

REPORT TO: Audit and Governance Committee

MEETING DATE: 30 November 2021

BY: Executive Director for Council Resources

SUBJECT: Annual Accounts 2020-21

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 2020-21.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- i. Note the main changes arising during the course of the audit; and
 - ii. Approve the 2020-21 audited accounts for the Council and its group components.

3 BACKGROUND

- 3.1 The Council's draft financial accounts for 2020-21 were considered at Council on the 22 June 2021, and formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2021. The audit commenced early July 2021 and was completed in November.
- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3 week period 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.

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. There are a small number of unadjusted errors which are under the materiality threshold:

- **Balance Sheet** - Valuation related changes decreased Property, Plant and Equipment (PPE) by £21.6 million.
- Common Good related transfers decreased PPE and Heritage Assets by £2.731 million at 1 April 2020. The Community Empowerment (Scotland) Act placed a statutory duty on all public authorities to establish, maintain and publish a register of all property held by them for the common good. As part of the Act, local people must be consulted on the register and as such a public consultation was issued on the 4 June 2021 for Common Good Assets held which completed on 20 August 2021. After the consultation was finalised, work commenced to transfer land assets identified as common good to the correct account. For the 2020/21 annual accounts, ELC buildings have not been transferred on the basis that they should be treated as a finance lease.
- The changes noted above did not change the Councils Usable Reserves position but did have an impact on the Common Good Account.
- **Comprehensive Income & Expenditure Statement** – Personal Protective Equipment from the NHS has been recognised as income and spend of £1.619 million.
- There has been a change in the classification of some Government COVID grants as being part of General Revenue grant rather than service income which amounts to £0.353 million
- Whilst overall there have been a number of presentational amendments to the draft accounts, the key results which were presented to Council in June 2021 have been maintained and there has been no impact on the usable reserves position which remains at £35.089 million of which £2.009 million relates to the Housing Revenue Account balance.

3.6 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2020-21 accounts will be formally signed by the Council (Executive Director for Education and Children's Services signing on behalf of the Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland prior to the extended statutory deadline of 30 November 2021, 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.

Appendix 1 ELC Annual Accounts 2020/21

Appendix 2 Dr Bruce Fund Annual Accounts 2020/21

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DATE	24 November 2021

ANNUAL ACCOUNTS 2020-21

Sharing achievements

Delivering council priorities

Reporting on our financial position

Plans for the future

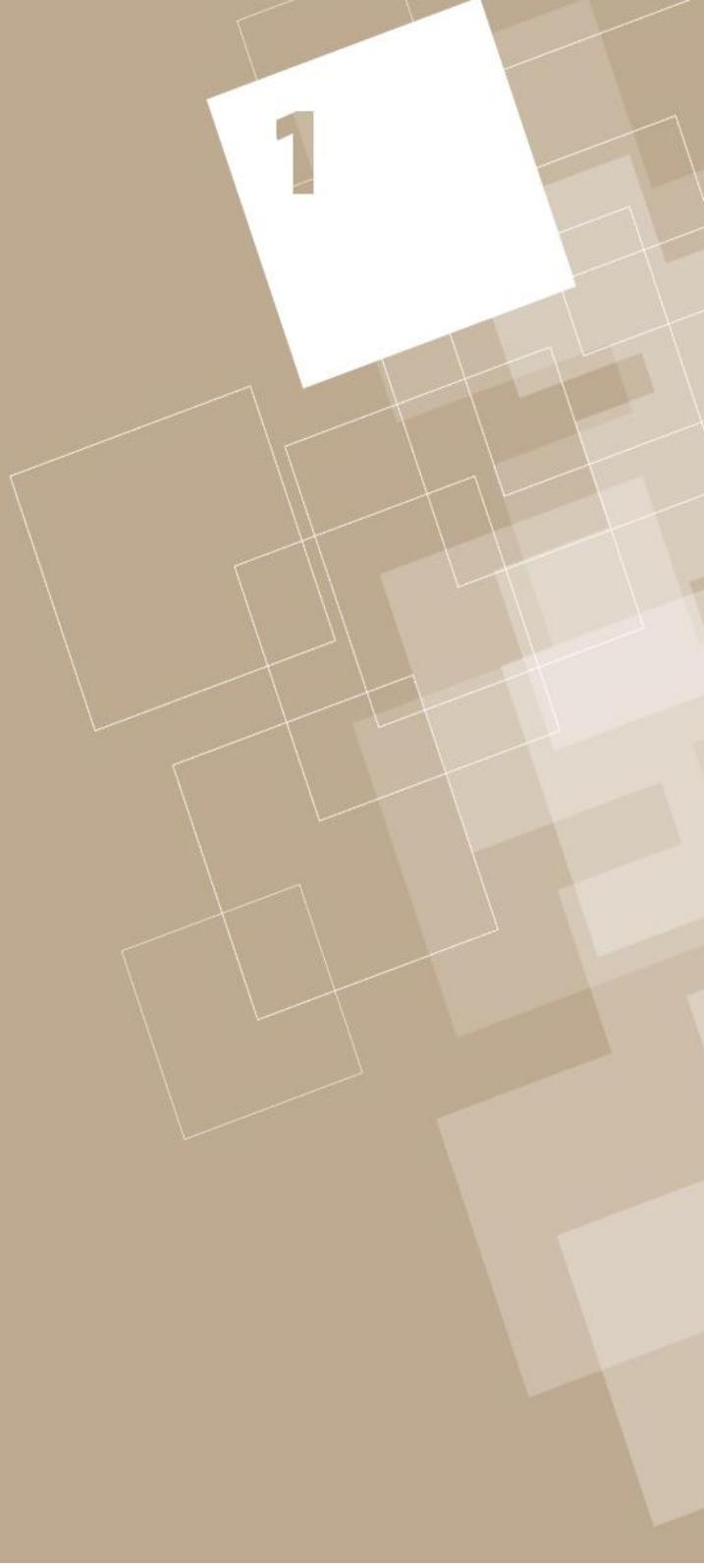


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1

Foreword by the Executive Director for Council Resources

Welcome to the Annual Accounts for East Lothian Council for the year ended 31 March 2021. 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 2020/21. 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 2020/21
- Key aspects of our performance during 2020/21
- Our plans for the future.

Key Results of 2020/21

The impact of COVID-19 on services and funding streams is demonstrated in the financial statements. This included acting as agent for the Scottish Government in distributing a high value and volume of COVID-19 related grants to businesses and individuals. During 2020/21 the Council has responded positively to provide additional national intervention to support the wider community whilst at the same time prioritising critical Council services to those most in need. The key financial results for the year were:

- Delivery of services during the pandemic with estimated COVID-19 related pressures of some £21 million, comprising additional costs and lower service income;
- Delivery of capital investment of around £57 million to support increased investment in schools, roads and wider assets to support the communities in which we live;

- A significant increase in usable reserves, primarily attributable to additional Scottish Government funding to support COVID-19 pressures. Notably a substantive element of this funding is provided to support costs in 2021/22.

There remain significant financial challenges facing the Council, both immediately and beyond, with the long term impact of COVID-19 not yet fully determined. In particular the economic consequences of the tapering or removal of the furlough scheme; the effect on the setting of future Council Tax charges; and the future level of central government support for local services, and indeed the wider impact arising from increased service demand will all be critical factors affecting the Council. Additionally many of the underlying service provision cost pressures evident before COVID-19 continue to affect the Council.

The Council remains fully committed to find ways to explore how we can maintain high quality service provision through an enhanced approach to transformation, and a targeted partnership approach to support ongoing COVID response, but 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.

Sarah Fortune (CPFA)
Executive Director for Council Resources (CFO), East Lothian Council

Management Commentary

COVID-19

2020/21 has been dominated by the Coronavirus/ COVID-19 global pandemic which was declared in March 2020. The pandemic has been the biggest challenge our society has faced for many generations and has created unprecedented challenges for the Council, which has been operating in Business Continuity mode throughout 2020/21.

About East Lothian

East Lothian Council provides the county's c.107,000 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 4,700 (3,740 full-time equivalent) people work for the Council.

Each year the Council:

- educates around 14,500 pupils in our secondary and primary schools
- provides around 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

- looks after over 230 vulnerable children in care homes, foster care and other care settings
- recycles over 53% of domestic waste from the total of over 50,000 tonnes of waste collected from over 6.8m bins
- keeps open 139 council buildings including 30 public toilets and 12 libraries
- maintains 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.

Following 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.

Since March 2020 the Council has been operating within a series of unprecedented constraints, restrictions and implications associated with the COVID-19 pandemic. For a significant period, Council decision making was operating under delegated emergency powers although since August 2020, the vast majority of our governance arrangements have been reinstated, albeit largely working on a remote/virtual basis. Following consultation with the three political Group Leaders it was accepted that while the Council is in Business Continuity mode, Committee agendas would be restricted to essential and urgent business only. These arrangements continued throughout 2020/21.

Management Structure and Decision Making

The Council's Management Team is made up of senior officers and is led by the Chief Executive. Financial plans and monitoring reports for 2020/21 reflected the following 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

Following the appointment of Monica Patterson as Chief Executive in February 2020, a new senior management structure was put in place during 2020/21. Financial planning and reporting for 2021/22 is based on the new Directorates:

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

COVID-19 Management Arrangements

The COVID-19 pandemic is very different from any of the Civil Emergencies that have been experienced, planned for and rehearsed. East Lothian Council has and will continue to work fully within the Civil Contingencies Act 2004 (Contingency Planning) (Scotland) Regulations, 2005. As a Category 1 responder, the Council works closely with all Category 1 and 2 responders, particularly through the East Regional Resilience Partnership (RRP) and Lothian & Borders Local Resilience Partnership (LRP) Groups.

The COVID-19 Command and Response Structure determined by civil contingency and business continuity plans remained in place

throughout 2020/21, with the Chief Executive designated as 'Gold Command'.

The Council Management Team held a weekly COVID-19 Response and Recovery Meeting. The Head of Communities is 'Silver Command' and leads the Council's COVID-19 Emergency Planning Response, supported by the East Lothian Council COVID-19 and Concurrent Risks Oversight Group (COG) and supporting sub-groups.

The Head of Corporate Support is 'Bronze Command', leading the COVID-19 Emergency Planning Recovery and Renewal and the approved Recovery and Renewal Framework. A Multi-agency Recovery & Renewal Co-ordinating Group (MARRCG) and various supporting sub groups continue to drive this work.

Council Management Team continue to oversee the COVID-19 Risk Register and monitor Business Critical Activities, with the COVID-19 Risk reported most recently within the Corporate Risk Register presented at the Audit and Governance Committee on 16 June 2020 and updated and reported again on 15 June 2021.

Scheme of Administration

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 the performance, decisions and plans of the Council is carried out by Elected Members (who are not part of the Cabinet) through the Council's Audit and Governance Committee and Policy and Performance Review Committee. In addition, the Council has a Police, Fire and 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](#), 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](#).

2020/21 Highlights

2020/21 has been dominated by the Coronavirus/ COVID-19 pandemic which was declared in March 2020. The pandemic has been the biggest challenge our society has faced for many generations. During 2020/21 over 2,700 East Lothian citizens were recorded through the official Public Health Scotland dashboard as having tested positive for Coronavirus and 108 Coronavirus deaths were recorded. These are significant under-recordings of the total number of people who contracted the virus (it is estimated that at least 3 times as many people will have contracted the virus than were tested positive) and many deaths resulting from people contracting the virus will not have been recorded through the Public Health Scotland data.

Business Continuity Plans were formally invoked by the Chief Executive across all services on 24 March 2020 and have stayed in place throughout 2020/21. Our strategy throughout has been to follow and support all relevant Scottish Government and Public Health Guidance and to ensure that the Council continues to provide essential business critical public services, minimising the impact of the developing COVID-19 outbreak, ensuring critical services are prioritised and that planning takes place for council services to recover and restart wherever possible/permitted. Our Business Continuity Plans and our Response and Recovery structures continued to flex to address the developing challenges brought from COVID-19 impact, national planning and any seasonal impacts.

The pandemic has had a significant impact on all council services. Front-line services such as, protective services, education and social

services continued to provide essential services. 'Back office' services had to develop new processes and systems to distribute Business Support Grants and bank payments to families eligible for Free School Meals and set up a new COVID-19 helpline. Services working in partnership with community and third sector groups provided support and assistance to over 3,600 people who were 'shielding' and thousands more who required help through lockdown.

Throughout 2020/21 and the various phases of lockdown, relaxation of lockdown, and then further lockdown 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 advice and guidance issued by the Scottish Government.

The Council's response to COVID-19 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 staff behaviours as set out in [The East Lothian Way](#).

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.

For example, Council services have worked very closely with Police Scotland in the enforcement of social distancing regulations and in managing the pressures caused by the influx of visitors to East Lothian’s coast and countryside as lockdown eased.

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.

For example, social care and social work staff continue to be on the front line delivering personal care to vulnerable individuals while maintaining relationships to help individuals, families and cared for young people to make positive changes. This has been particularly challenging over the last year with limited home visits and face to face contact and instead relying on phone calls to maintain contact.

INITIATE & EMBRACE CHANGE – The Council and its staff embrace the need for change and initiate new ways of working.

For example, many services have had to adapt the way they operate to enable staff to continue to provide services whilst working from home. Around 1,000 council staff have adapted to working from home over the last year, using Skype for meetings, new electronic forms and providing services and maintaining contact with the public and service users on a virtual rather than face-to-face basis.

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

For example, staff who could not do their normal job as their service was ‘mothballed’ were redeployed into different roles to support the

effort to deliver critical and new services such as the Children’s Hubs, support for Shielded People and the assessment and approval of Business Grant applications. Through the pandemic the Council has continued its transformation programme, one feature of which was the development and launch of the new Online Customer Portal.

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

For example, at the start of the pandemic a dedicated COVID-19 helpline was set up to provide a dedicated telephone number for people requiring our support/referral to community resilience groups. The Council also set up dedicated COVID-19 webpages to provide key information, daily updates, guidance and advice about the pandemic and how the Council has been adapting its services to continue to provide the critical and emergency services that people rely on.

The unprecedented effort that the Council its staff and communities put in to responding to the pandemic and mitigating its negative impact on society, the economy and our communities is highlighted in the three case studies below.

Shielding People

Supporting people who are considered clinically vulnerable and have been identified as requiring to shield has been at the forefront of the pandemic response in East Lothian. The numbers of people shielding changed during the pandemic based on clinical advice and the addition and removal of clinical conditions that prompt eligibility. As of the 12 March 2021, 3,620 people in East Lothian were identified as ‘shielded’; that equates to 3.4% of the population.

The Council set up a system and special team of staff from various services including the Contact Centre, Museums and Libraries to contact everyone who had been asked to shield to ensure they

received the support they needed to self-isolate, including grocery and prescriptions delivered to their home.

The East Lothian public information **COVID-19 Helpline on 01875 824300** - operated through the Contact Centre - continued to be available for people to contact should they require any additional support throughout the pandemic.

A significant take up of support was evident in the first lock down in summer 2020, and additional resources across the Council and the community and voluntary sector were mobilised to respond to the emerging demand for access to food and pharmacy deliveries etc.

In the subsequent restriction periods as supermarket online shopping was made available, local community support projects were established, family and friends have been providing ongoing support along with an increased confidence and resilience in adapting to current advice, demand for support significantly reduced. In the week commencing 15 March 2021, only one person made contact through the COVID Helpline.

Business Support Grants

A major effort went into publicising, processing, administering and awarding the various grants that were made available to businesses throughout 2020/21. As at 31 March 2021 over £28.5m of Business Support has been delivered to East Lothian businesses. The table below shows the various grants that were made available and the total amounts that were distributed.

Payment	Amount (£)	Comments
Business Support Grants (April to 10 July 2020)	17,623,750	1,572 organisations supported, funding provided by Scottish Government
Newly Self Employed Hardship	228,000	114 Sole Traders supported by funding provided by Scottish Government
Soft play (One-off award, November 2020)	45,000	3 organisations supported, funding provided by Scottish Government
Scottish Government – Furlough Support Grant	107,250	65 Organisations supported with one-off £1,650 grants
(Brake period) Business Closure Grants (9 Oct - 3 Nov 2020)	375,150	123 organisations supported, funding provided by Scottish Government
(Brake period) Business Hardship Grants (9 Oct - 3 Nov 2020)	56,845	36 organisations supported, funding provided by Scottish Government
Strategic Framework (Closure & Restrictions and sector Top Ups combined) 3 Nov 2020 to date.	8,662,800	922 applications received 711 organisations currently being supported, funding provided by Scottish Government (Ongoing)
Taxi and Private Hire Driver Grants	210,000	140 Drivers supported with one-off £1,500 grants
East Lothian Discretionary Support Grant	616,000	Total 308 x £2k grants paid, (from 2 tranches). Further 70+ to be considered from final Tranche 3

Payment	Amount (£)	Comments
Contingency Fund Plus (Breweries/Travel Agents & Indoor Football Centres)	90,000	Self-Declaration applications issued to 5 Breweries and 3 Travel Agents. (Thus far 3 Travel Agents and 4 Breweries paid)
Accommodation Support Grant (Large Self-Accommodation/Exclusive Use/Bed and Breakfast Businesses)	216,000	17x Small Accommodation (Wave 1,2 & 3) supported with £6k grants 25x Large Self Catering Accommodation supported with £2k grants 6x Exclusive Use Businesses supported with £10k grants, (1x £4k)
TOTAL	£28,230,795	

The introduction of the Level 4 protective measures on 26 December 2020 drove a major increase in demand for the Strategic Framework Business Fund (SFBF) which up until then had been supporting a smaller number of businesses that had been required to either close or operate under restrictions.

A subsequent expansion in Business Support schemes being delivered by local authorities and the Enterprise Agencies to a wider range of business sectors during the following months saw additional temporary staffing resource deployed and existing staff temporarily re-assigned to administer a total of 18 separate grants assigned for Local Government delivery.

Supporting Vulnerable People and Communities

Throughout 2020/21 supporting individuals and communities that faced financial and food insecurity and growing levels of poverty was a key priority for the Council.

Additional funding was made available from the Scottish Government to extend Free School Meal provision over the Easter, summer, mid-term and Christmas holidays. Whilst during the first of these periods lunch packs were provided, during subsequent periods the Council made payments in 'cash' via BACS.

The Council also received three tranches of funding from the Scottish Government to support people at risk including those isolating under Test and Protect, and families and households who are vulnerable for other reasons, to access food supplies or address financial insecurity related to COVID-19.

- £0.224m in March 2020
- £0.250m in June 2020
- £0.327m in October 2020

The first two tranches of funding were allocated principally through the Council's six areas to support the massive community effort to provide meals, food and other supplies to people who were shielding and an increasing number of people who were facing severe financial difficulty because of the economic impact of the pandemic. The number of people in East Lothian claiming Universal Credit doubled from February 2020 to May 2020.

The additional funding received by the Council was used in innovative ways to have maximum effect in supporting vulnerable people and people in poverty.

- A new Coronavirus Fuel Poverty Fund was created to help households who are under intense financial hardship during these uncertain times and are struggling to afford to heat their homes and keep the lights turned on. Over 600 one-off payments of £100 were paid to people who need help with their gas or electricity charges.
- £75,000 was allocated to augment the Discretionary Housing Payment Fund to assist tenants with rent arrears who may be eligible for a Discretionary Housing Payment (DHP) award or a top up of an existing award and have experienced new/increased rent arrears in 2020/21.
- Children's Services was allocated funding to support families and young people through Section 22 and Section 29 Social Work payments, supplementing income and cost of temporary B&B accommodation for Looked After Young People.
- £30,000 was allocated to Adult Social Work, to support vulnerable clients in financial difficulty. The funding was distributed via third sector partners including Carers of East Lothian as well as through the Community Justice and S12 Social Work payments.
- Almost £300,000 was allocated to the six Area Partnerships to tackle food insecurity through continuing to provide support for community based food initiatives. Examples of how this funding has been used include: creating food pantries in each area; supporting several Community Kitchens; the provision of meals, or soup and sandwich to hundreds of families and pensioners throughout 2020/21; and establishing the FareShare Hub which provides food for over a dozen community food initiatives across East Lothian.

2020/21 Service Performance

As was highlighted above the pandemic has had a significant impact on all council services and has had a negative impact on the Council's performance as measured through its key performance indicators. With services mothballed or severely restricted and many staff re-directed to undertake business critical activities or develop and deliver new services (such as Business Support Grants) many of the Council's 2020/21 performance indicators have been negatively impacted.

The quarterly and annual performance indicators that have been most impacted by the pandemic include:

- Number of homelessness cases
- Community Payback Orders
- Number of vehicles accessing recycling centres
- All the economic development indicators
- Attendance at sports centres and pools
- Time taken to process new Housing Benefit claims
- In-year Non Domestic Rates and Council Tax collection rates

From late April 2020 the Council has been supplying the Scottish Government with weekly data for a COVID Data Dashboard. At one point this included over 20 indicators covering areas such as support for Shielded People, numbers of teachers, children and young people attending children's hubs, number of free school meals being provided in hubs or at home, Business Support Grants and adult and child protection cases.

With the easing of lockdown and the return of schools in August 2020 the amount of weekly data provided by the Council to the Scottish Government reduced significantly. However, the Improvement Service developed a weekly COVID-19 dashboard using national and publicly available data sources as well as council provided data to highlight some key input, output and outcome indicators of the impact of the pandemic. This weekly dashboard includes 25 indicators for which various comparisons are available – Scottish average, Family Group

(Deprivation), Family Group (Geography), and Family Group (Vulnerability).

The 25 indicators reported via the Improvement Service dashboard cover a wide range of critical services including Environmental Health and Trading Standards Business Advice and Enforcement Activity, Test and Protect calls, Scottish Welfare Fund, Discretionary Housing Payment, Housing, Adult and Children's Social Work, Economic Activity and Education.

The Council and the Policy Performance Review Committee have received reports outlining how the Council has performed across these indicators.

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.

A report on how the Council has performed against these indicators in 2020/21 will be considered by the Council in autumn 2021. The report will also provide an update on the progress the Council has made in achieving the nine strategic goals set in the Council Plan:

- *Reduce unemployment*
- *Improve the employability of East Lothian's workforce*
- *Reduce the attainment gap*
- *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*
- *Increase community and individual resilience*
- *Deliver transformational change*
- *Harness the opportunities that technology offers in the provision of services*

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:

1. **To preserve life and protect vulnerable groups** will continue to be our fundamental purpose during the coming weeks and months.
2. **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.
3. **Support Test, Trace, Isolate and Support – Test and Protect**, that will be essential to control the spread of the virus and avoid further peaks.
4. **Continue to support effective containment measures as appropriate to limit the spread of infection**, and work with citizens and communities to help them to take the appropriate actions such as keeping physical distance and strict hygiene rules.
5. **Ensure continued delivery of the Council's critical services**, focusing most on those services which support and protect the most vulnerable in society.
6. **Bring non-critical services back on line at an appropriate level**, prioritising services that are critical to bringing our economy and communities back to normality, whilst we continue to live with COVID-19.

7. **Learn from and build on the new ways of working developed during lockdown**, ensuring that the efficiencies and more effective ways of working and delivering services become the 'new norm'. As we move forward we want not simply to return to where we were, but to build on the innovative responses we have put in place to see us through the emergency.
8. **Provide advice and support to public and local businesses** to support long-term recovery of our local economy.
9. **Monitor the impact of the outbreak on the community and our services** to respond in a timely manner and plan recovery to ensure that East Lothian can recover as quickly as possible.
10. **Engage, and work with East Lothian residents and our partners across our communities and voluntary organisations** so we continue to meet the challenges set by COVID-19 and work together for a better East Lothian.

The Multi-Agency Recovery & Renewal Co-ordinating Group (MARRCG) oversees planning for and progress towards recovery and renewal. The MARRCG is supported by five sector specific Recovery and Renewal Groups covering:

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

A detailed Recovery and Renewal Framework has been put in place which provides for a steady state of preparedness to support increased recovery actions as and when Scottish Government imposed restrictions allow.

In practice this means that permitted recovery work has been managed and implemented by relevant service focused sub-groups such as the Education and Children's Services Recovery Group which has been actively managing the phased return to care and learning settings; the Connected Economies Group (CEG) which oversees both response and recovery interventions in respect of the Economy; and management of our countryside and coastline that is supported by the multi-agency Outdoor Open Space Management Group.

Version 1.6 of the Recovery and Renewal Framework contains updated Action Cards and was agreed at the MARRCG meeting on 15 March 2021, and is available within [the Members Library Service](#) (Item 35/21).

As lockdown restrictions continue to ease through 2021 the Council has begun planning for the deactivation of Business Continuity Plans when it is safe and appropriate to do so. All the Council's key activity areas will closely monitor the easing of restrictions and related operational implications on direct service delivery to our communities but also by giving due consideration and support to the return to the workplace that will embrace new ways of working, and will require extensive review on the most effective use of assets.

Informed by the Council Management Team's COVID-19 Initial Lessons Learned Structured Debrief outputs, and from the Council's ongoing response to and recovery from the COVID-19 pandemic, current key areas of corporate policy and plans under review include:

Re-opening of Local Town Centres, Retail, Tourism and Hospitality: The Connected Economy Group (CEG) will oversee key milestones during release of lockdown restrictions and re-start activity including which will see the wider re-opening of local centres and retail activity and components of the tourism and hospitality sector with control measures in place.

New Ways of Working: A cross-service working group has been preparing advice and guidance on how the Council can encourage, support, and benefit from flexible home working and make it the norm for staff who are able to work from home. The working group has considered HR issues, including the development of the new Homeworking Policy; information technology and digital technology requirements; staff health and wellbeing; staff development; processes and procedures; supporting customers; and the use of council buildings.

The maximisation of benefits from flexible home working include: improved work life balance for staff; reducing the Council's carbon footprint to support achievement of the net zero emissions target; financial efficiencies; reduction in the Council's buildings and assets portfolio; and greater productivity from digitising processes.

Poverty Plan: A multi-agency Poverty Working Group has been established to review progress with the existing Poverty Plan and Child Poverty Action Plan and develop a new Poverty Plan.

Equality Plan: The Council and Integration Joint Board are reviewing their current Equality Plans (2017-2021) and are preparing draft new Equality Plans for 2021-25. The IJB has carried out consultation on new equality outcomes and the Council is using the results of this consultation to inform the development of new outcomes for the new plan.

Council Financial Strategy: The financial implications facing the Council in relation to the management of COVID-19 will continue to have significant implications for 2021-22 and beyond. Much of this will remain dependent on the ongoing national response and financial intervention provided to support COVID-19. The ongoing implications may have a significant impact both in terms of current management of response and wider recovery, and this wider risk is recognised within the Council's approved Financial Strategy, and will continue to be a

prominent feature in the financial management of the 2021-22 approved financial plans and the implications going forward.

Council Decision-Making: Formal governance and decision making within the Council will be further reviewed to assess the earliest opportunity for the safe return of Elected Members and Officers to the Council Chamber although at this stage, it is not considered likely that this will be fully enabled this calendar year. Maximising digital provision, options to be considered will include both whole and partial physical return, with due consideration to a blended approach with some in attendance in person and others attending remotely. Consideration of this hybrid approach will however require investment in a suitable technical solution and options setting out the operational and financial implications will be brought back to Members when available.

Digital Strategy: Digital capacity across the organisation has been at the heart of the Council's COVID-19 response, and will be so in respect of recovery and renewal – internal to the Council and in supporting digital inclusion across communities. A review of the Digital Strategy and Digital Inclusion Strategy will progress during 2021/22. Customer habits have changed, with 'channel shift' now an accepted part of people's work and home lives. The Council must grasp the opportunity to review its Customer Strategy and methods of customer access and service delivery, maximising the potential from digital service provision to help delivery of strategic priorities in respect of Climate Change, Asset Rationalisation and Realisation of Service Transformation and necessary budgetary efficiencies.

Council Plan: The current Council Plan 2017-2022 and the East Lothian (Local Outcome Improvement Plan) 2017-2027 will need to be revised to take account of the 'lessons learned' and impact of COVID-19 on society, the economy and public health.

Work is underway to produce a new Strategic Needs Assessment that takes account of the impact of COVID-19 and identifies new priorities. This will also take into consideration the calls for action made in the Social Renewal Advisory Board's report, 'If Not Now, When?' and the Programme for Government of the new Scottish Government. The East Lothian Partnership and the Council will consider the new Strategic Needs Assessment and draft revised plans in the autumn. Area Partnerships will take these developments into account when revising Locality Plans in readiness for 2022/23.

The process of Recovery and Renewal will be underpinned by the Council's programme of transformation; embedding new ways of working across all services; delivering digital services based on our online customer platform; a radical re-appraisal of our assets; and, a programme of root and branch service re-design to ensure services are customer focused, fit for purpose and efficient and effective.

Future Plans: Local Development Plan & City Region Deal

The Council has a focus on ensuring existing and new communities continue to be great places in which to live and work, with an even more dynamic local economy. Between now and 2033, the population of south east Scotland is expected to grow by 220,000 people. [East Lothian Council's Local Development Plan](#) allocated land capable of delivering 10,050 new homes to 2024. It also identifies some 200 hectares of employment land for job creation.

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."

East Lothian is one of six local authorities partnering with the UK and Scottish Governments to deliver the City Region Deal, a £1.3 billion investment over 15 years that aims to accelerate economic growth and create opportunities for citizens across the entire south east of Scotland.

The Council will be spending more than £185 million over the next five years on building new council housing and modernising existing stock.

Key development projects include:

- **Old Craighall/land around Queen Margaret University**

This is a development site of 116.5 hectares relating to land around Queen Margaret University (QMU) near Musselburgh. Development includes 1,500 new homes, a new primary school, the provision of community facilities, a Food and drink Innovation Hub and a wider Edinburgh Innovation Park site – components within the City Region Deal. The Innovation Hub will facilitate an expansion of the University’s existing Scottish Centre for Food Development and Innovation and will also provide flexible commercial space for small and medium sized businesses in the key food and drink sector.

- **New settlement on former Blindwells site**

This is a 540-hectare site, to the north of Tranent, with planning permission in place for 1,600 homes, a school, business space, shops, sports facilities and parks. There is the potential for more than 6,000 homes on a larger safeguarded site. The new settlement is one of seven sites considered to be strategically significant within the City Region Deal. The Council’s vision is to see the new settlement develop into an exemplar community in which to live, work and play with mixed-tenure housing including affordable homes, first-class facilities and amenities, local employment opportunities, combined with a vibrant landscape. It presents opportunities for inward investment and job creation and should be a zero emissions community embracing climate change objectives, innovation and biodiversity.

- **Former Cockenzie Power Station site**

Purchased in 2018 to promote economic development and employment opportunities, East Lothian Council is working to understand the full potential of the former Cockenzie Power Station, a 200-acre site. Our priority is to secure an outcome which supports the local economy and contributes to enhancing vibrant neighbouring communities.

Investing in people and learning

Reducing inequalities and improving attainment and closing the gap are key priorities for our Council. We aim to provide the best education service in Scotland through a relentless focus on inclusion, achievement, ambition and progress for all. We have a relentless focus on giving all of our children and young people the best start; working together to nurture them and helping them to achieve their potential. We have six secondary and 34 primary schools across the county, with specialist provisions attached to our mainstream schools that support children and young people with additional support needs. A multi-million pound programme of modernisation, expansion and improvement of the learning estate is underway to develop education spaces that benefit East Lothian’s learners and communities. In total, £43m has been dedicated to the expansion and refurbishment of a range of facilities, including work to accommodate the expansion of early learning and childcare. In addition, East Lothian’s newest primary school at Letham Mains in Haddington opened in January 2021.

Financial Strategies

Financial Strategy

The Council's Financial Strategy forms the platform for the Council's stewardship over taxpayer's funds. The strategy is refreshed each year to reflect any changes in the financial planning landscape and to ensure that the strategy remains appropriate. The most recent current strategy was approved by Council in December 2020 covering the five year period 2021-2026 and can be found in the [East Lothian Council meeting papers of 15 December 2020](#) (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, also approved by the Council in December 2020, 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 2021/22 – 2025/26" can be found in the [East Lothian Council meeting papers of 2 March 2021](#) (Agenda Item 3).

Financial Statements Overview

Provision of Services Income and Expenditure

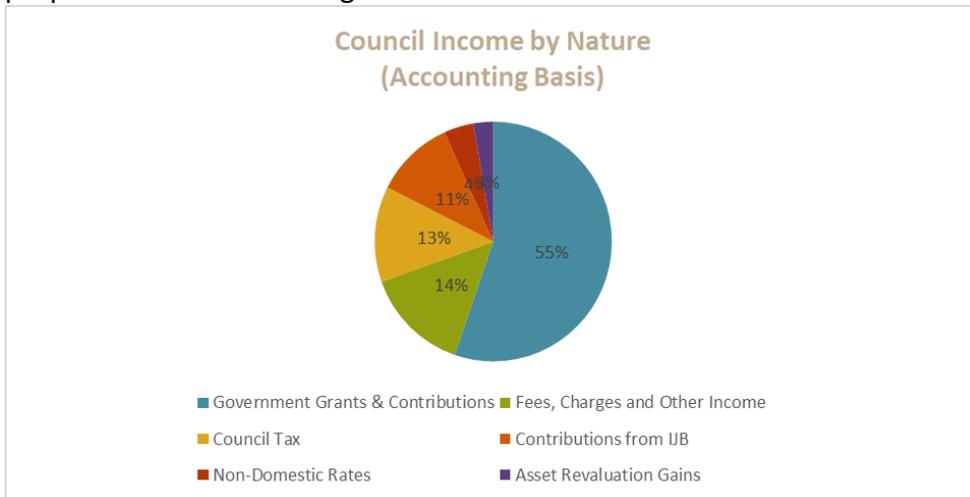
The net cost of service provision on an accounting basis in 2020/21 was £255.558 million, a 1.9% increase from 2019/20. This increase can be largely attributed to the impact of COVID-19. The consequences of COVID-19 have included changes to services provided, the manner of service provision, and reduction in income for services. A decrease of £14.563 million (20/21 £29.071 million; 2019/20 £43.634 million) in capital grants and contributions received is in part reflective of the impact of the pandemic. The full negative consequences have however been partially offset for 2020/21 by various central government funding streams for COVID-19 cost pressures, as well as the Council's own management actions.

The surplus on the provision of services, after applying funding to the cost of services, was £9.935 million (2019/20: £2.862 million). The increase can generally be seen to be a reflection of the Scottish Government funding made available in 2020/21 to support services in 2020/21 and 2021/22.

The chart below shows service based net expenditure, after deducting service income, on a directorate basis. The net income in Corporate and Central Services reflects Scottish Government funding, including some specific grants, which is used to support expenditure by other directorates.



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



Expenditure and Funding Analysis

The financial performance in the financial statements is presented in accordance with accounting requirements. The legislative framework within which the Council operates means that statutory and other adjustments are applied in the Movement in Reserves Statement which affects the final balance of the Council's usable reserves.

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

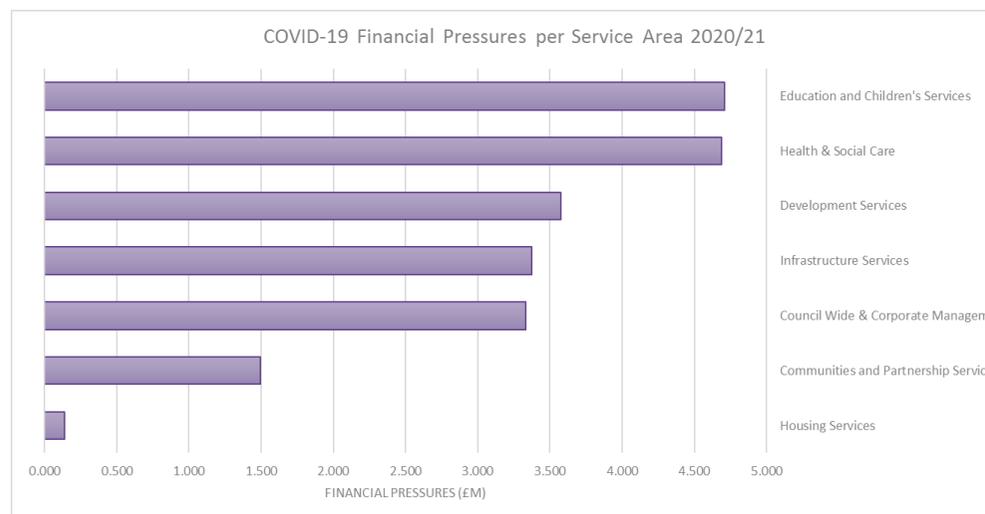
In order to align to the accounting presentation in the comprehensive income and expenditure statements, presentation adjustments are required to derive the figures in the first column of the expenditure and funding analysis (Note 6). These are summarised below:

	Outturn Report £000s	Use of Reserves	Presentation Adjusts £000s	EFA Column 1 £000s
Resources & People Directorate	138,183		(296)	137,887
Health & Social Care Partnership	55,404			55,404
Partnership & Community Directorate	45,299		1	45,300
Corporate and Central Services	(251,567)	210	245,299	(6,058)
HRA	-		(6,196)	(6,196)
Other Income and Expenditure	-		(238,808)	(238,808)
Cost of Services	(12,681)	210	-	(12,471)

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

Clearly the consequences of, and responses to, the COVID-19 pandemic have been significant and substantial in affecting the Council's finances. Cost pressures of some £21 million have arisen from responding to the needs of the people of East Lothian arising from COVID-19, amending working practices to maintain safety, and loss of income from a number of sources. The Foreword by the Executive Director for Council Resources provides an overview of the key financial results for 2020/21 as well as the current position and future outlook. The chart below indicates the financial pressures arising for specific service areas.



Key examples of the pressures for service areas include:

- Education and Children's: Additional costs including transport, teacher staffing; property cleaning and sanitising; teaching resources; fostering support, and residential support. Loss of service income has also occurred.
- Health and Social Care: Purchase of additional care homes bed capacity, sustainability payments to care providers, additional care at home costs and loss of income.

- Development Services: Loss of income from reduced charges for capital work and HRA property works.
- Infrastructure Services: Loss of income from service charges, and charges for capital work and HRA property works.
- Council wide and corporate: Costs of personal protective equipment, job retention costs, additional support to group associated bodies, discretionary housing payments, and a reduction in Council Tax income expected to be collected.
- Communities and Partnerships: Food fund, staffing costs and loss of income.

In addition to its normal duties, the Council took on the role of agent by distributing various COVID-19 grants to businesses and individuals in East Lothian on behalf of the Scottish Government. The relevant £29 million grant funding, and cost of grants awarded (see Note 9), is excluded from the Council's income and expenditure in the financial statements on the basis that the Scottish Government controlled the eligibility criteria for the distribution of those grants. It also has a 'nil' net effect on the Council's outturn reporting and reserves position.

A wide variety of Scottish Government COVID-19 funding streams totalling £25 million have been treated as income for the Council. These include general COVID funding, support for Health & Social Care Services, loss of income compensation, Education services support including school meals, Scottish Welfare Fund support, hardship and financial inclusion funding, and a local authority discretionary fund. A full analysis is provided in Note 34. Debtors related to government grant COVID-19 funding due to the Council are presented in Note 24. Liabilities related to COVID-19 grants are presented in Note 26.

Combined with normal service expenditure, the COVID-19 pressures would have resulted in an adverse variance from budget of some £11.508 million. Primarily due to the decision of the Scottish Government to provide additional funding in 2020/21, and in advance of 2021/22, the Council has actually declared a surplus for 2020/21 of

£12.471 million. Of the additional funding treated as income in 2020/21 some £8.900 million is provided by Government to be used to support recovery costs in 2021/22. This is earmarked in the reserves.

Detailed variances contributing to the Directorate outturns include:

- high tariff placements and fostering for children
- underlying cost pressures within Education for additional support for learning as well as COVID-19 driven costs, largely offset by funding flexibility permitted due to COVID-19
- COVID-19 related costs for social care under the remit of the integration partnership, mainly offset by additional government funding
- COVID-19 related funding for future years received as income in 2020/21

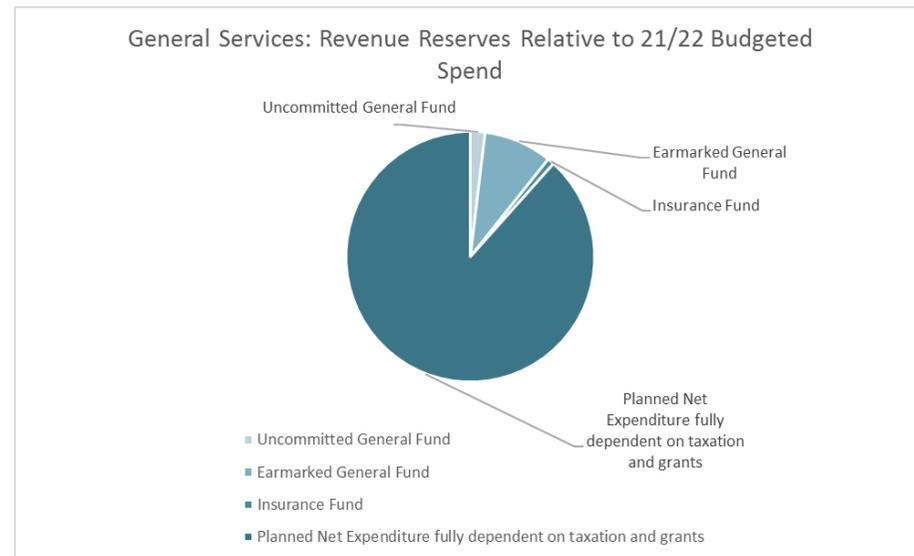
The HRA delivered a balanced outturn since the funding contributed to in year capital expenditure was equated to the available statutory surplus for the year. The accounting result for the year, including charges for depreciation, impairment and the HRA's share of corporate items was a deficit on HRA services for the year of £9.336 million (2019/20: £7.392 million).

Reserves

At 31 March 2021 the Council had total usable reserves, including HRA and capital, of £35.089 million (2019/20: £21.130 million). This includes £33.080 million for the total General Services reserves and £2.009 million for HRA. A significant factor in the General Services reserves increase is additional Scottish Government funding in 2020/21 to support the financial pressures arising from COVID-19 in 2020/21 and 2021/22.

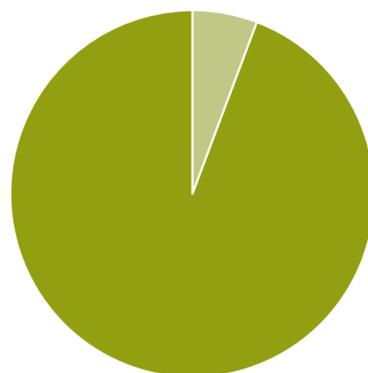
For general services revenue expenditure purposes the financial results for the year, in combination with the statutory framework applicable to local government reserves, has resulted in a specific General Fund balance of £28.328 million (2019/20: £16.154 million).

The following chart shows the level of reserves in comparison to planned expenditure for 2021/22. 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 (2019/20: £2.009 million), above the strategic target minimum balance of £1 million. Maintenance of the balance was achieved by adjusting the funding contributed to in year capital expenditure to match the available statutory surplus for the year. The following chart shows the level of reserves compared to planned expenditure in 2021/22.

HRA: Revenue Reserves Relative to 21/22 Budgeted Spend



Balance Sheet

The net assets for the Council have increased by £42.023m or 11.1% (2019/20: £42.507 million, 12.6%). Changes include:

- A prior period restatement of the Council's assets to reflect a transfer of property assets as at 1 April 2019 from East Lothian Council to the Common Good Funds following the issue of a consultation on identification of Common Good assets in May 2021. The impact on the opening balance sheet at 1 April 2020 balance sheet was a decrease in assets of £2.7m.
- Property, plant and equipment and other non-current assets show a net increase of £90 million. Additions of £57 million (2019/20: £72 million) reflected spend on assets by the Council. Additionally revaluation gains of £71 million (2019/20: £3 million loss) recognised in the Revaluation Reserve augmented the increase in asset values. This can be attributed to the revised valuations reflecting the cost of replacing the services of existing assets, including an allowance for the increased cost of asset construction since the previous valuation cycle. These increases were partially offset by depreciation, impairment and other revaluation changes of £37 million (2019/20 £46 million).

Due to the impact of COVID-19 a [RICS practice alert](#) indicates there may be restrictions and an increased level of uncertainty affecting asset valuations.

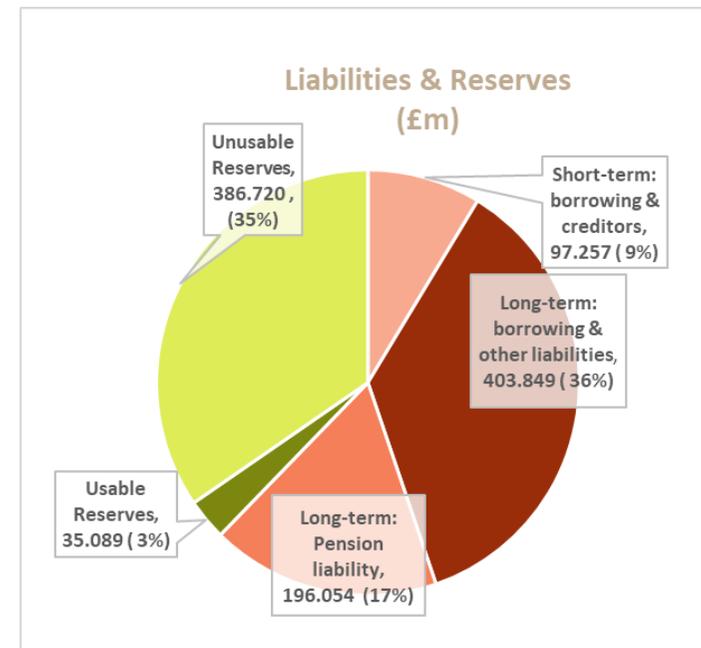
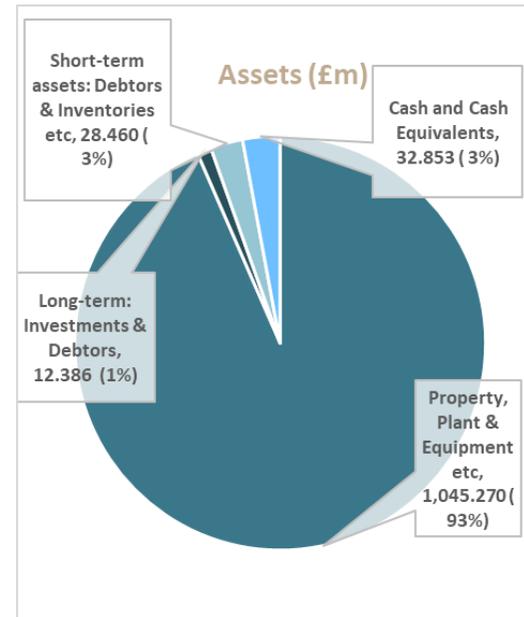
- Net pension liabilities increased by £49 million (2019/20: £31 million decrease) to £196 million. Changes in estimates used for the calculations, such as a lower discount rate for liability calculations and pension payment increases, are the primary reasons, increasing the liability by some £159 million (2019/20: decrease £80 million). This increase was offset by a positive return on fund assets of £83 million (2019/20: loss of £41 million). Amendments to demographic assumptions, such as the time duration for which each pension will be payable, also helped to offset some £33 million (2019/20: nil) of the liability increases, reflecting the results of the 2020 triennial review of the Lothian local government pension fund.
- Cash and cash equivalents increased by £2 million. Cash flows varied through the year, with initial cash outflows arising, for example in distributing grants to businesses. A borrowing arrangement of £10m ensured cash flow was maintained. Towards the end of the year more cash inflows arose, for example central government funding and cash to compensate for grants distributed by the Council. The Council therefore ended the year with robust cash balances for the settlement of its obligations.
- Liabilities, excluding pensions, increased by £3 million (2019/20: £13 million), with long-term liabilities reducing by £23 million, and short term liabilities increased by some £26 million, part of which is an increase in grants and contributions received in advance.
- Other short-term assets increased by £4 million (2019/20: £12 million). This is largely attributable to increased short-term debtor balances for income, such as grants and Council Tax income.

The charts below illustrate the relative proportions of the Council's assets, liabilities and reserves. Reserves represent the extent of assets over which the Council has control after liabilities are accounted for. Unusable reserves relate to legislative or accounting requirements which mean that they are not available to use to support service delivery.

For example the increase in the Revaluation Reserve in 2020/21 primarily relates to revaluations which reflect increases in the cost of acquiring or constructing assets which would be incurred if the services of those assets were bought at current prices. Those gains however are regarded as 'unrealised' and are therefore unusable for the funding of service provision.

Usable reserves however reflect the reserves available for the Council to consider and apply within both its Financial Strategy and budget setting processes.

Some usable reserves, including those relating to capital receipts, can have restrictions upon their use which affect the Council's options regarding application.



Capital

Key to delivering our outcomes for our communities and supporting the wider economy is the investment which the Council makes in capital infrastructure including our school estate and wider asset base, as well as our housing stock.

In total, during 2020/21 the Council provided capital investment of around £57 million. Some of the significant capital projects delivered in 2020/21 include:

- New Letham Mains Primary School completion
- Progression of design and works in preparation for the extended provision of Early Learning
- Investment in the Council's roads infrastructure of around £7 million
- Additions to the Council's active housing stock and assets of around £22 million.

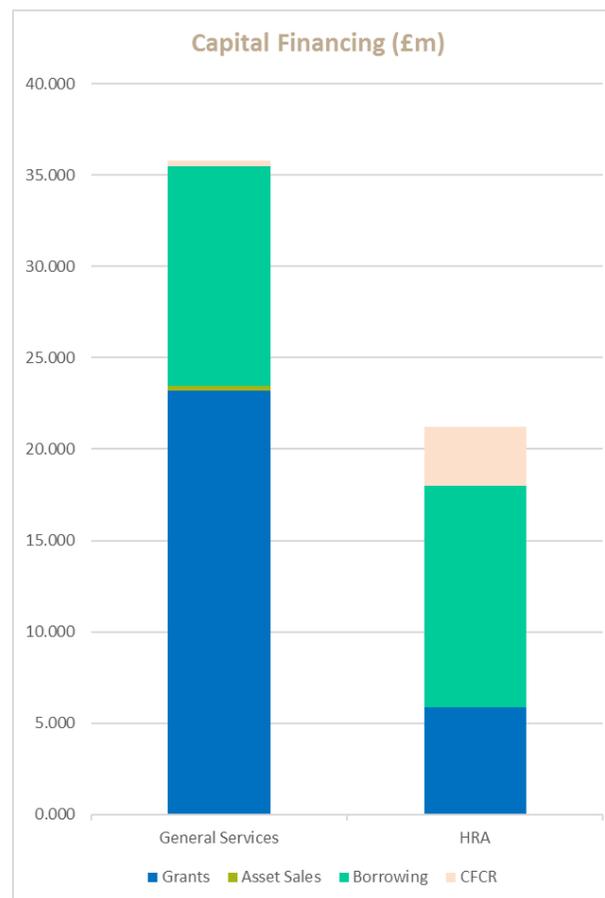
In relation to General Services most of the underspend of some £62 million, compared to the approved budget, relates to re-profiling of projects into future years. As well as the initial impact of the lockdown on the construction sector in the earlier part of the financial year, further ongoing consequences, including amended working practices and supply chain challenges, have caused project delays. Investment in Information Technology to support alternative working arrangements has also featured.

The HRA capital programme delivered an underspend of £12 million against the planned budget during 2020/21. Delays due to COVID-19 are the primary and substantive reason for the extent of the underspend.

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.



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 the group position and performance is affected by the market of investments held by Common Good and Trust Funds. The group benefitted from a significant increase in the value of investments in the year. This is largely attributable to the recovery of the financial markets after the initial impact of COVID-19 on investments. Losses however were incurred on the sale of some investments in 2020/21.

Within the group there was also a transfer of property assets, through a prior period adjustment, from East Lothian Council to the Common

Good Funds following a judicial review decision and the issue of a consultation on identification of Common Good assets.

Other Performance Indicators

The Council published an Annual Performance Report in October 2019 outlining its performance for 2018/19, with the issue of a report for 2019/20 adversely impacted by the focus placed on responding to the COVID-19 pandemic. The Council publishes performance results via its [performance website](#). The next Annual Performance Report is expected to be published in December 2021.

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.

2019/20 £000s / % / Days	Financial Indicator	2020/21 £000s / % / Days	Commentary
20.18%	Council Tax funding to overall level of taxation and non-specific grant funding	20.62%	Reflects the overall percentage of East Lothian Council funding from local taxation.
96.54%	In year Council Tax collection rate	94.92%	Reflects East Lothian Council's effectiveness in collecting Council Tax.
99.04%	In year NDR collection rate	98.16%	Reflects East Lothian Council's effectiveness in collecting NDR debt.
457,290	Capital Financing Requirement	467,524	The Council's underlying need to borrow.
(480,010)	External Debt Levels (Financial Liabilities per Note 25 to the financial statements)	(479,432)	The Council's actual levels of external debt and long term liabilities.
101.79%	Overall General Fund (excl HRA) actual net expenditure compared to planned, as a percentage of the original expenditure budget	95.47%	How closely expenditure compares to the set net expenditure budget for the year.
1.59%	Uncommitted General Fund balance as a % of next year's net expenditure budget before application of taxation based funding and use of reserves	1.90%	Reflects the amount of funding available to manage unplanned events.
768	Sundry debtors collection: Average number of days of overdue debts	718	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 2021 webpage](#), Item 9) details all of the Council's risks, categorising them from Very High to Low Risk.

The following risk tables summarise the Very High and High risks and the ways the Council is attempting to mitigate the risks.

Medium risk is tolerable with control measures that are cost effective and low risk is broadly acceptable without any further action to reduce the risk.

Risk	Risk Level	Corporate Risk Summary Key Mitigation steps
COVID-19: General	High	ELC (East Lothian Council) has been proactively communicating, and encouraging compliance with all government and public health authorities' advice to reduce the impact and spread of misinformation by relying on information from trusted sources e.g. NHS, Public Health Scotland and Scottish Government. The Council has a COVID-19 and Concurrent Risks Oversight Group which oversees the cross service COVID-19 response planning and operational service delivery, considering implications of any relaxation of lockdown on ongoing service response, responding to Scotland's Strategic Framework and overseeing the work of a number of sub-groups which are covered in more detail within the full COVID Risk Register.
COVID-19: Risk of Financial Hardship	High	Amendment of statutory debt recovery work policies and processes undertaken. Support and advice to residents and business owners provided, including details of grant support eligibility criteria and administration of grants.
COVID-19: Education	High	Scottish Government and Public Health Guidance followed including testing processes; cleaning and risk assessment of establishments; free school meals provision; closure contingency plans; communications and liaison with staff and pupils; and establishment of an Education Recovery Group.
Covid-19: IT & Digital Resilience	High	Additional investment in laptops for staff; regular reminders of IT security policies; and increased security monitoring on IT infrastructure.

Risk	Risk Level	Corporate Risk Summary Key Mitigation steps
Climate Emergency	High	Implementation and delivery of actions set out in the Climate Change Strategy.
Britain's Exit From the EU	High	ELC has appointed a strategic and tactical level Lead Officer to keep an oversight on ongoing EU Exit developments. The wider ramifications of the decision to leave the European Union are yet to be fully realised and felt in the national and local economy. Whilst there will be some opportunities there is also uncertainty that may affect areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, Investment and other non-financial aspects.
Managing the Financial Environment	High	ELC 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.
Information Security and Data Protection	High	ELC uses the international standard ISO 27001:2017 as the framework for its ISM system and the Council takes measures to avoid breaches of law, statutory, regulatory or contractual obligations (including the DP Act 2018, GDPR and Public Records (Scotland) Act 2011). The Council has reviewed and updated its Data Protection Policy.
Limitation (Childhood Abuse) (Scotland) Bill	High	Risk management includes 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.
Flooding and Coastal Erosion	High	As part of a Flood Protection Scheme, studies and plans for prioritised actions have been undertaken.
Expansion of Early Learning and Childcare (ELCC) to 1140 hours	High	Scottish Government is implementing plans to expand ELCC to 1140 hours and have confirmed a revised statutory implementation date of August 2021. Scottish Government have given flexibility in the use of the 1140hrs revenue funding for Education COVID-19 expenses and our current rollout of the programme is being managed within the budget available. The Council continues to develop and implement detailed plans and work with Scottish Government (SG) to take forward the expansion. Project board and associated working groups are in place and meet regularly to monitor progress.
Duty of Care and Protection	High	The East and Midlothian Public Protection Committee (EMPPC) incorporates the Adult Protection Committee, Child Protection Committee, Offender Management Committee and Violence Against Women Partnership and ensures robust links with Midlothian and East Lothian Drug and Alcohol Partnership (MELDAP). EMPPC has oversight of Public Protection work and performance across East Lothian and Midlothian Councils and Partnerships.

The Management Commentary is authorised
by:

Lesley Brown
Executive Director for Education and
Children's Services

Norman Hampshire
Council Leader

Sarah Fortune (CPFA)
Executive Director for 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 the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Executive Director for Council Resources who is the designated Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Audit and Governance Committee at its meeting on 30 November 2021.

Signed on behalf of East Lothian Council.

Norman Hampshire
Council Leader

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Accounting Code').

In preparing the Annual Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Chief Financial Officer has also:

- Kept adequate accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Chief Financial Officer's Certification

I certify that the financial statements give a true and fair view of the financial position of the Council (and its group) at the reporting date and the transactions of the Council (and its group) for the year ended 31 March 2021.

Sarah Fortune (CPFA)
Executive Director for 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 2021 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. Since March 2020 the Covid-19 emergency provided a serious and prolonged 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 2020 have 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. Lessons learned have been captured throughout the year with process improvements implemented. Recovery

processes are active and being implemented as guidance allows.

The Council's governance self-evaluation against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 has not identified any additional areas for further development and improvement. Importantly however it 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, including control changes enforced by the pandemic, although some areas were identified 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 Service Manager-Internal Audit 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](#).

The Audit and Governance Committee complies in most respects with the 2018 CIPFA Audit Committees Practical Guidance for Local Authorities and Police. Consideration is being given as part of the recovery from COVID-19 to completing a self-evaluation of the Committee.

All internal audit reports into service areas include recommendations, agreed actions and an implementation date. During 2019/20 areas identified with scope for improvement included the following:

- The controls in place for the prevention and detection of duplicate payments.
- 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.

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 2020/21 follow-up reports were submitted to the Audit and Governance Committee on Management actions taken in respect of Area Partnerships, Creditors Duplicate Payments, Direct Payments, EU Exit, Fostering & Kinship Care, Homecare, Payroll Deductions, Residential & Non Residential Care Charging, and Risk Management. 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 2021 meeting of the Audit and Governance

Committee. For 2020/21, Internal Audit has concluded that subject to a number of areas for improvement 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 2021. Those areas which have been identified with scope for improvement include:

- Payroll procedures are required to be refreshed and control processes consistently operated to continue to ensure accurate payments;
- Transformation programme processes require to be updated to ensure they comply with best practice in programme and project management;
- Increased focus of resources on cybersecurity control measures are required to ensure continued mitigation of increased risks;
- Complete policy and procedures and consistent delivery of control processes for Residential and Non-residential care charging is required to ensure operation of effective charging and recovery processes.

Plans are in place to review these areas and consider appropriate actions for improvement during 2021/22.

In addition to full audit reviews, assurance reports covering areas of significant change

as a result of COVID-19 have been issued to the Audit and Governance Committee, in the following areas: Business Grants, Supplier Relief, Rent Deferment, Non Domestic Rates, Residential Care – Financial Reassessments.

Statement on the role of the Chief Financial Officer and the Role of the Head of Internal Audit

In 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised statement on the role of the Chief Financial 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.

In April 2019 CIPFA issued a statement on the Role of the Head of Internal Audit (HIA). The statement articulated the core responsibilities of the HIA, with five principals defining the core activities and behaviours that belong to the role of the HIA. For each principle the Statement sets out the organisation's responsibilities to

ensure HIAs are able to operate effectively and perform their core duties.

The Council is able to confirm that, in all major regards, it conforms to the governance arrangements of both of these CIPFA statements.

Financial & Fraud Management Compliance.

In October 2019 CIPFA issued the Financial Management Code (FM Code). The FM Code is designed, on a non-statutory basis, to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out proposed standards of forward financial management for local authorities. The 2020/21 financial year was a shadow year for transitioning to compliance with the FM code with full compliance expected in 2021/22. On an initial evaluation the Council is able to confirm that, in all major regards, it conforms to the FM Code. However a more detailed evaluation will take place and any actions to enhance the existing compliance will be considered in relation to future budgets.

The Council also confirms that in all major regards it complies with the 2014 CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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 2020/21.

Lesley Brown
Executive Director for Education and
Children's Services

Norman Hampshire
Council Leader

Sarah Fortune (CPFA)
Executive Director for Council Resources
(CFO)

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Lothian Council and its group for the year ended 31 March 2021 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, and 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 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 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 2020/21 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 five 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.

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast

significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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 judgements thereon.

Responsibilities of the Executive Director for Council Resources and Audit and Governance Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director for 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 Executive Director for 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 Executive Director for 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.

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

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including

fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

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

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

Reporting on other requirements

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

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

Statutory other information

The Executive Director for Council Resources is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

- the information given in the Management Commentary for the financial year for which the financial

statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I 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.

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
EH3 9DN

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 41
- Pay Bandings information on page 42
- Senior Officer Remuneration on page 42
- Pension Benefits information for Senior Councillors and Officers on pages 45 to 48.

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. 2020/26). 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 2020/21 the salary for the Leader of East Lothian Council is £29,760. 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 £180,783.

The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council's policy is to set these within the national maximum limits as set out above. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members.

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

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

Senior Councillors' Remuneration

Salary, Fees and Allowances	Taxable Expenses	Total	Annualised Salary	Name	Office Held as at 31 March 2021	Salary, Fees and Allowances	Taxable Expenses	Total	Annualised Salary
2019/20	2019/20	2019/20	2019/20			2020/21	2020/21	2020/21	2020/21
£	£	£	£			£	£	£	£
29,119	-	29,119	29,119	Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning	29,760	-	29,760	29,760
22,840	2,248	25,088	21,840	Norman Hampshire	Depute Leader and Cabinet Spokesperson for Environment	23,320	-	23,320	22,320
21,840	-	21,840	21,840	John McMillan	Provost and Cabinet Spokesperson for Economic Development & Tourism	22,320	-	22,320	22,320
21,840	776	22,616	21,840	Andy Forrest	Depute Provost	22,320	-	22,320	22,320
21,840	-	21,840	21,840	Shamin Akhtar	Cabinet Spokesperson for Education and Children's Services (to 22/2/21) then Cabinet Spokesperson for Health and Social Care (from 23/2/21)	22,320	-	22,320	22,320
21,840	2,045	23,885	21,840	Jim Goodfellow	Cabinet Spokesperson for Housing and Community Wellbeing	22,320	-	22,320	22,320
21,840	990	22,830	21,840	Fiona O'Donnell	Cabinet Spokesperson for Health & Social Care (to 22/2/21)	20,061	-	20,061	-
-	-	-	-	Fiona Dugdale	Cabinet Spokesperson for Education and Children's Services (from 23/2/21)	2,259	-	2,259	22,320
-	-	-	-	Lachlan Bruce	Leader of the Opposition (from 25/8/20)	13,020	-	13,020	22,320
21,840	-	21,840	21,840	Jane Henderson	Leader of the Opposition (to 24/8/20)	9,300	-	9,300	-
182,999	6,059	189,058	181,999	Total		187,000	-	187,000	186,000

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 2020/21 is available to view from the Council's ['payments to councillors' webpage](#).

2019/20	Type of Councillors' Remuneration	2020/21
£		£
424,700	Salaries	435,955
1,000	Allowances	1,000
23,258	Expenses	5,769
448,958	Total	442,724

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 has recently been undertaken with a new structure at Executive and Council Management Team levels approved at a meeting of the full Council held in October 2020.

2019/20	Officers' Salary Brackets	2020/21
78	£50,000 - £54,999	88
61	£55,000 - £59,999	57
30	£60,000 - £64,999	29
18	£65,000 - £69,999	18
1	£70,000 - £74,999	6
2	£75,000 - £79,999	1
5	£80,000 - £84,999	5
2	£85,000 - £89,999	2
4	£90,000 - £94,999	5
-	£95,000 - £99,999	3
-	£100,000 - £104,999	1
2	£105,000 - £109,999	-
-	£110,000 - £114,999	-
-	£115,000 - £119,999	1
203	Total	216

During 2020/21 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
2019/20 £	2019/20 £	2019/20 £			2020/21 £	2020/21 £	2020/21 £
81,752	244	81,996	Angela Leitch	Chief Executive (to 26/11/2019)	-	-	-
106,013	318	106,331	Monica Patterson	Chief Executive (from 03/02/2020)	118,971	-	118,971
105,941	-	105,941	Alex McCrorie	Depute Chief Executive-Resources & People Services (to 21/3/21)	104,529	-	104,529
96,194	145	96,339	Jim Lamond	Head of Council Resources (to 13/12/20) then Executive Director - Council Resources (from 14/12/20)	97,956	-	97,956
91,746	-	91,746	Douglas Proudfoot	Head of Development (to 13/12/20) then Executive Director - Place (from 14/12/20)	97,956	-	97,956
81,377	-	81,377	Lesley Brown**	Chief Operating Officer - Education (to 30/08/20); then Head of Education & Children's Services (to 13/12/20); then Executive Director - Education & Children's Services	95,391	-	95,391
91,746	104	91,850	Thomas Reid	Head of Infrastructure	93,932	-	93,932
91,196	490	91,686	Sharon Saunders	Head of Communities & Partnerships	93,932	-	93,932
38,979	135	39,114	Iain Gorman*	Head of Operations (from 28/10/2019) Post 100% funded by NHS Lothian	92,257	-	92,257
73,406	349	73,755	Fiona Robertson	Head of Education (until 19/1/20)	-	-	-
79,165	-	79,165	Sarah Fortune	Chief Operating Officer - Finance (to 13/12/20) then Head of Finance (from 14/12/20)	85,238	-	85,238
67,429	179	67,608	Judith Tait**	Chief Operating Officer - Children's Services (from 3/6/19 to 13/12/20) then Head of Children's Services (from 14/12/20)	87,803	-	87,803
1,004,944	1,964	1,006,908	Total		967,965	-	967,965

*- Post 100% funded by NHS Lothian

** - Includes Higher Duties Allowance payments of £2,565

The salary, fees and allowances for senior officers include any payments made in respect of election roles. During 2020/21, all Heads of Service were paid £93,932 (full time equivalent) and all Chief Operating Officers £81,540 (full time equivalent).

Following the recent formal review of the Chief Officer structure the role of Chief

Subsidiary Bodies

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

The management of Musselburgh Racecourse transferred to a new company, Musselburgh Racecourse Ltd, on 24/6/20 and from that date the Racecourse is no

Operating Officer has been removed in order to create a flatter, more efficient and agile Corporate Management Team structure.

The Council has agreed to pay a share of the post of Director of East Lothian Health and Social Care Partnership. The costs are shared on a 50/50 basis with NHS Lothian. All

longer deemed a subsidiary body. The figures below are based on the period 1/4/20 to 23/6/20 and are shown on a pro-rata basis.

The non-cash benefits for 2020/21 include a P11D benefit of £16,703 for car and fuel benefit and £694 for private medical insurance. Figures adjusted on a pro-rata basis.

The General Manager of Musselburgh Racecourse was not a member of the

payroll and pension arrangements for this post are administered by NHS Lothian.

During 2020/21 the Council paid £65,812 (including on-costs) as our shared cost of this post. Alison MacDonald was appointed to this post in July 2018.

Council's defined benefit pension scheme, although he received employer's pension contributions equivalent to 10% of pensionable salary on an annual basis. For 2020/21 this totalled £2,772 on a pro-rata basis (19/20 - £12,023).

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

2019/20				Name	Post Title	2020/21			
Salary	Expenses & Allowances	Non-Cash Benefits	Total			Salary	Expenses & Allowances	Non-Cash Benefits	Total
£	£	£	£		£	£	£	£	
121,226	-	17,383	138,609	William Farnsworth	General Manager Musselburgh Racecourse (to 23/6/20)	27,719	-	4,004	31,723

Pension Benefits

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

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

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

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

The scheme's normal retirement age for both councillors and employees is State Pension Age.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This was intended to strengthen the relationship between the cost and benefits of scheme

membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

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

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

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

sum; and without any adjustment for the effects of future inflation.

The estimated pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment. 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.

2019/20			2020/21		
Range	Rate	Whole Time Pay	Range	Rate	
£			£		
22,441	5.50%	On earnings up to and including	22,852	5.50%	
22,442 - 26,990	5.60% - 5.80%	On earnings above	22,853 - 27,443	5.60% - 5.80%	
26,991 - 36,652	5.90% - 6.50%	On earnings above	27,444 - 37,262	5.90% - 6.50%	
36,653 - 49,489	6.60% - 7.30%	On earnings above	37,263 - 50,306	6.60% - 7.30%	
49,490	7.40% - 11.20%	On earnings above	50,307	7.40% - 11.20%	

Pension Benefits - Senior Councillors

The estimated pension entitlements for Senior Councillors for the year to 31 March 2021 are shown in the table below, together with the contribution made by the Council during the year.

Name	Office Held as at 31 March 2021	Pension Contributions		Accrued Pension Benefits			
		For Year to 31 March 2020	For Year to 31 March 2021	As at 31 March 2021		Difference from 31 March 2020	
				Pension	Lump Sum	Pension	Lump Sum
£	£	£000s	£000s	£000s	£000s		
Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning	6,494	6,758	7	2	1	-
Norman Hampshire	Cabinet Spokesperson for Environment and also Depute Leader of the Council	5,093	5,317	6	2	1	-
John McMillan	Provost and Cabinet Spokesperson for Economic Development & Tourism	4,870	5,089	4	-	1	-
Andy Forrest	Depute Provost	4,870	5,089	5	2	-	1
Shamin Akhtar	Cabinet Spokesperson for Education and Children's Services (to 22/2/21) then Cabinet Spokesperson for Health and Social Care (from 23/2/21)	4,870	5,089	4	-	1	-
Jim Goodfellow	Cabinet Spokesperson for Housing and Community Wellbeing	4,870	5,089	4	-	1	-
Fiona O'Donnell	Cabinet Spokesperson for Health & Social Care (to 22/2/21)	4,870	4,986	2	-	1	-
Fiona Dugdale	Cabinet Spokesperson for Education and Children's Services (from 23/2/21)	-	4,174	1	-	-	-
Lachlan Bruce	Leader of the Opposition (from 25/8/20)	-	4,684	1	-	1	-
Jane Henderson	Leader of the Opposition (to 24/8/20)	4,870	4,476	2	-	1	-
Total		40,807	50,751	36	6	8	1

Pension Benefits - Senior Employees

The estimated pension entitlements for senior employees for the year to 31 March 2021 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 2020 £	For Year to 31 March 2021 £	As at 31 March 2021 Pension £000s	Lump Sum £000s	Difference from 31 March 2020	
						Pension £000s	Lump Sum £000s
Angela Leitch	Chief Executive (to 26/11/19)	17,541	-	-	-	-	-
Angela Leitch	Returning Officer (to 26/11/19)	690	-	-	-	-	-
Monica Patterson	Chief Executive (from 3/2/20)	23,580	26,868	64	117	8	12
Alex McCrorie *	Depute Chief Executive - Resources & People Services (to 21/3/21)	-	-	22	67	-	1
Sharon Saunders	Head of Communities & Partnerships	20,337	21,417	42	63	3	2
Fiona Robertson*	Head of Education (until 19/1/20)	16,291	-	-	-	-	-
Douglas Proudfoot	Head of Development (to 13/12/20) then Executive Director - Place (from 14/12/20)	20,337	22,185	44	84	4	5
Lesley Brown*	Chief Operating Officer - Education (to 30/08/20); then Head of Education & Children's Services (to 13/12/20); then Executive Director - Education & Children's Services	18,043	21,597	5	-	5	-
Thomas Reid	Head of Infrastructure	20,337	21,417	35	50	2	(1)
Jim Lamond	Head of Council Resources (to 13/12/20) then Executive Director - Council Resources (from 14/12/20)	20,337	22,185	48	80	5	6
Iain Gorman **	Head of Operations (from 28/10/2019)	8,692	21,035	-	-	-	-
Sarah Fortune	Chief Operating Officer - Finance (to 13/12/20) then Head of Finance (from 14/12/20)	17,654	19,297	22	15	2	-
Judith Tait **	Chief Operating Officer - Children's Services (from 3/6/19 to 13/12/20) then Head of Children's Services (from 14/12/20)	14,993	19,886	-	-	-	-
Total		198,832	195,887	282	476	29	25

* - Member no longer active in the pension scheme

** - 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 2019/20					Exit Packages 2020/21				
Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages		Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number by Cost Band	Total Cost of Exit Packages	
			£000s	Cost Banding				£000s	
2	4	6	82	£0 - £20,000	-	1	1	14	
-	1	1	23	£20,001 - £40,000	-	1	1	23	
2	5	7	105	Total	-	2	2	37	

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 2020/21, with comparative figures for 2019/20.

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

2019/20		Percentage of pay bill spent on facility time	2020/21	
Non-Education Staff	Education Staff		Non-Education Staff	Education Staff
£90,561	£40,043	Total cost of facility time	£83,803	£37,558
£95,743,248	£57,130,060	Total pay bill	£99,512,888	£61,331,603
0.09%	0.07%	Percentage of the total pay bill spent on facility time	0.08%	0.06%

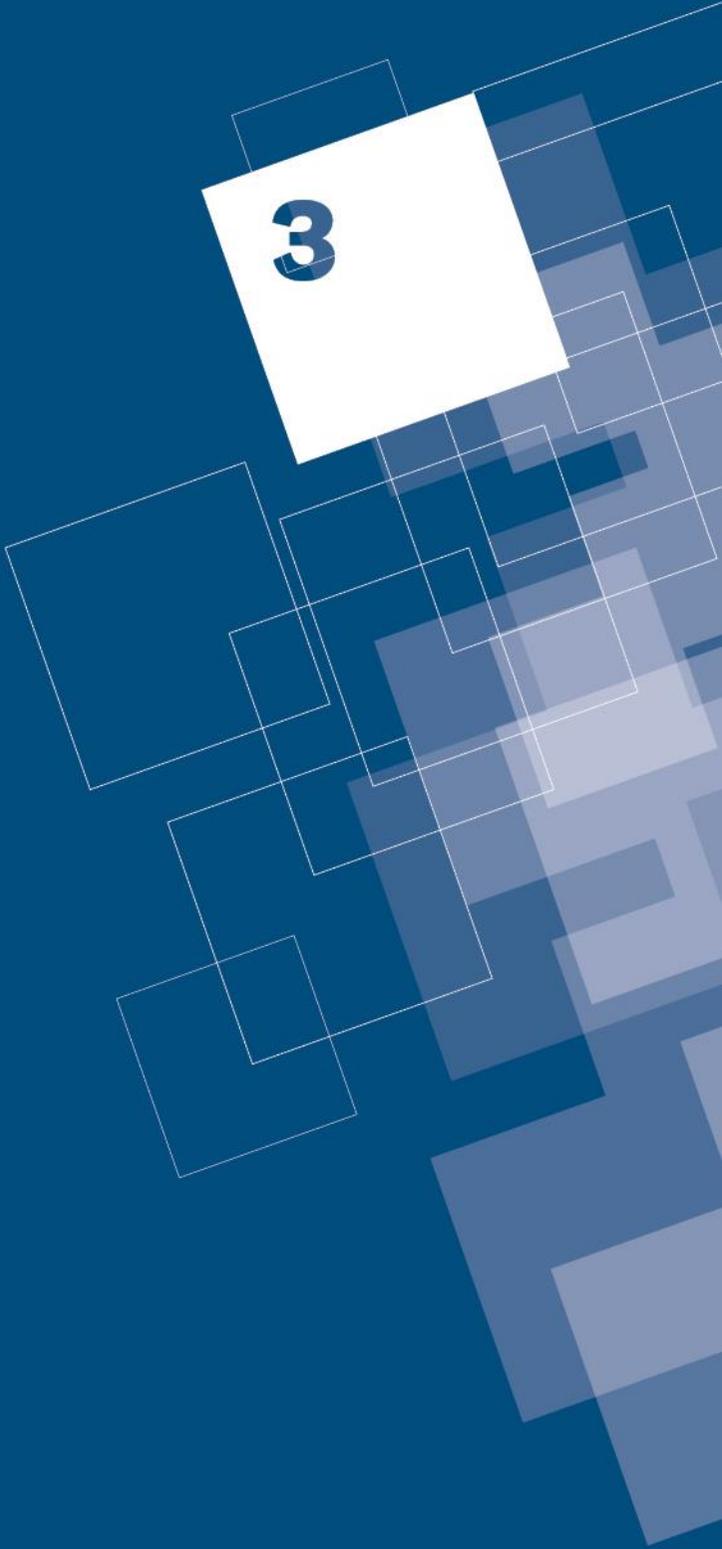
Lesley Brown
Executive Director for Education and
Children's Services

Norman Hampshire
Council Leader

Sarah Fortune (CPFA)
Executive Director for Council Resources
(CFO)

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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.

Movement in Reserves Statement For the Year Ended 31 March 2021	General Fund Balance £000s	Capital Grants & Receipts Unapplied £000s	Capital Receipts Reserve £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s	Group Usable Reserves £000s	Group Unusable Reserves £000s	Total Group Reserves £000s
Balance at 31 March 2020	(16,154)	(245)	(713)	(2,009)	(2,009)	(21,130)	(358,656)	(379,786)	(37,215)	(363,549)	(400,764)
Opening Balances Adjustments	-	-	-	-	-	-	1	1	(1,417)	(119)	(1,536)
Restated Opening Balance	(16,154)	(245)	(713)	(2,009)	(2,009)	(21,130)	(358,655)	(379,785)	(38,632)	(363,668)	(402,300)
Total Comprehensive Expenditure and Income	(19,271)	-	-	-	9,336	(9,935)	(32,089)	(42,024)	(14,893)	(32,276)	(47,169)
Depreciation charged to the Revaluation Reserve	(7,466)	-	-	-	(2,607)	(10,073)	10,073	-	(10,220)	10,220	-
Adjustments Between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	(108)	-	(108)
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	14,266	-	(1,488)	-	(6,729)	6,049	(6,049)	-	6,609	(6,609)	-
Transfers to/from Other Statutory Reserves	297	-	-	(297)	-	-	-	-	-	-	-
(Increase)/Decrease in Year	(12,174)	-	(1,488)	(297)	-	(13,959)	(28,065)	(42,024)	(18,612)	(28,665)	(47,277)
Balance at 31 March 2021 Carried Forward	(28,328)	(245)	(2,201)	(2,306)	(2,009)	(35,089)	(386,720)	(421,809)	(57,244)	(392,333)	(449,577)

Restated Movement in Reserves Statement For the Year Ended 31 March 2020	General Fund Balance £000s	Capital Grants & Receipts Unapplied £000s	Capital Receipts Reserve £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Authority Reserves £000s	Group Usable Reserves £000s	Group Unusable Reserves £000s	Total Group Reserves £000s
Balance at 31 March 2019	(12,766)	(245)	(4,600)	(1,821)	(6,068)	(25,500)	(311,779)	(337,279)	(41,377)	(317,123)	(358,500)
Opening Balances Adjustments	-	-	-	-	-	-	-	-	269	494	763
Restated Opening Balance	(12,766)	(245)	(4,600)	(1,821)	(6,068)	(25,500)	(311,779)	(337,279)	(41,108)	(316,629)	(357,737)
Total Comprehensive Expenditure and Income	(10,254)	-	-	-	7,392	(2,862)	(39,645)	(42,507)	(1,781)	(41,246)	(43,027)
Depreciation charged to the Revaluation Reserve	(7,507)	-	-	-	(3,062)	(10,569)	10,569	-	(10,690)	10,690	-
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	14,185	-	3,887	-	(271)	17,801	(17,801)	-	16,364	(16,364)	-
Transfers to/from Other Statutory Reserves	188	-	-	(188)	-	-	-	-	-	-	-
(Increase)/Decrease in Year	(3,388)	-	3,887	(188)	4,059	4,370	(46,877)	(42,507)	3,893	(46,920)	(43,027)
Balance at 31 March 2020 Carried Forward	(16,154)	(245)	(713)	(2,009)	(2,009)	(21,130)	(358,656)	(379,786)	(37,215)	(363,549)	(400,764)

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.

Restatement of 2019/20 figures relates to the transfer of assets from the Council to the common Good funds.

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.

2019/20 Restated			2019/20 Restated	Comprehensive Income and Expenditure Statement	2020/21			2020/21
Gross Spend £000s	Gross Income £000s	Net Spend £000s	Group Net Spend £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s	Group Net Spend £000s
155,026	(6,079)	148,947	148,935	Resources & People Directorate	164,265	(13,618)	150,647	150,696
113,944	(58,294)	55,650	55,650	Health & Social Care Partnership	121,286	(66,069)	55,217	55,217
72,795	(15,512)	57,283	57,683	Partnership & Community Directorate	74,868	(17,865)	57,003	56,680
12,106	(31,779)	(19,673)	(19,673)	Corporate and Central Services	17,933	(34,160)	(16,227)	(16,227)
40,210	(31,638)	8,572	8,572	HRA	45,389	(36,471)	8,918	8,918
394,081	(143,302)	250,779	251,167	Cost of Services	423,741	(168,183)	255,558	255,284
				Other Income & Expenditure				
		(1,051)	(1,051)	Other Operating Expenditure		(856)	(856)	(856)
		21,122	21,678	Financing & Investment		19,551	19,551	18,026
		(273,712)	(273,712)	Taxation and Non Specific Grant Income		(284,188)	(284,188)	(284,188)
		-	137	Share (Surplus)/ Deficit on the Provision of Services by Associates		-	-	(3,159)
		(2,862)	(1,781)	(Surplus) on Provision of Services		(9,935)	(9,935)	(14,893)
		3,494	2,307	(Surplus)/Deficit on Revaluation of Non-Current Assets		(74,309)	(74,309)	(74,876)
		-	-	Impairment losses on assets charged to the revaluation reserve		3,799	3,799	3,799
		399	399	(Surplus)/Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income		1,845	1,845	1,838
		(43,538)	(43,538)	Actuarial (Gain) or Loss on Pension Assets/Liabilities		36,576	36,576	36,576
		-	(414)	Share of Other Comprehensive Income and Expenditure of Associates		-	-	387
		(39,645)	(41,246)	Other Comprehensive (Income) and Expenditure		(32,089)	(32,089)	(32,276)
		(42,507)	(43,027)	Total Comprehensive (Income) and Expenditure		(42,024)	(42,024)	(47,169)

For further details of the Gross Cost of Services, see Note 5, Expenditure and Income Analysed by Segment and Nature, and the Management Commentary.

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.

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

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

2019/20 £000s	Reconciliation of the Council Surplus / Deficit to the Group Surplus / Deficit	2020/21 £000s
(2,862)	(Surplus) Deficit for the Year on Authority Comprehensive Income & Expenditure Account	(9,935)
137	Associates	(3,159)
944	Subsidiaries	(1,799)
(1,781)	(Surplus) / Deficit for the Year on the Group Income & Expenditure Account	(14,893)

Restatement of 2019/20 CIES Presentation

Restatements of 2019/20 figures relate to presentation amendments to support comparability with the practices applied for 2020/21 reporting.

These primarily relate to the treatment of government specific grants for education and social care provision. In the 2019/20 annual accounts these were presented as income in Resources and People (2019/20 £7.968m) and Health & Social Care Partnership (2019/20 £6.216m). Those amounts are now included as income for Corporate and Central Services in 2019/20 to be consistent and comparable with the financial management and monitoring arrangements in place during 2020/21.

Other non-material presentation amendments include:

- Impairment allowance charges and interest on finance leases now included in Financing & Investment instead of the Net Cost of Services

- Treatment of salary sacrifice schemes as agency income and expenditure instead of as income and expenditure in the net cost of services
- Reversals of property, plant and equipment historic cost revaluation losses or impairment charges presented as income in the net Cost of Services, rather than as expenditure.
- The removal of revaluation gains credited to the revaluation reserve in Other Comprehensive Income and Expenditure which related to assets which have, through a prior period adjustment, been transferred to the Common Good balance sheet.

The presentation amendments are also reflected in changes to related disclosure notes such as the Expenditure and Funding Analysis; Other Operating Income and Expenditure Items; Expenditure and Income analysed by Segment and Nature; and Agency Income and Expenditure.

Group Balance Sheet

The Balance Sheet shows the value as at 31 March 2021 of the assets and liabilities recognised by the authority. The net assets of the authority are matched by the reserves held by the authority. Reserves are reported in two categories:

Usable Reserves are those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Unusable Reserves are those that the authority is not able to use to provide services, including reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold. It also includes reserves that hold timing differences.

The Balance Sheet also shows the consolidated assets and liabilities of the entire East Lothian Group.

The prior year balance sheet has been restated and the opening balance sheet for the prior year also provided. These reflect adjustments following the issue of a public consultation by the Council on the identification of Common Good assets in East Lothian. A number of assets have been transferred from East Lothian Council's balance sheet to the Common Good.

East Lothian Council's full and formal review of the consultation responses received has not yet been completed. In the event that this requires further asset transfers, for example if the Council ceases use of the buildings, the necessary adjustments will be enacted when an agreement is reached. The Council considers any potential remaining transfers to be a contingent liability.

Restated 1 April 2019 Authority £000s	Restated 1 April 2019 Group £000s	Restated 31 March 2020 Authority £000s	Restated 31 March 2020 Group £000s	Balance Sheet	Note	31 March 2021 Authority £000s	31 March 2021 Group £000s
931,534	939,587	953,116	961,480	Property, Plant & Equipment	12	1,043,082	1,052,299
-	-	709	709	Intangible Assets	14	1,146	1,146
1,042	1,052	1,042	1,052	Heritage Assets	15	1,042	1,052
5,428	11,517	5,030	10,451	Long Term Investments	21	3,184	9,924
-	1,069	-	590	Investments in Associates	21	-	4,701
10,209	10,391	9,725	9,762	Long Term Debtors	22	9,202	9,366
948,213	963,616	969,622	984,044	Long Term Assets		1,057,656	1,078,488
-	-	-	16	Short Term Investments		-	-
766	766	701	701	Assets Held for Sale	16	575	575
593	593	1,867	1,867	Inventories	23	959	959
34,435	37,988	21,644	22,377	Short Term Debtors	24	26,926	26,921
15,759	16,254	30,786	31,417	Cash and Cash Equivalents		32,853	33,478
51,553	55,601	54,998	56,378	Current Assets		61,313	61,933
(19,148)	(17,555)	(18,841)	(19,016)	Short Term Borrowing	25	(32,306)	(32,306)
(41,867)	(42,336)	(42,226)	(37,442)	Short Term Creditors	26	(48,544)	(42,763)
(3,645)	(3,645)	-	-	Short Term Provisions	27	-	-
(4,646)	(4,646)	(10,213)	(10,213)	Capital Grants Receipts in Advance	33	(16,407)	(16,407)
(69,306)	(68,182)	(71,280)	(66,671)	Current Liabilities		(97,257)	(91,476)
(1,651)	(1,651)	(459)	(459)	Provisions	27	(920)	(920)
(343,917)	(343,808)	(366,621)	(366,531)	Long Term Borrowing	25	(345,822)	(345,743)
(69,838)	(69,301)	(59,766)	(59,289)	Other Long Term Liabilities	28	(57,107)	(56,651)
(177,775)	(177,775)	(146,708)	(146,708)	Pension Liability	29	(196,054)	(196,054)
(593,181)	(592,535)	(573,554)	(572,987)	Long Term Liabilities		(599,903)	(599,368)
337,279	358,500	379,786	400,764	Net Assets		421,809	449,577
(25,500)	(41,378)	(21,130)	(37,215)	Usable Reserves	30	(35,089)	(57,244)
(311,779)	(317,122)	(358,656)	(363,549)	Unusable Reserves	31	(386,720)	(392,333)
(337,279)	(358,500)	(379,786)	(400,764)	Total Reserves		(421,809)	(449,577)

The unaudited accounts were submitted for audit on 30 June 2021, and the audited accounts were authorised for issue on 30 November 2021.

Sarah Fortune (CPFA) Executive Director for Council Resources (CFO)

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.

Restatements of 2019/20 figures relate to non-material presentation amendments to support comparability with the practices applied for 2020/21 reporting. These include:

- Presentation of interest income receipts within Operating Activities, instead of inclusion as proceeds from investments in Investing Activities
- Inclusion of interest accruals and non-cash adjustments within adjustments to the Surplus or Deficit on the Provision of Services instead of within Financing Activities

2019/20 Authority £000s Restated	2019/20 Group £000s Restated	Cash Flow Statement	Note	2020/21 Authority £000s	2020/21 Group £000s
Operating Activities					
(2,862)	(1,781)	Net (Surplus) Deficit on the Provision of Services		(9,935)	(14,893)
(71,207)	(72,422)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	35	(51,399)	(46,719)
44,720	44,718	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	36	30,559	30,559
(29,349)	(29,485)	Net Cash Flows from Operating Activities		(30,775)	(31,053)
Investing Activities					
75,915	75,915	Purchase of Property, Plant and Equipment		55,630	55,915
-	-	Proceeds from Short Term Investments		-	-
(39,795)	(39,795)	Other Receipts from Investing Activities		(34,261)	(34,262)
(1,086)	(1,086)	Proceeds from the Sale of Property, Plant and Equipment		(1,488)	(1,488)
35,034	35,034	Net Cash Flows from Investing Activities		19,881	20,165
Financing Activities					
(60,005)	(60,005)	Cash Receipts of Short and Long Term Borrowing		(10,000)	(10,000)
1,348	1,348	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Lease and On-Balance Sheet PFI Contracts		1,545	1,545
37,945	37,945	Repayments of Short and Long Term Borrowing		17,282	17,282
-	-	New Loans Made		-	-
(20,712)	(20,712)	Net Cash Flows from Financing Activities		8,827	8,827
(15,027)	(15,163)	Net (Increase) in Cash and Cash Equivalents		(2,067)	(2,061)
15,759	16,254	Cash and Cash Equivalents at the Beginning of the Reporting Period		30,786	31,417
15,027	15,163	Increase (Decrease) in Cash and Cash Equivalents per above		2,067	2,061
30,786	31,417	Cash and Cash Equivalents at the End of the Reporting Period		32,853	33,478

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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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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.

vii. Interests in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries and associates and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses or as investments designated at Fair Value through Other Comprehensive Income.

viii. Inventories and Long-term Contracts

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

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

ix. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the authority's arrangements for accountability and financial performance.

x. Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year, to score against the Net Cost of Services in the CIES. The reserve is then appropriated back into the General Fund Balance in the MiRS, so that there is no net

charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and they do not represent usable resources for the authority – these reserves are explained in the relevant policies.

xi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the CIES in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the MiRS from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged, so that there is no impact on the level of Council Tax.

xii. VAT

The CIES excludes amounts relating to VAT and will be included as an expense only if it is not recoverable from 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 implementation of IFRS 16 *Leases* was originally phased for 2020/21 but this has been deferred to 2022/23. Implementation will require more lease arrangements to be recognised as assets with

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.
- 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](#) issued by the Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA) recommends that users of financial statements should take into account the uncertainties and limitations arising from the impact of COVID-19.
- A number of COVID-19 related grants have been assessed as being agency in nature, with distributions being made as an agent of the Scottish Government. The receipt and distribution of the grant

associated liabilities on the Balance Sheet. Quantification of the impact is not currently available.

funding is excluded from the Comprehensive Income and Expenditure Statement.

- Following a judicial review decision, and the issue of a public consultation on the identification of Common Good assets in East Lothian, a number of assets have been transferred from East Lothian Council's balance sheet to the Common Good Funds as a prior period adjustment. East Lothian Council's full and formal review of the responses received has not yet been completed. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. In the event that this requires further asset transfers, for example if the Council ceases use of the buildings, the necessary adjustments will be enacted when an agreement is reached.
- The Private Finance Initiative (PFI) contract for the refurbishment and facilities management of six secondary schools is treated by recognising assets and liabilities on the authority's Balance Sheet. This is because the authority considers that it has the majority of the risks and rewards of ownership.

Note 4 Future Assumptions

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

from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2021, 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
COVID-19: Debtors; Asset valuations; Group entities	The short-term implications of the COVID-19 pandemic for the finances of the Council became clearer during 2020/21, with cost pressures and income reduction affecting the Council's financial position and reserves. The longer-term implications will however depend on a variety of factors. This includes the success of infection control measures and activity restrictions imposed, which will directly affect Council operations and the wider economy. Consequently COVID-19 may particularly affect the collectability of monies owing to the Council as at 31 March 2021, 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 there will be a slight adverse impact on the collection of some debts. It is assumed that the group results for 2020/21 and asset valuations at 31 March 2021 do not require material adjustment.	If evidence during 2021/22 contradicts the assumptions there is the potential for significant change – most particularly to require additional impairment of debtors. (See Notes 22 and 24.)
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements including the discount rate used, the rate of projected salary increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The actual figure has proved to be variable over time and more detail regarding this has been referred to in Note 29. The Pensions Reserve balance at 31 March 2021 is £196.054 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 29.)
Property, Plant, and Equipment (PPE)	Assets are valued and depreciated over their useful lives in line with advice taken from external and internal valuers. The 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 2021 is £1,043 million with depreciation charges for 2020/21 of £37.377 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 12 and Note 13.)
Arrears	At 31 March 2021 the authority had balances of £11.942 million relating to Council Tax debt and £2.496 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 24.)

Note 5 Other Income and Expenditure Items

Included within the Comprehensive Income and Expenditure Statement:

2019/20 Restated	2019/20 Restated	Other Income and Expenditure Items in the CIES	2020/21 Net Spend £000s	2020/21 Group Net Expenditure £000s
(1,051)	(1,051)	(Gain)/Losses on the Disposal of Non-Current Assets	(856)	(856)
(1,051)	(1,051)	Total Other Operating Expenditure	(856)	(856)
16,645	16,620	Interest Payable and Similar Charges	16,173	16,171
(527)	(750)	Interest Receivable and Similar Income	(361)	(527)
-	(94)	(Gains)/Losses on sale of investments	-	175
-	898	Changes in fair value of financial instruments held at Fair Value through Profit or Loss	-	(1,532)
582	582	Financial instrument impairments	261	261
4,422	4,422	Interest Expense of Pension Defined Benefit Obligation	3,478	3,478
21,122	21,678	Total Financing and Investments	19,551	18,026

Restatement of 2019/20 figures relate to non-material presentation amendments to support comparability with the practices applied for 2020/21 reporting. Impairment allowance charges and interest on finance leases are now included in Financing & Investment instead of the Net Cost of Services.

Note 6 Expenditure and Funding Analysis (EFA)

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grants, rents, Council Tax and Non Domestic Rates) by local authorities, in comparison with those resources consumed or earned by authorities, in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2019/20 Restated				2020/21		
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		
129,718	19,229	148,947	Resources & People Directorate	137,887	12,760	150,647
52,979	2,671	55,650	Health & Social Care Partnership	55,404	(187)	55,217
41,551	15,732	57,283	Partnership & Community Directorate	45,300	11,703	57,003
(8,608)	(11,065)	(19,673)	Corporate and Central Services	(6,058)	(10,169)	(16,227)
(2,082)	10,654	8,572	HRA	(6,196)	15,114	8,918
213,558	37,221	250,779	Net Cost of Service	226,337	29,221	255,558
(213,075)	(40,566)	(253,641)	Other Income & Expenditure	(238,808)	(26,685)	(265,493)
483	(3,345)	(2,862)	(Surplus)/Deficit on Provision of Services	(12,471)	2,536	(9,935)
GF	HRA	Combined		GF	HRA	Combined
(12,766)	(6,068)	(18,834)	Opening Fund Balance	(16,154)	(2,009)	(18,163)
(3,576)	4,059	483	(Surplus)/Deficit for year chargeable to General Fund and HRA	(12,471)	-	(12,471)
188	-	188	Transfer to/from Other Statutory Reserves	297	-	297
(16,154)	(2,009)	(18,163)	Closing Fund Balances	(28,328)	(2,009)	(30,337)

EFA Note 1 – Adjustments between accounting and funding basis

2019/20 Restated					2020/21					
Adjustment for Capital Purposes (EFA Note 2)	Net Change for Pension Adjustment (EFA Note 3)	Other Statutory Differences	Depreciation Charged to Revaluation Reserve	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	Depreciation Charged to Revaluation Reserve	Total Adjustments
£000s	£000s	£000s	£000s	£000s	2020/21	£000s	£000s	£000s	£000s	£000s
9,821	4,784	372	4,252	19,229	Resources & People Directorate	4,228	3,449	777	4,306	12,760
405	2,088	-	178	2,671	Health & Social Care Partnership	(1,876)	1,501	-	188	(187)
6,825	5,831	-	3,076	15,732	Partnership & Community Directorate	4,602	4,129	-	2,972	11,703
(6,132)	(4,933)	-	-	(11,065)	Corporate and Central Services	(10,170)	1	-	-	(10,169)
7,312	279	-	3,063	10,654	HRA	12,295	212	-	2,607	15,114
18,231	8,049	372	10,569	37,221	Net Cost of Service	9,079	9,292	777	10,073	29,221
(44,719)	4,422	(269)	-	(40,566)	Other Income & Expenditure from the Expenditure and Funding Analysis	(29,892)	3,478	(271)	-	(26,685)
(26,488)	12,471	103	10,569	(3,345)	Difference between Surplus or Deficit charged to fund balances and Comprehensive Income and Expenditure Statement	(20,813)	12,770	506	10,073	2,536

Restatements of 2019/20 figures relate to presentation amendments to support comparability with the practices applied for 2020/21 reporting. These primarily relate to the treatment of government specific grants for education and social care provision. These were previously presented as income in Resources and People (2019/20 £7.968m); and in Health & Social Care (2019/20 £6.216m), but are now included as income for Corporate and Central Services in 2019/20. Other non-material presentation amendments include:

- Impairment allowance charges and interest on finance leases are now included in Financing & Investment instead of in the Net Cost of Services
- Treatment of salary sacrifice schemes as agency income and expenditure instead of as income and expenditure in the net cost of services
- Reversals of property, plant and equipment historic cost revaluation losses or impairment charges presented as income in the net Cost of Services, rather than as expenditure.

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

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:

- 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.
- For services, this represents the removal of the employer pension contributions made by the authority, as allowed by statute, and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

EFA Note 4 - Other Statutory differences

Other statutory differences include:

- The accrual made for the cost of holiday/leave entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. These require to be included with the Net Cost of Services under

generally accepted accounting practices but are not chargeable to the General Fund.

- Adjustments to the General Fund for the timing differences for premiums and discounts.

EFA Note 5 – Depreciation charged to the Revaluation Reserve

Under accounting standards the valuation based portion of depreciation charges can be charged, as a movement between reserves, to the Revaluation Reserve. This negates the requirement to apply a statutory adjustment for this element of depreciation charges.

Note to Comprehensive Income and Expenditure Statement

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

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

Gross Spend £000s	2019/20 Restated		Income and Expenditure for Each Service, Inclusive of Internal Recharges	Gross Spend £000s	2020/21	
	Gross Income £000s	Net Spend £000s			Gross Income £000s	Net Spend £000s
230,588	(81,641)	148,947	Resources & People Directorate	247,434	(96,787)	150,647
120,402	(64,752)	55,650	Health & Social Care Partnership	127,732	(72,515)	55,217
92,875	(35,592)	57,283	Partnership & Community Directorate	96,822	(39,819)	57,003
14,963	(34,636)	(19,673)	Corporate and Central Services	20,946	(37,173)	(16,227)
40,742	(32,170)	8,572	HRA	45,922	(37,004)	8,918
499,570	(248,791)	250,779	Cost of Services	538,856	(283,298)	255,558

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 2020/21	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
Expenditure							
Employee Benefits Expenses	102,811	18,349	50,504	416	2,602	-	174,682
Other Service Expenses	44,397	52,593	25,931	20,480	11,357	-	154,758
Depreciation, Amortisation & Impairment	15,843	645	10,209	-	22,182	-	48,879
Reallocation of Internal Costs	1,610	747	(8,876)	(2,963)	9,482	-	-
Reallocation of Costs to Capital	(396)	-	(2,900)	-	(234)	-	(3,530)
Loss on Disposal of Assets	-	-	-	-	-	-	-
Interest Payments and Financial Impairments	-	-	-	-	-	19,912	19,912
Contribution to IJB	-	48,952	-	-	-	-	48,952
Total Expenditure	164,265	121,286	74,868	17,933	45,389	19,912	443,653
Income							
Fees, Charges and Other Service Income	(2,915)	(13,464)	(10,547)	(133)	(36,471)	-	(63,530)
Asset Revaluation Gains	(7,308)	(2,333)	(2,635)	-	-	-	(12,276)
Interest and Investment Income	-	-	-	-	-	(360)	(360)
Gain on Disposal of Assets	-	-	-	-	-	(856)	(856)
Income from Council Tax and Non-Domestic Rates	-	-	-	-	-	(76,860)	(76,860)
Contributions from IJB	-	(48,952)	-	-	-	-	(48,952)
Government Grants and Contributions	(3,395)	(1,320)	(4,683)	(34,027)	-	(207,329)	(250,754)
Total Income	(13,618)	(66,069)	(17,865)	(34,160)	(36,471)	(285,405)	(453,588)
(Surplus) Deficit on the Provision of Services							(9,935)

Prior year's expenditure and income by segment and nature 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
Expenditure							
Employee Benefits Expenses	98,384	18,139	51,486	(4,518)	2,491	-	165,982
Other Service Expenses	41,124	46,862	19,999	19,245	10,209	-	137,439
Depreciation, Amortisation and Impairment	14,073	585	10,128	-	21,877	-	46,663
Reallocation of Internal Costs	1,835	899	(6,015)	(2,621)	5,902	-	-
Reallocation of Costs to Capital	(390)	-	(2,803)	-	(269)	-	(3,462)
Loss on Disposal of Assets	-	-	-	-	-	-	-
Interest Payments and Financial Impairments	-	-	-	-	-	21,649	21,649
Contribution to IJB	-	47,459	-	-	-	-	47,459
Total Expenditure	155,026	113,944	72,795	12,106	40,210	21,649	415,730
Income							
Fees, Charges and Other Service Income	(3,952)	(9,567)	(12,171)	(61)	(31,638)	-	(57,389)
Asset Revaluation Gains	-	(2)	(227)	-	-	-	(229)
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	(2,127)	(1,266)	(3,114)	(31,718)	-	(192,200)	(230,425)
Total Income	(6,079)	(58,294)	(15,512)	(31,779)	(31,638)	(275,290)	(418,592)
(Surplus) Deficit on the Provision of Services							(2,862)

Note 7 Adjustments between Accounting and Funding Basis under Regulations

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

2019/20			2020/21			
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
Adjustments Primarily Involving the Capital Adjustment Account						
Reversal of Items Debited or Credited to the CIES:						
(17,193)	(8,883)	(26,076)	Charges for Depreciation and Amortisation of Non-Current Assets	(18,293)	(9,155)	(27,448)
(86)	(9,931)	(10,017)	Impairment Losses on Property, Plant and Equipment	(938)	(10,420)	(11,358)
229	-	229	Revaluation Gains (Losses) on Property, Plant and Equipment presented in SDPS	12,276	-	12,276
36,572	7,061	43,633	Capital Grant and Contributions Applied	23,206	5,865	29,071
678	373	1,051	Derecognition of non-current assets	850	7	857
36	-	36	Expected credit loss of Assets funded from capital sources under statute	(34)	-	(34)
Statutory Repayment of Debt:						
1,288	-	1,288	Statutory repayment of debt: PPP	1,484	-	1,484
60	-	60	Statutory repayment of debt: Finance Leases	61	-	61
8,666	3,802	12,468	Statutory repayment of debt: Loans Fund	8,329	4,054	12,383
(4,600)	-	(4,600)	Application of Capital Receipts Reserve to support statutory repayment of debt	-	-	0
Funding of Capital Expenditure Incurred in the Year:						
717	7,700	8,417	Capital Expenditure Charged Against the General Fund and HRA balances	295	3,226	3,521
Adjustments Primarily Involving the Employee Statutory Adjustment Account:						
(372)	-	(372)	Employee Statutory Adjustments: Accumulated Annual Leave	(777)	-	(777)
Adjustments Primarily Involving the Financial Instruments Adjustment Account:						
256	-	256	Charge of deferred premiums from the refinancing of debt	256	-	256
12	-	12	Charge for interest rate adjustments related to stepped interest rate borrowing	15	-	15
Adjustments Primarily Involving the Pensions Reserve:						
(28,666)	(833)	(29,499)	Net Retirement Benefits per IAS 19	(29,791)	(786)	(30,577)
16,588	440	17,028	Employer's Contributions Payable to the Lothian Pension Fund	17,327	480	17,807
14,185	(271)	13,914	Total Adjustments to General Fund and HRA Balance	14,266	(6,729)	7,537
		3,887	Adjustments to the Capital Receipts Reserve			(1,488)
		17,801	Total Statutory Adjustments Affecting Usable Reserves			6,049

Note 8 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:

2019/20 £000s	Taxation and Non-Specific Grant Income	2020/21 £000s
(55,238)	Council Tax	(58,585)
(26,274)	Non Domestic Rates	(18,274)
(148,566)	Non Ring-fenced Government Grants	(178,258)
(43,634)	Capital Grants and Contributions	(29,071)
(273,712)	Total	(284,188)

Note 9 Agency Income and Expenditure

The authority provides an agency service to Scottish Water. Associated income and expenditure is not included within the authority's CIES.

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.

COVID-19 Grants were distributed on behalf of the Scottish Government in accordance with the Scottish Government's eligibility criteria.

Salary sacrifice schemes represents expenditure on bicycles, childcare and car schemes on behalf of employees, with employees reimbursing the Council for these costs.

2019/20 £000s	Agency Income and Expenditure	2020/21 £000s
18,800	Scottish Water Income collected	19,249
-	COVID-19: Business Grants	27,575
-	COVID-19: Other Grants	864
564	Salary sacrifice schemes	462
19,364	Total	48,150

Included within Agency Income and Expenditure are COVID-19 Grants distributed for Scottish Government as follows:

COVID-19 Grants Distributed for Scottish Government	2020/21 £000s
Business Grants	17,624
Strategic Framework Business Grants	8,623
Business Closure Fund	375
Newly Self Employed Help Fund	228
Taxi Driver Support	210
Tourism Large Self-Catering	114
Furlough Support Fund	107
Small Accommodation Providers	102
Contingency Fund Plus	90
Discretionary Business Hardship Fund	57
Soft Play Closure Fund	45
Sub-total: COVID-19 Business Grants	27,575
Hardship Payments Grants	403
Support for Early Learning & Childcare Providers	330
Self Isolation Fund Support	70
Fuel Poverty and Hardship Support	61
Sub-total: COVID-19 Other Grants	864
Total	28,439

Note 10 Audit Costs

Auditors are normally appointed for five years by the Accounts Commission. Due to COVID-19 existing appointments have been extended. Audit Scotland was appointed as the authority's external auditor in 2016/17. In 2020/21 the audit fee was £253,490 (2019/20: £247,080). No fees were payable in respect of other services provided by the appointed auditor.

Note 11 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 2020/21 is shown in the Remuneration Report.

East Lothian Council approved total Grants of £3,856,199 which in 2020/21 is made up of: One Council Community Partnership funding of £1,596,459; Area Partnership funding of £1,250,000; Children's Services £433,462; Community Council Administration Grants, Insurance and Local Priority Scheme Grants £133,641; Health and Social Care Partnership Grants to Voluntary Organisations of £442,637.

Of these amounts, payments for 'Partnership Funding' totalling some £833,272 as shown in the table were awarded to organisations in which Members have representation. This represents 22% 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.

Related Parties	Partnership		Total £000s
	Funding £000s	Other £000s	
Blooming Haddington	-	(13)	(13)
Coastal Communities Museum Trust	8	-	8
Cockenzie House and Gardens	-	1	1
Dunbar and District Twinning Association	-	1	1
East Lothian Advice Consortium	370	-	370
First Step	209	66	275
Gullane Area Community Council	-	9	9
Haddington Twinning Association	-	1	1
Hallhill Ltd	93	-	93
Hibernian FC	-	14	14
Lamp of Lothian Management Committee	20	-	20
Lothian Mineworkers' Welfare Convalescent Home Trust	7	-	7
Pennypit Community Development Trust	99	132	231
Preston Lodge High School Excellence in Learning Foundation	-	4	4
Recharge Youth Facility	28	-	28
Tranent and Elphinstone Community Council	-	17	17
Total	834	232	1,066

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
	2019/20	Debtor Balances				Creditor Balances	2020/21	
£000s	£000s	£000s			£000s	£000s	£000s	
2,027	38	-	Enjoy East Lothian Limited	Charitable organisation registered with Office of Scottish Charity Regulators.	2,361	41	-	Payment for provision of leisure services
19	-	(90)	East Lothian Land Limited	Company set up for the purpose of managing land to support economic development in East Lothian.	17	-	(73)	Loan from the company
31	226	-	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.	34	128	-	Payment for setup costs of EL Gift Card
512	-	(524)	Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators.	533	-	(555)	Payment for provision of arts/cultural services
-	-	(3,642)	Common Goods	Council manages assets of historic burghs in line with statute.	-	-	(4,029)	Cash balances relating to normal operations
115	123	-	Musselburgh Racing Associated Committee (wound up 23 June 2020)	Unincorporated organisation which organised racing on Musselburgh Links under minute of agreement with council.	(14)	-	-	Cash balances relating to normal operations
-	-	(1,710)	Trust Funds	A number of trust funds which are managed by the Council in line with the respective trust deeds.	-	-	(1,809)	Cash balances relating to normal operations
642	-	-	Joint Boards	Statutory bodies set up by Scottish ministers.	665	-	-	Payments to run valuation services
56,901	175	-	East Lothian Integration Joint Board	Statutory Body Formed During 2015/16 Under the Terms of The Public Bodies (Joint Working) (Scotland) Act 2014.	59,906	-	(433)	Payments to run health & social care services
1	-	(31)	East Lothian Mid-Market Homes LLP	Established to manage properties to be available for mid-market rent.	125	5	-	Minor payments relating to normal operations
60,248	562	(5,997)			63,627	174	(6,899)	

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 12 Property Plant and Equipment Movements

Property, Plant & Equipment Movements	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
2020/21									
Net Book Value at 1 April 2020	358,065	464,915	12,127	70,492	8,507	4,254	34,756	953,116	112,553
Additions	12,034	13,502	5,297	6,843	81	-	18,664	56,421	460
Depreciation	(11,762)	(17,657)	(2,982)	(4,922)	(54)	-	-	(37,377)	(5,239)
Revaluation gains and losses recognised in SDPS	-	12,568	-	-	-	(92)	-	12,476	4,611
Impairment recognised in SDPS	(10,420)	(938)	-	-	-	-	-	(11,358)	-
Revaluation Gains and Losses recognised in the Revaluation Reserve	(5,826)	76,356	-	-	-	(20)	-	70,510	35,900
Disposals	-	-	(10)	-	-	-	(621)	(631)	-
Asset reclassified (to)/from Held for Sale	-	-	-	-	-	(75)	-	(75)	-
Other Movements in cost or valuation	10,045	5,741	-	1,587	137	320	(17,830)	-	-
Net Book Value at 31 March 2021	352,136	554,487	14,432	74,000	8,671	4,387	34,969	1,043,082	148,285
Gross Book Value	414,384	564,142	57,482	124,354	10,445	4,389	34,969	1,210,165	148,770
Accumulated Depreciation & Impairment	(62,248)	(9,655)	(43,050)	(50,354)	(1,774)	(2)	-	(167,083)	(485)
	352,136	554,487	14,432	74,000	8,671	4,387	34,969	1,043,082	148,285
2019/20 (Restated)									
Net Book Value at 1 April 2020	362,427	466,142	11,248	66,122	9,195	4,071	12,329	931,534	117,545
Additions	24,121	8,400	3,851	9,039	214	-	26,013	71,638	368
Depreciation	(11,946)	(17,642)	(2,797)	(4,198)	(54)	-	-	(36,637)	(5,360)
Revaluation gains and losses recognised in SDPS	-	229	-	-	-	-	-	229	-
Impairment recognised in SDPS	(9,931)	(86)	-	-	-	-	-	(10,017)	-
Revaluation Gains and Losses recognised in the Revaluation Reserve	(8,528)	4,848	-	-	(65)	250	-	(3,495)	-
Disposals	-	(25)	(11)	-	-	-	-	(36)	-
Reclassified as Intangible Assets	-	-	(168)	-	-	-	-	(168)	-
Asset reclassified (to)/from Held for Sale	-	-	-	-	-	65	-	65	-
Other Movements in cost or valuation	1,922	3,049	4	(471)	(783)	(132)	(3,586)	3	-
Net Book Value at 31 March 2020	358,065	464,915	12,127	70,492	8,507	4,254	34,756	953,116	112,553
Gross Book Value	392,305	537,194	53,290	115,893	10,227	4,309	34,758	1,147,976	133,692
Accumulated Depreciation & Impairment	(34,240)	(72,279)	(41,163)	(45,401)	(1,720)	(55)	(2)	(194,860)	(21,139)
	358,065	464,915	12,127	70,492	8,507	4,254	34,756	953,116	112,553

Note 13 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 with a cost of over £4.5m has major components and the cost of the components is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation

Council Dwellings	23-60 years
Council Garages	9-10 years
Other Land and Buildings	0-60 years
Vehicles, Plant Furniture & Equipment	1-25 years
Infrastructure	0-50 years
Community Assets	17-60 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. Additionally a further 'out-of-cycle' valuation exercise is planned for 31 March 2022 to ensure that all assets are valued in the correct cycle for valuations according to their asset category.

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.	31/03/2021	31/03/2026

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 2021, however due to the impact of COVID-19 there may be an increased level of uncertainty arising.

Common Good Assets Judicial Review

Following a judicial review decision, and the issue by East Lothian Council of a public consultation on the identification of Common Good assets, a number of assets have been transferred from East Lothian Council's balance sheet to the Common Good Funds as a prior period adjustment. East Lothian Council's full and formal review of the responses received has not yet been completed. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. In the event that this requires further asset transfers, for example if the Council ceases use of the buildings, the necessary adjustments will be enacted when an agreement is reached.

Capital Commitments

As at 31 March 2021 the Council entered into a number of contracts for the construction or enhancement of PPE in 2021/22 and future years budgeted to a value of £37.475 million. Similar commitments at 31 March 2020 were £20.831 million. The gross commitments for the Council's major projects are shown in the Capital Commitments table.

Capital Commitments	General Fund	HRA
	2020/21	2020/21
	£000s	£000s
Haddington Corn Exchange	27	
Whitecraig Community Centre	20	
Coastal / Flood Protection schemes - East Beach, Dunbar	12	
Musselburgh Flood Protection Scheme	504	
Gullane Primary School	1,643	
Coastal Car Park Toilets	394	
Port Seton Community Centre	16	
Meadowmill Amenities Depot	400	
Vans	392	
Letham Primary School	21	
Law Primary	3,379	
Mains Farm North Berwick - Sport Pavilion	271	
North Berwick High School	5,350	
Ross High School	9,524	
UPVC Window Programme		624
Kitchen Replacement Programme		1,000
Fire Door compliance programme		1,283
Smoke Heat and CO2 Detection compliance programme		500
House Extension Framework Programme		152
Disabled Adaptations		120
Central Heating Installation Programme		9,292
Summers Inman Surveyors Work (Adaptation Projects)		471
Floors Terrace roofing		424
151 North High Street roofing		230
Tynemount Road, Ormiston		1,426
Total	21,953	15,522

Note 14 Intangible Assets

Intangible assets do not have physical substance but are controlled by the authority. Intangible assets held by the Council primarily relate to computer system software. Intangible assets are carried at amortised cost since valuation by reference to an active market is not normally possible.

Software rights can be obtained as part of wider system implementation initiatives. Software acquired during 2020/21 predominantly related to schools and corporate systems.

Note 15 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

2019/20 £000s	Intangible Assets	2020/21 £000s
-	Net Carrying amount at the start of the year	709
167	Assets reclassified from Property, Plant & Equipment	-
551	Additions during the year	581
(9)	Amortisation for the year	(144)
709	Net carrying amount at the end of year	1,146

2019/20 £000s	Heritage Assets (Cost or Valuation)	2020/21 £000s
1,042	Net Carrying amount at the start of the year	1,042
-	Additions	-
-	Revaluation increases recognised in the Revaluation Reserve	-
1,042	Net carrying amount at the end of year	1,042

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 16 Assets Held for Sale

When it becomes probable that the carrying value of an asset will be recovered principally through a sale transaction rather than its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

Where an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal.

Receipts from disposals are credited to the same line in the CIES as part of the gain or loss on disposal i.e. netted off against the carrying value of the asset at the time of disposal. Any revaluation gains for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

All capital receipts are either credited to the Capital Receipts Reserve or designated to the Capital Grants and Receipts Unapplied Account. They can then be used for new capital investment or to meet the cost of debt repayments, 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 2020/21, Primrose Day Centre was newly classified as an asset held for sale and Alderston House incurred a revaluation loss.

2019/20 £000s	Assets Held for Sale	2020/21 £000s
766	Balance Outstanding at Start of Year	701
-	Assets Newly Classified as Held for Sale	75
(65)	Assets Declassified as Held for Sale	-
-	Revaluation losses	(201)
701	Balance outstanding at end of the year	575

Note 17 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 2020 £000s	Assets Held Under Finance Leases	31 March 2021 £000s
23,453	Other Land and Buildings	24,347
173	Community Assets	168
139	Vehicles, Plant, Furniture and Equipment	130
757	Assets Under Construction	13
24,522	Total	24,658

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 2020 £000s	Finance Lease Liabilities (NPV of Minimum Lease Payments)	31 March 2021 £000s
(61)	Current	(63)
(835)	Non-Current	(772)
(5,048)	Finance Costs Payable in Future Years	(4,824)
(5,944)	Minimum Lease Payments	(5,659)

The minimum lease payments are payable as follows:

Minimum Lease Payments 31 March 2020 £000s	Finance Lease Liabilities 31 March 2020 £000s	Finance Lease Liabilities	Minimum Lease Payments 31 March 2021 £000s	Finance Lease Liabilities 31 March 2021 £000s
(285)	(61)	Not Later Than One Year	(285)	(63)
(1,140)	(265)	Later Than One Year and Not Later Than Five Years	(1,140)	(273)
(4,519)	(570)	Later Than Five Years	(4,234)	(499)
(5,944)	(896)	Total	(5,659)	(835)

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 2020/21 was £0.807m (2019/20: £0.777m).

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 2020 £000s	Operating Leases	Minimum Lease Payments 31 March 2021 £000s
(749)	Not Later Than One Year	(797)
(1,562)	Later Than One Year and Not Later Than Five Years	(957)
-	Later Than Five Years	-
(2,311)	Total	(1,754)

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.

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 2020 £000s	Council as Lessor	Minimum Lease Payments 31 March 2021 £000s
1,480	Not Later Than One Year	1,288
2,902	Later Than One Year and Not Later Than Five Years	2,673
30,977	Later Than Five Years	30,289
35,359	Total	34,250

Note 18 Private Finance Initiatives and Similar Contracts

Private Finance Initiative (PFI) and similar contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. As the authority is deemed to control the services that are provided under its PFI schemes and as ownership of the non-current assets will pass to the authority at the end of the contract for no additional charge, the authority carries the non-current assets used under the contracts on the Balance Sheet as part of property, plant and equipment.

The original recognition of these assets at fair value based on the cost to purchase the property, plant and equipment was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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 12.

The Council makes an agreed payment each year which is increased annually in line with inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but is otherwise fixed. The 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 2021 are as follows:

Private Finance Initiatives and Similar Contracts	Payment for Services £000s	Reimbursement of Capital Expenditure £000s	Interest £000s	Total £000s
Payable in 2021/22	3,641	1,514	2,276	7,431
Payable Within 2-5 Years	15,345	6,261	8,117	29,723
Payable Within 6-10 Years	17,750	11,949	7,454	37,153
Payable Within 11-15 Years	11,810	14,792	2,489	29,091
Payable Within 16-20 Years	-	-	-	-
Total	48,546	34,516	20,336	103,398

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 2020	Outstanding Liability to the Contractor	31 March 2021
(37,288)	Balance at Start of Year	(36,000)
1,288	Payments	1,484
(36,000)	Balance Outstanding at Year End	(34,516)

Note 19 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 2020 £000s	Capital Expenditure and Capital Financing	31 March 2021 £000s
451,580	Opening Capital Financing Requirement	457,290
	Capital Investment	
71,638	Property, Plant and Equipment	56,421
551	Intangible Assets	581
	Sources of finance	
(612)	Capital receipts	(248)
(16,847)	Government grants	(18,728)
(26,787)	Other Contributions	(10,343)
(8,417)	Direct Revenue Contributions	(3,521)
(13,816)	Statutory repayment of debt	(13,928)
457,290	Closing Capital Financing Requirement	467,524

Note 20 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 2020/21, the Council recognised impairment losses totalling £11.358 million (Note 7), 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 2019/20, the Council recognised impairment losses totalling £10.017 million.

Note 21 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 2020 £000s	Long Term Investments	31 March 2021 £000s	Details
4,239	Lothian Buses plc	2,407	East Lothian Council holds 200,000 ordinary shares representing 3.1% of the share capital. The value of the investment has significantly reduced due to revenue decline and cost pressures as a result of the Covid pandemic. No dividend was therefore received in 20-21.
206	East Lothian Investments Limited	200	The Council's interest, estimated as 40%, was inherited from the former Lothian Investments Board. No dividends are received.
585	East Lothian Land	577	Set up in 2000 for the purpose of managing land to support economic development. The Council is the sole shareholder. No dividends are received.
-	Racecourse Media Group (RMG)	-	Membership arises as part of the management of media rights in relation to Musselburgh racecourse. If the media management arrangements cease the Council has to surrender the shareholding. Consequently no market value is presented for the holding.
5,030	Total	3,184	

Note 22 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 2020 £000s	Long Term Debtors	31 March 2021 £000s	Purpose
389	Public Private Partnerships - Prepaid Lifecycle Replacement Costs	292	Prepaid lifecycle replacement costs - over 30 years
524	Private Property Owners - Common Repairs	490	Repairs to private property funded by secured ELC loans
1	Employees - Car/Other Loans	1	Loans to employees repaid over 3-5 years
8,712	East Lothian Housing Association	8,455	Loans secured on land and houses
(36)	Expected Credit Loss ELHA	(70)	Lifetime expected credit loss on East Lothian Housing Association loan above.
127	East Lothian Investments	25	To support ELI granting of loans to businesses
8	Other	9	Loans secured on houses
9,725	Total	9,202	

Note 23 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.

During 2020/21 the Council transferred newly built housing, previously held as inventory, to a third party social housing provider. The sale is therefore now complete with no further housing units being held or built for transfer, and therefore there is a reduction in the Council's total inventory.

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

31 March 2020 £000s	Inventories	31 March 2021 £000s
1,378	Housing construction for sale	-
489	Stocks to be consumed in service provision	959
1,867	Total	959

Note 24 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 2021 is:

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

Short-term debtors include debtors for government COVID funding. An additional table details the relevant balances included in short-term debtors.

31 March 2020 £000s	Short Term Debtors	31 March 2021 £000s
7,762	Central Government Bodies	10,844
891	Other Local Authorities	1,145
897	NHS Bodies	1,454
-	Public Corporations and Trading Funds	8
22,566	Other Entities and Individuals	25,069
32,116	Total	38,520

31 March 2020 £000s	Short Term Debtors Provision Against Non-Payment	31 March 2021 £000s
(5,704)	Taxpayers - Council Tax	(6,924)
(2,366)	Customers - Goods and Services	(2,298)
(2,402)	Tenants - Council House Rents	(2,372)
(10,472)	Total	(11,594)

21,644	Short Term Debtors Total	26,926
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Debtors related to COVID-19 Funding which are included in the above	2020/21 £000s
Local Authority Discretionary Fund	428
Self Isolation Support Grant	70
Wave 3 Small Accommodation	66
Free School Meals	62
School Transport Covid 19 Retrofit	29
Large Self-Catering and Exclusive Use Venues	20
Taxi Driver Support Fund	2
Total	677

Note 25 Financial Instruments

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

31 March 2020					31 March 2021				
£000s	£000s	£000s	£000s	Financial Instruments	£000s	£000s	£000s	£000s	£000s
Cash & Cash Equivalents	Debtors	Investments	Debtors	Financial Assets and Other Debtors	Cash & Cash Equivalents	Debtors	Investments	Debtors	Total
Short Term		Long Term			Short Term		Long Term		
30,786	15,089	-	9,336	Held at Amortised Cost	32,853	18,797	-	8,910	60,560
-	-	5,030	-	Designated Equity Instruments held at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	3,184	-	3,184
-	6,555	-	389	Other Debtors (Not Financial Assets)	-	8,129	-	292	8,421
30,786	21,644	5,030	9,725	Total Financial Assets and Other Debtors	32,853	26,926	3,184	9,202	72,165
Borrowings	Creditors	Borrowings	Creditors	Financial Liabilities	Borrowings	Creditors	Borrowings	Creditors	Total
Short Term		Long Term			Short Term		Long Term		
(18,841)	(32,934)	(366,621)	(23,311)	Held at Amortised Cost	(32,306)	(43,735)	(345,822)	(22,249)	(444,112)
-	(19,504)	-	(183,622)	Non-Financial Instruments	-	(21,216)	-	(231,832)	(253,048)
(18,841)	(52,438)	(366,621)	(206,933)	Total Financial Liabilities	(32,306)	(64,951)	(345,822)	(254,081)	(697,160)

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 21) 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 38.

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:

2019/20			2020/21	
Surplus or Deficit on the Provision of Services (Restated)	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>		
-	399	Investments in Equity Instruments designated at FVOCI	-	1,845
-	399	Total Net Gains/Losses	-	1,845
		<i>Interest Revenue:</i>		
(527)	-	Financial Assets measured at Amortised Cost	(361)	-
(527)	-	Total Interest Revenue	(361)	-
582	-	Financial Instrument Impairments	261	-
16,645	-	Interest Expense	16,173	-
14	-	Fee Expense	-	-

Financial Liabilities and Financial Assets – Fair Value

As at 31 March 2021, the Council held £30.857m financial assets and £479.432m 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 2020 (Restated)			31 March 2021	
Carrying Amount £000s	Fair Value £000s	Financial Liabilities	Carrying Amount £000s	Fair Value at Level 2 £000s
(344,818)	(391,382)	PWLB Debt	(327,600)	(396,893)
(40,644)	(58,509)	Non-PWLB Debt	(50,528)	(73,577)
(32,934)	(32,934)	Short Term Creditors	(43,735)	(43,735)
(1,545)	(1,545)	Short Term Finance Lease Liability	(1,577)	(1,577)
(23,311)	(23,311)	Long Term Creditors	(22,249)	(22,249)
(35,354)	(35,355)	Long Term Finance Lease Liability	(33,774)	(33,774)
(478,606)	(543,036)	Total Liabilities	(479,463)	(571,805)

31 March 2020			31 March 2021	
Carrying Amount £000s	Fair Value £000s	Financial Assets	Carrying Amount £000s	Fair Value at Level 2 £000s
-	-	Short Term Investments	-	-
5,030	5,030	Long Term Investments	3,184	3,184
15,089	15,089	Short Term Debtors	18,797	18,797
9,336	9,336	Long Term Debtors	8,910	8,910
29,455	29,455	Total Assets	30,891	30,891

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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £396.893m 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. The 2019/20 short term creditors figure has been restated to reflect this practice.

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 2020			Expected Credit Loss (ECL)	31 March 2021		
12 Month	Lifetime	Lifetime		12 Month	Lifetime	Lifetime
ELHA	ELHA	Sundry Accounts		ELHA	ELHA	Sundry Accounts
£000s	£000s	£000s		£000s	£000s	£000s
71	-	1,241	Opening Balance	-	36	1,001
(71)	72	-	Individual Financial Assets Transferred from (to) 12 Month ECL	-	-	-
-	(36)	(240)	Changes in Models/Risk Parameters	-	34	(26)
-	36	1,001	Closing Balance	-	70	975

During the year the authority wrote off financial assets with a contractual amount outstanding of £251k (£782k in 2019/20).

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 an 85% expectation of full collection, an 11% expectation of 99.96% collection (this rate was provided by a

professional rating agency) and a 4% expectation of an 80% collection due to COVID-19 of the carrying amount of £8.71m. ELI was based on a 90% expectation of full collection, an 8% expectation of 99.95% 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 £0.13m.

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 2020	31 March 2021
£000s	£000s
1,532	3,358
269	357
163	847
2,007	2,067
3,971	6,629
Total	

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 £3.184m 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 2021, 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.

Restated 31 March 2020 £000s	Interest Rate Risk	31 March 2021 £000s
596	Increase in Interest Payable on Variable Rate Borrowings	429
(174)	Increase in Interest Receivable on Variable Rate Borrowings	(373)
422	Impact on Surplus or Deficit on the Provision of Services	56
192	Share of overall impact debited to the HRA	26
64,737	*Decrease in Fair Value of Fixed Rate Borrowings Liabilities	69,906

**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 (£26.926m) 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 2020	Refinancing and Maturity Risk	Approved Minimum Limits	Approved Maximum Limits	Approved Maximum Limits 2021	Actual 31 March 2021
£000s				£000s	£000s
17,271	Less Than 1 Year	0%	20%	75,110	30,772
20,773	Between 1 and 2 Years	0%	30%	112,665	13,239
32,683	Between 2 and 5 Years	0%	40%	150,220	20,517
31,694	Between 5 and 10 Years	0%	40%	150,220	40,883
280,410	More than 10 Years	0%	75%	281,662	270,137
382,831	Total				375,548

Note 26 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 2021 were:

31 March 2020	Short Term Creditors	31 March 2021
£000s		£000s
(6,839)	Central Government Bodies	(10,326)
(2,260)	Other Local Authorities	(3,010)
(158)	NHS Bodies	(364)
(1)	Public Corporations	-
(32,968)	Other Entities and Individuals	(34,844)
(42,226)	Total	(48,544)

COVID-19 Grants Related Creditors (included within Short Term Creditors)	2020/21
	£000s
Strategic Framework Business Fund	(1,717)
Sustainability Payments to Social Care Providers	(322)
Additional teacher funding	(217)
Enjoy Leisure Loss of income scheme grant support	(132)
Free School Meal payments	(54)
Childcare Provider Temporary Restrictions Fund	(51)
Fuel Poverty Grant	(29)
School Transport COVID-19 Refit	(27)
Town & BIDS Resilience & Recovery Fund	(24)
Large Self-Catering Exclusive Use Venues	(18)
Market Readiness Fund	(15)
Wave 2 Small Accommodation	(6)
Self Isolation Support Grants	(2)
Total	(2,614)

Note 27 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 and Accumulated Absences £000s	Municipal Mutual £000s	Other Provisions £000s	Total £000s
Balance at 1 April 2019	(5,187)	(109)	-	(5,296)
Provisions Made in 2019/20		-	(350)	(350)
Provision Reversed in 2019/20	1,542	-	-	1,542
Amounts Used in 2019/20	3,645	-	-	3,645
Balance at 31 March 2020	-	(109)	(350)	(459)
Balance at 1 April 2020	-	(109)	(350)	(459)
Provisions Made in 2020/21	-	-	(461)	(461)
Balance at 31 March 2021	-	(109)	(811)	(920)

Provisions are charged to the appropriate service revenue account in the CIES in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are

reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

Municipal Mutual

During the early 1990s, Municipal Mutual Insurance Limited (MMI), which was the main insurer of local authorities across the country, ran into financial difficulties. The MMI business was subsequently acquired by another insurance company with the plan to wind-up its activities. Previously, the expectation was that there would be a solvent run-down of the business and that there would be sufficient funds to meet all the current and future insurance claims. During 2012/13 however, East Lothian Council as one of the company's creditors, was informed that a solvent run-down is now unlikely and a pre-arranged Scheme of Arrangement would be triggered. Under the scheme, the creditors are required to pay a levy designed to meet the deficit between assets and liabilities.

Other Provisions

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.

Additionally other provisions includes an estimated obligation relating to lease dilapidation commitments arising from the planned vacation of Randall House in October 2023. The actual costs involved will be subject to ongoing discussions and revisions as the end of the lease approaches.

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

Following a judicial review decision, and the issue of a public consultation on the identification of Common Good assets in East Lothian, a number of assets have been transferred from East Lothian Council's balance sheet to the Common Good Funds as a prior period adjustment. East Lothian Council's full and formal review of the responses received has not yet been completed. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. Consequently the Council considers any potential remaining transfers to be a contingent liability.

Note 28 Long Term Liabilities

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

31 March 2020 £000s	Long Term Liabilities	31 March 2021 £000s	Description of Liability
(23,311)	Deferred Liabilities - Developers Contributions	(22,249)	These amounts represent the payments received from developers and are linked to future capital spending. Funding is retained until project is completed.
(356)	Deferred Liabilities - Rental Income in Advance	(351)	Income to be released over the lease period.
(748)	Other	(733)	Other long term commitments including lifetime replacement of 3G pitches and tennis courts.
(35,351)	PPP and Finance Lease Liabilities	(33,774)	This amount represents the outstanding obligations that the Council has in relation to finance and PFI leases. More details are provided in Notes 17 and 18.
(146,708)	Net Pension Liabilities	(196,054)	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 29.
(206,474)	Total Long Term Liabilities	(253,161)	

Note 29 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.

is automatically included within the liability reported at 31 March 2021.

- GMP equalisation/historical transfers – The information from our actuary is that this further ruling is unlikely to be significant in terms of impact on the pension obligation. No allowance is included in the liability at 31 March

2021.

- McCloud – An allowance for the estimated impact of the McCloud judgement was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the liability reported at 31 March 2021.

31 March 2020 £000s	Defined Benefit Pension Schemes	31 March 2021 £000s
Comprehensive Income and Expenditure Statement		
Cost of Service Comprising:		
30,010	Current Service Cost	27,098
(4,933)	Past Service Costs (Including Curtailments)	1
Financing and Investment Income and Expenditure		
4,422	Net Interest Expense	3,478
29,499	Total Post Employment Benefit Charged to the Surplus or Deficit	30,577
Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the Net Defined Benefit Liability Comprising:		
40,565	Return on Plan Assets (Excluding amount Included in the Net Interest Expense)	(83,403)
(79,741)	Actuarial (Gains)/Losses Arising on Changes in Financial Assumptions	159,011
-	Actuarial (Gains)/Losses Arising on Changes in Demographic Assumptions	(33,403)
(4,362)	Other Remeasurement Experiences	(5,629)
(43,538)	Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	36,576
Movement in Reserves Statement		
(12,471)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code.	(12,770)
Actual Amount Charged Against the General Fund Balance for Pensions in the Year		
16,588	Employers Contributions Payable	17,327

Effects of Recent Court Cases

- GMP equalisation/indexation treatment – An allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance

No explicit additional adjustment for McCloud has been added to the current service cost for 2020/21. Any changes to the allowance previously made are included in the remeasurement figures.

- Goodwin - An employment tribunal case (Goodwin v Department for Education) has also established a requirement that UK LGPS funds should pay equal survivor benefits between same and opposite sex widowers. A full actuarial analysis and reliable quantification is not currently available. An initial actuarial estimate however indicates that the impact may be to increase pension liabilities by approximately 0.1 to 0.2%, which could represent some £0.9 to £1.7 million (2019/20 0.11%,

£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:

2019/20 £000s	Pension Assets and Liabilities Recognised in the Balance Sheet	2020/21 £000s
(738,619)	Present Value of the Defined Benefit Obligation	(873,599)
591,911	Fair Value of Plan Assets	677,545
(146,708)	Net Liability Arising from Defined Benefit Obligation	(196,054)

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

31 March 2020 £000s	Reconciliation of the Movements in the Fair Value of the Scheme Assets	31 March 2021 £000s
614,176	Opening Fair Value of Scheme Assets	591,911
14,782	Interest Income	13,623
	Remeasurement Gain/(Loss):	(13,008)
(40,565)	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	83,403
17,028	Contributions from Employer	17,807
4,288	Contributions from Employees into the Scheme	4,486
(17,798)	Benefits Paid	(20,677)
591,911	Closing Fair Value of Scheme Assets	677,545

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

31 March 2020 £000s	Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	31 March 2021 £000s
(791,951)	Opening Balance at 1 April	(738,619)
(30,010)	Current Service Cost	(27,098)
(19,204)	Interest Cost	(17,101)
(4,288)	Contributions from Scheme participants	(4,486)
	Remeasurement (Gains) and Losses:	
79,741	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	(159,011)
-	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	33,403
4,362	Other	18,637
4,933	Past Service Cost	(1)
17,798	Benefits Paid	20,677
(738,619)	Closing Balance at 31 March	(873,599)

The maturity profile of the scheme liabilities is as follows:

Maturity Profile of Defined Benefit Obligation	Liability Split £000s	Liability Split %
Active Members	(459,982)	53.6%
Deferred Members	(108,015)	12.6%
Pensioner Members	(289,595)	33.8%
Total for Funded Obligations	(857,592)	100.0%
Unfunded Pensioner Liabilities	(16,007)	
Total Pension Liability	(873,599)	

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 2021 have been assessed by rolling forward the value of the liability calculated at the latest formal valuation date (31 March 2020), 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 2019/20	Female 2019/20	Mortality Assumptions Longevity at Age 65	Male 2020/21	Female 2020/21
21.7	24.3	Current Pensioners	20.5	23.3
24.7	27.5	Future Pensioners	21.9	25.2
2019/20		Rate of Inflation	2020/21	
	3.5%	Rate of Increase in Salaries	3.4%	
	1.9%	Rate of Increase in Pensions	2.9%	
	2.3%	Rate for Discounting Scheme Liabilities	2.0%	

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%	84,893
0.5% increase in the Salary Increase Rate	1%	10,089
0.5% increase in the Pension Increase Rate	8%	72,890

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 2020 £000s	Scheme Assets Fair Value	31 March 2021 £000s
449,253	Quoted Prices in Active Markets	534,725
142,658	Quoted Prices not in Active Markets	142,820
591,911	Total	677,545

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 £196.054 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 2022 is £17.791 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 2020/21, the Council paid £10.2m (2019/20: £8.62m) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay (2019/20: 17.2%

from April 2019, increasing to 23% from September 2019). The estimated contribution for 2021/22 is £11.34m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement, outside of the terms of the STPS. In 2020/21, the Council paid £0.488m (2019/20: £0.506m) 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 2020/21, the Council paid £0.06m (2019/20: £0.06m) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.313m.

Note 30 Usable Reserves

Usable Reserve	General Fund £000s	Capital Grant & Receipts Unapplied £000s	Capital Receipts Reserve £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total £000s
Balance at 31 March 2020	(16,154)	(245)	(713)	(2,009)	(2,009)	(21,130)
(Surplus) / Deficit on Provision of Service	(14,553)	-	-	-	9,336	(5,217)
Depreciation charged to Revaluation Reserve	(7,466)	-	-	-	(2,607)	(10,073)
Adjustments Between Accounting and Funding Basis	9,548	-	(1,488)	-	(6,729)	1,331
Transfers Between Reserves	297	-	-	(297)	-	-
Balance at 31 March 2021	(28,328)	(245)	(2,201)	(2,306)	(2,009)	(35,089)

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 2021 the reserve consists solely of capital receipts held for this purpose. It does not hold any capital grant balances.

Capital Receipts Reserve

The Council has statutory powers to hold a 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. Some £627,000 of the balance at 31 March 2021 (31 March 2020: nil) relates to the Housing Revenue Account to be used for the benefit of HRA tenants.

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 31 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.

Restated 31 March 2020 £000s	Unusable Reserve	31 March 2021 £000s
(231,150)	Revaluation Reserve	(291,587)
146,708	Pensions Reserve	196,054
4,017	Employee Statutory Adjustment Account	4,794
(277,064)	Capital Adjustment Account	(296,389)
(4,031)	Financial Instruments Revaluation Reserve	(2,185)
2,864	Financial Instruments Adjustment Account	2,593
(358,656)	Total	(386,720)

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.

Restated 31 March 2020 £000s	Revaluation Reserve	31 March 2021 £000s
(245,214)	Balance at 1 April	(231,150)
(5,305)	Upward Revaluation of Assets	(90,246)
8,800	Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provision of Services	19,736
3,495	Surplus or Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(70,510)
10,569	Depreciation charged to the Revaluation Reserve	10,073
(231,150)	Balance at 31 March	(291,587)

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 2020 £000s	Pension Reserve	31 March 2021 £000s
177,775	Balance at 1 April	146,708
(43,538)	Actuarial Gains or Losses on Pensions Assets and Liabilities	36,576
29,499	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the CIES	30,577
(17,028)	Employer's Pension Contributions and Direct Payments to Pensioners Payable in the Year	(17,807)
146,708	Balance at 31 March	196,054

Employee Statutory Adjustment Account

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

31 March 2020 £000s	Employee Statutory Adjustment Account	31 March 2021 £000s
3,645	Balance at 1 April	4,017
(3,645)	Settlement or Cancellation of Accrual Made at End of the Preceding Year	(4,017)
4,017	Amount Accrued at the End of the Current Year	4,794
372	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	777
4,017	Balance at 31 March	4,794

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 7 provides details of the source of all of the transactions posted to the account.

Restated 31 March 2020 £000s	Capital Adjustment Account	31 March 2021 £000s
(246,688)	Balance at 1 April	(277,064)
26,067	Depreciation charged to the Capital Adjustment Account	27,304
9	Intangible asset amortisation charged to the Capital Adjustment Account	144
(229)	Revaluation Gains / Losses on Property, Plant and Equipment	(12,276)
(36)	Charges for expected credit loss of Non-Current financial assets funded as capital expenditure	34
10,017	Impairment Losses on Property, Plant and Equipment	11,358
36	Assets Written Off on Disposal or Sale	631
35,864	Net Amounts Written Out of the Cost of Non-Current Assets Consumed in the Year	27,195
	Capital Financing applied in the year	
(373)	Use of Capital Receipts Reserve to Finance New Capital Expenditure	-
(43,634)	Capital Grants and Contributions Credited to the CIES that Have Been Applied to Capital Financing	(29,071)
(13,816)	Statutory Provision for the Financing of Capital Investment Charged Against the General Fund and HRA Balances	(13,928)
(8,417)	Capital Expenditure Charged Against the General Fund and HRA Balances	(3,521)
(66,240)		(46,520)
(277,064)	Balance at 31 March	(296,389)

Financial Instruments Revaluation Reserve

The Financial Instrument Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are designated as measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account adjusts the timing of charges to fund balances for some financial instrument transactions.

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the Account in the MiRS. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case this period is the unexpired term that was outstanding on the loans when they were redeemed.

31 March 2020 £000s	Financial Instruments Revaluation Reserve	31 March 2021 £000s
(4,429)	Balance at 1 April	(4,031)
-	Opening Balance Adjustment	1
398	Downward Revaluation of Investments	1,845
(4,031)	Balance at 31 March	(2,185)

31 March 2020 £000s	Financial Instruments Adjustment Account	31 March 2021 £000s
3,132	Balance at 1 April	2,864
(12)	Annual charge for effective interest rate adjustments related to historic stepped interest rate borrowing	(15)
(256)	Annual recharge of deferred premiums from the refinancing of debt	(256)
(268)	Amount by Which Finance Costs Charged to the CIES are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Provisions	(271)
2,864	Balance at 31 March	2,593

As at 31 March 2021 the balance of the account represented £1.535m (2019/20: £1.790m) relating to historic deferred premiums, with six years remaining, arising from the early repayment of debt. The remaining £1.058m (2019/20: £1.074m) relates to the adjustment to interest charges for historic stepped interest rate borrowing.

Note 32 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 2020/21 are:

	Mid & 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 2021- 2023 Budgets £000s	COVID-19 Funding £000s	Other Balances £000s	Total £000s
Balance At 1 April 2019	(303)	(131)	-	(3,767)	(2,000)	(2,282)	-		(485)	(8,968)
Transfers Out during 2019/20	-	421	-	322	-	-	-		-	743
Transfers In during 2019/20	-	(311)	(1,962)	-	-	-	(1,716)		-	(3,989)
Balance at 31 March 2020	(303)	(21)	(1,962)	(3,445)	(2,000)	(2,282)	(1,716)	-	(485)	(12,214)
Transfers Out during 2020/21	267	-	402	-	-	-	-		45	714
Transfers In during 2020/21	-	(1,050)	(504)	-	-	-	(1,379)	(8,900)	-	(11,833)
Balance at 31 March 2021	(36)	(1,071)	(2,064)	(3,445)	(2,000)	(2,282)	(3,095)	(8,900)	(440)	(23,333)

Note 33 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.

2019/20 £000s	Capital Grants & Contributions Receipts in Advance	2020/21 £000s
(5)	Scottish Futures Trust	(5)
(1,115)	Town Centre Regeneration Fund	(1,458)
(9,093)	Early Learning and Child Care	(12,683)
-	- A1 Junction contribution	(2,139)
-	- Visit Scotland	(70)
-	- NHS	(17)
-	- Roads contributions	(35)
(10,213)	Total	(16,407)

Note 34 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.

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.

2019/20 £000s	Grant Income	2020/21 £000s
Restated	Credited to Taxation & Non-Specific Grant Income	
(191,680)	Government grants	(214,397)
(26,070)	Non Government grants	(11,206)
(217,750)	Total	(225,603)

2019/20 £000s	Grant Income	2020/21 £000s
Restated	Credited to Services	
(18,791)	Government Grant: Housing Benefit Subsidy	(18,851)
(12,006)	Government Grant & Contributions: NHS	(14,879)
(11,876)	Government Grant & Contributions: Other	(17,094)
(613)	Non-Government Grants & Contributions	(1,453)
(43,286)	Total	(52,277)

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.

Restatements of 2019/20 figures relate to presentation amendments to support comparability with the practices applied for 2020/21 reporting. General Revenue Grant and Non-Domestic Rates income assigned by the government are now included in the table as grants credited to Taxation and Non-Specific Grant Income; and grant income credited to services has been provided in a more relevant summary format.

The table above includes COVID-19 specific funding which is detailed on the following page.

:

COVID-19 Funding Included within Grant Income	2020/21 £000s
General COVID Funding	(4,367)
Associated with COVID 19	(2,992)
Loss of Income Scheme	(1,981)
Local Discretionary Fund	(1,539)
£70m to support Education Recovery	(1,412)
Teacher/Support & Other Staff Recruitment	(990)
LA Hardship Fund	(965)
Additional UK Consequentials	(946)
Flexible Fund	(578)
Additional Education - Teachers	(482)
Food Fund	(447)
Education Recovery Funding	(403)
Council Tax Reduction Scheme	(380)
Scottish Welfare Fund Top Up	(334)
Financial Inclusion: (Winter Financial Insecurity-Increase)	(327)
Schools Catering / Free School Meals	(322)
Children & Young People's Mental Health	(294)
Financial Inclusion: (Winter Financial Insecurity)	(216)
Additional Education - Digital Inclusion	(196)
Additional Education - Home Learning Support Fund	(181)
Business Support Grant Admin	(180)
Winter Plan - RRTP	(105)
PESF Boost	(105)
Test & Protect Combined	(48)
£100 payments & Admin Balance	(33)
Test & Protect extension	(33)
Environmental Health	(19)
Registrars Service	(12)
Community Justice CPP Transitional Funding Extra	(12)
Amounts credited to Taxation & Non-Specific Grant Income	(19,899)

COVID-19 Funding Included within Grant Income	2020/21 £000s
NHS Funding for Health & Social Care Services	(3,272)
Teacher funding	(799)
Schools Catering/Free School Meals	(203)
COVID19 Local Authority Discretionary Fund	(428)
Financial Insecurity - Hardship Funding	(411)
Connected Communities COVID-19 Community Hub	(124)
Children's Support	(103)
Discretionary Housing Payments	(75)
Digital Inclusion	(69)
Community Mental Health	(63)
Emergency Accommodation	(42)
Amounts credited to Services	(5,589)
Total	(25,488)

COVID-19 specific funding in 20/21 amounted to £25.488m, £19.899m being credited to Taxation & Non-Specific Grant Income and £5.589m credited to services as detailed in the tables.

Note 35 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 2019/20 Restated £000s	Group 2019/20 Restated £000s	Adjustment to Net Surplus	Authority 2020/21 £000s	Group 2020/21 £000s
(36,646)	(36,821)	Depreciation	(37,521)	(37,695)
(10,017)	(10,017)	Impairments and Downward Valuations	(11,358)	(11,358)
229	176	Revaluation of Assets	12,276	12,453
	(898)	Increase (Decrease) in fair value of investments	-	1,532
(36)	(36)	Carrying Amount of Non-Current Assets Held for Sale, Sold or Derecognised	(631)	(705)
(29,499)	(29,499)	Net Charges Made for Retirement Benefits in Accordance with IAS 19	(30,577)	(30,577)
17,028	17,028	Employer's Contributions Payable to the Lothian Pension Fund	17,807	17,807
-	12	Non Cash Interest Adjustment	15	15
-	(136)	Change in Associates SDPS - Non-Cash Movement	-	3,159
12	2	Investment income adjustment	-	-
(331)	(331)	Decrease (Increase) in interest charges accrued	37	37
4,837	4,837	Decrease (Increase) in Provisions	(461)	(461)
1,272	1,272	Increase (Decrease) in Inventories	(907)	(907)
(4,774)	(4,323)	Decrease (Increase) in Revenue Creditors	(4,838)	(4,852)
(13,282)	(13,688)	Increase (Decrease) in Revenue Debtors	4,759	4,833
(71,207)	(72,422)	Total	(51,399)	(46,719)

Restatements of 2019/20 figures relate to presentation amendments to support comparability with the practices applied for 2020/21 reporting. These include presentation of interest income receipts within Operating Activities, instead of inclusion as proceeds from investments in Investing Activities; and inclusion of interest accruals and non-cash adjustments within adjustments to the Surplus or Deficit on the Provision of Services instead of within Financing Activities.

Note 36 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. Restatement of 2019/20 figures relate to presentation amendments to support comparability with the practices applied for 2020/21 reporting. Interest income receipts are now reflected within Operating Activities, instead of presentation as proceeds from investments in Investing Activities.

2019/20 Restated £000s	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2020/21 £000s
43,634	Proceeds from Capital Grants	29,071
-	Proceeds from Short-Term Investments	
1,086	Proceeds from Sale of PPE, Assets Held for Sale and Other Non-Current Assets	1,488
44,720	Total	30,559

Note 37 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 34. Subsidy income in relation to the payments of Housing Benefit (included in the table above) is also disclosed in Note 34.

2019/20 £000s	Material Items of Income and Expense	2020/21 £000s
36,646	Depreciation and Amortisation Charged on Assets	37,521
10,017	Impairments and Downward Valuations	11,358
18,515	Housing Benefit Paid	18,794
9,693	Unitary Charge/PPP Payments to Contractor	9,900

Note 38 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 2021, are shown in the Fair Value Hierarchy table:

31 March 2020 Total Fair Value £000s	Fair Value Hierarchy	31 March 2021 Total Fair Value £000s
	<i>Recurring fair value measurements at Level 2 for:</i>	
5,030	Equity Instruments	3,184
4,956	Non-Financial Assets	4,963
9,986	Total	8,147

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

Significant Observable Inputs – Level 2

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

Note 39 Prior Period Adjustments

Restatements of 2019/20 Comparative Information

Restatement of 2019/20 comparatives as a prior period adjustment has been undertaken in relation to:

- The transfer of property assets from the Council balance sheet to the Common Good, arising from the issue of a public consultation on the identification of Common Good assets. East Lothian Council's full and formal review of the consultation responses received has not yet been completed. The Council considers any potential remaining asset transfers to be a contingent liability.
- During 2020/21 the council managed specific grants for Education and Social Care on a corporate basis. The 2019/20

presentation has been restated to align with the treatment in 2020/21.

Other non-material presentation restatements include:

- Impairment allowance charges and interest on finance leases are now included in Financing & Investment instead of in the Net Cost of Services
- Treatment of salary sacrifice schemes as agency income and expenditure instead of as income and expenditure in the net cost of services
- Reversals of property, plant and equipment historic cost revaluation losses or impairment charges presented as income in the Net Cost of Services, rather than as expenditure.

The effect of the amendments on the 2019/20 Income and Expenditure; and the 31 March 2019 Balance Sheets, of the Council and the Group is provided in the tables below, showing the lines affected. The adjustments are also reflected in changes to related disclosure notes such as the Expenditure and Funding Analysis; Other Operating Income and Expenditure Items; Expenditure and Income analysed by Segment and Nature; and Agency Income and Expenditure.

Comprehensive Income and Expenditure Statement Restatements 2019/20	Previously Reported Authority Net Expenditure £000s	Common Good Assets Transfer Restatements £000s	Management of Government Grants Presentation Restatements £000s	Other Non-Material Restatements to Align with 2020/21 Presentation £000s	Restated 2019/20 Authority Net Expenditure	Previously Reported Group Net Expenditure £000s	Impact of Restatements on Group £000s	Restated 2019/20 Group Net Expenditure £000s
Resources & People Directorate	140,979	-	7,968		148,947	140,967	7,968	148,935
Health & Social Care Partnership	49,436	-	6,216	(2)	55,650	49,436	6,214	55,650
Partnership & Community Directorate	57,510	-	-	(227)	57,283	57,910	(227)	57,683
Corporate and Central Services	(4,911)	-	(14,184)	(578)	(19,673)	(4,911)	(14,762)	(19,673)
Cost of Services Restatement		-	-	(807)			(807)	
Other Income and Expenditure - Financing & Investment	20,315	-	-	807	21,122	20,871	807	21,678
(Surplus) or Deficit on Provision of Services Restatement		-	-	807			807	
(Surplus)/Deficit on Revaluation of Non-Current Assets	2,990	504	-	-	3,494	2,307	-	2,307
Other Comprehensive (Income) and Expenditure Restatement		504	-	-			-	
Total Comprehensive (Income) and Expenditure	(43,011)	504	-	-	(42,507)	(43,027)	-	(43,027)

Balance Sheet 31 March 2020 Restatements	Previously Reported Authority Balance Sheet £000s	Common Good Assets Transfer Restatements £000s	Restated 31 March 2020 Authority Balance Sheet £000s	Previously Reported Group Balance Sheet £000s	Common Good Assets Transfer Restatements £000s	Restated 31 March 2020 Group Balance Sheet £000s
Property, Plant & Equipment	955,837	(2,721)	953,116	961,480	-	961,480
Heritage Assets	1,052	(10)	1,042	1,052	-	1,052
Net Assets	382,517	(2,731)	379,786	400,764	-	400,764
Usable Reserves	(21,130)	-	(21,130)	(35,757)	(1,458)	(37,215)
Unusable Reserves	(361,387)	2,731	(358,656)	(365,007)	1,458	(363,549)
Total Reserves	(382,517)	2,731	(379,786)	(400,764)	-	(400,764)

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 and joint ventures have been accounted for using the equity

method of accounting, where the original investment in the Council's accounts are adjusted for post-acquisition changes and the Council's share of surplus or deficits is recognised through the CIES. Where applicable, consolidation adjustments have been made to eliminate inter-group transactions.

Note G2 Associates and Joint Ventures

Associates and Joint Ventures	Percentage Share 2019/20	Percentage Share 2020/21	Carrying Value at 31 March 2021 £000s	Share of (Surplus) or Deficit 2020/21 £000s	Other CIES Items 2020/21 £000s
East Lothian Investments	40.00%	40.00%	200	2	-
Enjoy East Lothian Ltd	33.33%	36.36%	274	376	200
Brunton Theatre Trust	40.00%	28.57%	188	(13)	-
East Lothian IJB	50.00%	50.00%	4,804	(3,605)	-
Lothian Valuation Joint Board	12.50%	12.50%	(893)	81	187
Total			4,573	(3,159)	387

Associate entities are those over which the Council has been deemed to exercise significant influence. The entities, along with the relative share shown in the table, have been treated as associate companies within the terms of the Code of Practice on Local Authority Accounting.

These associates and joint ventures have been incorporated in line with the draft financial statements made available to East Lothian Council.

East Lothian Investments Ltd

East Lothian Investments (ELI) principal activity is granting interest free loans to businesses in East Lothian, with the aim of encouraging commercial activity and enterprise in the area. Two of the five directors of ELI are councillors of East Lothian Council.

Enjoy East Lothian Ltd

Enjoy East Lothian Limited (Enjoy) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council. The current contract between Enjoy and the Council runs until 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 11 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 seven trustees of the Theatre were Council appointments.

East Lothian Integration Joint Board

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

The Council, along with NHS Lothian provides funding to the IJB. The IJB develops a strategy and commissioning plan for health and care services for East Lothian citizens, and pays the Council and NHS Lothian to deliver services in accordance with the commissioning strategy.

The IJB is governed by The Local Government (Scotland) Act 1973 along with the 2014 regulations and is required to prepare financial statements in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom.

During 2020/21 East Lothian Council contributed £48.952 million (2019/20: £47.459m) to the annual running costs. Expenditure was incurred, and income earned, by both partners during the financial year in providing services in accordance with the commissioning directions from the IJB. As at the Balance Sheet date the Council currently has a creditor balance with the IJB totalling £0.433 million (2019/20: debtor balance of £0.175 million).

Lothian Valuation Joint Board

The Lothian Valuation Joint Board (LVJB) was established under the Valuation Joint Boards (Scotland) Order 1995 and provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services. The Board comprises 16 members appointed from the constituency authorities, of which two are from East Lothian Council.

The Council has less than 20% of the voting or potential voting power in the Lothian Valuation Joint Board but has assessed that it has significant influence of this organisation, requiring inclusion in the Council's Group Accounts. This is on the basis of representation on the Joint Board by East Lothian councillors and material transactions between East Lothian Council and the Joint Board.

The summarised financial information of the various associates and joint ventures for the financial year 2020/21 has been presented below:

Associates/Joint Ventures	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	707	(206)	501	(17)	5
Enjoy East Lothian Ltd	8,301	(7,548)	753	(5,100)	1,035
Brunton Theatre Trust	826	(169)	657	(854)	(45)
East Lothian IJB	9,783	(175)	9,608	(192,649)	(7,210)
Lothian Valuation Joint Board	2,325	(9,467)	(7,142)	(6,939)	645
Total	21,942	(17,565)	4,377	(205,559)	(5,570)

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 2021 show net current assets of £576,629 (31 March 2020: £584,115), and a loss before taxation of £7,486 (31 March 2019: Loss of £10,898). 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 separate Common Good Funds. The net value of the Trusts included within the Group Accounts is £6.13 million

(2019/20: £5.40m). 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 £13.62 million (2019/20: £12.30m).

East Lothian Mid-Market Homes LLP

The Limited Liability Partnership was established to manage new build properties in Dunbar, to be available for mid-market rent. East Lothian Council has 83% control of the partnership, with the Scottish Futures Trust also maintaining an interest. The partnership leases housing from a third party and also purchases housing directly. It subsequently leases the dwellings to individuals at a mid-market rent, not as social housing provision. The partnership accounts to 31 March 2021 show net assets of £431,406 (2019/20 £54,000), and comprehensive net income of £377,404 (2019/20: £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 was to organise and develop horse racing at Musselburgh Links.

On 23 June 2020 MRAC was wound up. The responsibility for the operation of the racecourse was assumed by a separate independent company, Musselburgh Racecourse Limited (MRL). As at 23 June 2020 the Council assumed responsibility for MRAC's residual balances, including debtors and creditors, following the transfer of operational activities. The Council retains ownership of and responsibility for the

racecourse itself. The Council has no ownership or control influence in MRL.

The individual accounts relating to East Lothian Land and the Musselburgh Racing Associated Committee are available from the

Executive Director for 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.

Note G4 Financial Impact of Consolidation

The effect of inclusion of the associate and subsidiary companies on the Group Balance Sheet is to increase Net Assets and Reserves by £24.747 million (2019/20: £18.247m). This is largely due to the value of Common Good and Trust Funds property and investment values.

Note G5 Non Material Interest

East Lothian Council has two members on the committee of Scotland Excel. **Scotland Excel** is a joint committee established to replace the Authorities Buying Consortium and other similar bodies across Scotland. It is the largest non-profit purchasing agency in Scotland and serves the buying needs of 32 local authorities and similar public sector bodies in Scotland.

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.

2019/20 £000s	Housing Revenue Account	2020/21 £000s
	Income	
(30,206)	Dwelling Rents	(32,397)
(695)	Non-Dwelling Rents	(669)
(630)	Service Charges	(611)
(107)	Other Income	(2,794)
(31,638)	Total Income	(36,471)
	Expenditure	
8,730	Repairs and Maintenance	6,990
7,693	Supervision and Management	11,425
21,877	Depreciation, Impairment and Revaluation Losses of Non-Current Assets	22,182
-	Impairment of Debtors	125
1,791	Other Expenditure	4,242
40,091	Total Expenditure	44,964
8,453	Net Expenditure of HRA Services as Included in the Whole Authority Comprehensive income and Expenditure Statement	8,493
119	HRA Services Share of Corporate and Democratic Core	425
8,572	Net Expenditure of HRA Services	8,918
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement	
(373)	(Gains) on Sale of HRA Non-Current Assets	(7)
6,240	Interest Payable and Similar Charges	6,202
(99)	HRA Interest and Investment Income	(6)
114	Pensions Interest Cost and Expected Return on Pension Assets	94
(7,062)	Capital Grants and Contributions Receivable	(5,865)
7,392	Deficit for the year on HRA Services	9,336

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.

2019/20	Movement on the HRA Statement	2020/21
£000s		£000s
(6,068)	Balance on the HRA at the End of the Previous Period	(2,009)
7,392	Deficit for the year on the HRA Income and Expenditure Statement	9,336
(3,062)	Depreciation charged to the Revaluation Reserve	(2,607)
(271)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(6,729)
4,059	Net Decrease in the Balance before Transfer to or from Reserves	-
(2,009)	Balance on the HRA at the End of the Current Period	(2,009)

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.

2019/20	Note to the Movement on the HRA Statement	2020/21
£000s		£000s
(18,814)	Depreciation, Revaluation and Impairment of Fixed Assets	(19,575)
7,061	Capital Grant and Contributions Applied	5,865
373	Gain on sale of HRA Non-Current Assets	7
(393)	HRA share of contributions to or from the Pensions Reserve	(306)
3,802	Loans Fund Principal Repayments	4,054
7,700	Capital Expenditure Funded by the HRA	3,226
(271)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(6,729)

Number of HRA Houses

The Council is currently going through an expansion programme which is reflected in the increase in housing provision in the year.

Number Of HRA Houses	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt	6 Apt	7-8 Apt	Total
As at 31 March 2020	43	1,806	4,511	2,250	226	3	1	8,840
As at 31 March 2021	43	1,824	4,542	2,282	228	4	2	8,925
Increase/(Decrease) in Year	-	18	31	32	2	1	1	85

Housing Rent Debtors

As at 31 March 2021 housing rent debtors amounted to £2.496m (2019/20: £2.473m). In the interests of prudent financial management the council has made an allowance for non-collection of £2.372m (2019/20: £2.401m).

Common Good Account

There are separate Common Good Funds which are related to the former Burghs of Dunbar, Haddington, Musselburgh, North Berwick and Cockenzie, Port Seton & Tranent. The funds are used to further the common good of the residents of these areas. Although the Common

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

Common Good Movement in Reserves Statement

Restated Usable Reserves 2019/20 £000s	Restated Unusable Reserves 2019/20 £000s	Restated Total Fund Reserves 2019/20 £000s	Movement in the Common Good Reserves	Usable Reserves 2020/21 £000s	Unusable Reserves 2020/21 £000s	Total Fund Reserves 2020/21 £000s
(9,082)	(5,820)	(14,902)	Opening Balance	(11,141)	(3,889)	(15,030)
Movement in reserves during the period						
986	-	986	(Surplus) or deficit on provision of services	(1,041)	-	(1,041)
-	(1,114)	(1,114)	Other Comprehensive Expenditure and Income	-	(567)	(567)
986	(1,114)	(128)	Total Comprehensive Expenditure and Income	(1,041)	(567)	(1,608)
Adjustments between usable and unusable reserves						
(52)	52	-	Depreciation charged to the Revaluation Reserve	(70)	70	-
(2,993)	2,993	-	Transfer of the Capital Adjustment Account to Usable Reserves	-	-	-
(3,045)	3,045	-	Total adjustments between usable and unusable reserves	(70)	70	-
(2,059)	1,931	(128)	Increase/Decrease in Year	(1,111)	(497)	(1,608)
(11,141)	(3,889)	(15,030)	Balance at 31 March 2021 carried forward	(12,252)	(4,386)	(16,638)

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.

The restatement for the prior period relates to the transfer of assets from East Lothian Council which were included in a public consultation on the identification of Common Good assets. As at 1 April 2020 this increased the Revaluation Reserve by £1.273m; and Usable Reserves by £1.458m, reflecting the addition of the assets.

Common Good Comprehensive Income and Expenditure Statement

The Common Good benefitted for the financial year from a significant increase in the value of investments. This is largely attributable to the recovery of the financial markets after the initial impact of COVID-19 on the financial markets in 2019/20. Losses however were incurred on the sale of some investments in 2020/21.

The results for the year also include revaluation gains for non-current assets recognised in usable reserves and in Other Comprehensive Income and Expenditure which are related to assets transferred from East Lothian Council to the Common Good as a prior period adjustment. No costs relating to these assets were incurred by the Common Good in 2020/21.

Restated 2019/20 £000s	Common Good Comprehensive Income and Expenditure Statement	2020/21 £000s
	Income	
(422)	Rents and Other Income	(448)
(53)	Revaluation gains for non-current assets recognised in usable reserves	(176)
(475)	Total Income	(624)
	Expenditure	
94	Premises-related Expenditure	53
774	Derecognition of lease residual assets	-
70	Supplies and Services	32
69	Third Party Grants and Payments	118
156	Depreciation	153
1,163	Total Expenditure	356
688	Cost Of Services	(268)
(44)	(Gains)/Loss on the sale of investments	90
(128)	Interest receivable and similar income	(85)
470	Changes in the fair value of investments	(778)
986	(Surplus) or Deficit on Provision of Services	(1,041)
(1,114)	Gains on Revaluation of Property, Plant & Equipment	(567)
(1,114)	Other Comprehensive (Income) and Expenditure	(567)
(128)	Total Comprehensive (Income) and Expenditure	(1,608)

Common Good Balance Sheet

The Common Good Balance Sheet shows the consolidated position of the combined Common Good Funds. Included within this is a debtor of £4,029,000 (2019/20: £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.

Following a judicial review decision, and the issue of a public consultation on the identification of Common Good assets in East Lothian, land assets, with a carrying value of £2.731m as at 31 March 2020, have been transferred from the Council's balance sheet to the Common Good Funds. Prior period adjustments have been reflected within the financial statements to recognise these assets at 1 April 2019 and their subsequent revaluations. Building assets on Common Good land currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. East Lothian Council's full and formal review of responses received from the public consultation has not been completed, and this may require asset transfer adjustments which will be enacted in 2021/22 if necessary.

The impact of the prior period restatements on the reserves balances at 31 March 2020 is to increase the Revaluation Reserve by £1.273m and Usable Reserves by £1.458m.

Sarah Fortune (CPFA)
Executive Director for Council Resources (CFO)

Restated as at 1 April 2019	Restated 2019/20	Common Good Balance Sheet	2020/21
	£000s		£000s
7,345	7,600	Property Plant & Equipment	8,190
3,425	2,937	Long Term Investments	3,673
817	732	Long Term Debtors	726
11,587	11,269	Long Term Assets	12,589
40	131	Sundry Debtors	67
3,393	3,641	Operating balance debtor (East Lothian Council)	4,029
3,433	3,772	Current Assets	4,096
(118)	(11)	Short Term Creditors	(47)
(118)	(11)	Current Liabilities	(47)
14,902	15,030	Net Assets	16,638
(2,827)	(3,889)	Property Revaluation Reserve	(4,386)
(12,075)	(11,141)	Usable Reserves	(12,252)
(14,902)	(15,030)	Total Reserves	(16,638)

Notes to the Common Good Account

Non-Current Assets

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

Movements in the year also include any historic cost and revaluation reserve changes relating to land assets transferred from East Lothian Council's balance sheet to the Common Good funds following the issue of a public consultation to identify Common Good assets in East Lothian.

Restated 2019/20 £000s	Common Good Non-Current Assets	2020/21 £000s
7,345	Opening Net Book Value	7,600
18	Additions	-
(774)	Derecognition of Lease Residual Assets	-
1,167	Revaluations	743
(156)	Depreciation	(153)
7,600	Closing Net Book Value	8,190

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 shown in the table. There is currently no rental charge for those building assets currently used by the Council which are on Common Good land which has been transferred to the Common Good as a prior period adjustment. The lease income shown does not include charges for such assets. Formal arrangements for continued Council use of those assets, which recognise and reflect Common Good ownership,

are anticipated to be agreed. Any adjustments will be accounted for when an agreement is reached.

2019/20 £000s	Common Good Finance Leases	2020/21 £000s
245	Income Receivable in the next year	245
980	Income Receivable in years 2 to 5	980
4,439	Income Receivable after 5 years	4,194
5,664	Total Receivable	5,419

Fund Analysis

The separate funds are valued at 31 March 2021 as:

Common Good Fund Analysis	Dunbar £000s	Haddington £000s	Musselburgh £000s	North Berwick £000s	Cockenzie, Port Seton & Tranent £000s	Total £000s
Previously reported balances at 31 March 2020	(898)	(531)	(7,331)	(923)	-	(9,683)
Restatement for transfer of Common Good assets	(106)	(168)	(218)	(647)	(319)	(1,458)
Restated balance brought forward at 1 April 2020	(1,004)	(699)	(7,549)	(1,570)	(319)	(11,141)
(Surplus) Deficit in the Year	21	(35)	(860)	(62)	(105)	(1,041)
Depreciation charged to the Revaluation Reserve	(3)	-	(57)	(10)	-	(70)
Fund Balance at 31 March 2021	(986)	(734)	(8,466)	(1,642)	(424)	(12,252)
Property Revaluation Reserve	(392)	-	(2,534)	(1,361)	(99)	(4,386)
Total Reserves	(1,378)	(734)	(11,000)	(3,003)	(523)	(16,638)

Fund balances at 31 March 2021 include accumulated fair value gains on financial instrument investments of £1,248,000 (2019/20: £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

The fund balances also reflect the value of Common Good property assets. Some properties are inalienable and therefore their values cannot be realised through sale of the assets. The fund balances for Cockenzie, Port Seton & Tranent arise solely from the prior period restatement to recognise land assets transferred from the Council's balance sheet.

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 2021 include accumulated fair value gains on financial instruments. These gains are unrealised and should be regarded as deferred gains. It would not be considered prudent for these gains to be used until they are realised.

Usable Reserves 2019/20 £000s	Unusable Reserves 2019/20 £000s	Total Fund Reserves 2019/20 £000s	Movement in the Trust Reserves	Usable Reserves 2020/21 £000s	Unusable Reserves 2020/21 £000s	Total Fund Reserves 2020/21 £000s
(4,975)	(632)	(5,607)	Opening Balance at 1 April brought forward	(4,705)	(698)	(5,403)
			Movement in reserves during the period			
277	-	277	(Surplus) on provision of services	(723)	-	(723)
-	(73)	(73)	Other Comprehensive Expenditure and Income	-	-	-
277	(73)	204	Total Comprehensive Expenditure and Income	(723)	-	(723)
			Adjustments between usable and unusable reserves			
(16)	16	-	Depreciation charged to the Revaluation Reserve	(17)	17	-
9	(9)	-	Transfer of the Capital Adjustment Account to Usable Reserves	-	-	-
(7)	7	-	Total adjustments between usable and unusable reserves	(17)	17	-
270	(66)	204	Increase/Decrease in Year	(740)	17	(723)
(4,705)	(698)	(5,403)	Balance at 31 March carried forward	(5,445)	(681)	(6,126)

Trust Comprehensive Income and Expenditure Statement

During the year 2020/21, the Trust Funds made a gain in net assets of £723,000 (2019/20: decrease of £204,000).

The Trust Funds benefitted for the financial year from a significant increase in the value of investments. This is largely attributable to the recovery of the financial markets after the initial impact of COVID-19 on the financial markets in 2019/20. Losses however were incurred on the sale of some investments in 2020/21.

2019/20 £000s	Trusts Comprehensive Income and Expenditure Statement	2020/21 £000s
	Income	
(41)	Rents and Other Income	(28)
(41)	Total Income	(28)
	Expenditure	
3	Premises-related expenditure	2
24	Supplies and Services	22
11	Third Party Grants and Payments	13
19	Depreciation	21
57	Total Expenditure	58
16	Cost Of Services	30
(50)	(Gains)/Losses on the sale of investments	85
(116)	Interest receivable and similar income	(84)
427	Changes in the fair value of investments	(754)
277	(Surplus) or Deficit on Provision of Services	(723)
(73)	(Surplus) on Revaluation of Property, Plant & Equipment	-
(73)	Other Comprehensive Income and Expenditure	-
204	Total Comprehensive Income and Expenditure	(723)

Trust Fund Balance Sheet

Trust Fund net assets increased in the year to £6.126 million (2019/20: £5.403m) largely due to the gain in value of investments.

Sarah Fortune (CPFA)
Executive Director for Council Resources (CFO)

2019/20 £000s	Trusts Balance Sheet	2020/21 £000s
774	Property Plant & Equipment	753
2,994	Long Term Investments	3,644
77	Long Term Debtors	72
3,845	Long Term Assets	4,469
-	Short Term Debtors	2
1,726	Operating balance debtor (East Lothian Council)	1,808
1,726	Current Assets	1,810
(1)	Short Term Creditors	-
(1)	Current Liabilities	-
(167)	Other Long Term Liabilities	(153)
(167)	Long Term Liabilities	(153)
5,403	Net Assets	6,126
(698)	Property Revaluation Reserve	(681)
-	Capital Adjustment Account	-
(4,705)	Usable Reserves	(5,445)
(5,403)	Total Reserves	(6,126)

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 2021 are shown in the Trust Investments table.

2019/20 £000s	Trust Investments	2020/21 £000s
177	Vanguard Inv Serv 500 Ucits	241
122	UBS Assets Mgt US Equity	190
93	Findlay Park Fds American USD	119
88	Mercantile Investment Ord 0.25	128
73	Ishares Trust Core S&P 500 Etf	101
67	Blackrock Ord 0.25	107
2,374	Other stocks, shares and cash	2,758
2,994	Total Investments	3,644

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.

2019/20 £000s	Council Tax Income Account	2020/21 £000s
(66,838)	Gross Council Tax Levied and Contributions in Lieu	(71,588)
	Adjusted For:	
5,107	Council Tax Reduction Scheme	5,672
5,247	Other Discounts and Reductions	5,623
1,135	Provision for Non-Collection	1,604
(55,349)	Council Tax Income in Year	(58,689)
111	Adjustments to Previous Years' Council Tax	104
(55,238)	Transfer to General Fund	(58,585)

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 (£)	868.41	1,013.15	1,157.88	1,302.62	1,711.50	2,116.76	2,550.96	3,191.42	
Effective Properties	932	7,774	13,380	5,834	5,794	4,901	4,370	632	43,617
Ratio to Band D	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360	
Band D Equivalents	621	6,046	11,893	5,834	7,613	7,964	8,558	1,548	50,077
Provision for non-payment (2%)									(1,002)
Council Tax Base									49,075

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.

Relief and other deductions significantly increased in 2020/21 due to Scottish Government business rates relief measures to address the impact of COVID-19.

2019/20 £000s	Non Domestic Rate Income Account	2020/21 £000s
(40,589)	Gross Rates Levied and Contributions in Lieu	(41,171)
13,336	Relief and Other Deductions	22,230
10	Write offs and Impairment Allowance	-
(27,243)	Net Non-Domestic Rate Income	(18,941)
1,255	Adjustments to Previous Years' National Non-Domestic Rates	1,507
(25,988)	Total Non-Domestic Rate Income (Before Authority Retentions)	(17,434)
724	Non-Domestic Rate Income retained by the Council (BRIS)	-
(25,264)	Contribution to the National Non-Domestic Rate Pool	(17,434)
(26,274)	Non Domestic Rate income credited to the General Fund	(18,274)

Business Rate Incentivisation Scheme (BRIS)

The Business Rate Incentivisation Scheme (BRIS) permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government. In 2020/21, the authority did not retain any Non Domestic Rate income under BRIS. 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 2020 is detailed in the Rateable Values table.

Rateable Values	Number	Rateable Value £000s
Shops, Offices and other Commercial Subjects	1,660	27,930
Industrial and Freight Transport	952	11,882
Miscellaneous (Schools etc.)	1,057	41,030
Total	3,669	80,842

Rate Level

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for East Lothian. The non-domestic rate poundage is determined by the First Minister, and was:

- 49.8p (2019/20: 49.0p) per pound for properties with a rateable value of up to £51,000 (2019/20: £51,000),
- 51.1p (2019/20: 51.6p) per pound for properties with a rateable value of over £51,000 and up to £95,000 (2019/20: greater than £51,000),
- 52.4p (2019/20: 51.6p) per pound for properties with a rateable value of over £95,000.

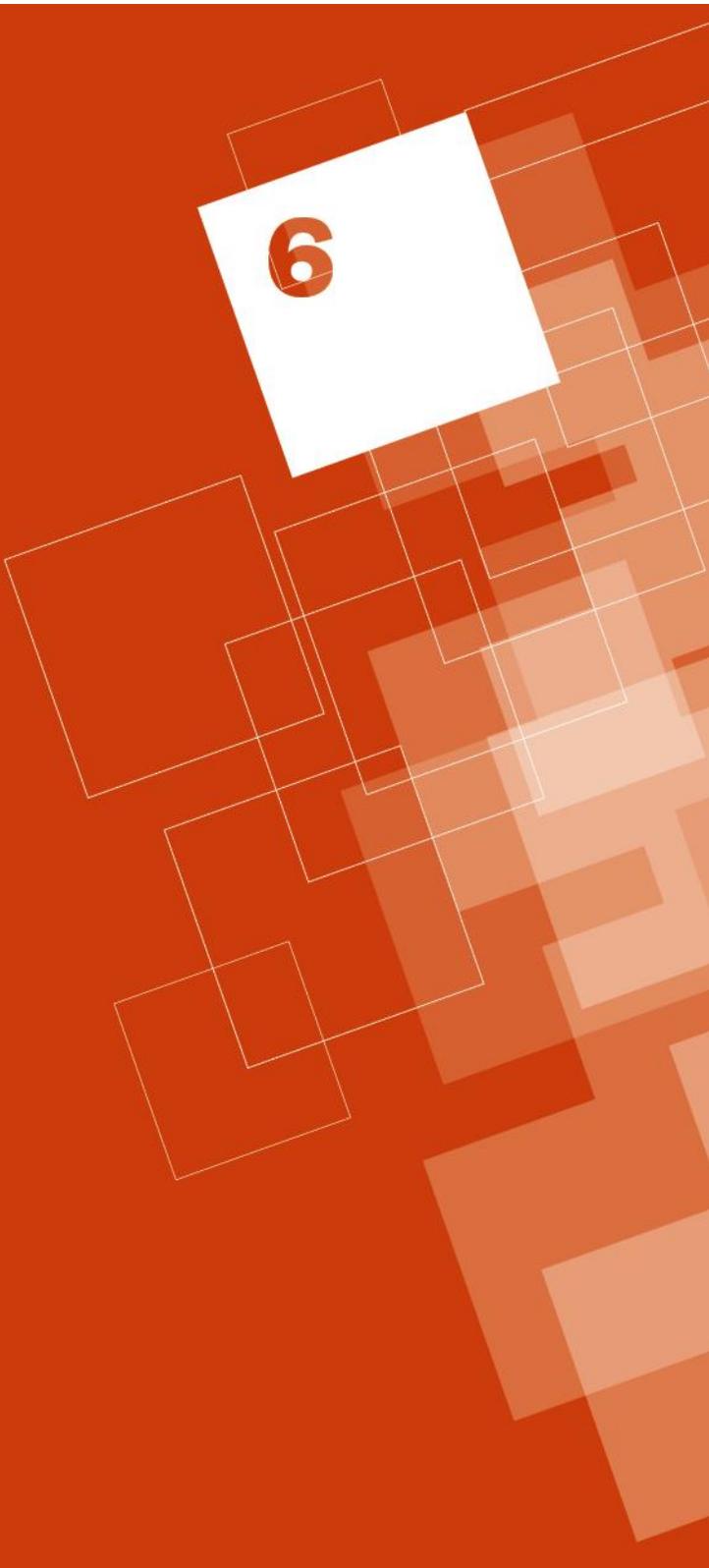
From 1 April 2020 levels of rates relief under the Small Business Bonus Scheme were set at:

- 100% (2019/20: 100%) for eligible properties with a combined Rateable Value (RV) of up to £15,000 (2019/20: £15,000),
- 25% (2019/20: 25%) for eligible properties with a combined RV between of over £15,000 and up to £18,000 (19/20: £15,000 and £18,000).

For businesses with multiple properties, whose cumulative RV is £35,000 (2019/20: £35,000) or less, the relief is 25% for each property with a rateable value of £18,000 (2019/20: £18,000) or less.

Glossary of terms

6



Glossary of Terms

While much of the terminology used in this document is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance to the reader.

1. **Accounting Period** - The period of time covered by the Accounts - this is a period of 12 months commencing on the 1st of April.
2. **Accruals** – The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.
3. **Actuarial Gains and Losses (Pensions)** - Changes in actuarial deficits or surpluses that arise because events have not coincided with previous actuarial assumptions or actuarial assumptions have changed.
4. **Asset** - An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year. A non-current asset will provide benefit to the Council and to the services it provides for a period of more than one year.
5. **Associate** - An entity, which is not a subsidiary or joint-venture, in which the Council has a participating interest, or over whose operating and financial policies the Council is able to exercise significant influence.
6. **Capital Adjustment Account** - This reserve account relates to amounts set aside from capital resources to meet past expenditure.
7. **Capital Expenditure** - Expenditure on the acquisition of a non-current asset which will be used in providing services beyond the current accounting period, or expenditure which adds to the value of an existing non-current asset.
8. **Capital Financing** - The various methods used to finance capital expenditure. This includes borrowing, leasing, capital receipts, capital grants and use of revenue funding.
9. **Capital Grants Unapplied** - This account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.
10. **Capital Receipt** - Proceeds from the sale of land, buildings or other non-current assets.
11. **Capital Receipts Reserve** - This reserve represents the proceeds from non-current asset disposals not yet used and which are available to meet future capital investment.

12. **The Code of Practice on Local Authority Accounting** – The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which gives a true and fair view of the financial position and transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC under the oversight of the Financial Reporting Advisory Board.
13. **Creditor** - Amounts owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.
14. **Current Service Costs (Pensions)** - The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.
15. **Debtor** - Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.
16. **Defined Benefit Pension Scheme** - Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.
17. **Depreciation** – A charge measuring the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.
18. **Discretionary Benefits (Pensions)** - Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.
19. **Employee Statutory Adjustment Account** - This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.
20. **Fair Value** - The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.
21. **Finance Lease** - A lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.
22. **Government Grants** - Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be for a specific scheme or may support the revenue or capital spend of the Council in general.
23. **Heritage Asset** - An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained

principally for its contribution to knowledge and culture.

24. **Impairment** - A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.
25. **Insurance Fund** - This covers the main classes of insurance and is earmarked for insurance purposes.
26. **Interest Cost (Pensions)** - For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
27. **Inventories** - Items of raw materials and stock the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.
28. **Liability** - A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long-term liability is an amount which, by arrangement, is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.
29. **National Non-Domestic Rates Pool** - All rates paid by businesses based on the rateable value of the premises they occupy collected by local authorities are remitted to the national pool and thereafter distributed to councils by the Scottish Government.
30. **Net Book Value (NBV)** - The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
31. **Non-Current Assets** - These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.
32. **Operating Lease** - A lease where the ownership of a non-current asset remains with the lessor.
33. **Past Service Cost (Pensions)** - For a defined benefit scheme, the increase in the present value of the scheme liabilities relating to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.
34. **Pension Reserve** - The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Lothian Pension Fund and the change in the Council's share of the Pension Fund net liability chargeable to the CIES.
35. **Pension Scheme Liabilities** - The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. The scheme liabilities, measured using the "projected unit method", reflect the benefits that the employer is committed to provide for service up to the valuation date.
36. **Post-Employment Benefits** - All forms of consideration given by an employer in exchange for services rendered by employees that are payable after

the completion of employment (e.g. pensions in retirement).

37. **Provision** - An amount put aside in the accounts for future liabilities or losses which are certain, or very likely to occur, but the amounts or dates of when they will arise are uncertain.
38. **Public Works Loan Board (PWLB)** - A Central Government Agency, which provides loans for one year and above to councils at interest rates only based on those at which the Government can borrow itself.
39. **Rateable Value** - The annual assumed rental of a non-housing property, which is used for national Non-Domestic Rates purposes.
40. **Related Parties** - Entities or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.
41. **Remuneration** - All sums paid to or receivable by an employee and sums due by way of expenses, allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than cash.
42. **Reserves** - The accumulation of surpluses, deficits and appropriation over the past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves, such as the Revaluation Reserve, cannot be used to meet current expenditure.
43. **Revaluation Reserve** - The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sale.
44. **Revenue Expenditure** - The day-to-day running costs associated with the provision of services within one financial year.
45. **Subsidiary** - An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.



Versions of this leaflet can be supplied in Braille, large print, audiotape or in your own language. Please phone Customer Services if you require assistance on 01620 827199

East Lothian Council
Business Finance
John Muir House
Haddington EH41 3HA

www.eastlothian.gov.uk

DR BRUCE FUND

FINANCIAL STATEMENTS

31 MARCH 2021

Charity Number SC019149

DR BRUCE FUND
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2021

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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 9DH
Investment Advisers	Investec Wealth & Investment Limited 2 Gresham Street London EC2V 7QN

DR BRUCE FUND
TRUSTEES' ANNUAL REPORT
YEAR ENDED 31 MARCH 2021

The trustees present their report and the financial statements of the charity for the year ended 31 March 2021.

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.

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 2020/21 the trust made two awards totalling £70 (2019/20: £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 whole portfolio increased by £0.65m in the year to 31st March

2021, and the income earned by the portfolio decreased by 27.8% in the same period. However, overall, the portfolio performed slightly better than the market benchmark.

Full details of the trust's financial transactions during the year ended 31st March 2021 are shown on the attached financial statements.

The trust incurred operational expenditure of £1,154, against income of £1,328. Together with gains on investment assets of £2,506, this resulted in an increase in reserves of £2,680. At 31 March 2021, the trust had unrestricted funds of £19,943.

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 19th 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 John Williamson
Trustee
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 30 November 2021 and signed on their behalf by:

Councillor J Williamson
Trustee

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Dr Bruce Fund for the year ended 31 March 2021 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 2021 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees', 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.

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

- obtaining an understanding of the applicable legal and regulatory framework and how the Dr Bruce Fund is complying with that framework;
- identifying which laws and regulations are significant in the context of the Dr Bruce Fund;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

Statutory other information

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

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

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

Opinion 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

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

DR BRUCE FUND

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2021

	Note	Total Funds 2020/21 £	Total Funds 2019/20 £
Income From			
Donated services	2	1,000	1,000
Income from Investments	3	328	454
Total Income and Endowments		1,328	1,454
Expenditure On			
Management Fees	4	(84)	(88)
Charitable Activities	5	(70)	(60)
Audit Fees	2	(1,000)	(1,000)
Total Expenditure		(1,154)	(1,148)
Net Income		174	306
Net (Losses)/Gains on investments		2,506	(1,403)
Net Movement In Funds		2,680	(1,097)
 Reconciliation Of Funds			
Total funds brought forward		17,263	18,360
Total Funds carried forward		19,943	17,263

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 2021

	Note	2020/21 £	2019/20 £
FIXED ASSETS			
Investments	7	13,164	10,774
CURRENT ASSETS			
Debtors	8	6,884	6,489
CURRENT LIABILITIES			
Creditors		(105)	0
TOTAL NET ASSETS		<u>19,943</u>	<u>17,263</u>
THE FUNDS OF THE CHARITY			
Investments Revaluation Reserve		(6,112)	(5,963)
Unrestricted funds	9	(13,831)	(11,300)
TOTAL CHARITY FUNDS		<u>(19,943)</u>	<u>(17,263)</u>

These financial statements were approved by the members of the committee and authorised for issue on 30 November 2021 and are signed on their behalf by:

Councillor John Williamson
Trustee
John Muir House
Haddington
EH41 3HA

DR BRUCE FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2021

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 2020/21, the external annual audit fee was a donated service of £1,000 from East Lothian Council.

3 INVESTMENT INCOME

	Unrestricted Funds 2020/21	Unrestricted Funds 2019/20
	£	£
Dividends - equities	310	395
Interest on cash deposits	18	59
	328	454

4 INVESTMENT MANAGEMENT COSTS

	Unrestricted Funds 2020/21	Unrestricted Funds 2019/20
	£	£
Investment and ELC management fees	84	88

5 COSTS OF CHARITABLE ACTIVITIES

	Grant Funding activities 2020/21	Grant Funding activities 2019/20
	£	£
Grants of £35 made to 2 individuals(19/20: £30 each)	70	60
	70	60

6 STAFF COSTS AND EMOLUMENTS

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

7 INVESTMENTS

Movement in market value

	2020/21	2019/20
	£	£
Market value at 1 April 2020	10,774	12,291
Additions/(Disposals) at cost	2,241	72
Net (loss)/gain on revaluation	149	(1,589)
Market value at 31 March 2021	13,164	10,774

	Total Funds 2020/21	Total Funds 2019/20
	£	£
Investments at fair value comprised:		
Quoted shares	13,164	10,774

8 DEBTORS

	2020/21	2019/20
	£	£
Other Debtors	6,884	6,489

9 ANALYSIS OF CHARITABLE FUNDS

	Balance at 1st April 2020	Income	Expenditure	Gains and (Losses)	Balance at 31st March 2021
	£	£	£	£	£
Revaluation Reserve	5,963	-	-	149	6,112
General Funds	11,300	1,328	(1,154)	2,357	13,831
	17,263	1,328	(1,154)	2,506	19,943