>	<b>366,262</b>	<b>524,426</b>	<b>51,537</b>	<b>107,345</b>	<b>11,335</b>	<b>4,124</b>	<b>12,331</b>	<b>1,077,360</b>	<b>133,324</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2018	(78,650)	(39,162)	(39,673)	(35,968)	(1,824)	-	(2)	<b>(195,279)</b>	(10,587)
Depreciation Charge	(12,314)	(16,943)	(1,862)	(5,140)	(70)	-	-	<b>(36,329)</b>	(5,192)
Accumulated Depreciation written out to GCA	52,475	30	-	-	2	-	-	<b>52,507</b>	-
Accumulated Impairment written out to GCA	37,845	-	-	-	-	-	-	<b>37,845</b>	-
Impairment Recognised in the Revaluation Reserve	(19)	-	-	-	-	-	-	<b>(19)</b>	-
Impairment Recognised in the Surplus/Deficit on the Provision of Services	(3,696)	-	-	-	-	-	-	<b>(3,696)</b>	-
Derecognition - Disposals	55	48	1,246	-	-	-	-	<b>1,349</b>	-
Other Movements including reclassifications	469	(288)	-	(115)	-	(53)	-	<b>13</b>	-
<b>At 31 March 2019</b>	<b>(3,835)</b>	<b>(56,315)</b>	<b>(40,289)</b>	<b>(41,223)</b>	<b>(1,892)</b>	<b>(53)</b>	<b>(2)</b>	<b>(143,609)</b>	<b>(15,779)</b>
<b>Net Book Value At 31 March 2019</b>	<b>362,427</b>	<b>468,111</b>	<b>11,248</b>	<b>66,122</b>	<b>9,443</b>	<b>4,071</b>	<b>12,329</b>	<b>933,751</b>	<b>117,545</b>
<b>Net Book Value At 1 April 2018</b>	<b>320,760</b>	<b>449,264</b>	<b>9,416</b>	<b>58,331</b>	<b>9,078</b>	<b>3,843</b>	<b>20,869</b>	<b>871,561</b>	<b>116,760</b>

## Note 12 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.

### Measurement

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

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

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

- Infrastructure assets and community assets – depreciated historical cost
- Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)

- Other land and buildings – current value, determined as the amount that would be paid for the asset in existing use (Existing Use Value – EUV)
- Vehicles, Plant, Furniture and Equipment – depreciated historical cost
- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.

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

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. No depreciation is charged in the year of acquisition but 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 – straight-line allocation over the life of the property as estimated by the valuer.
- Vehicles, plant and equipment and community 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 has major components and the cost is significant in relation to the total cost of the item and over £4.5m, the components are depreciated separately.

## Depreciation

Council Dwellings	25-26 years
Council Garages	9-10 years
Other Land and Buildings	10-60 years
Vehicles, Plant Furniture & Equipment	1-25 years
Infrastructure	15-40 years
Community Assets	17-50 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 valuation are shown in the table.

Revaluations	Date of Last Valuation	Date of Next Valuation
Council Dwellings - Council Houses & Garages	31/03/2019	31/03/2024
Other Land & Buildings - Non Operational Industrial Lets etc.	31/03/2020	31/03/2025
Other Land & Buildings - Operational Portfolio of Schools, Community Centres etc.	31/03/2016	31/03/2021

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

- East Lothian Council has good and clear title to all the subjects under valuation.
- The appropriate planning consents are in place for the subjects to be used for their existing use.
- The subjects under valuation are in a state of repair and condition commensurate with their age.
- Mining operations, nor any other environmental matters, do not have a material impact on the valuations noted.

Due to the timing and impact of COVID-19 a [RICS practice alert](#) indicates there may be restrictions and an increased level of uncertainty affecting valuations. This situation is not unique to local authorities or the wider public sector. Every effort has been made to reflect the value of property, plant and equipment as at 31 March 2020, however due to the impact of COVID-19 there may be an increased level of uncertainty arising.

### Common Good Assets Judicial Review

In August 2020 a judicial review, involving Common Good assets under the care of Angus Council, concluded that assets built on Common Good land, and which are not held under a separate title, should be regarded as part of the Common Good land title. A contingent liability for the potential transfer of assets has been disclosed. The matter is also noted in the Common Good financial statements.

## Capital Commitments

As at 31 March 2020 the Council entered into a number of contracts for the construction or enhancement of PPE in 2020/21 and future years budgeted to a value of £20.831 million. Similar commitments at 31 March 2019 were £28.124 million. The gross commitments for the Council's major projects are shown in the Capital Commitments table.

Capital Commitments	General Fund 2019/20 £000s	HRA 2019/20 £000s
Haddington Corn Exchange	480	
Whitecraig Community Centre	20	
Court Accommodation - SPOC	5	
Coastal / Flood Protection schemes - East Beach, Dunbar	259	
Musselburgh Flood Protection Scheme	317	
Replacement CRM	38	
Accelerating Growth	45	
Gullane Primary School	4,873	
Coastal Car Park Toilets	389	
Port Seton Community Centre	578	
Meadowmill Amenities Depot	1,179	
Vans - committed to spend but not delivered	661	
Letham Primary School	3,444	
UPVC Window Programme - HRA		378
House Extensions Programme -HRA		328
Disabled Adaptations - HRA		40
Central Heating Installation Programme - HRA		1,764
Project/Structural Works - HRA		211
Roofing and Rendering framework - HRA		1,375
Dolphingstone Prestonpans - HRA		15
Tynemount Road, Ormiston - HRA		4,432
<b>Total</b>	<b>12,288</b>	<b>8,543</b>

## Note 13 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. During 2019/20 the Council reviewed existing plant and equipment assets and transferred relevant software elements into intangible assets. Software acquired during the year predominantly related to schools and corporate systems.

2018/19 £000s	Intangible Assets	2019/20 £000s
-	<b>Net Carrying amount at the start of the year</b>	-
-	Assets reclassified from Property, Plant & Equipment	167
-	Additions during the year	551
-	Amortisation for the year	(9)
-	<b>Net carrying amount at the end of year</b>	<b>709</b>

## Note 14 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.

The authority's collection of oil paintings is reported in the Balance Sheet at insurance valuation which is based on market values. Valuations are obtained every five years. The paintings are deemed to have indeterminate lives and a high residual value, hence the authority

2018/19 £000s	Heritage Assets (Cost or Valuation)	2019/20 £000s
1,052	<b>Net Carrying amount at the start of the year</b>	1,052
-	Additions	-
-	Revaluation increases recognised in the Revaluation Reserve	-
<b>1,052</b>	<b>Net carrying amount at the end of year</b>	<b>1,052</b>

does not consider it appropriate to charge depreciation. The remainder of the authority's collection relates to generic social history, which is not believed to be of any material value. All of the collections are relatively static and acquisitions are rare; where they do occur, they are initially recognised at cost.

## Note 15 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.

2018/19 £000s	Assets Held for Sale	2019/20 £000s
<b>981</b>	<b>Balance Outstanding at Start of Year</b>	<b>766</b>
66	Assets Newly Classified as Held for Sale	-
-	Assets Declassified as Held for Sale	(65)
(281)	Assets Sold	-
<b>766</b>	<b>Balance outstanding at end of the year</b>	<b>701</b>

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, or to fund transformational projects that are anticipated to result in long term revenue savings for the Council.

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

In 2019/20, no assets were newly classified as assets held for sale and the Council reclassified Primrose Day Centre to a Surplus asset.

## Note 16 Assets Held Under Lease

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy, where fulfilment of the arrangement is dependent on the use of specific assets.

### Council as Lessee

#### Finance Leases

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

PPE recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (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 Council has acquired a number of buildings, street lights and vehicles under finance leases. The assets acquired under these leases are included within PPE at the following net amounts:

31 March 2019 £000s	Assets Held Under Finance Leases	31 March 2020 £000s
(12,539)	Other Land and Buildings	(12,071)
(148)	Vehicles, Plant, Furniture and Equipment	(139)
<b>(12,687)</b>	<b>Total</b>	<b>(12,210)</b>

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 2019 £000s	Finance Lease Liabilities (NPV of Minimum Lease Payments)	31 March 2020 £000s
(60)	Current	(61)
(897)	Non-Current	(835)
(5,272)	Finance Costs Payable in Future Years	(5,048)
<b>(6,229)</b>	<b>Minimum Lease Payments</b>	<b>(5,944)</b>



The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2019/20 £16,700 (2018/19:

£16,700) in contingent rents were payable by the Council. The minimum lease payments will be payable over the following periods:

Minimum Lease Payments 31 March 2019 £000s	Finance Lease Liabilities 31 March 2019 £000s	Finance Lease Liabilities	Minimum Lease Payments 31 March 2020 £000s	Finance Lease Liabilities 31 March 2020 £000s
(285)	(60)	Not Later Than One Year	(285)	(61)
(1,140)	(257)	Later Than One Year and Not Later Than Five Years	(1,140)	(265)
(4,804)	(640)	Later Than Five Years	(4,519)	(570)
<b>(6,229)</b>	<b>(957)</b>	<b>Total</b>	<b>(5,944)</b>	<b>(896)</b>

## Operating Leases

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 2019/20 was £0.24m (2018/19: £0.25m).

The future minimum lease payments due under non-cancellable leases in future years are shown in the Operating Leases table.

Minimum Lease Payments 31 March 2019 £000s	Operating Leases	Minimum Lease Payments 31 March 2020 £000s
(734)	Not Later Than One Year	(749)
(2,201)	Later Than One Year and Not Later Than Five Years	(1,562)
-	Later Than Five Years	-
<b>(2,935)</b>	<b>Total</b>	<b>(2,311)</b>

## Council as Lessor

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet.

Rental income is 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 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.

## Note 17 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

The future minimum lease payments receivable under non-cancellable leases in future years are shown in the Council as Lessor table:

Minimum Lease Payments 31 March 2019 £000s	Council as Lessor	Minimum Lease Payments 31 March 2020 £000s
1,626	Not Later Than One Year	1,480
3,003	Later Than One Year and Not Later Than Five Years	2,902
31,217	Later Than Five Years	30,977
<b>35,846</b>	<b>Total</b>	<b>35,359</b>

recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

- Fair value of the services received during the year – debited to the relevant service in the 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.

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the 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 of enhanced secondary school facilities, a new community centre and swimming pool and the associated facility management of the various sites.

The assets used to provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the PPE balance in Note 11.

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.

Payments remaining to be made under the PFI contract at 31 March 2020 are as follows:

Private Finance Initiatives and Similar Contracts	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Payable in 2020/21	3,573	1,484	2,374	<b>7,431</b>
Payable Within 2-5 Years	15,224	5,987	8,512	<b>29,723</b>
Payable Within 6-10 Years	18,411	10,590	8,152	<b>37,153</b>
Payable Within 11-15 Years	14,910	17,939	3,667	<b>36,516</b>
Payable Within 16-20 Years	-	-	-	-
<b>Total</b>	<b>52,118</b>	<b>36,000</b>	<b>22,705</b>	<b>110,823</b>

### 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 2019 £000s	Outstanding Liability to the Contractor	31 March 2020 £000s
(38,709)	Balance at Start of Year	(37,288)
1,421	Payments	1,288
<b>(37,288)</b>	<b>Balance Outstanding at Year End</b>	<b>(36,000)</b>

## Note 18 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), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

31 March 2019 £000s	Capital Expenditure and Capital Financing	31 March 2020 £000s
<b>431,522</b>	<b>Opening Capital Financing Requirement</b>	<b>451,580</b>
	<b>Capital Investment</b>	
59,928	Property, Plant and Equipment	71,638
-	Intangible Assets	551
433	Revenue Expenditure Funded through Capital	-
	<b>Sources of finance</b>	
(603)	Capital receipts	(612)
(19,964)	Government grants	(16,847)
(3,178)	Other Contributions	(26,787)
(3,424)	Direct Revenue Contributions	(8,417)
(433)	Grants (Revenue Expenditure Funded through Capital)	-
(12,701)	Statutory repayment of debt (Loans Fund/PPP/ Finance Leases)	(13,816)
<b>451,580</b>	<b>Closing Capital Financing Requirement</b>	<b>457,290</b>

## Note 19 Impairment Losses

An impairment loss is a reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

During 2019/20, the Council recognised impairment losses totalling £10.017 million, the majority of which relates to enhancement of HRA

assets which does not increase the value of council dwellings under the existing use value-Social Housing valuation basis. These impairment losses have been charged as appropriate within the CIES.

During 2018/19, the Council recognised impairment losses totalling £3.696 million.

## Note 20 Long Term Investments

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

31 March 2019 £000s	Long Term Investments	31 March 2020 £000s	Details
4,624	Lothian Buses plc	4,239	East Lothian Council holds 200,000 ordinary shares representing 3.1% of the share capital. A dividend is normally received each year. Due to COVID-19 no dividend was received for 2019/20. The value of the investment reduced significantly due to a one-off cash pension past service cost adjustment of £8.4 million for Lothian Buses.
207	East Lothian Investments Limited	206	The Council's interest, estimated as 40%, was inherited from the former Lothian Investments Board. No dividends are received.
597	East Lothian Land	585	Set up in 2000 for the purpose of managing land to support economic development. The Council is the sole shareholder. No dividends are received.
<b>5,428</b>	<b>Total</b>	<b>5,030</b>	

## Note 21 Long Term Debtors

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

31 March 2019 £000s	Long Term Debtors	31 March 2020 £000s	Purpose
737	Public Private Partnerships - Prepaid Lifecycle Replacement Costs	389	Prepaid lifecycle replacement costs - over 30 years
575	Private Property Owners - Common Repairs	524	Repairs to private property funded by secured ELC loans
1	Employees - Car/Other Loans	1	Loans to employees repaid over 3-5 years
8,959	East Lothian Housing Association	8,712	Loans secured on land and houses
(72)	Expected Credit Loss ELHA	(36)	Lifetime expected credit loss on East Lothian Housing Association loan (above)
-	East Lothian Investments	127	To support ELI granting of loans to businesses
9	Other	8	Loans secured on houses
<b>10,209</b>	<b>Total</b>	<b>9,725</b>	

## Note 22 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.

The Council has entered into an agreement that, in developing social housing, it will also construct additional housing which is to be sold to a third party social housing provider. The costs incurred to date are consequently included as inventory on the Council's balance sheet, until the sale is completed.

Other inventories are for consumption by the Council in the provision of services.

31 March 2019 £000s	Inventories	31 March 2020 £000s
-	Housing construction for sale	1,378
593	Stocks to be consumed in service provision	489
<b>593</b>	<b>Total</b>	<b>1,867</b>

## Note 23 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 2020 is:

31 March 2019 £000s	Short Term Debtors	31 March 2020 £000s
5,851	Central Government Bodies	7,762
690	Other Local Authorities	891
299	NHS Bodies	897
2	Public Corporations and Trading Funds	-
37,829	Other Entities and Individuals	22,566
<b>44,671</b>	<b>Total</b>	<b>32,116</b>

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

31 March 2019 £000s	Short Term Debtors Provision Against Non-Payment	31 March 2020 £000s
(4,892)	Taxpayers - Council Tax	(5,704)
(2,783)	Customers - Goods and Services	(2,366)
(2,561)	Tenants - Council House Rents	(2,402)
<b>(10,236)</b>	<b>Total</b>	<b>(10,472)</b>
<b>34,435</b>	<b>Short Term Debtors Total</b>	<b>21,644</b>



## Note 24 Financial Instruments

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

31 March 2019					31 March 2020				
Short Term		Long Term		Financial Instruments	Short Term		Long Term		Total
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	
Cash & Cash Equivalents	Debtors	Investments	Debtors	Financial Assets	Cash & Cash Equivalents	Debtors	Investments	Debtors	Total
15,759	27,300	-	9,472	Held at Amortised Cost	30,786	15,089	-	9,336	55,211
-	-	5,428	-	Designated Equity Instruments held at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	5,030	-	5,030
-	7,135	-	737	Non-Financial Instruments	-	6,555	-	389	6,944
<b>15,759</b>	<b>34,435</b>	<b>5,428</b>	<b>10,209</b>	<b>Total Financial Assets</b>	<b>30,786</b>	<b>21,644</b>	<b>5,030</b>	<b>9,725</b>	<b>67,185</b>
Borrowings	Creditors	Borrowings	Creditors	Financial Liabilities	Borrowings	Creditors	Borrowings	Creditors	Total
(19,148)	(28,499)	(343,917)	(31,973)	Held at Amortised Cost	(18,841)	(32,934)	(366,621)	(23,311)	(441,707)
-	(21,659)	-	(217,291)	Non-Financial Instruments	-	(19,504)	-	(183,622)	(203,126)
<b>(19,148)</b>	<b>(50,158)</b>	<b>(343,917)</b>	<b>(249,264)</b>	<b>Total Financial Liabilities</b>	<b>(18,841)</b>	<b>(52,438)</b>	<b>(366,621)</b>	<b>(206,933)</b>	<b>(644,833)</b>

### 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 all of its Long Term Investments (Note 20 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 37.

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:

2018/19			2019/20		
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>			
-	(15)	Investments in Equity Instruments designated at FVOCI	-	399	
-	(15)	<b>Total Net Gains/Losses</b>	-	<b>399</b>	
		<i>Interest Revenue:</i>			
(465)	-	Financial Assets measured at Amortised Cost	(527)	-	
(240)	-	Other Financial Assets measured at FVOCI	-	-	
(705)	-	<b>Total Interest Revenue</b>	(527)	-	
16,321	-	<b>Interest Expense</b>	16,420	-	
7	-	<b>Fee Expense</b>	14	-	

## Financial Liabilities and Financial Assets – Fair Value

As at 31 March 2020, the Council held £29.455m financial assets and £478.606m 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 2019		Financial Liabilities	31 March 2020	
Carrying Amount	Fair Value		Carrying Amount	Fair Value at Level 2
£000s	£000s		£000s	£000s
(322,304)	(391,142)	PWLB Debt	(344,818)	(391,382)
(40,761)	(61,110)	Non-PWLB Debt	(40,644)	(58,509)
(28,499)	(28,499)	Short Term Creditors	(32,934)	(34,338)
(1,346)	(1,346)	Short Term Finance Lease Liability	(1,545)	(1,545)
(31,973)	(31,973)	Long Term Creditors	(23,311)	(23,311)
(36,899)	(36,899)	Long Term Finance Lease Liability	(35,354)	(35,354)
<b>(461,782)</b>	<b>(550,969)</b>	<b>Total Liabilities</b>	<b>(478,606)</b>	<b>(544,439)</b>

31 March 2019		Financial Assets	31 March 2020	
Carrying Amount	Fair Value		Carrying Amount	Fair Value at Level 2
£000s	£000s	£000s	£000s	
-	-	Short Term Investments	-	-
5,428	5,428	Long Term Investments	5,030	5,030
27,300	27,300	Short Term Debtors	15,089	15,089
9,472	9,472	Long Term Debtors	9,336	9,336
<b>42,200</b>	<b>42,200</b>	<b>Total Assets</b>	<b>29,455</b>	<b>29,455</b>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans, where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £391.382m measures the economic effect of the terms agreed with the PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The

difference between the carrying amount and the fair value, measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

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

## Key risks

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council,
- 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 2019			31 March 2020		
12 Month ELHA	Lifetime Sundry Accounts	Expected Credit Loss (ECL)	12 Month ELHA	Lifetime ELHA & ELI	Lifetime Sundry Accounts
£000s	£000s		£000s	£000s	£000s
78	2,134	Opening Balance Individual Financial Assets	71	-	1,241
-	-	Transferred from (to) 12 Month ECL	(71)	72	-
(7)	(893)	Changes in Models/Risk Parameters	-	(36)	(240)
<b>71</b>	<b>1,241</b>	<b>Closing Balance</b>	<b>-</b>	<b>36</b>	<b>1,001</b>

During the year the authority wrote off financial assets with a contractual amount outstanding of £782k (£285k in 2018/19).

The Expected Credit Loss (ECL) required under IFRS 9 was calculated for East Lothian Housing Association (ELHA) and for East Lothian Investments (ELI) on a lifetime expected credit loss due to COVID-19. This was based for ELHA on a 90% expectation of full collection, an 8% expectation of 99.96% collection (this rate was provided by a professional rating agency) and a 2% expectation of an 80% collection due to COVID-19 of the carrying amount of £8.96m. ELI was based on a 90% expectation of full collection, an 8% expectation of 99.98% collection (this rate was provided by a professional rating agency) and a

2% expectation of a 75% collection due to COVID-19 of the carrying amount of £0.23m.

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 2019	Credit Risk	31 March 2020
£000s		£000s
3,054	Less Than Three Months (90 days)	1,532
175	Three to Six Months (91 - 182 days)	269
287	Six Months to One Year (183 - 365 days)	163
2,877	Greater Than One Year (greater than 365 days)	2,007
<b>6,393</b>	<b>Total</b>	<b>3,971</b>

## Market Risks

### Price Risk

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

However, it does have shareholdings to the value of £5.030m in a number of joint ventures and in local industry. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares. The shares are all classified as Equity Instruments Designated as Fair Value through Other

Comprehensive Income, meaning that all movements in price 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 2020, 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 2019 £000s	Interest Rate Risk	31 March 2020 £000s
-	Increase in Interest Payable on Variable Rate Borrowings	-
(35)	Increase in Interest Receivable on Variable Rate Borrowings	(143)
(35)	<b>Impact on Surplus or Deficit on the Provision of Services</b>	(143)
(19)	Share of overall impact debited to the HRA	(67)
63,841	*Decrease in Fair Value of Fixed Rate Borrowings Liabilities	64,737

*\*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 (£21.64m) 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 (approved by council in the Treasury Management Strategy, section 5.1.3):

Actual 31 March 2019 £000s	Refinancing and Maturity Risk	Approved Minimum Limits	Approved Maximum Limits	Approved Maximum Limits 2020 £000s	Actual 31 March 2020 £000s
17,597	Less Than 1 Year	0%	20%	76,566	17,271
17,271	Between 1 and 2 Years	0%	30%	114,849	20,773
45,296	Between 2 and 5 Years	0%	40%	153,132	32,683
31,002	Between 5 and 10 Years	0%	40%	153,132	31,694
249,274	More than 10 Years	0%	75%	287,123	280,410
<b>360,440</b>	<b>Total</b>				<b>382,831</b>

## Note 25 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 2020 were:

31 March 2019 £000s	Short Term Creditors	31 March 2020 £000s
(5,445)	Central Government Bodies	(6,839)
(2,620)	Other Local Authorities	(2,260)
(252)	NHS Bodies	(158)
(8)	Public Corporations	(1)
(33,542)	Other Entities and Individuals	(32,968)
<b>(41,867)</b>	<b>Total</b>	<b>(42,226)</b>



## Note 26 Provisions and Contingent Liabilities

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.

Cost or Valuation	Affordable Homes Development £000s	Accumulated Absences £000s	Municipal Mutual £000s	Other Provision £000s	Total £000s
<b>Balance at 1 April 2018</b>	(1,079)	(3,697)	(109)	-	(4,885)
Provisions Made in 2018/19	(463)	(3,645)	-	-	(4,108)
Provision Reversed in 2018/19	-	-	-	-	-
Amounts Used in 2018/19	-	3,697	-	-	3,697
<b>Balance at 31 March 2019</b>	<b>(1,542)</b>	<b>(3,645)</b>	<b>(109)</b>	<b>-</b>	<b>(5,296)</b>
<b>Balance at 1 April 2019</b>	(1,542)	(3,645)	(109)	-	(5,296)
Provisions Made in 2019/20	-	-	-	(350)	(350)
Provision Released to Earmarked Fund Balances in 2019/20	1,542	-	-	-	1,542
Amounts Used in 2019/20	-	3,645	-	-	3,645
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>(109)</b>	<b>(350)</b>	<b>(459)</b>

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.

### Affordable Homes Development

Prior to October 2008, any funds raised by reducing the second home or empty property Council Tax discount had been allocated to Registered Social Landlords (RSLs) for the development of affordable housing.

Under Scottish Government direction, Local Authorities can now use this income directly, disburse funds to other organisations or individuals, as well as RSLs. Funds not yet allocated were transferred to an earmarked reserve in

2019/20 and are part of Note 31.

### **Accumulated Absences**

Accumulated Absences relates to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council, the most significant of which is holiday pay.

The cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. At the end of each financial year the Council accrues for any annual leave and other benefits earned but not taken at 31 March each year.

The liability as at 31 March 2020 is now included in the short-term creditors balances, rather than presented as a provision. The obligation to honour annual leave entitlement is still recognised on the balance sheet.

### **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.

### **Other Provision**

The Council is involved in an employment related dispute which has the potential for a settlement to be required. Due to the ongoing nature of the dispute it is not appropriate to include further details of the matter. The determination of whether settlement will be required is uncertain, and the provision is recognised against the possibility of the Council being required to settle the matter.

### **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. Consequently the Council has not recognised a provision for potential claims, but considers them to be a contingent liability.

### **Common Good Assets Judicial Review**

In August 2020 a judicial review, involving Common Good assets under the care of Angus Council, concluded that assets built on Common Good land, and which are not held under a separate title, should be regarded as part of the Common Good land title. This implies that some buildings currently regarded as under the ownership of East Lothian Council, and potentially third parties, may require to be treated as Common Good assets. A transfer of assets to the Common Good may therefore potentially arise. The impact of the review on East Lothian Council cannot currently be quantified and is subject to further investigation by the Council. Consequently the Council has not recognised a provision for any transfer, but considers this to be a contingent liability.

## Note 27 Long Term Liabilities

Long term liabilities are creditors whom the Council are not due to pay within the next 12 months.

31 March 2019 £000s	Long Term Liabilities	31 March 2020 £000s	Description of Liability
(31,973)	Deferred Liabilities - Developers Contributions	(23,311)	These amounts represent the payments received from developers and are linked to future capital spending. Funding is retained until project is completed.
(360)	Deferred Liabilities - Rental Income in Advance	(356)	Income to be released over the lease period.
(608)	Other	(748)	Other long term commitments including lifetime replacement of 3G pitches and tennis courts.
(36,897)	PPP and Finance Lease Liabilities	(35,351)	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.
(177,775)	Net Pension Liabilities	(146,708)	The liabilities are the underlying commitments that the Council has to pay retirement benefits. Recovered from the Council over future years. More details are provided in Note 28.
<b>(247,613)</b>	<b>Total Long Term Liabilities</b>	<b>(206,474)</b>	

## Note 28 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 final salary 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.

### McCloud and Goodwin Rulings

A notable movement in the liability during 2019/20 is a revision of the estimated impact of the McCloud discrimination ruling. This related to a judgement that age discrimination occurred in the transition

31 March 2019 £000s	Defined Benefit Pension Schemes	31 March 2020 £000s
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Service Comprising:</b>		
26,081	Current Service Cost	30,010
10,697	Past Service Costs (Including Curtailments)	(4,933)
<b>Financing and Investment Income and Expenditure</b>		
3,864	Net Interest Expense	4,422
<b>40,642</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit</b>	<b>29,499</b>
<b>Post-Employment Benefits Charged to Other Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the Net Defined Benefit Liability Comprising:		
(37,797)	Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	40,565
57,659	Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	(79,741)
427	Other Remeasurement Experiences	(4,362)
<b>20,289</b>	<b>Total Post-Employment Benefits Charged to Other Comprehensive Income and Expenditure</b>	<b>(43,538)</b>
<b>Movement in Reserves Statement</b>		
(24,616)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code.	(12,471)
<b>Actual Amount Charged Against the General Fund Balance for Pensions in the Year</b>		
15,604	Employers Contributions Payable	16,588

arrangements implemented when changes to the Scottish LGPS were applied.

An initial estimate of some £10.7 million was included in the liability in 2018/19, however following further actuarial review the estimated impact has now been revised. Consequently a credit of £4.9 million is recognised in past service costs in 19/20,

reducing the liability.

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.

A full actuarial analysis and reliable

quantification is not currently available and as such this matter is disclosed as a contingent liability. An initial actuarial estimate however indicates that the impact may be to increase pension liabilities by approximately 0.11%, which could represent some £0.8 million.

### 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.

### 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:

2018/19 £000s	Pension Assets and Liabilities Recognised in the Balance Sheet	2019/20 £000s
	<b>Pension Assets and Liabilities Recognised in the Balance Sheet</b>	
(791,951)	Present Value of the Defined Benefit Obligation	(738,619)
614,176	Fair Value of Plan Assets	591,911
<b>(177,775)</b>	<b>Net Liability Arising from Defined Benefit Obligation</b>	<b>(146,708)</b>

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

31 March 2019 £000s	Reconciliation of the Movements in the Fair Value of the Scheme Assets	31 March 2020 £000s
558,815	<b>Opening Fair Value of Scheme Assets</b>	614,176
15,110	Interest Income	14,782
	Remeasurement Gain/(Loss):	
37,797	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(40,565)
16,026	Contributions from Employer	17,028
4,131	Contributions from Employees into the Scheme	4,288
(17,703)	Benefits Paid	(17,798)
<b>614,176</b>	<b>Closing Fair Value of Scheme Assets</b>	<b>591,911</b>

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

31 March 2019 £000s	Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	31 March 2020 £000s
(691,685)	Opening Balance at 1 April	(791,951)
(26,081)	Current Service Cost	(30,010)
(18,974)	Interest Cost	(19,204)
(4,131)	Contributions from Scheme participants	(4,288)
	<b>Remeasurement (Gains) and Losses:</b>	
(57,659)	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	79,741
(427)	Other	4,362
(10,697)	Past Service Cost	4,933
17,703	Benefits Paid	17,798
<b>(791,951)</b>	<b>Closing Balance at 31 March</b>	<b>(738,619)</b>

The maturity profile of the scheme liabilities is as follows:

Maturity Profile of Defined Benefit Obligation	Liability Split £000s	Liability Split %	Weighted Average Duration (Years)
Active Members	(435,642)	60.3%	24.1
Deferred Members	(71,373)	9.9%	24.3
Pensioner Members	(214,888)	29.8%	12.5
<b>Total for Funded Obligations</b>	<b>(721,903)</b>	<b>100.0%</b>	<b>-</b>
Unfunded Pensioner Liabilities	(16,716)		
<b>Total Pension Liability</b>	<b>(738,619)</b>		

### 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 2020 have been assessed by rolling forward the value of the liability calculated at the latest formal valuation date (31 March 2017), 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	Female	Mortality Assumptions	Male	Female
2018/19	2018/19	Longevity at Age 65	2019/20	2019/20
21.7	24.3	Current Pensioners	21.7	24.3
24.7	27.5	Future Pensioners	24.7	27.5

2018/19	Rate Of Inflation	2019/20
4.2%	Rate of Increase in Salaries	3.5%
2.5%	Rate of Increase in Pensions	1.9%
2.4%	Rate for Discounting Scheme Liabilities	2.3%



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
0.5% decrease in Real Discount Rate	10%	75,927
0.5% increase in the Salary Increase Rate	2%	13,911
0.5% increase in the Pension Increase Rate	8%	60,724

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 2019	Scheme Assets Fair Value	31 March 2020
£000s		£000s
477,852	Quoted Prices in Active Markets	449,253
136,324	Quoted Prices not in Active Markets	142,658
<b>614,176</b>	<b>Total</b>	<b>591,911</b>

## Impact on Council's Cash Flows

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net liability of £146.708 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council is balanced by a pension reserve, giving a neutral net position relating to the pension liability. The deficit will result in increased contributions in future years, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £16.85 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 2019/20, the Council paid £8.62m (2018/19: £6.41m) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 17.2% of pensionable pay from April 2019

increasing to 23% from September 2019 (2018/19: 17.2%). The estimated contribution for 2020/21 is £10.12m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement, outside of the terms of the STPS. In 2019/20, the Council paid £0.506m (2018/19: £0.509m) 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 2019/20, the Council paid £0.06m (2018/19: £0.06m) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.444m.

## Note 29 Usable Reserves

Usable Reserve	General Fund £000s	Capital Grant & Receipts Unapplied £000s	Capital Fund / Capital Receipts Reserve £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total £000s
Opening Balance	(12,766)	(245)	(4,600)	(1,821)	(6,068)	(25,500)
(Surplus) / Deficit on Provision of Service	(5,523)	-	-	-	7,392	1,869
Adjustments Between Accounting and Funding Basis	1,947	-	3,887	-	(3,333)	2,501
Transfers Between Reserves	188	-	-	(188)	-	-
<b>Closing Balance</b>	<b>(16,154)</b>	<b>(245)</b>	<b>(713)</b>	<b>(2,009)</b>	<b>(2,009)</b>	<b>(21,130)</b>

Movements in the Council's Usable Reserves are detailed in the MiRS within the Main Financial Statements.

### General Fund Balance

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

### Capital Grants and Receipts Unapplied Balance

The Capital Grants and Receipts Unapplied allows capital receipts to be used to transform service delivery to reduce costs and/or reduce demand. This ability is only available to councils up to 2021/22. As at 31 March 2020 the reserve consists solely of capital receipts held for this purpose. It does not hold any capital grant balances.

### Capital Fund /Capital Receipts Reserve

The Council has statutory powers to hold a Capital Fund / Capital Receipts Reserve to meet future capital investment costs, either reducing loans fund advances or providing funds to cover the principal repayments of the loans fund.

### Insurance Fund Balance

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.

### Housing Revenue Account Balance

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

## Note 30 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 2019 £000s	Unusable Reserve	31 March 2020 £000s
(245,982)	Revaluation Reserve	(232,422)
177,775	Pensions Reserve	146,708
3,645	Employee Statutory Adjustment Account	4,017
(248,147)	Capital Adjustment Account	(278,523)
(4,429)	Financial Instruments Revaluation Reserve	(4,031)
3,132	Financial Instruments Adjustment Account	2,864
<b>(314,006)</b>	<b>Total</b>	<b>(361,387)</b>

### 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 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 2019 £000s	Revaluation Reserve	31 March 2020 £000s
<b>(206,910)</b>	<b>Balance at 1 April</b>	<b>(245,982)</b>
(48,596)	Upward Revaluation of Assets	(5,809)
63	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	8,800
<b>(48,533)</b>	<b>Surplus or Deficit on Revaluation of Non-Current Assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>2,991</b>
9,155	Depreciation charged to the Revaluation Reserve	10,569
306	Accumulated Gains on Assets Sold or Scrapped	-
<b>(245,982)</b>	<b>Balance at 31 March</b>	<b>(232,422)</b>

## 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. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2019 £000s	Pension Reserve	31 March 2020 £000s
<b>132,870</b>	<b>Balance at 1 April</b>	<b>177,775</b>
20,289	Actuarial Gains or Losses on Pensions Assets and Liabilities	(43,538)
40,642	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the CIES	29,499
(16,026)	Employer's Pension Contributions and Direct Payments to Pensioners Payable in the Year	(17,028)
<b>177,775</b>	<b>Balance at 31 March</b>	<b>146,708</b>

## Employee Statutory Adjustment Account

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

31 March 2019 £000s	Employee Statutory Adjustment Account	31 March 2020 £000s
<b>3,697</b>	<b>Balance at 1 April</b>	<b>3,645</b>
<b>(3,697)</b>	Settlement or Cancellation of Accrual Made at End of the Preceding Year	<b>(3,645)</b>
3,645	Amount Accrued at the End of the Current Year	4,017
<b>(52)</b>	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	372
<b>3,645</b>	<b>Balance at 31 March</b>	<b>4,017</b>

## 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 6 provides details of the source of all of the transactions posted to the account.

31 March 2019 £000s	Capital Adjustment Account	31 March 2020 £000s
<b>(245,603)</b>	<b>Balance at 1 April</b>	<b>(248,147)</b>
27,174	Depreciation charged to the Capital Adjustment Account	26,067
	Intangible asset amortisation charged to the Capital Adjustment Account	9
5,751	Revaluation Gains / Losses on Property, Plant and Equipment	<b>(229)</b>
71	Charges for expected credit loss of Non-Current financial assets funded as capital expenditure	<b>(36)</b>
3,696	Impairment Losses on Property, Plant and Equipment	10,017
31	Assets Written Off on Disposal or Sale	36
<b>36,723</b>	<b>Net Amounts Written Out of the Cost of Non-Current Assets Consumed in the Year</b>	<b>35,864</b>
	<b>Capital Financing applied in the year</b>	
-	Use of Capital Receipts Reserve to Finance New Capital Expenditure	<b>(373)</b>
<b>(23,142)</b>	Capital Grants and Contributions Credited to the CIES that Have Been Applied to Capital Financing	<b>(43,634)</b>
<b>(12,701)</b>	Statutory Provision for the Financing of Capital Investment Charged Against the General Fund and HRA Balances	<b>(13,816)</b>
<b>(3,424)</b>	Capital Expenditure Charged Against the General Fund and HRA Balances	<b>(8,417)</b>
<b>(39,267)</b>		<b>(66,240)</b>
<b>(248,147)</b>	<b>Balance at 31 March</b>	<b>(278,523)</b>

## 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.

31 March 2019 £000s	Financial Instruments Revaluation Reserve	31 March 2020 £000s
-	<b>Balance at 1 April</b>	<b>(4,429)</b>
(4,414)	Balance Transferred from Available for Sale Financial Instruments Reserve	-
(17)	Upward Revaluation of Investments	-
2	Downward Revaluation of Investments	398
-	Change in Impairment Loss Allowances	-
(15)		398
<b>(4,429)</b>	<b>Balance at 31 March</b>	<b>(4,031)</b>

## 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.

31 March 2019 £000s	Financial Instruments Adjustment Account	31 March 2020 £000s
<b>3,396</b>	<b>Balance at 1 April</b>	<b>3,132</b>
(8)	Annual charge for effective interest rate adjustments related to historic stepped interest rate borrowing	(12)
(256)	Annual recharge of deferred premiums from the refinancing of debt	(256)
(264)	Amount by Which Finance Costs Charged to the CIES are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Provisions	(268)
<b>3,132</b>	<b>Balance at 31 March</b>	<b>2,864</b>



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.

As at 31 March 2020 the balance of the account represented £1.790m (2018/19: £2.046m) relating to historic deferred premiums, with seven years remaining, arising from the early repayment of debt. The remaining £1.074m (2018/19: £1.086m) relates to the adjustment to interest charges for historic stepped interest rate borrowing.

## Note 31 Movements in Earmarked Reserves

The amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20 are:

Transfers to and from the Earmarked Portion of the General Reserve	Mid and East Lothian Drugs & Alcohol Project £000s	Devolved School Management Balances £000s	Statutory Earmarking of Council Tax Income for Affordable Housing £000s	Cost Reduction Fund £000s	Civil Emergency Fund £000s	General Services Capital £000s	Committed for 2020-2023 Budgets £000s	Other Balances £000s	Total £000s
<b>Balance At 1 April 2018</b>	<b>(303)</b>	<b>(391)</b>	-	<b>(3,767)</b>	<b>(2,000)</b>	<b>(2,282)</b>	-	<b>(575)</b>	<b>(9,318)</b>
Transfers Out during 2018/19	-	336	-	-	-	-	-	90	426
Transfers In during 2018/19	-	(76)	-	-	-	-	-	-	(76)
<b>Balance at 31 March 2019</b>	<b>(303)</b>	<b>(131)</b>	-	<b>(3,767)</b>	<b>(2,000)</b>	<b>(2,282)</b>	-	<b>(485)</b>	<b>(8,968)</b>
Transfers Out during 2019/20	-	421	-	322	-	-	-	-	743
Transfers In during 2019/20	-	(311)	(1,962)	-	-	-	(1,716)	-	(3,989)
<b>Balance at 31 March 2020</b>	<b>(303)</b>	<b>(21)</b>	<b>(1,962)</b>	<b>(3,445)</b>	<b>(2,000)</b>	<b>(2,282)</b>	<b>(1,716)</b>	<b>(485)</b>	<b>(12,214)</b>

## Note 32 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.

2018/19 £000s	Capital Grants & Contributions Receipts in Advance	2019/20 £000s
-	Scottish Futures Trust	(5)
-	Town Centre Regeneration Fund	(1,115)
(4,646)	Early Learning and Child Care	(9,093)
<b>(4,646)</b>	<b>Total</b>	<b>(10,213)</b>

## Note 33 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.

2018/19 £000s	Grant Income Credited to Taxation & Non-Specific Grant Income	2019/20 £000s
(10,996)	General Capital Grant	(9,206)
(3,183)	Contributions from Developers	(25,209)
(7,374)	Mortgage to Rent Scheme/Housing Grants	(6,142)
(1,599)	Other Grants & Contributions	(3,077)
<b>(23,152)</b>	<b>Total</b>	<b>(43,634)</b>

2018/19 £000s	Grant Income Credited to Services	2019/20 £000s
(18,645)	Housing Benefit Subsidy / Admin Grant & Housing Payments	(18,791)
(9,442)	Resource Transfer Funds	(9,444)
(1,299)	Criminal Justice Grant	(1,266)
(889)	Change Funds / Contributions from NHS	(2,017)
(628)	Private Sector Housing Grant	(628)
(508)	Funding for Drugs & Alcohol Teams	(534)
(435)	Home Energy Efficiency Programmes Scotland (HEEPS)	(524)
(249)	Educational Maintenance Allowance Funding	(247)
(295)	Active Schools	(307)
(245)	Employability Projects	(257)
(208)	Home Office contribution to Syrian Refugee costs	(194)
(1,353)	1140 Hours	(6,407)
(1,565)	PEF Funding	(1,561)
(134)	Youth Music Initiative	(149)
(87)	Transport Scotland Paths for All	(37)
(321)	Conservation Area Regeneration Scheme	(220)
(73)	Electric Vehicles	(84)
-	Elections	(346)
-	Other Grants	(273)
<b>(36,376)</b>	<b>Total</b>	<b>(43,286)</b>

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 34 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.

Authority 2018/19 £000s	Group 2018/19 £000s	Adjustment to Net Deficit on the Provision of Services for Non-Cash Movements	Authority 2019/20 £000s	Group 2019/20 £000s
(36,329)	(36,329)	Depreciation	(36,646)	(36,821)
(9,447)	(9,447)	Impairments and Downward Valuations	(10,017)	(10,017)
-	-	Revaluation of Assets	229	176
-	-	Increase (Decrease) in fair value of investments	-	(898)
(412)	(412)	Carrying Amount of Non-Current Assets Held for Sale, Sold or Derecognised	(36)	(36)
(40,642)	(40,642)	Net Charges Made for Retirement Benefits in Accordance with IAS 19	(29,499)	(29,499)
16,026	16,026	Employer's Contributions Payable to the Lothian Pension Fund	17,028	17,028
12	12	Non Cash Interest Adjustment	-	-
-	-	Investment Income Adjustment	-	2
(516)	(516)	Decrease (Increase) in Revenue Long Term Debtors & Liabilities	(173)	(69)
(411)	(411)	Decrease (Increase) in Provisions	4,837	4,837
70	70	Increase (Decrease) in Inventories	1,272	1,272
(7,710)	(7,728)	Decrease (Increase) in Revenue Creditors	(4,774)	(4,323)
14,093	14,385	Increase (Decrease) in Revenue Debtors	(13,109)	(13,619)
<b>(65,266)</b>	<b>(64,992)</b>	<b>Total</b>	<b>(70,888)</b>	<b>(71,967)</b>

## Note 35 Cash Flow Statement - 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:

2018/19 £000s	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2019/20 £000s
23,152	Proceeds from Capital Grants	43,634
705	Proceeds from Short-Term Investments	527
588	Proceeds from Sale of PPE, Assets Held for Sale and Other Non-Current Assets	1,086
<b>24,445</b>	<b>Total</b>	<b>45,247</b>

## Note 36 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 33. Subsidy income in relation to the payments of Housing Benefit (included in the table above) is also disclosed in Note 33.

2018/19 £000s	Material Items of Income and Expense	2019/20 £000s
36,329	Depreciation and Amortisation Charged on Assets	36,646
3,696	Impairments and Downward Valuations	10,017
18,739	Housing Benefit Paid	18,515
9,420	Unitary Charge/PPP Payments to Contractor	9,693

## Note 37 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 2020, are shown in the Fair Value Hierarchy table:

31 March 2019	Fair Value Hierarchy	31 March 2020
Total Fair Value £000s		Total Fair Value £000s
	<i>Recurring fair value measurements using:</i>	
5,428	Equity Instruments	5,030
4,836	Non-Financial Assets	4,956
<b>10,264</b>	<b>Total</b>	<b>9,986</b>

## **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.



# Notes to the Group Financial Statements

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 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

Associates	Percentage Share	Percentage Share	Carrying Value at	Share of (Surplus) or Deficit	Other CIES Items
	2018/19	2019/20	31 March 2020 £000s	2019/20 £000s	2019/20 £000s
East Lothian Investments	40.00%	40.00%	206	1	-
Enjoy East Lothian Ltd	36.36%	33.33%	577	75	-
Brunton Theatre Trust	25.00%	40.00%	248	(56)	-
Lothian Valuation Joint Board	12.50%	12.50%	(667)	117	(414)
<b>Total</b>			<b>364</b>	<b>137</b>	<b>(414)</b>

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 associate companies 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 31 September 2021. 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 12 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 five trustees of the Theatre were Council appointments.

### **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 for the financial year 2019/20 has been presented below:

Associates	Assets at the End of the Year £000s	Liabilities at the End of the Year £000s	Net Assets at the End of the Year £000s	Revenues During the Year £000s	(Surplus) or Deficit for the Year £000s
East Lothian Investments	788	(273)	515	(29)	2
Enjoy East Lothian Ltd	7,191	(5,460)	1,731	(6,405)	223
Brunton Theatre Trust	777	(158)	619	(1,585)	(139)
Lothian Valuation Joint Board	1,996	(7,332)	(5,336)	(6,354)	936
<b>Total</b>	<b>10,752</b>	<b>(13,223)</b>	<b>(2,471)</b>	<b>(14,373)</b>	<b>1,022</b>

## 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 2020 show net current assets of £584,115 (31 March 2019: £597,000), and a loss before taxation of £10,898 (31 March 2019: Loss of £2,000). The company retains all accumulated profits and losses. No dividend was received. The value of East Lothian Land is included within the Council accounts at the net asset value noted above.

### Trust Funds and Common Goods

The Council acts as a majority or sole Trustee for 47 trusts, bequests and other funds as well as four separate Common Good Funds. The net value of the Trusts included within the Group Accounts is £5.40 million (2018/19: £5.61m). The nature of the assets is explained in a note to

the Supplementary Financial Statements. 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 £12.30million (2018/19: £12.68m).

### **East Lothian Mid Market Homes LLP**

The Limited Liability Partnership was established during 2019/20 to manage 50 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 an interest. The partnership leases housing from a third party, and subsequently leases dwellings to individuals at a mid-market rent, not as social housing provision. The partnership accounts to 31 March 2020 show net assets of £54,000, and comprehensive net income of £54,000.

### **Musselburgh Racing Associated Committee**

In 2018 Musselburgh Joint Racing Committee was reconstituted as the Musselburgh Racing Associated Committee (MRAC), comprising four councillors (with cross party representation) and two members representing the racecourse interests. The remit of the committee is to organise and develop horse racing at Musselburgh Links. No shares are issued. East Lothian Council inherited an interest in this subsidiary company as a result of local government re-organisation in 1996.

## **Note G4 Joint Venture**

The East Lothian Integration Joint Board (IJB) was formed under the terms of The Public Bodies (Joint Working) (Scotland) Act 2014. This is a Joint Venture between East Lothian Council and NHS Lothian. The Council has 50% control of the partnership entity.

A financial interest exists since the Council may be required to bear any financial losses of the committee. No dividends will be received. This subsidiary has been incorporated in line with the financial statements made available to East Lothian Council.

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

The annual accounts for the Common Good Funds and Trust Funds are included in the 'Other Accounts' section of these annual accounts.

### **Event after the Reporting Period**

After the 31 March 2020 the operational activities relating of MRAC were transferred to a third party organisation (Musselburgh Racecourse Limited), which has now has rights and responsibilities for the organisation, expenditure and income of racing related events. In June 2020 East Lothian Council assumed responsibility for MRAC's residual balances, including debtors and creditors as at June 2020, following the transfer of operational activities.

This is considered to be a non-adjusting event after the reporting period.

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 2019/20 East Lothian Council contributed £47.459 million (2018/19: £45.058m) 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. The Council currently has a debtor for the IJB totalling £175k.

## Note G5 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 £18.247 million (2018/19: £18.994m). This is largely due to the value of Common Good and Trust Funds property and investment values.

## Note G6 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.

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.

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.

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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.

2018/19 £000s	Housing Revenue Account	2019/20 £000s
	<b>Income</b>	
(28,618)	Dwelling Rents	(30,206)
(665)	Non-Dwelling Rents	(695)
(608)	Service Charges	(630)
(268)	Other Income	(107)
<b>(30,159)</b>	<b>Total Income</b>	<b>(31,638)</b>
	<b>Expenditure</b>	
8,174	Repairs and Maintenance	8,730
7,689	Supervision and Management	7,693
22,015	Depreciation, Impairment and Revaluation Losses of Non-Current Assets	21,877
229	Impairment of Debtors	-
1,738	Other Expenditure	1,791
<b>39,845</b>	<b>Total Expenditure</b>	<b>40,091</b>
<b>9,686</b>	<b>Net Expenditure of HRA Services as Included in the Whole Authority Comprehensive income and Expenditure Statement</b>	<b>8,453</b>
112	HRA Services Share of Corporate and Democratic Core	119
<b>9,798</b>	<b>Net Expenditure of HRA Services</b>	<b>8,572</b>
	<b>HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement</b>	
(87)	(Gains) on Sale of HRA Non-Current Assets	(373)
6,091	Interest Payable and Similar Charges	6,240
(82)	HRA Interest and Investment Income	(99)
101	Pensions Interest Cost and Expected Return on Pension Assets	114
(7,374)	Capital Grants and Contributions Receivable	(7,062)
<b>8,447</b>	<b>Deficit for the year on HRA Services</b>	<b>7,392</b>

## 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.

2018/19 £000s	Movement on the HRA Statement	2019/20 £000s
(5,395)	Balance on the HRA at the End of the Previous Period	(6,068)
8,447	Deficit for the year on the HRA Income and Expenditure Statement	7,392
(1,499)	Depreciation charged to the Revaluation Reserve	(3,062)
(7,621)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(271)
(673)	Net Decrease in the Balance before Transfer to or from Reserves	4,059
(6,068)	<b>Balance on the HRA at the End of the Current Period</b>	<b>(2,009)</b>

## 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.

Number Of HRA Houses	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt	6 Apt	8 Apt	Total
As at 31 March 2019	43	1,790	4,458	2,224	221	3	1	8,740
As at 31 March 2020	43	1,806	4,511	2,250	226	3	1	8,840
<b>Increase/(Decrease) in Year</b>	<b>-</b>	<b>16</b>	<b>53</b>	<b>26</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>100</b>

2018/19 £000s	Note to the Movement on the HRA Statement	2019/20 £000s
(20,516)	Depreciation, Revaluation and Impairment of Fixed Assets	(18,814)
7,374	Capital Grant and Contributions Applied	7,061
87	Gain on sale of HRA Non-Current Assets	373
(598)	HRA share of contributions to or from the Pensions Reserve	(393)
2,832	Loans Fund Principal Repayments	3,802
3,200	Capital Expenditure Funded by the HRA	7,700
(7,621)	<b>Adjustments between Accounting Basis and Funding Basis under Legislative Framework</b>	<b>(271)</b>

## Housing Rent Debtors

allowance for non-collection of £2.401m (2018/19: £2.560m).

## 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.

As at 31 March 2020 housing rent debtors amounted to £2.473m (2018/19: £2.829m). In the interests of prudent financial management the council has made an



## Common Good Account

There are four separate Common Good Funds that were inherited from the former Burghs of Dunbar, Haddington, Musselburgh and North Berwick which are used to further the common good of the residents of

these areas. Although the Common Good Funds are part of the Council and follow council accounting policies, the finances of the Common Good must be kept separate from council funds.

## Common Good Movement in Reserves Statement

Usable Reserves 2018/19 £000s	Unusable Reserves 2018/19 £000s	Total Fund Reserves 2018/19 £000s	Movement in the Common Good Reserves	Usable Reserves 2019/20 £000s	Unusable Reserves 2019/20 £000s	Total Fund Reserves 2019/20 £000s
(6,167)	(6,068)	(12,235)	<b>Opening Balance</b>	(7,624)	(5,051)	(12,675)
-	-	-	Opening Balance Adjustment	-	-	-
(883)	883	-	Adjustment due to IFRS 9	-	-	-
<b>(7,050)</b>	<b>(5,185)</b>	<b>(12,235)</b>	<b>Adjusted Balance at 1 April brought forward</b>	<b>(7,624)</b>	<b>(5,051)</b>	<b>(12,675)</b>
			<b>Movement in reserves during the period</b>			
(440)	-	(440)	(Surplus) or deficit on provision of services	986	-	986
-	-	-	Other Comprehensive Expenditure and Income	-	(610)	(610)
<b>(440)</b>	<b>-</b>	<b>(440)</b>	<b>Total Comprehensive Expenditure and Income</b>	<b>986</b>	<b>(610)</b>	<b>376</b>
			<b>Adjustments between usable and unusable reserves</b>			
			Depreciation charged to the Revaluation Reserve	(52)	52	-
			Adjustments between accounting basis & funding basis under regulations:			
(134)	134	-	Adjustments applied in 2018/19	-	-	-
-	-	-	Transfer of the Capital Adjustment Account to Usable Reserves	(2,993)	2,993	-
<b>(134)</b>	<b>134</b>	<b>-</b>	<b>Total adjustments between usable and unusable reserves</b>	<b>(3,045)</b>	<b>3,045</b>	<b>-</b>
<b>(574)</b>	<b>134</b>	<b>(440)</b>	<b>Increase/Decrease in Year</b>	<b>(2,059)</b>	<b>2,435</b>	<b>376</b>
<b>(7,624)</b>	<b>(5,051)</b>	<b>(12,675)</b>	<b>Balance at 31 March 2020 carried forward</b>	<b>(9,683)</b>	<b>(2,616)</b>	<b>(12,299)</b>

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. A review of the legislative framework and the requirements of the Accounting Code of Practice was undertaken. Consequently the

capital adjustment account has been eliminated with the balance of £2.993 million transferred to usable reserves. This reflects the control and stewardship responsibility of the Council for the management of Common Good assets.

# Common Good Comprehensive Income and Expenditure Statement

The Common Good Funds were impacted for the financial year by a significant decrease at the end of March in the value of investments. This is largely attributable to the impact of COVID-19 on the financial markets.

Additionally, as part of the accounting review referred to in the Movement in Reserves Statement, lease residual assets were derecognised. The impact of the derecognition was more than offset by the fund increase due to the release of the Capital Adjustment Account.

For the earlier part of the year however the gains on the sale of investments and interest receipts provided income, at similar levels to 2018/19, to maintain assets and support events in the local communities. Rent income was reduced as a result of the change in treatment of finance lease residual assets.

2018/19 £000s	Common Good Comprehensive Income and Expenditure Statement	2019/20 £000s
	<b>Income</b>	
(596)	Rents and Other Income	(422)
<b>(596)</b>	<b>Total Income</b>	<b>(422)</b>
	<b>Expenditure</b>	
77	Premises-related Expenditure	94
-	Derecognition of lease residual assets	774
49	Supplies and Services	70
130	Third Party Grants and Payments	69
-	Revaluation gains for non-current assets required to be recognised in usable reserves	(53)
134	Depreciation	156
<b>390</b>	<b>Total Expenditure</b>	<b>1,110</b>
<b>(206)</b>	<b>Cost Of Services</b>	<b>688</b>
(47)	(Gains) on the sale of investments	(44)
(124)	Interest receivable and similar income	(128)
(63)	Changes in the fair value of investments	470
<b>(440)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>986</b>
-	Gains on Revaluation of Property, Plant & Equipment	(610)
-	<b>Other Comprehensive (Income) and Expenditure</b>	<b>(610)</b>
<b>(440)</b>	<b>Total Comprehensive (Income) and Expenditure</b>	<b>376</b>

## Common Good Balance Sheet

The Common Good Balance Sheet shows the consolidated position of all four Common Good Funds. Included within this is a debtor of £3,641,000 that is East Lothian Council. This is due to the Common Good Funds not having banking facilities of their own, instead the Council releases the monies as required.

In August 2020 a judicial review, involving Common Good assets under the care of Angus Council, concluded that assets built on Common Good land, and which are not held under a separate title, should be regarded as part of the Common Good land title. This implies that some buildings currently regarded as under the ownership of East Lothian Council, and potentially third parties, may require to be treated as Common Good assets.

The impact of this conclusion on East Lothian Common Good Funds cannot currently be quantified and is subject to further investigation by the Council. The 2019/20 accounts have not been amended in relation to this matter. A contingent liability has been disclosed in East Lothian Council's single entity accounts for the potential transfer of assets.

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

2018/19 £000s	Common Good Balance Sheet	2019/20 £000s
5,118	Property Plant & Equipment	4,869
3,425	Long Term Investments	2,937
817	Long Term Debtors	732
<b>9,360</b>	<b>Long Term Assets</b>	<b>8,538</b>
40	Sundry Debtors	131
3,393	Operating Balance Debtor (East Lothian Council)	3,641
<b>3,433</b>	<b>Current Assets</b>	<b>3,772</b>
(118)	Short Term Creditors	(11)
<b>(118)</b>	<b>Current Liabilities</b>	<b>(11)</b>
<b>12,675</b>	<b>Net Assets</b>	<b>12,299</b>
(2,058)	Property Revaluation Reserve	(2,616)
(2,993)	Capital Adjustment Account	-
(7,624)	Usable Reserves	(9,683)
<b>(12,675)</b>	<b>Total Reserves</b>	<b>(12,299)</b>

# Notes to the Common Good Account

## Non-Current Assets

The value of the Common Good owned assets changed in the following way:

2018/19 £000s	Common Good Non-Current Assets	2019/20 £000s
4,906	Opening Net Book Value	5,118
20	Transfer of Assets from ELC	-
326	Additions	18
-	Derecognition of Lease Residual Assets	(774)
-	Revaluations	663
(134)	Depreciation	(156)
<b>5,118</b>	<b>Closing Net Book Value</b>	<b>4,869</b>

## Finance Lease

Details of Common Good Finance Leases:

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

2018/19 £000s	Common Good Finance Leases	2019/20 £000s
245	Income Receivable in the next year	245
980	Income Receivable in years 2 to 5	980
4,684	Income Receivable after 5 years	4,439
<b>5,909</b>	<b>Total Receivable</b>	<b>5,664</b>

## Fund Analysis

The four separate funds are valued at 31 March 2020 as:

Common Good Fund Analysis	Dunbar £000s	Haddington £000s	Musselburgh £000s	North Berwick £000s	Total £000s
Balance Brought forward at 1 April 2019	(156)	(575)	(6,420)	(473)	(7,624)
Transfer of Capital Adjustment Account to Usable Reserves	(870)	(64)	(1,613)	(446)	(2,993)
(Surplus) Deficit in the Year	131	108	743	4	986
Depreciation charged to the Revaluation Reserve	(3)	-	(41)	(8)	(52)
<b>Fund Balance at 31 March 2020</b>	<b>(898)</b>	<b>(531)</b>	<b>(7,331)</b>	<b>(923)</b>	<b>(9,683)</b>
<b>Total Reserves</b>	<b>(999)</b>	<b>(531)</b>	<b>(9,525)</b>	<b>(1,244)</b>	<b>(12,299)</b>

A review of the legislative framework and the requirements of the Accounting Code of Practice was undertaken. Consequently the capital adjustment account has been eliminated with the balance of £2.993 million transferred to usable reserves. This reflects the control and stewardship responsibility of the Council for the management of Common Good assets.

Fund balances at 31 March include accumulated fair value gains on financial instrument investments of £476,000. 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.

## Trust Funds Account

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

## 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 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.

A review of the legislative framework and the requirements of the Accounting Code of Practice was undertaken. Consequently the capital adjustment account has been eliminated with the deficit balance of £9,000 transferred to usable reserves. This reflects the control and stewardship responsibility of the Council for the management of Trust Fund assets.

Usable Reserves 2018/19 £000s	Unusable Reserves 2018/19 £000s	Total Fund Reserves 2018/19 £000s	Movement in the Trust Reserves	Usable Reserves 2019/20 £000s	Unusable Reserves 2019/20 £000s	Total Fund Reserves 2019/20 £000s
(2,741)	(2,652)	(5,393)	<b>Opening Balance at 1 April brought forward</b>	(4,975)	(632)	(5,607)
(2,001)	2,001	-	Adjustment due to IFRS 9	-	-	-
(4,742)	(651)	(5,393)	<b>Adjusted Balance at 1 April brought forward</b>	(4,975)	(632)	(5,607)
			<b>Movement in reserves during the period</b>			
(214)	-	(214)	(Surplus) on provision of services	277	-	277
-	-	-	Other Comprehensive Expenditure and Income	-	(73)	(73)
(214)	-	(214)	<b>Total Comprehensive Expenditure and Income</b>	<b>277</b>	<b>(73)</b>	<b>204</b>
			<b>Adjustments between usable and unusable reserves</b>			
-	-	-	Depreciation charged to the Revaluation Reserve	(16)	16	-
			Adjustments between accounting basis & funding basis under regulations:			
(19)	19	-	Adjustments applied in 2018/19	-	-	-
		-	Transfer of the Capital Adjustment Account to Usable Reserves	9	(9)	-
(19)	19	-	<b>Total adjustments between usable and unusable reserves</b>	<b>(7)</b>	<b>7</b>	<b>-</b>
(233)	19	(214)	<b>Increase/Decrease in Year</b>	<b>270</b>	<b>(66)</b>	<b>204</b>
(4,975)	(632)	(5,607)	<b>Balance at 31 March carried forward</b>	<b>(4,705)</b>	<b>(698)</b>	<b>(5,403)</b>



# Trust Comprehensive Income and Expenditure Statement

During the year 2019/20, the Trust Funds incurred a loss in net assets of £204,000 (2018/19: increase of £214,000).

The Trust Funds were impacted for the financial year by a significant decrease at the end of March in the value of investments. This is largely attributable to the impact of COVID-19 on the financial markets.

For the earlier part of the year however the gains on the sale of investments and interest receipts provided income, at comparable levels to 2018/19.

2018/19 £000s	Trusts Comprehensive Income and Expenditure Statement	2019/20 £000s
	<b>Income</b>	
(51)	Rents and Other Income	(41)
<b>(51)</b>	<b>Total Income</b>	<b>(41)</b>
	<b>Expenditure</b>	
1	Premises-related expenditure	3
23	Supplies and Services	24
22	Third Party Grants and Payments	11
19	Depreciation	19
<b>65</b>	<b>Total Expenditure</b>	<b>57</b>
<b>14</b>	<b>Cost Of Services</b>	<b>16</b>
(32)	(Gains) on the sale of investments	(50)
(99)	Interest receivable and similar income	(116)
(97)	Changes in the fair value of investments	427
<b>(214)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>277</b>
-	(Surplus) on Revaluation of Property, Plant & Equipment	(73)
-	<b>Other Comprehensive (Income) and Expenditure</b>	<b>(73)</b>
<b>(214)</b>	<b>Total Comprehensive (Income) and Expenditure</b>	<b>204</b>

# Trust Fund Balance Sheet

Trust Fund net assets decreased in the year to £5.403 million (2018/19: £5.607m) largely due to the loss in value of investments.

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

2018/19 £000s	Trusts Balance Sheet	2019/20 £000s
719	Property Plant & Equipment	774
3,393	Long Term Investments	2,994
82	Long Term Debtors	77
<b>4,194</b>	<b>Long Term Assets</b>	<b>3,845</b>
2	Short Term Debtors	-
1,593	Operating Balance Debtor (East Lothian Council)	1,726
<b>1,595</b>	<b>Current Assets</b>	<b>1,726</b>
(1)	Short Term Creditors	(1)
<b>(1)</b>	<b>Current Liabilities</b>	<b>(1)</b>
(181)	Other Long Term Liabilities	(167)
<b>(181)</b>	<b>Long Term Liabilities</b>	<b>(167)</b>
<b>5,607</b>	<b>Net Assets</b>	<b>5,403</b>
(640)	Property Revaluation Reserve	(698)
8	Capital Adjustment Account	-
(4,975)	Usable Reserves	(4,705)
<b>(5,607)</b>	<b>Total Reserves</b>	<b>(5,403)</b>

## 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 2019 are shown in the Trust Investments table.

2018/19 £000s	Trust Investments	2019/20 £000s
181	Vanguard Inv Serv 500 Ucits	177
133	UBS Asset Mgt US Equity	122
120	Goldman Sachs Am Stlg Lqd Reserves	100
100	Mercantile Investment Ord 0.25	88
101	Shell Ord Shares Euro 0.07	-
81	Blackrock Ord 0.25	67
74	HSBC Holdings Ord USD	-
92	Findlay Park Fds American USD	93
76	Ishares Trust Core S&P 500 Etf	73
76	National Grid 1.25%	71
-	Sterling - Liquid reserves	73
-	Charities Prop Fund Income	71
2,359	Other Stocks, Shares and Cash	2,059
<b>3,393</b>	<b>Total Investments</b>	<b>2,994</b>

## 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.

2018/19 £000s	Council Tax Income Account	2019/20 £000s
(62,306)	Gross Council Tax Levied and Contributions in Lieu	(66,838)
	Adjusted For:	
4,959	Council Tax Reduction Scheme	5,107
4,875	Other Discounts and Reductions	5,247
45	Provision for Non-Collection	1,135
<b>(52,427)</b>	<b>Council Tax Income in Year</b>	<b>(55,349)</b>
100	Adjustments to Previous Years' Council Tax	111
<b>(52,327)</b>	<b>Transfer to General Fund</b>	<b>(55,238)</b>

## 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 (£)	828.31	966.37	1104.42	1242.47	1632.47	2019.01	2433.17	3044.05	
Effective Properties	929	7,778	13,321	5,694	5,697	4,747	4,149	629	<b>42,944</b>
Ratio to Band D	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360	
Band D Equivalents	619	6,050	11,841	5,694	7,485	7,714	8,125	1,541	<b>49,069</b>
Provision for non-payment (2%)									<b>(981)</b>
<b>Council Tax Base</b>									<b>48,088</b>

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.

2018/19 £000s	Non Domestic Rate Income Account	2019/20 £000s
(38,013)	Gross Rates Levied and Contributions in Lieu	(40,589)
11,605	Relief and Other Deductions	13,336
102	Write offs and Impairment Allowance	10
<b>(26,306)</b>	<b>Net Non-Domestic Rate Income</b>	<b>(27,243)</b>
591	Adjustments to Previous Years' National Non-Domestic Rates	1,255
<b>(25,715)</b>	<b>Total Non-Domestic Rate Income (Before Authority Retentions)</b>	<b>(25,988)</b>
-	Non-Domestic Rate Income retained by the Council (BRIS)	724
<b>(25,715)</b>	<b>Contribution to the National Non-Domestic Rate Pool</b>	<b>(25,264)</b>
<b>(23,744)</b>	<b>Non Domestic Rate income credited to the General Fund</b>	<b>(26,274)</b>

## Business Rate Incentivisation Scheme (BRIS)

The Business Rate Incentivisation Scheme permits the authority to retain half of the NDR income which exceeds the income target set by

the Scottish Government. In 2019/20, the authority retained an amount of £723,912 representing a 50 per cent share of additional rates income generated in 2018/19.

## Rateable Values

An analysis of the rateable values at 01 April 2019 is detailed in the Rateable Values table.

Rateable Values	Number	Rateable Value £000s
Shops, Offices and other Commercial Subjects	1,599	27,821
Industrial and Freight Transport	937	11,849
Miscellaneous (Schools etc.)	1,053	36,873
<b>Total</b>	<b>3,589</b>	<b>76,543</b>

## 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 51.6p (2018/19: 50.6p) per pound for properties with a rateable value of £51,000 (2018/19: £51,000) or more and 49.0p (2018/19: 48.0p) for those with a rateable value of less than £51,000 (2018/19: £51,000).

From 1 April 2019 levels of rates relief under the Small Business Bonus Scheme have been set at 100% for eligible properties with a combined Rateable Value (RV) of up to £15,000 and 25% for those with a combined RV between £15,001 and £18,000. Additionally, businesses with multiple properties, whose cumulative RV is £35,000 or less, will be eligible for relief of 25% for each property with a rateable value less than £18,000.

# 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 1<sup>st</sup> 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  
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**DR BRUCE FUND**

**FINANCIAL STATEMENTS**

**31 MARCH 2020**

**Charity Number SC019149**

**DR BRUCE FUND**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2020**

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**DR BRUCE FUND**  
**MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS**

Registered Charity Name	Dr Bruce Fund
Charity Number	SC019149
Trustees	Councillor Stuart Currie Councillor Andrew Forrest Councillor Katie Mackie Councillor John Williamson
Address of Principal Office	John Muir House Haddington East Lothian EH41 3HA
Auditor	E Scoburgh CPFA Senior Audit Manager Audit Scotland 102 West Port Edinburgh EH3 9DN
Investment Advisers	Investec Wealth & Investment Limited 2 Gresham Street London EC2V 7QN

**DR BRUCE FUND**  
**TRUSTEES' ANNUAL REPORT**  
**YEAR ENDED 31 MARCH 2020**

The trustees present their report and the financial statements of the charity for the year ended 31 March 2020.

Reference and administrative details are shown in the schedule of members of the board and professional advisers on page 1 of the financial statements.

**OBJECTIVES AND ACTIVITIES**

The objective of the trust is to provide for the relief of the poor of Musselburgh.

The Trust furthers its charitable purposes through its grant-making policy, which aims to alleviate the suffering of those in poverty in the Musselburgh area, particularly during Christmas.

**GRANT MAKING POLICY**

The Trust seeks to alleviate poverty in the Musselburgh area by providing grants during more financially pressing times of the year, especially around Christmas time. The Trust maintains a list of recipients who have been nominated by the Trustees to receive an award. The list is subject to periodic review by the Trustees.

Each year, the Trustees meet and consider the provision of small grants to nominated residents of the town.

**REVIEW OF ACHIEVEMENTS AND PERFORMANCE**

During the year 2019/20 the trust made two awards totalling £60 (2018/19: £60).

**FINANCIAL REVIEW**

The investment portfolio from which the trust is allocated a proportion of assets, income, and expenditure was adversely affected by the economic effects of the Covid-19 pandemic. The market value of the portfolio decreased to £2.99m at 31st March 2020, and the income earned by the portfolio decreased by 9.07% in the same period. Overall, the portfolio performed slightly worse than the market benchmark.

Full details of the trust's financial transactions during the year ended 31st March 2020 are shown on the attached financial statements.

The trust incurred operational expenditure of £1,148, against income of £1,454. Together with losses on investment assets of £1,403, this resulted in an impact to reserves of £1,097. At 31 March 2020, the trust had unrestricted funds of £17,263.

Dr Bruce Fund does not have a formal reserves policy. However, the trustees' objectives are to maintain the value of its reserves, and to attempt not to incur costs greater than the value of its annual income.

### **PLANS FOR FUTURE PERIODS**

The trustees intend to continue to make annual awards as funds allow. There is an ongoing review of all the small trusts administered by East Lothian Council, and in the future there may be proposals to amalgamate smaller trusts which can then be promoted more widely.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Dr Bruce Fund was established under the provision in the will of Charles Key Bruce, dated 19<sup>th</sup> December 1826. A bequest was set up to provide relief for the poor of Musselburgh. The executors of Dr Bruce's will declined to act and his estate was placed in the management of the High Court of Chancery. In 1832, an arrangement was made where two magistrates of Musselburgh, the minister of the parish of Inveresk, and the sheriff of the county of Edinburgh were appointed as a local committee to administer the fund.

Following local government reorganisation in 1973, the trust came under the administration of East Lothian District Council and later, East Lothian Council. Since that time, the elected councillors for Musselburgh have acted in a decision-making capacity for the trust.

Dr Bruce Fund has no employees. The trustees are supported in the discharge of their responsibilities by finance and support staff within East Lothian Council. The trust does not have its own bank account, and all financial transactions are carried out through the bank accounts of East Lothian Council.

There are no related party transactions in the accounts for Dr Bruce Fund.

East Lothian Council maintains a shared portfolio of assets for a number of trusts and bequests which it administers. The portfolio, which is known as "East Lothian Council Charitable Funds" is managed by an external investment management company (currently Investec Wealth and Investment). Each financial year, all of the trusts are allocated a proportion of the assets, income, and expenditure of the total portfolio in accordance with their investment.

The trust's major risks have been identified as the ability to meet financial demands on its funds and the potential loss of the value of its investment assets. Both of these risks are



managed by taking financial advice from East Lothian Council staff and investment advice from its investment management advisers.

## **THE TRUSTEES**

The trustees who served the charity during the period were the elected councillors for Musselburgh. These were:

Stuart Currie  
Andrew Forrest  
Katie Mackie  
John Williamson

Signed on behalf of the trustees

---

Councillor Stuart Currie  
Chair of Trust  
John Muir House  
Haddington  
East Lothian  
EH41 3HA

## DR BRUCE FUND

### **Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements**

The charity trustees are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period. In preparing the financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 (as amended), and the provisions of the Trust deed. They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the trustees on 26 October 2020 and signed on their behalf by:

Councillor S Currie  
Chair of Trust

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

### **Report 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 2020 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 a summary of 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 Dr Bruce Fund as at 31 March 2020 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 Dr Bruce Fund 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ability of the Dr Bruce Fund to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date 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 determine 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 Dr Bruce Fund'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 deemed inappropriate.

### **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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. 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 matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Report on other requirements**

#### **Opinion on matter prescribed by the Accounts Commission**

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 120 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.

Esther Scoburgh CPFA

Senior Audit Manager

Audit Scotland

102 West Port

Edinburgh

EH3 9DN

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

## DR BRUCE FUND

### STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Total Funds 2019/20 £	Total Funds 2018/19 £
<b>Income From</b>			
Donated services	2	1,000	1,000
Income from Investments	3	454	446
<b>Total Income and Endowments</b>		<b>1,454</b>	1,446
<b>Expenditure On</b>			
Management Fees	4	(88)	(86)
Charitable Activities	5	(60)	(60)
Audit Fees	2	(1,000)	(1,000)
<b>Total Expenditure</b>		<b>(1,148)</b>	(1,146)
 <b>Net Income</b>		 306	 300
 Net (Losses)/Gains on investments		 <b>(1,403)</b>	 382
<b>Net Movement In Funds</b>		<b>(1,097)</b>	682
 <b>Reconciliation Of Funds</b>			
Total funds brought forward		<b>18,360</b>	17,678
<b>Total Funds carried forward</b>		<b>17,263</b>	18,360

The Statement of Financial Activities includes all gains and losses in the year and therefore a statement of total recognised gains and losses has not been prepared.

All of the above amounts relate to continuing activities.

## DR BRUCE FUND

### BALANCE SHEET

AS AT 31 MARCH 2020

	Note	2019/20 £	2018/19 £
<b>FIXED ASSETS</b>			
Investments	7	10,774	12,291
<b>CURRENT ASSETS</b>			
Debtors	8	6,489	6,069
<b>TOTAL NET ASSETS</b>		<b>17,263</b>	<b>18,360</b>
<b>THE FUNDS OF THE CHARITY</b>			
Investments Revaluation Reserve		(5,963)	(7,552)
Unrestricted funds	9	(11,300)	(10,808)
<b>TOTAL CHARITY FUNDS</b>		<b>(17,263)</b>	<b>(18,360)</b>

These financial statements were approved by the members of the committee and authorised for issue on 26 October 2020 and are signed on their behalf by:

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Councillor Stuart Currie  
Chair of Trust  
John Muir House  
Haddington  
EH41 3HA

# DR BRUCE FUND

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31st MARCH 2020

#### 1 ACCOUNTING POLICIES

Dr Bruce Fund (the “Charity”) is an unincorporated charity and domiciled in the UK.

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)) and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities and Trustee Investment (Scotland) Act 2005 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a ‘true and fair’ view and have departed from the Charities Accounts (Scotland) Regulations 2006 (as amended) only to the extent required to provide a ‘true and fair’ view. This departure has involved following the Charities SORP (FRS 102) issued on 16 July 2014 rather than the preceding Charities SORP (SORP 2005) which was effective from 1 April 2005 and has since been withdrawn.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

In the transition to FRS 102 from old UK GAAP, the Charity has made no measurement and recognition adjustments.

The Charity’s parent undertaking, East Lothian Council, includes the Charity in its consolidated financial statements. The consolidated financial statements of East Lothian Council are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from John Muir House, Haddington, East Lothian EH41 3HA. In these financial statements, the charity is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

\* Cash Flow Statement and related notes

As the consolidated financial statements of East Lothian Council include the equivalent disclosures, the Charity has also taken the exemptions under FRS 102 available in respect of the following disclosures:

\* The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.



The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the statement of financial activities.

### **1.2 Going Concern**

The Trustees consider Dr Bruce Fund to be a going concern as there are appropriate funds to continue meeting its charitable activities

### **1.3 Basic financial instruments**

#### *Trade and other debtors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs.

#### *Investments in preference and ordinary shares*

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through the statement of financial activities. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in the statement of financial activities. Other investments are measured at cost less impairment in the statement of financial activities.

### **1.4 Funds Structure**

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include designated funds where the trustees, at their discretion, have created a fund for a specific purpose. All funds of the trust are unrestricted.

### **1.5 Income Recognition**

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

### **1.6 Expenditure recognition**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses, including support costs and governance costs, are allocated or apportioned to the applicable expenditure headings in the statement of financial activities. For more information on this allocation refer to note 5 below.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the Charity. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award. The notification gives the recipient a reasonable expectation that they will receive the one year or multi-year grant. Grants awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled conditions attaching to that grant are outside of the control of the Charity.

### **1.7 Governance costs**

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. Governance costs are included within charitable activities.

## **2 INCOME FROM DONATIONS**

For 2019/20, the external annual audit fee was a donated service of £1,000 from East Lothian Council.

### 3 INVESTMENT INCOME

	<b>Unrestricted Funds 2019/20</b>	Unrestricted Funds 2018/19
	£	£
Dividends - equities	395	391
Interest on cash deposits	59	55
Income from Disposal of Investment	-	-
	<hr/> <b>454</b>	<hr/> <b>446</b>

### 4 INVESTMENT MANAGEMENT COSTS

	<b>Unrestricted Funds 2019/20</b>	Unrestricted Funds 2018/19
	£	£
Investment and ELC management fees	88	86

### 5 COSTS OF CHARITABLE ACTIVITIES

	<b>Grant Funding activities 2019/20</b>	Grant Funding activities 2018/19
	£	£
Grants of £30 made to 2 individuals	60	60
Accountancy Fees	-	-
	<hr/> <b>60</b>	<hr/> <b>60</b>

### 6 STAFF COSTS AND EMOLUMENTS

Key management personnel received no employee benefits for their services to the charity.

## 7 INVESTMENTS

### Movement in market value

	2019/20	2018/19
	£	£
Market value at 1 April 2019	12,291	12,012
Additions/(Disposals) at cost	72	19
Net (loss)/gain on revaluation	(1,589)	260
Market value at 31 March 2020	<u>10,774</u>	<u>12,291</u>

	Total Funds 2019/20	Total Funds 2018/19
	£	£
<b>Investments at fair value comprised:</b>		
Quoted shares	10,774	12,291

## 8 DEBTORS

	2019/20	2018/19
	£	£
Other Debtors	6,489	6,069

**9 ANALYSIS OF CHARITABLE FUNDS**

	<b>Balance at 1st April 2019 £</b>	<b>Income £</b>	<b>Expenditure £</b>	<b>Gains and Losses £</b>	<b>Balance at 31st March 2020 £</b>
Revaluation Reserve	7,552	-	-	(1,589)	5,963
General Funds	10,808	1,454	(1,148)	186	11,300
	<b>18,360</b>	<b>1,454</b>	<b>(1,148)</b>	<b>(1,403)</b>	<b>17,263</b>