

REPORT TO: Audit and Governance Committee

MEETING DATE: 1 November 2022

BY: Executive Director for Council Resources

SUBJECT: Annual Accounts 2021-22

1 PURPOSE

- 1.1 To provide the Committee with an update on any changes arising during the audit of the draft financial statements, and to ask the Committee to approve the now audited accounts for 2021-22.

2 RECOMMENDATIONS

- 2.1 Members are recommended to:
- i. Approve the 2021-22 audited accounts for the Council and its group components with the benefit of the auditor's findings.

3 BACKGROUND

- 3.1 The Council's draft financial accounts for 2021-22 were considered at Council on the 23rd August 2022 and a briefing session was provided to Members to enable detailed scrutiny on 31 August 2022. The Accounts were formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2022. The audit commenced during July 2022 and was completed mid-October.
- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3 week period concluding 22 July 2022. 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 will be issued, signalling that the financial statements presented represent:

- A true and fair view of the affairs of the Council and the wider Group and were properly prepared in accordance with the financial reporting framework;
- The audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

3.4 During the course of the audit there were no significant or material findings to be addressed. Some presentational changes have been made which have no impact to the figures previously reported through on the Draft Accounts.

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

3.6 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2021-22 accounts will be formally signed by the Council (Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland prior to the extended statutory deadline of 30 November 2022, 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 East Lothian Council Annual Accounts 2021/22

Appendix 2 Dr Bruce Fund Annual Accounts 2021/22

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DATE	25 October 2022

ANNUAL ACCOUNTS 2021-22

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 2022. 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 2021/22. 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 2021/22
- Key aspects of our performance during 2021/22
- Our plans for the future.

Key Results of 2021/22

The 2021/22 financial year has been a year of transition for the Council and its group entities as COVID-19 restrictions have eased. The Council continued to act as agent for the Scottish Government in distributing COVID-19 related grants, with the grants changing to reflect the movement into a recovery phase and towards a post-lockdown environment. The key financial results for the year were:

- Delivery of services during the pandemic with estimated COVID-19 related costs of some £14.418 million, largely offset by prior and current year government COVID-19 funding;
- Delivery of capital investment of £95.530 million to support increased investment in schools, roads, housing and wider assets to support the communities in which we live;
- An increase in usable reserves, including an additional £1.357 million in the General Fund, partly due to non-recurring Scottish

Government funding, which permitted the Council to defer into 2022/23 the use of a statutory facility to reduce the repayment of loans fund advances.

As the people of East Lothian face the future after the removal of COVID-19 restrictions, there remain significant financial challenges facing the Council, both immediately and beyond. The long term impact of COVID-19 and global uncertainties continue to present challenges, including increasing inflationary pressures, higher interest rates, the impact of the war in Ukraine, and a challenging labour market. The future level of central government support for local services, and indeed the wider impact arising from increased service demand will also be critical aspects affecting the Council. Many underlying service provision cost pressures continue to affect the Council. All of these factors will need to be considered by the new administration following the May 2022 local government elections.

The Council continues to remain fully committed to find ways to explore how we can maintain high quality service provision through an enhanced approach to transformation 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

2021/22 has been dominated by the Council's continued activity in response to and recovery from the COVID-19 global pandemic. The pandemic has been the biggest challenge our society has faced for many generations and has created unprecedented challenges for the Council, which has continued to operate in Business Continuity mode throughout 2021/22, and for the group entities which form part of the Council's overall activities.

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 4,828 (3,982 full-time equivalent) people work for the Council.

Each year the Council:

- educates some 15,030 pupils in our secondary and primary schools, provides Early Learning and Childcare to 2,396 children, and serves 1.1 million school meals

- 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 216 vulnerable children in care homes, foster care and other care settings
- carries out approximately 5.8 million domestic waste collections, collecting some 54,000 tonnes of waste with a recycling rate of about 54%
- keeps open 139 council buildings including 30 public toilets and 12 libraries
- maintains 276 parks, pitches, play areas and burial grounds, 1,073km of roads, 19,098 street lights (93% of which are LED), and repairs 3,683 potholes.

About East Lothian Council's Group Entities

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

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

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

The subsidiaries include the Common Good, Trust Funds, East Lothian Mid-Market Homes LLP, and East Lothian Land Ltd. Joint ventures and associates include East Lothian Integration Joint Board, Enjoy East Lothian, Brunton Theatre Trust, East Lothian Investments, and the Lothian Valuation Joint Board. More details are available in Notes G1 to G5 of the financial statements.

The Group will be expanded in 2022/23 by the Council's participation in a joint venture arrangement with Queen Margaret's University for the development and operation of an Innovation Park, featuring a food and drink innovation hub.

Political Structure

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

The Council's political structure during 2021/22 largely arose from the May 2017 elections. The political make-up of the Council was nine Scottish Labour, seven Scottish Conservative and Unionist, and six Scottish National Party councillors and the Council was 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. During 2021/22 the Council's governance arrangements operated under the normal Scheme of Administration arrangements detailed further below, with remote video platforms being used for meetings. Business Continuity arrangements applied for service management processes to support appropriate prioritisation of services and activities.

As the Council moves forward in 2022/23 the political structure has been changed by the Council Elections in May 2022. The Councillors now representing the people of East Lothian constitute ten Scottish Labour, seven Scottish National Party, four Scottish Conservative, and one Scottish Green Party members. A minority Labour administration is leading the Council.

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 2021/22 reflected the following Directorates:

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

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

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 2021/22, with the Chief Executive designated as 'Gold Command'. The Council has now emerged from the Council-wide business continuity arrangements, although some service areas may continue to operate under service continuity conditions where necessary.

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 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) is a partnership between East Lothian Council and NHS Lothian and was established in order to integrate how health and social care services are planned, commissioned and delivered.

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

The Council has developed a Corporate Governance framework to reflect the seven principles of good governance outlined in The Chartered Institute of Public Finance and Accountancy (CIPFA) / SOLACE Guidance on Delivering Good Governance in Local Government. Governance arrangements are currently being reconsidered and developed following the Election of new Council members in 2022. Aspects expected to influence future governance arrangements include a self-evaluation process based on the Public Sector Improvement Framework (PSIF), a review of COVID-19 lessons learned, and auditor reports.

Strategy and Priorities

At its [November 2021 meeting](#) the Council adopted the COVID-19 Recovery and Renewal Plan to prepare East Lothian to recover from the COVID-19 pandemic, embracing the opportunity to 'build back better and ensure we maximise the opportunity for a sustainable and green recovery'. It is based around six principles:

- Outcome focused
- Person-centred
- Empowering and collaborative
- Agile and flexible
- Robust, place-based, data-driven and evidence-based
- Ensuring the voice of children and young people are at the heart of our work.

The Recovery and Renewal Plan sets out eight Key Priority Areas:

- Support our communities to tackle inequality and social exclusion
- Respond to the climate and ecological emergency
- Support business and employment and promote inclusive economic growth
- Help our children and young people achieve their potential
- Deliver improved connectivity and digital innovation to ensure the most effective use of our resources
- Maintain and develop resilient and sustainable services
- Develop our people and future ways of working
- Invest in regeneration and a sustainable future.

The Recovery and Renewal Plan's principles and priorities align closely with the key themes and priorities of the current Council Plan and the [East Lothian Plan 2017-27](#) (East Lothian Community Planning Partnership's Local Outcome Improvement Plan).

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](#).

The existing Council Plan 2017-2022 is the subject of review with a new plan to be adopted in Autumn 2022. In March 2022 the Council approved an outline of the [proposals for consideration](#) in developing the new plan based on the existing vision and recovery and renewal focus.

The Council's current service delivery operations and its plans for the future exist within an environment of risk. The Council monitors and manages the risks through an active and formal risk management process, details of which are provided later in this commentary.

2021/22 Highlights

2021/22 has been dominated by the Council's continued activity in response to the COVID-19 global pandemic. The pandemic has been the biggest challenge our society has faced for many generations and has created unprecedented challenges for the Council, which has continued to operate in Business Continuity mode throughout 2021/22.

Business Continuity Plans were formally invoked by the Chief Executive across all services on 24 March 2020 and stayed in place throughout 2021/22. 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 continued to embrace 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 have worked in partnership with community and third sector groups to

provide support and assistance to people who required help through lockdown.

COVID-19 has also had an impact on staff whether through self-isolation, sickness, or carer responsibilities. Council staff have responded positively in maintaining services wherever possible. These factors however have created staffing and capacity challenges which, along with other concurrent aspects such as a difficult recruitment environment and pay inflation pressure, continue to impact significantly on service operations.

As various lockdown restrictions eased the response and focus of the Council has transformed toward preparing for recovery and the development and implementation of the COVID-19 Recovery and Renewal Plan.

Throughout 2021/22 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. Work force policies have been adapted and will be continue to be kept under review to support more flexible working arrangements where possible in the future.

COVID-19 Grants Administered for the Scottish Government

The Council's role as agent in administering and distributing COVID-19 grants on behalf of the Scottish Government continued throughout 2021/22.

Business grants distributed according to the criteria set by the Scottish Government included the following:

COVID-19 Business Grants Distributed for Scottish Government	£000s
Strategic Framework Business Grants	6,470
Hospitality and Leisure Funding	1,264
Taxi Driver Support	558
Route Map Extension Restrictions Fund	223
Small Accommodation Providers	153
Public House Table Service Restrictions Fund	93
Scottish Brewers Support Fund	35
Soft Play Closure Fund	7
COVID-19 Business Grants	8,803

Other grants distributed reflected a focus on support for individuals and families as being the primary consideration:

COVID-19 Other Grants Distributed for Scottish Government	£000s
Scottish Child Payment Bridging/ Family Pandemic Payments	1,105
£500 Payments to Social Care Workers & Providers	998
Low Income Pandemic Payments	950
Self-Isolation Fund Support	930
Support for Early Learning & Childcare Providers	204
Fuel Poverty and Hardship Support	29
COVID-19 Other Grants	4,216

The areas and nature of support provided by the Council for the people of East Lothian during 2021/22 are demonstrated by the service performance indicators which the Council used to monitor and manage the continuing response work, including:

- Test and Protect telephone support
- COVID related deaths

- Scottish Welfare Fund Community Care Grants
- Scottish Welfare Fund Crisis Grants
- Discretionary Housing Payments
- Additional Health & Social Care Spend
- Health & Social care Delayed Discharges
- Pupil Attendance
- Child Protection
- Adult protection

2021/22 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 restricted and some staff re-directed to undertake business critical activities or develop and deliver new services (such as Business Support Grants) many of the Council's 2021/22 performance indicators are anticipated to be negatively impacted.

The Council's annual performance indicators for 2021/22 are due for issue shortly. Based on the 2021/22 Quarter 4 report ([Policy & Performance Committee Review Committee 9 June 2022 Item 6](#)) they are expected to demonstrate the areas most impacted by the pandemic as including:

- Homelessness re-housing times
- Attendance at sports centres and pools
- Payment of supplier invoices

From late April 2020 the Council has been supplying the Scottish Government with weekly data for a COVID-19 Data Dashboard. With the easing of lockdown the amount of weekly data provided by the Council to the Scottish Government reduced significantly. To support a national picture of local authority COVID-19 services 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.

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. East Lothian has performed well compared to the Scottish average in some aspects such as unemployment claim count; rent arrears; delayed discharge; staff absence; and child and adult protection. Indicators below the Scottish average are Test and Protect inbound calls and discretionary housing payments.

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

A report on how the Council has performed against these indicators in 2021/22 will be considered by the Council in autumn 2022. 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*

Future Plans: Projects in Progress

The Council has a focus on ensuring existing and new communities continue to be great places in which to live and work, with an even more dynamic local economy. Between 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.

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

- **Edinburgh Innovation Hub**
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.

Utilising [land around Queen Margaret University](#) (QMU), the Council and QMU are delivering, in partnership, the Edinburgh Innovation Hub. The Edinburgh Innovation Hub ("Hub") is in a prime strategic location next to the QMU campus on Council owned land.

The Council is currently developing the transport infrastructure to support this development, particularly the redesign and implementation of a new A1/ QMU junction.

The Hub forms part of the Edinburgh and South East Scotland City Deal, a £1.3 billion regional investment programme funded by the UK and Scottish Governments and regional partners including East Lothian Council. The Hub is funded by £28.6 million from UK Government, £1.4 million from the Scottish Government and £10 million from East Lothian Council. The Hub will focus on food and drink related innovation within the context of health and wellbeing and will include serviced laboratories and office accommodation as well as facilities for events. The Hub will serve as an anchor for the wider Edinburgh Innovation Park ("EIP"), which will be developed over time to create a nationally significant centre of knowledge exchange, innovation and high value business growth.

The Council and QMU have a joint venture structure in place to deliver the Hub and the wider EIP. There is a 50/50 shareholding between ELC and QMU together with two representatives from each party on the Board, ensuring board parity. At this stage, the Company that is responsible for making the critical decisions and approvals is Edinburgh Innovation Park Operating Company Limited. The Board has approved the procurement strategy and the appointment of the preliminary design team.

Progress in 2022/23 and beyond is expected to include appointment of tax and legal advisors; finalisation of reclaimed VAT treatment; design team appointment; and planning consent. Construction of the Hub is expected to commence in July 2023.

- **New Council Housing**

The Housing Revenue Account plans to continue to invest in new council housing with £116.725 million of investment planned over the next five years. Key development sites include:

- Blindwells where 60 units are to be delivered in 2022/23 with a further 75 planned to follow. This forms part of the larger development plans for the [Blindwells Development Area](#) with private housing schemes in progress to create a new township.
- Craighall with 18 units provided in 2021-22, a further 16 units are to be delivered in 2022/23 with the potential for an additional 45 units to be delivered within the 5 year programme;
- Letham Mains where a further 37 units are to be delivered through 2022/23 and 2023/24;
- Macmerry North with 26 units due to be delivered in 2022/23; and
- Wallyford where a number of developments have the potential to deliver 95 units within the 5 year programme .

- **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. The Council welcomes the proposed removal of planning constraints on the site contained within the new National Planning Framework 4 to become policy in autumn 2022 and will seek to plan the future

development of the site in line with this. In accordance with the existing National Planning Framework 3 the Council has recognised the requirement for renewable energy projects to be located on the site and has option agreements in place for two onshore substations supporting offshore wind developments. The Council continues to explore further renewable energy possibilities.

- **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 continuing 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 East Lothian, 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. One example is the [Wallyford Learning Campus](#) which is due to open during 2023/24. Once operational, the Wallyford Learning Campus will deliver a high quality, suitable, sustainable, low carbon and digitally enabled learning environment.

- **Musselburgh Flood Protection**

The [Musselburgh Flood Protection Scheme](#) project has been established in liaison with partners following identification of Musselburgh as a Potentially Vulnerable Area (PVA) for flood risk by the Scottish Environment Protection Agency (SEPA). A number of project objectives have been identified including

economic, environmental, social & cultural and regeneration aspects. Public consultation is a key feature in determining an outline design and a preferred scheme before designs are finalised.

- **Asset Review Project**

The pandemic has offered the Council an insight into new ways of working and a flexible approach to assist in meeting budget efficiencies, Climate Change strategy, and the Council Plan. The opportunity to review accommodation in relation to asset rationalisation is being progressed. The lease for Randall House, Macmerry, runs out in October 2023 and after this the building will no longer be used by the council which will aid in meeting the budget requirement to reduce the cost of buildings by £1m. This enables the Council to focus on council employees, protect jobs and develop services. Alternative accommodation options for employees in Randall House who require an office base are being identified.

With refreshed flexible working policies including a new Homeworking Policy having been introduced in September 2021 and changes to how services are delivered, many employees are now, or will be in future, working more at home on either an ad hoc or contractual basis. This will offer personal and organisational benefits in terms of reduced need for commute, business travel, lower emissions and increased flexibility.

Financial Strategies

Financial Strategy

The Council's Financial Strategy forms the platform for the Council's stewardship over taxpayer's funds. The strategy is refreshed each year to reflect any changes in the financial planning landscape and to ensure that the strategy remains appropriate. The most recent and current strategy was approved by Council in December 2021 covering the five year period 2022-2027 and can be found in the [East Lothian Council meeting papers of 14 December 2021](#) (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 2021 (Agenda Item 4), 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 2022/23 to 2026/27" can be found in the [East Lothian Council meeting papers of 1 March 2022](#) (Agenda Item 4).

Group Entities

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

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

Joint Venture or Associate	Purpose and Council Role
East Lothian Integration Joint Board (IJB)	A joint venture, created as required by statute, between East Lothian Council and NHS Lothian to support the integration of health and social care services in East Lothian. The Council has legislative responsibilities and agreements in relation to funding provided to the IJB, and for delivering services commissioned by the IJB.
Enjoy East Lothian Ltd (Enjoy Leisure)	Established in pursuit of Council objectives for the East Lothian area to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council. The Council pays Enjoy Leisure for services provided to the people of East Lothian.
Brunton Theatre Trust (BTT)	A trust, located in Musselburgh, which in accordance with the trust deeds aims to provide a widely accessible programme of cultural activities and performances. The Council provides funding for BTT activities, and also receives income related to services it provides or undertakes on behalf of BTT.
East Lothian Investments Ltd	Established in pursuit of Council objectives to grant interest free loans to businesses in East Lothian to encourage commercial enterprise. It also has involvement in the East Lothian Gift Card scheme. The Council has previously provided loan support which is now largely repaid.
Lothian Valuation Joint Board	A joint board, created as required by statute, to undertake council tax and other property asset valuations, and to maintain an electoral registrar for a number of Lothian Councils. The Council has funding responsibilities under the legislative arrangements.

More information is provided in Notes G1 to G5 of the financial statements.

Financial Statements Overview

The Council's Group Financial Statements

The financial position and financial performance of the group predominantly reflect the position in relation to the Council's taxpayer and tenant services. Those service responsibilities represented 94% (2020/21: 94%) of the group's net assets and 93% (2020/21: 89%) of Total Comprehensive Income and Expenditure. A brief overview of the Group's financial statements is therefore provided here, with more detail on the finances for taxpayer and tenant services further below.

The group balance sheet shows net assets of £591.033 million (2020/21: £449.577 million). The entities, other than the Council as the parent organisation, which primarily affect the net assets reported relate to Common Good and Trust Funds, which add some £24.407 million (see Note G3, 2020/21: £22.764 million), and the Council's share of the net assets of its associates and joint ventures which adds some £12.439 million (2020/21: £4.701 million). For Common Good and Trust Funds the net assets largely reflect land and building properties held, as well as financial investment portfolios which are managed by an independent adviser. The share of associates and joint ventures largely relates to the East Lothian Integration Joint Board which held funding balances as at 31 March 2022 related to service provision and COVID-19 activities.

The Group Comprehensive Income and Expenditure Statement shows that the Group Deficit on the Provision of Services was £17.715 million (2020/21: a surplus of £14.893 million).

The subsidiaries which have the largest impact on this are:

- the Common Good (surplus £0.680 million, 2020/21: £1.041 million) relating primarily to assets transferred from the Council to the Common Good and the performance of investment returns; and
- Trust Funds (surplus £0.289 million, 2020/21: £0.723 million) relating primarily to investment returns.

A significant surplus in the year for East Lothian Mid-Market Homes (surplus £1.146 million, 2020/21: £0.377 million) related primarily to grants received from East Lothian Council and is therefore largely eliminated on consolidation into the group figures.

The Group's share of the surplus on provision of services of joint ventures and associates is £4.820 million (2020/21: £3.159 million), which primarily reflects the surplus reported by the East Lothian Integration Joint Board for the year.

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

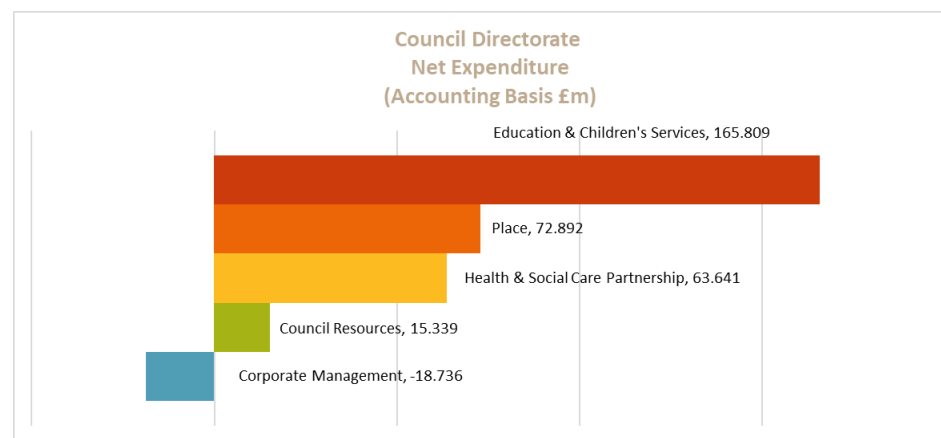
Provision of Services Income and Expenditure

The cost of taxpayer and tenant services provided by the Council on an accounting basis in 2021/22 was net expenditure of £301.188 million (2020/21 £255.558 million), an increase of £45.630 million (+17.9%). This increase is attributable to a number of factors. The estimated cost of pension benefits earned by employees increased by £15.055 million. Asset revaluation losses charged to the Net Cost of Services were £7.674 million (2020/21: a credit of £12.276 million), a net increase in costs of £19.950 million. The residual net increase of £10.624 million (+ 4.5%) is largely attributed to the continuing impact of the recovery

from COVID-19, service demand pressures, and the initial emergence of increasing cost inflation.

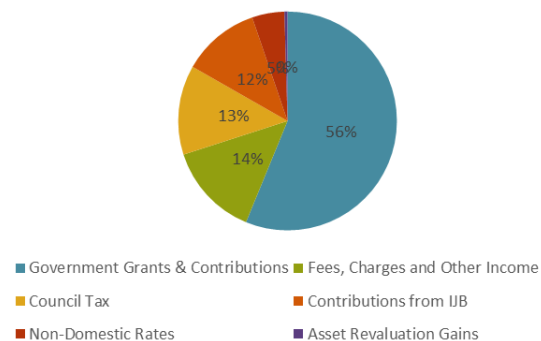
The net deficit on the provision of services, after applying funding to the cost of services, was £24.707 million (2020/21: net surplus of £9.935 million). An increase in capital grants and contributions received of £8.348 million (2021/22 £37.419 million; 2020/21 £29.071 million) partly offset the increases in the net cost of services noted above.

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



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

**Council Income by Nature
(Accounting Basis)**



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:

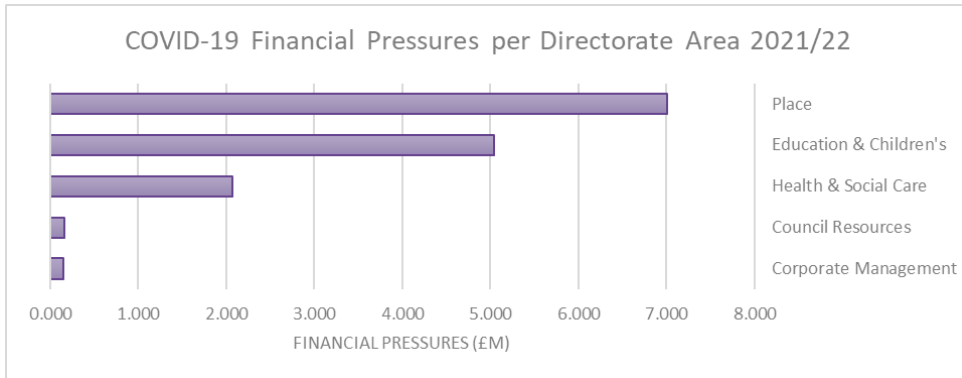
	Outturn Report	Remove Transactions for Use of (Contribution to) Reserves	Presentation Changes to Reflect Annual Accounts Reporting Requirements	EFA Column 1
	£000s		£000s	£000s
Education & Children's Services	139,684		(1,107)	138,577
Health & Social Care Partnership	59,327		1	59,328
Place	48,718		464	49,182
Council Resources	12,743		(950)	11,793
Corporate Management	(262,993)	1,032	249,888	(12,073)
HRA	261	(1,750)	(5,906)	(7,395)
Other Income and Expenditure	-		(242,391)	(242,391)
Cost of Services	(2,260)	(718)	(1)	(2,979)

The Council budgets and manages its finances during the year based on the impact on usable reserves, including the effect of legislative requirements, and the financial performance for the year is further explained on that basis.

Management Reporting Outturn

COVID-19

During 2021/22 the Council continued to experience COVID-19 specific financial pressures of £14.418 million (2020/21: £21.310 million), largely supported and offset through additional government funding. The Foreword by the Executive Director for Council resources provides an overview of the key financial results for 2021/22 as well as the current position and future outlook. The chart below indicates the financial pressures arising for specific service areas.



In addition to its normal duties, the Council continued its role as agent in distributing various COVID-19 grants to businesses and individuals in East Lothian on behalf of the Scottish Government. The relevant £13.019 million (2020/21: £28.439 million) grant funding, and cost of grants awarded (see Note 11), 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.

Non-recurring COVID-19 support funding of £9.476 million (2020/21: £19.899 million) was received from the Scottish Government as part of the General Revenue Grant. An analysis is provided in Note 36. Debtors related to government grant COVID-19 funding due to the Council are presented in Note 26. Liabilities related to COVID-19 grants are presented in Note 28.

An ear-marked balance of £5.479 million within the General Fund has been identified for funds which are intended to be used to support remaining COVID-19 costs, recovery expenditure and other financial risks and pressures facing the Council (Note 34).

Directorate Expenditure

The following provides a summary of key areas of overspend pressures, or underspending, for the Directorates:

Education & Children's

Overspends arose in Children's services relating to significant pressures in residential care, placements and fostering. Targeted interventions are mitigating these but a potential for increasing demand remains. Education Services benefitted from Scottish Government grants being received in 2021/22 where, due to agreed flexibility in usage, the associated expenditure is expected to be incurred in 2022/23.

Health & Social Care

Challenges related to the level of demand, with the overspend primarily related to services not delegated to the Integration Joint Board.

Place

The net underspend reflects a number of factors. These include expenditure related to the use of earmarked COVID-19 funding brought forward from 2020/21; COVID-19 restrictions limiting the creation of surplus from property maintenance work on HRA housing; higher additional income than projected; challenges in recruiting staff; and changes in service demand due to COVID-19.

Council Resources

Underspends arose from a number of factors including delays in recruitment due to a challenging labour market.

Corporate Management

An overspend was reported due to deferral into 2022/23 of the planned use of a statutory facility to reduce the statutory repayment of debt.

HRA

The HRA delivered a minor reduction of £0.261 million in its fund balance with a key element being the use of available funds and an element of reserves to contribute to in year capital expenditure. In the year £1.750 million of government grant was transferred to the General Services Capital Receipts Reserve as consideration for properties which are now available for the use and benefit of HRA tenants.

The accounting result for the year, including charges for depreciation, impairment and the HRA's share of corporate items was a surplus on HRA services for the year of £2.740 million (2020/21: £9.336 million deficit).

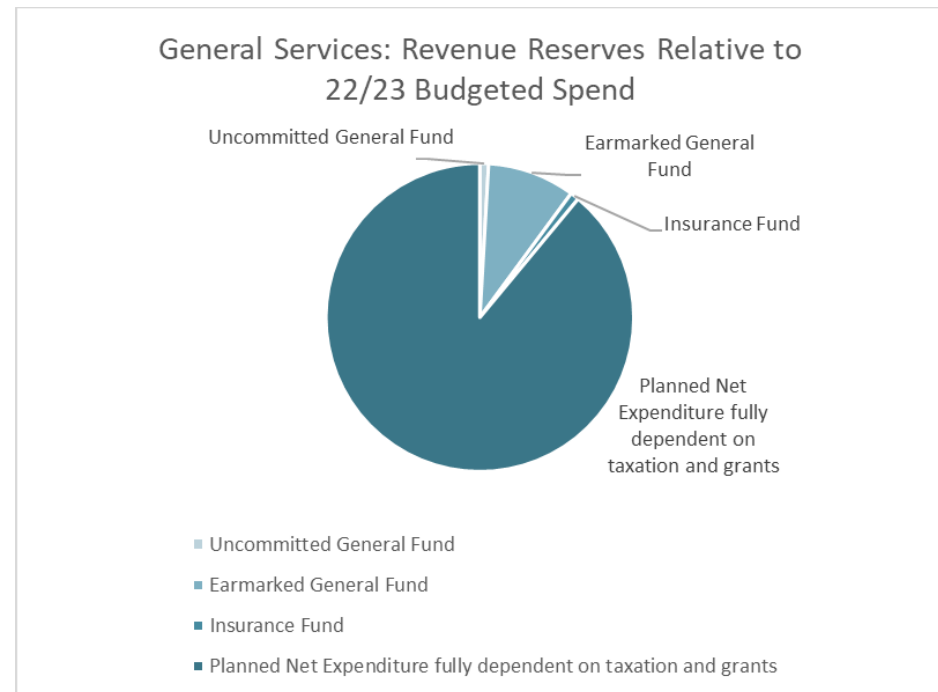
The change primarily reflects lower impairment and revaluation losses due to an upwards revaluation in the average value per dwelling, as well as an increase in capital contributions and grants applied, with capital projects progressing as COVID-19 restrictions have eased during 2021/22.

Reserves

At 31 March 2022 the Council had total usable reserves, including HRA and capital, of £38.720 million (2020/21: £35.089 million). This includes £1.748 million for HRA revenue expenditure, and a total Capital Receipts Reserve of £4.603 million. More details are provided in Note 32 and Note 34.

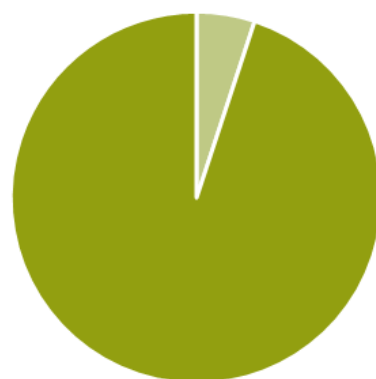
For general services revenue expenditure purposes the financial results for the year, in combination with the statutory framework applicable to local government reserves, has resulted in a specific General Fund balance of £29.685 million (2020/21: £28.328 million).

The following chart shows the level of reserves in comparison to planned expenditure for 2022/23. It illustrates the importance of ongoing taxation and grant income to support council services.



The Housing Revenue Account balance at 31 March stands at £1.748 million (2020/21: £2.009 million), above the strategic target minimum balance of £1 million. The following chart shows the level of reserves compared to planned expenditure in 2022/23.

HRA: Revenue Reserves Relative to 22/23 Budgeted Spend



- Uncommitted Reserves
- Planned Expenditure fully dependent on income

Balance Sheet

The net assets for the Council have increased by £130.826 million or 31.0% (2020/21: £42.023m, 11.1%). Changes include:

- Property, plant and equipment and other non-current assets show a net increase of £71.476 million. Additions of £95.530 million (2020/21: £57 million) reflected spend on assets by the Council. Additionally revaluation gains of £30.189 million (2020/21: £71 million gains) recognised in the Revaluation Reserve augmented the increase in asset values. This predominantly related to an increase in the estimated carrying value of Council Dwellings, with indexation being applied to reflect a higher average value per dwelling. These increases were partially offset by de-recognition, depreciation,

impairment and other revaluation changes of £54.243 million (2020/21 £37 million).

- Net pension liabilities decreased by £97.260 million (2020/21: £49.346 million increase) to £98.794m million. Changes in the return on pension assets, as well as financial and demographic actuarial estimates used to measure the net liability, were the main factors decreasing the liability by some £123.482 million (2020/21: increase £36.576 million). This decrease was partly offset by the estimated cost of pension benefits earned during the year.
- Cash and cash equivalents increased by £20.646 million (20/21 increase £2.067m). The increase largely reflects increased borrowing in support of capital spend and the maintenance of liquid balances for revenue services as COVID-19 lockdown restrictions eased. The majority of the cash received from borrowing has been used in the year, with the net residual amount ensuring the council had liquid assets at the end of the year to settle its obligations as they fall due.
- Liabilities, excluding pensions, increased by £59.818 million (2020/21: £2.980 million), with long-term liabilities increasing by £63.805 million, largely due to an increase in long-term borrowing, and short term liabilities decreasing by £ 3.987 million, largely due to a decrease in short-term borrowing.

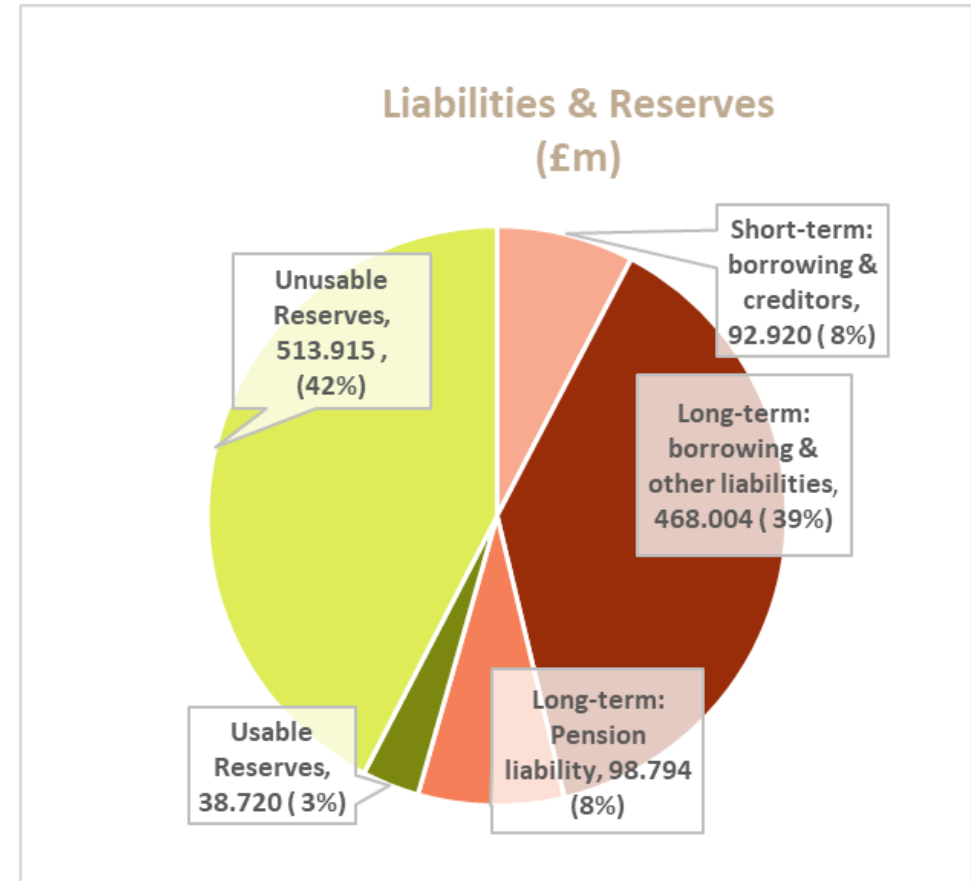
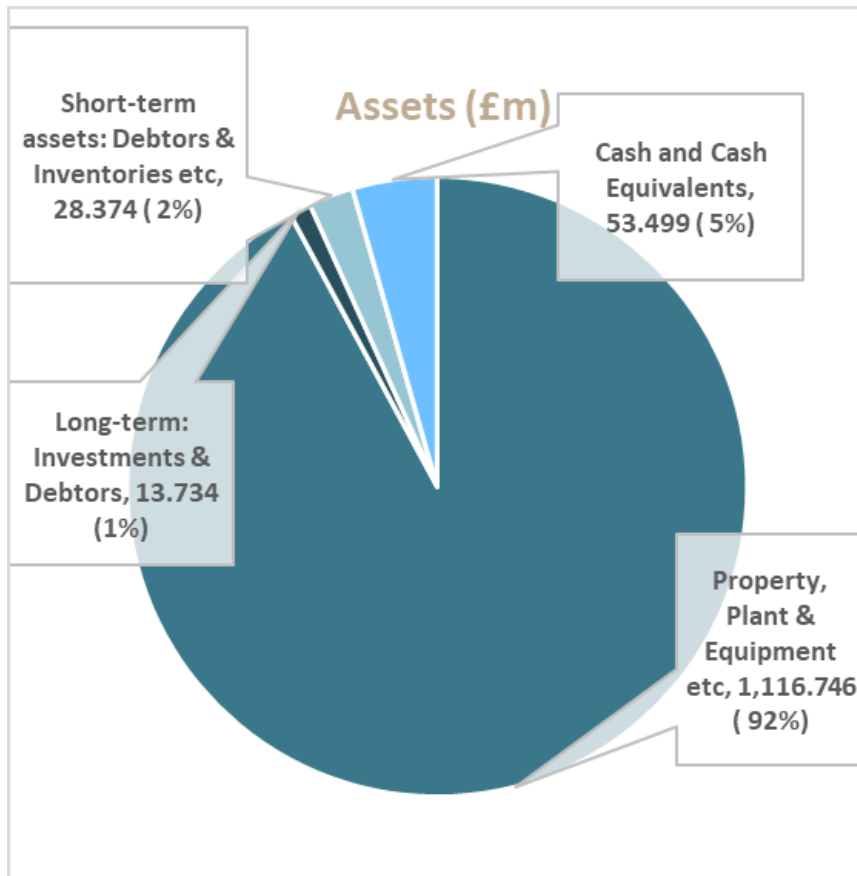
The charts below illustrate the relative proportions of the Council's assets, liabilities and reserves. Reserves represent the extent of assets over which the Council has control after liabilities are accounted for. Unusable reserves relate to legislative or accounting requirements which mean that they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

For example the increase in the Revaluation Reserve in 2021/22 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 2021/22 the Council provided capital investment of £95.530 million. Some of the significant capital projects undertaken in 2021/22 include:

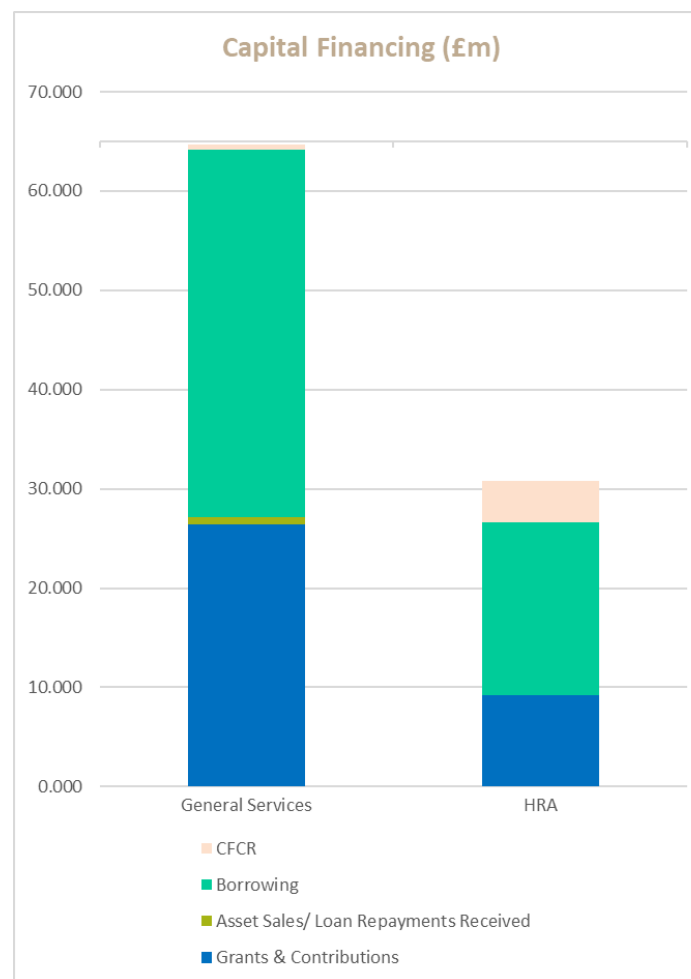
- Investment in Education related assets of £35.8 million, with significant projects including the new Wallyford Learning Campus and extensions to North Berwick and Ross High Schools.
- Investment in the Council's transport related infrastructure of £7.9 million
- Work related to the Innovation Park joint venture, featuring a Food & Drink Innovation Hub, including developing the A1/ Queen Margaret University junction
- Investment in Town Centre Regeneration and other properties
- Additions to the Council's active housing stock and assets of £30.8 million.

In relation to General Services most of the £32.697 million underspend on expenditure compared to the budget relates to re-profiling of projects into future years. In addition to the issues initially arising from COVID-19 market conditions, supply chain problems and the war in Ukraine have resulted in increased contract costs and enhanced risk exposure to the Council's capital investment planning.

The HRA capital programme delivered a relatively small overspend of £1.163 million against the planned budget during 2021/22. This reflects accelerated new build council house sites and these costs have been partially offset by additional grant funding above the budgeted figure.

The Council can borrow to finance capital spend, however, the total gross capital expenditure is first offset by income received during the year. The graph shows the split of financing for capital spend between borrowing, grants, asset sales, capital funded from current revenue (CFCR) and any other.

In general any asset sales need to be used to finance future capital spending or the statutory repayment of debt.



Other Performance Indicators

The Council published an [Annual Performance and State of the Council Report](#) in December 2021 outlining its performance for 2020/21, including details of the response to the COVID-19 pandemic. The Council publishes performance results via its [performance website](#).

Financial Indicators

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

2020/21 £000s / % / Days	Financial Indicator	2021/22 £000s / % / Days	Commentary
20.62%	Council Tax funding to overall level of taxation and non-specific grant funding	20.44%	Reflects the overall percentage of East Lothian Council funding from local taxation.
94.92%	In year Council Tax collection rate	96.33%	Reflects East Lothian Council's effectiveness in collecting Council Tax.
98.16%	In year NDR collection rate	99.23%	Reflects East Lothian Council's effectiveness in collecting NDR debt.
467,524	Capital Financing Requirement	511,227	The Council's underlying need to borrow.
(479,432)	External Debt Levels (Financial Liabilities per Note 27 to the financial statements)	(533,787)	The Council's actual levels of external debt and long term liabilities.
95.47%	Overall General Fund (excl HRA) actual net expenditure compared to planned, as a percentage of the original expenditure budget	99.47%	How closely expenditure compares to the set net expenditure budget for the year.
1.90%	Uncommitted General Fund balance as a % of next year's net expenditure budget before application of taxation based funding and use of reserves	0.91%	Reflects the amount of funding available to manage unplanned events.
718	Sundry debtors collection: Average number of days of debts	928	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 21 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
Supply/Cost of Materials and Labour	Very High	Regular contact with our suppliers who have contact with their suppliers. Also looking at alternative specifications with our suppliers for cladding etc. Updates from Scotland Excel. Prioritisation, Planning, Reporting and Monitoring. The Council is aiming to pre-order and provide enhanced stock management on certain materials where appropriate. Continue further engagement with Scottish Government, Government Agencies and Professional bodies.
Rising Energy Costs	Very High	Electricity, gas and oil is procured through Scottish Procurement. The rates for 2022/2023 will rise significantly however Scottish Procurement's purchasing strategy provided some protection throughout the volatility. The Council's Energy Transformation Board seeks to improve energy efficiency and energy supply from renewable sources reducing reliance on fossil fuels.
National Care Service	Very High	The council provided a detailed and comprehensive response to the Scottish Government's consultation on its proposals, outlining the concerns and risks involved in the creation of a National Care Service (report to Members Library, November 2021).The council is awaiting the publication of the Scottish Government's response to the consultation and publication of its proposal – probably in the form of a White Paper – and will provide a further detailed response highlighting any remaining concerns and risks. CMT will continue to monitor the development of the proposal and report as appropriate to the Council.
Information Security and Data Protection	Very High	Continue to follow advice and guidance from the National Cyber Security Centre, UK and Scottish Governments and Local Government Digital Office and react accordingly. 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.
Refugee / Asylum Schemes	Very High	Challenges include complexity and variation between a number of schemes, changing guidance, funding arrangements, scale and resourcing, consequential impacts on other services (eg education) and other aspects. Mitigation includes regular communication and co-ordination with partners, dedicated staff support, host details database established and cross-service co-operation. Future plans include further quantification of resource requirements, streamlining of processes, and development of a host families scheme for unaccompanied asylum seeking children.

Risk	Risk Level	Corporate Risk Summary Key Mitigation steps
Duty of Care to Public and Public Protection	High	The East and Midlothian Public Protection Committee (EMPPC) is the local strategic partnership responsible for the overview of policy and practice in relation to Adult Protection, Child Protection, Offender Management and Violence Against Women and Girls. The primary aim of the Committee is to provide leadership and strategic oversight of Public Protection activity and performance across East Lothian and Midlothian. It discharges its functions through four sub-groups.
Staffing Issues	High	Daily assessment of staffing capacity within services leading to resource challenges and essential redeployment of available resources to maintain frontline service delivery, reducing service provision when essential in non-statutory services. National easing of self-isolation requirements may mitigate pressures.
Climate Emergency	High	Annual reports to the Scottish Government, keeping track of the Council's progress to mitigate greenhouse gas emissions and adapt to climate change. The Council's Climate Change Strategy (2020-2025) and Action Plan to achieve net zero by 2045 at the latest. Annual reports to Cabinet.
BREXIT	High	ELC has appointed a Lead Officer to keep an oversight on EU Exit developments. There is still uncertainty regarding the long-term impact on the economy, financial markets, interest and exchange rates, construction, and other areas. ELC continues to monitor developments. Measures are currently in place to ensure Special Drawing Rights / De minimis levels are not exceeded by East Lothian Council. "EU-exit" planning is a standing item on the CMT agendas.
Managing the Financial Environment	High	The Council approves a Financial Strategy, Capital Strategy and Treasury Management Strategy which governs the financial planning for the organisation. The Financial Strategy contains an enhanced reserves strategy which sets out the current level of reserves and associated commitments, including a requirement to maintain a minimum level of uncommitted reserves to support any unforeseen event. The Council has well developed medium term financial planning arrangements, including three year general revenue budgets; five year capital plan budgets; five year Housing Revenue Account revenue and capital budgets.
Limitation (Childhood Abuse) (Scotland) Bill	High	Child Abuse Claims Group and SCAI Overview Group – East Lothian co-ordination of responses, reported strategically, managed flow and collaboration. Close monitoring of the work of the Scottish CAI itself and review of any published materials. Scotland-wide networking and information sharing on SCAI between authorities. Records Management Expertise allows us to respond effectively to SAR requests and information requests / provide evidence. Cross Lothian collaboration on Lothian Region period 1975 to 1996 (and predecessor authorities) re-records management etc. Accurate records post 1996 relating to East Lothian Council clients.
Flooding and Coastal Erosion	High	Flooding and drainage issues are considered when processing planning applications. Inspection regimes are in place. The Severe Weather Response Plan has been developed and ensures a co-ordinated and consistent multi-agency response across the county. Emergency surface water, coastal and river flood procedures in place and have proven effective. As part of a Flood Protection Scheme, studies and plans for prioritised actions have been undertaken.
COVID-19	High	Encouraging compliance with public health authorities' advice and reducing the impact/spread of misinformation. Scottish Government refreshed and published the COVID19 Strategic Framework for Scotland on 22 February 2022. A Critical Incident Response Team meets fortnightly oversees the Council's COVID-19 response. Services produce a Commonly Recognised Information Picture (CRIP) of local issues. A COVID and Concurrent Risks Oversight Group oversees the cross service COVID19 response, considering implications of the relaxation of measures on ongoing service response and responding to Scotland's Strategic Framework. A COVID19 Recovery and Renewal Coordination Group oversees planning for recovery and renewal across East Lothian.
IT & Digital Resilience	High	Challenges include spam and malware attacks, work from home staff reliance on broadband services, security of work from home arrangements, IT supply chain issues, and IT service desk capacity to support the increased IT reliance. Mitigation includes increased video platforms, adherence to NCSC & UK government security advice, IT infrastructure improvements, reminders to staff of IT policies, and call management monitoring. Future plans include improvement ELC offices wi-fi and replacement of the Council's main file storage system.

The Management Commentary is authorised
by:

Monica Patterson
Chief Executive

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 1 November 2022.

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 2022.

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 last review of corporate governance carried out in 2021 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. The Council's ELC values – Enabling, Leading and Caring – and the East Lothian Way behaviours have underpinned the Council and council staff response.

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. Lessons learned have been continually captured throughout the year with process improvements implemented. Recovery processes have continued to gather pace and the Council published a COVID 19 Recovery and Renewal Plan in 2021.

Governance arrangements are currently being reconsidered and developed following the Election of new Council members in 2022

and a Council Plan and Financial Strategy are being developed for 2022-2027.

The last Council governance self-evaluation review against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 which was carried out in 2021 did not identify any additional areas for further development and improvement. Importantly however the Council 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.

A refreshed self-evaluation process based on the Public Sector Improvement Framework (PSIF) is being rolled out across all services starting with a corporate self-evaluation involving the Council Management Team in autumn 2022. The results of this self-evaluation together with the Auditor's report on the Council's 2021/22 Annual Accounts and any recommendations from the COVID-19 structured de-brief and lessons learned exercise to be carried out in late June will be reflected in a new Council Improvement Plan for 2023-24.

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 response to the COVID pandemic and concurrent risks. Although due to resourcing constraints and increased workload it was identified in some areas that whilst all reasonable attempts to ensure that robust controls and governance arrangements remain in place, given enhanced prioritisation of critical activities, enhanced focus has been on these priority areas. In addition the Council is also reviewing its policies, procedures, systems in respect of Safeguarding and Child Protection in order to provide assurance that current processes and procedures remain in line with current best practice available. In addition implementation of new legislative requirements in full by deadlines set has not been achieved in two cases, being:

- The Homeless Persons (Unsuitable Accommodation) (Scotland) Order came into effect on 1 October 2021. Due to constrained resources a number of breaches have been noted during the year. An action plan has been prepared

and shared with the Scottish Housing regulator and the Scottish Government showing the steps the Council intends to take to eradicate the use of unsuitable accommodation.

- New legislation required all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council experienced high inaccessibility rates for installations and checks and is continuing to engage with tenants to gain access for staff to complete the required work.

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 all material respects with the 2018 CIPFA Audit Committees Practical Guidance for Local Authorities and Police.

All internal audit reports into service areas include recommendations, agreed actions and an implementation date. During 2020/21 areas identified with scope for improvement included the following:

- Payroll procedures are required to be refreshed and control processes consistently operated to continue to ensure accurate payments, the follow up completed in February 2022 demonstrated that a number of recommendations had not been able to be fully implemented although progress against all of the recommendations had been made and these will be followed through to conclusion;
- Transformation programme processes require to be updated to ensure they comply with best practice in programme and project management with all recommendations now having been implemented;
- Increased focus of resources on cybersecurity control measures are required to ensure continued mitigation of increased risks, this has been completed apart from 2 recommendations that are being monitored until completion; and
- 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, with all recommendations now having been implemented.

In addition to the above 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 2021/22 follow-up reports were submitted to the Audit and Governance Committee on Management actions taken in respect of Homecare Services, Direct Payments, Fostering & Kinship Care, EU Exit, Section 75 Developers Contributions, Treasury Management, Payroll and Housing Rents. The additional follow-up work highlighted that all recommendations had been implemented or had been superseded.

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 2022 meeting of the Audit and Governance Committee. For 2021/22, Internal Audit has concluded that subject to a number 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 2022. Those areas which have been identified with scope for improvement include:

- Control processes in place covering the Council partnership in East Lothian Mid-Market Homes LLP required significant improvement, although not substantially impacting on current positive outcomes for this partnership, recommendations have been agreed with management and substantial progress in implementing these recommendations has already been reported;
- The Council requires to complete development of both Digital Learning and IT strategies to maintain momentum on new opportunities presented by rapid developments during the Pandemic period as part of recovery, recommendations have been agreed with management to complete both of these strategies;
- Control processes for stock control for property maintenance impacted by resourcing issues and COVID factors require further focus to improve. Improved resourcing is being provided and system and process improvements already being developed with all recommendations having been agreed for implementation.
- Controls over purchasing and lower value procurement processes require systems improvement to allow for enhancement of the control processes as we enter the recovery phase, recommendations have been agreed to implement these improvements.

Plans are in place to review these areas and consider appropriate actions for improvement during 2022/23.

In addition to full audit reviews, assurance reports covering areas of significant current process change have been issued to the Audit and Governance Committee, in the following areas: Low Income Pandemic Payments, School Excursions, and the Digital Learning & Teaching Strategy.

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.

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. The FM Code sets out proposed standards of forward financial management for local authorities. Full compliance with the code was expected in 2021/22. The Council is able to confirm that, in all major regards, it conforms to the FM Code. A detailed evaluation has taken place of all elements of the FM Code and an action plan is being monitored by the Finance Management Team to ensure improved outcomes from the full implementation of the code, for which the key actions, to be implemented by March 2023 are:

- An enhanced budget and monitoring process, including development of the consultation process with stakeholders;
- Development of a longer a longer term revenue model using assumptions on

housing growth and related service pressures, to update capital and treasury strategies;

- Update to the reserves policy; and
- Ensure that an appropriate options appraisal process is in place.

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 2021/22 and that they remain fit for purpose.

Monica Patterson
Chief Executive

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 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, and Group 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 the notes to the group accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting

in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six 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 ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Risks of material misstatement

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

Responsibilities of the Executive Director for Council Resources and the 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 ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

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

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- 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.

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that

there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the

Local Government in Scotland Act 2003; and

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

Matters on which I 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 will be subject to audit by Audit Scotland.

- Senior Councillor Remuneration on page 40
- Pay Bandings information on page 41
- Senior Officer Remuneration on page 42
- Pension Benefits information for Senior Councillors and Officers on pages 44 to 47.

The other sections of the Remuneration Report will be 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, SSI No. 2020/26 and SSI No. 2021/18). The Regulations provide for the grading of councillors for the purposes of

remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors.

The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2021/22 the salary for the Leader of East Lothian Council is £31,010. 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 £188,377.

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 2020/21 £	Taxable Expenses 2020/21 £	Total 2020/21 £	Annualised Salary 2020/21 £	Name	Office Held as at 31 March 2021	Salary, Fees and Allowances 2021/22 £	Taxable Expenses 2021/22 £	Total 2021/22 £	Annualised Salary 2021/22 £
29,760	-	29,760	29,760	Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning (to 24/10/21)*	17,506	-	17,506	31,010
22,320	-	22,320	22,320	John McMillan	Provost and Cabinet Spokesperson for Economic Development & Transportation	23,257	-	23,257	25,257
22,320	-	22,320	22,320	Andy Forrest	Depute Provost and Acting Cabinet Spokesperson for Housing	23,257	-	23,257	23,257
22,320	-	22,320	22,320	Shamin Akhtar	Depute Leader and Cabinet Spokesperson for Health and Social Care (from 16/11/21) and Cabinet Spokesperson for Health and Social Care (to 15/11/21)	23,257	-	23,257	23,257
22,320	-	22,320	22,320	Jim Goodfellow	Cabinet Spokesperson for Housing and Community Wellbeing	23,257	-	23,257	23,257
20,061	-	20,061	-	Fiona O'Donnell	Cabinet Spokesperson for Health & Social Care	-	-	-	-
2,259	-	2,259	22,320	Fiona Dugdale	Cabinet Spokesperson for Education and Children's Services	23,257	-	23,257	23,257
23,320	-	23,320	22,320	Norman Hampshire	Leader of the Council and Cabinet Spokesperson for Environment (from 16/11/21) and Depute Leader and Cabinet Spokesperson for Environment (to 15/11/21)	27,164	-	27,164	31,010
-	-	-	-	Colin McGinn	Acting Cabinet Spokesperson for Community Wellbeing (from 22/2/22)	2,423	-	2,423	23,257
13,020	-	13,020	22,320	Lachlan Bruce	Leader of the Opposition (from 25/08/20)	23,257	-	23,257	23,257
9,300	-	9,300	-	Jane Henderson	Leader of the Opposition (to 24/08/20)	-	-	-	-
187,000	-	187,000	186,000	Total		186,635	-	186,635	226,819

* Councillor Willie Innes, East Lothian Council Leader, sadly passed away on Sunday 24 October 2021 following a long illness.

Total Councillors' Remuneration

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

The annual return of councillors' salaries and expenses for 2021/22 is available to view from the [Councillors' Allowances and Expenses webpage](#).

2020/21 £	Type of Councillors' Remuneration	2021/22 £
435,955	Salaries	447,803
1,000	Allowances	1,000
5,769	Expenses	5,926
442,724	Total	454,729

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.

2020/21	Officers' Salary Brackets	2021/22
88	£50,000 - £54,999	81
57	£55,000 - £59,999	68
29	£60,000 - £64,999	32
18	£65,000 - £69,999	22
6	£70,000 - £74,999	6
1	£75,000 - £79,999	1
5	£80,000 - £84,999	5
2	£85,000 - £89,999	-
5	£90,000 - £94,999	5
3	£95,000 - £99,999	2
1	£100,000 - £104,999	1
-	£105,000 - £109,999	2
-	£110,000 - £114,999	-
1	£115,000 - £119,999	-
-	£120,000 - £124,999	1
216	Total	226

During 2021/22 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
2020/21	2020/21	2020/21			2021/22	2021/22	2021/22
£	£	£			£	£	£
118,971	-	118,971	Monica Patterson	Chief Executive	127,397	-	127,397
104,529	-	104,529	Alex McCrorie	Depute Chief Executive-Resources & People Services (to 21/3/21)	-	-	-
97,956	-	97,956	Jim Lamond	Executive Director - Council Resources (to 31/7/21)	38,809	-	38,809
97,956	-	97,956	Douglas Proudfoot	Executive Director - Place	108,706	-	108,706
85,238	-	85,238	Sarah Fortune	Executive Director - Council Resources (from 16/8/21) and Head of Finance (to 15/08/21)	103,668	-	103,668
95,391	-	95,391	Lesley Brown	Executive Director - Education & Children's Services	108,416	-	108,416
93,932	-	93,932	Thomas Reid	Head of Infrastructure	95,221	-	95,221
93,932	-	93,932	Sharon Saunders	Head of Communities & Partnerships	95,221	-	95,221
92,257	-	92,257	Iain Gorman	Head of Operations Post 100% funded by NHS Lothian	94,931	-	94,931
-	-	-	Morag Ferguson	Head of Corporate Support (from 21/6/21)	73,970	-	73,970
-	-	-	Ellie Dunnet	Head of Finance (from 31/01/22)	16,043	-	16,043
87,803	-	87,803	Judith Tait	Head of Children's Services	94,931	-	94,931
-	-	-	Nicola McDowell	Head of Education (from 14/6/21)	75,522	-	75,522
-	-	-	Michaela Sullivan	Head of Development (from 12/4/21)	91,837	-	91,837
-	-	-	Wendy McGuire	Head of Housing (from 12/4/21)	88,403	-	88,403
967,965	-	967,965	Total		1,213,075	-	1,213,075

Note: A number of responsibility changes and positions arising from a Directorate restructuring which occurred in 2020/21 are reflected in the posts shown above for the 2021/22 financial year.

The salary, fees and allowances for senior officers include any payments made in respect of election roles. During 2021/22, all Heads of Service were paid £94,732 (full time equivalent) and all Executive Directors £108,217 (full time equivalent).

Following the recent formal review of the Chief Officer structure the role of Chief Operating Officer has been removed in order

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.

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

The management of Musselburgh Racecourse has transferred to a new company, Musselburgh Racecourse Ltd (MRL). The arrangement is contractual in nature and MRL is not controlled by East Lothian Council as a subsidiary. There is

During 2021/22 the Council paid £65,812 (including on-costs) as our shared cost of this post. Alison MacDonald will be leaving this post mid June 2022. Fiona Wilson has been appointed Chief Officer of East Lothian Health and Social Care Partnership.

therefore no relevant remuneration disclosure for 2021/22.

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

2020/21				Name	Post Title	2021/22			
Salary	Expenses & Allowances	Non-Cash Benefits	Total			Salary	Expenses & Allowances	Non-Cash Benefits	Total
£	£	£	£			£	£	£	£
27,719	-	4,004	31,723	William Farnsworth	General Manager Musselburgh Racecourse (to 23/6/20)	-	-	-	-

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.

2020/21			2021/22		
Range	Rate	Whole Time Pay	Range	Rate	
£			£		
22,852	5.50%	On earnings up to and including	22,955	5.50%	
22,853 - 27,443	5.60% - 5.80%	On earnings above	22,956 - 27,603	5.60% - 5.80%	
27,444 - 37,262	5.90% - 6.50%	On earnings above	27,604 - 37,474	5.90% - 6.50%	
37,263 - 50,306	6.60% - 7.30%	On earnings above	37,475 - 50,602	6.60% - 7.30%	
50,307	7.40% - 11.20%	On earnings above	50,603	7.40% - 11.20%	

Pension Benefits - Senior Councillors

The estimated pension entitlements for Senior Councillors for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council during the year.

Name	Office Held as at 31 March 2022	Pension Contributions		Accrued Pension Benefits			
		For Year to 31 March 2021 £	For Year to 31 March 2022 £	As at 31 March 2022		Difference from 31 March 2021	
				Pension £000s	Lump Sum £000s	Pension £000s	Lump Sum £000s
Willie Innes	Leader of the Council and Cabinet Spokesperson for Community Planning (to 24/10/21)	6,758	3,956	8	2	-	-
Norman Hampshire	Leader of the Council and Cabinet Spokesperson for Environment (from 16/11/21) and Deputy Leader and Cabinet Spokesperson for Environment (to 15/11/21)	5,317	6,054	7	2	1	-
John McMillan	Provost and Cabinet Spokesperson for Economic Development and Transportation	5,089	5,256	5	-	1	-
Andy Forrest	Deputy Provost and Acting Cabinet Spokesperson for Housing	5,089	5,256	6	2	1	0
Shamin Akhtar	Deputy Leader and Cabinet Spokesperson for Health and Social Care (from 16/11/21) and Cabinet Spokesperson for Health and Social Care (to 15/11/21)	5,089	5,256	5	-	1	-
Jim Goodfellow	Cabinet Spokesperson for Housing & Community Wellbeing	5,089	5,256	4	-	-	-
Fiona O'Donnell	Cabinet Spokesperson for Health & Social Care (to 22/2/21)	4,986	-	-	-	-	-
Fiona Dugdale	Cabinet Spokesperson for Education and Children's Services	4,174	5,256	2	-	1	-
Lachlan Bruce	Leader of the Opposition	4,684	5,256	2	-	1	-
Jane Henderson	Leader of the Opposition (to 24/8/20)	4,476	-	-	-	-	-
Colin McGinn*	Acting Cabinet Spokesperson for Community Wellbeing (from 22/2/22)	-	548	2	-	n/a	n/a
Total		50,751	42,094	41	6	6	0

* Pension benefits include previous service prior to 22nd February 2022

Pension Benefits - Senior Employees

The estimated pension entitlements for senior employees for the year to 31 March 2022 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 2021	For Year to 31 March 2022	As at 31 March 2022		Difference from 31 March 2021	
		£	£	Pension £000s	Lump Sum £000s	Pension £000s	Lump Sum £000s
Monica Patterson	Chief Executive	26,868	27,962	68	123	4	6
Monica Patterson	Returning officer	-	830	-	-	-	-
Lesley Brown	Executive Director - Education & Children's Services	21,597	24,502	7	-	2	-
Jim Lamond	Executive Director - Council Resources (to 31/7/21)	22,185	8,197	51	87	3	7
Douglas Proudfoot	Executive Director - Place	22,185	24,502	49	89	5	5
Sarah Fortune	Executive Director - Council Resources (from 16/8/21) and Head of Finance (to 15/08/21)	19,297	23,363	27	18	5	3
Morag Ferguson*	Head of Corporate Support (from 16/6/21)	-	16,652	-	-	-	-
Thomas Reid	Head of Infrastructure	21,417	21,455	37	51	2	1
Sharon Saunders	Head of Communities & Partnerships	21,417	21,455	44	63	2	-
Iain Gorman	Head of Operations	21,035	21,455	5	-	-	-
Nicola McDowell	Head of Education (from 14/6/21)	-	17,068	14	-	-	-
Ellie Dunnet *	Head of Finance (from 31/1/22)	-	3,626	-	-	-	-
Michaela Sullivan*	Head of Development (from 12/4/21)	-	20,755	-	-	-	-
Wendy McGuire	Head of Housing (from 12/4/21)	-	19,979	31	41	-	-
Judith Tait	Head of Children's Services	19,886	21,455	5	-	-	-
Total		195,887	273,256	338	472	23	22

* - Less than two 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 2020/21					Exit Packages 2021/22				
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	
-	1	1	14	£0 - £20,000	-	-	-	-	-
-	1	1	23	£20,001 - £40,000	-	-	-	-	-
-	-	-	-	£40,001 - £60,000	1	-	1	52	-
-	-	-	-	£60,001 - £80,000	-	-	-	-	-
-	-	-	-	£80,001 - £100,000	-	-	-	-	-
-	-	-	-	£100,001 - £150,000	1	-	1	108	-
-	2	2	37	Total	2	-	2	160	-

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 2021/22, with comparative figures for 2020/21.

Trade Union Facility Time

Since April 2017, the Council is 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

2020/21		Percentage of pay bill spent on facility time	2021/22	
Non-Education Staff	Education Staff		Non-Education Staff	Education Staff
£83,803	£37,558	Total cost of facility time	£86,119	£38,263
£99,512,888	£61,331,603	Total pay bill	£108,392,058	£64,145,155
0.08%	0.06%	Percentage of the total pay bill spent on facility time	0.08%	0.06%

Monica Patterson
Chief Executive

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 2022	General Fund Balance £000s	Capital Grants & Receipts Unapplied £000s	Capital Fund £000s	Insurance Fund £000s	Housing Revenue Account £000s	Total Usable Reserves (Note 32) £000s	Unusable Reserves (Note 33) £000s	Total Authority Reserves £000s	Group Usable Reserves £000s	Group Unusable Reserves £000s	Unusable: Minority Interests £000s	Total Group Reserves £000s
Balance at 31 March 2021	(28,328)	(245)	(2,201)	(2,306)	(2,009)	(35,089)	(386,720)	(421,809)	(57,244)	(392,333)	-	(449,577)
Opening Balances Adjustments	-	-	-	-	-	-	-	-	153	(206)	(50)	(103)
Restated Opening Balance	(28,328)	(245)	(2,201)	(2,306)	(2,009)	(35,089)	(386,720)	(421,809)	(57,091)	(392,539)	(50)	(449,680)
Total Comprehensive Expenditure and Income	27,447	-	-	-	(2,740)	24,707	(155,533)	(130,826)	16,325	(157,544)	(134)	(141,353)
Depreciation charged to the Revaluation Reserve	(13,029)	-	-	-	(2,281)	(15,310)	15,310	-	(15,543)	15,543	-	-
Adjustments Between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 9)	(15,908)	-	(652)	-	3,532	(13,028)	13,028	-	(13,142)	13,142	-	-
Transfers to/from Other Statutory Reserves (Note 32)	133	245	(1,750)	(378)	1,750	-	-	-	-	-	-	-
(Increase)/Decrease in Year	(1,357)	245	(2,402)	(378)	261	(3,631)	(127,195)	(130,826)	(12,360)	(128,859)	(134)	(141,353)
Balance at 31 March 2022 Carried Forward	(29,685)	-	(4,603)	(2,684)	(1,748)	(38,720)	(513,915)	(552,635)	(69,451)	(521,398)	(184)	(591,033)

Movement in Reserves Statement For the Year Ended 31 March 2021	General Fund Balance	Capital Grants & Receipts Unapplied	Capital Receipts Reserve	Insurance Fund	Housing Revenue Account	Total Usable Reserves Note 32)	Unusable Reserves (Note33)	Total Authority Reserves	Group Usable Reserves	Group Unusable Reserves	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£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 9)	14,266	-	(1,488)	-	(6,729)	6,049	(6,049)	-	6,609	(6,609)	-
Transfers to/from Other Statutory Reserves (Note 32)	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)

Opening Balances Adjustments in 2021/22 relate to changes in the extent of control of associates; the recognition of previously insignificant minority interests, and where the final audited accounts of group entities differed from the information available in closing the previous year's Group accounts.

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

Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement (CIES) shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from taxation (or rents). Authorities raise taxation to cover expenditure in accordance with statute and regulations; this may be different from accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (EFA) and the MiRS.

2020/21 Restated			2020/21 Restated	Comprehensive Income and Expenditure Statement	2021/22			2021/22
Gross Spend	Gross Income	Net Spend	Group Net Spend		Gross Spend	Gross Income	Net Spend	Group Net Spend
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
148,705	(11,318)	137,387	137,436	Education & Children's Services	170,081	(4,272)	165,809	165,809
121,286	(66,069)	55,217	55,217	Health & Social Care Partnership	129,384	(65,743)	63,641	63,641
75,536	(18,060)	57,476	57,153	Place	90,441	(17,549)	72,892	71,668
14,892	(2,105)	12,787	12,787	Council Resources	17,853	(2,514)	15,339	15,361
17,933	(34,160)	(16,227)	(16,227)	Corporate Management	16,444	(35,180)	(18,736)	(18,736)
45,389	(36,471)	8,918	8,918	HRA	38,436	(36,193)	2,243	2,243
423,741	(168,183)	255,558	255,284	Cost of Services (Note 6)	462,639	(161,451)	301,188	299,986
				Other Income & Expenditure				
	(856)		(856)	Other Operating Expenditure (Income) (Note 5)			(479)	(833)
	19,551		18,026	Financing & Investment (Note 5)			20,627	20,011
	(284,188)		(284,188)	Taxation and Non Specific Grant Income (Note 10)			(296,629)	(296,629)
	-		(3,159)	Share of the Surplus (or Deficit) on the Provision of Services by Associates (Note G2)			-	(4,820)
	(9,935)		(14,893)	(Surplus) Deficit on Provision of Services (Note 8)			24,707	17,715
	(74,309)		(74,876)	(Surplus)/Deficit on Revaluation of Non-Current Assets (Note 14)			(30,507)	(31,117)
	3,799		3,799	Impairment losses on assets charged to the revaluation reserve (Note 14)			318	319
	1,845		1,838	(Surplus)/Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income (Note 23)			(1,862)	(1,869)
	36,576		36,576	Actuarial (Gain) or Loss on Pension Assets/Liabilities (Note 31)			(123,482)	(123,482)
	-		387	Share of Other Comprehensive Income and Expenditure of Associates (Note G2)			-	(2,919)
	(32,089)		(32,276)	Other Comprehensive (Income) and Expenditure			(155,533)	(159,068)
	(42,024)		(47,169)	Total Comprehensive (Income) and Expenditure			(130,826)	(141,353)

The Management Commentary includes an explanation of key elements affecting the Council's financial performance for the year. The CIES also 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.

2020/21 £000s	Reconciliation of the Council Surplus / Deficit to the Group Surplus / Deficit	2021/22 £000s
(9,935)	Deficit for the Year on Authority Comprehensive Income & Expenditure Account	24,707
(3,159)	Associates	(4,820)
(1,799)	Subsidiaries	(2,172)
(14,893)	(Surplus) / Deficit for the Year on the Group Income & Expenditure Account	17,715

Restatement of 2020/21 CIES Presentation

Restatement of 2020/21 figures relate to the Council's restructuring of directorate groupings for internal reporting purposes. The CIES reflects the new directorates on a comparable basis for both years

Group Balance Sheet

The Balance Sheet shows the value as at 31 March 2022 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 unaudited accounts were submitted for audit on 30 June 2022, and the audited accounts were authorised for issue on 1 November 2022.

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

31 March 2021 Authority £000s	31 March 2021 Group £000s	Balance Sheet	Note	31 March 2022 Authority £000s	31 March 2022 Group £000s
1,043,082	1,052,299	Property, Plant & Equipment	14	1,114,724	1,124,736
1,146	1,146	Intangible Assets	16	909	909
1,042	1,052	Heritage Assets	17	1,113	1,123
3,184	9,924	Long Term Investments	23	5,046	11,956
-	4,701	Investments in Associates	23	-	12,439
9,202	9,366	Long Term Debtors	24	8,688	8,826
1,057,656	1,078,488	Long Term Assets		1,130,480	1,159,989
575	575	Assets Held for Sale	18	493	493
959	959	Inventories	25	691	691
26,926	26,921	Short Term Debtors	26	27,190	27,647
32,853	33,478	Cash and Cash Equivalents		53,499	54,207
61,313	61,933	Current Assets		81,873	83,038
(32,306)	(32,306)	Short Term Borrowing	27	(14,752)	(14,752)
(48,544)	(42,763)	Short Term Creditors	28	(60,188)	(52,956)
-	-	Short Term Provisions	29	(350)	(350)
(16,407)	(16,407)	Capital Grants Receipts in Advance	35	(17,980)	(17,980)
(97,257)	(91,476)	Current Liabilities		(93,270)	(86,038)
(920)	(920)	Provisions	29	(625)	(625)
(345,822)	(345,743)	Long Term Borrowing	27	(412,553)	(412,633)
(57,107)	(56,651)	Other Long Term Liabilities	30	(54,476)	(53,904)
(196,054)	(196,054)	Pension Liability	31	(98,794)	(98,794)
(599,903)	(599,368)	Long Term Liabilities		(566,448)	(565,956)
421,809	449,577	Net Assets		552,635	591,033
(35,089)	(57,244)	Usable Reserves	32	(38,720)	(69,451)
(386,720)	(392,333)	Unusable Reserves	33	(513,915)	(521,582)
(421,809)	(449,577)	Total Reserves		(552,635)	(591,033)

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.

2020/21 Authority £000s restated	2020/21 Group £000s	Cash Flow Statement	Note	2021/22 Authority £000s	2021/22 Group £000s
Operating Activities					
(9,935)	(14,893)	Net (Surplus) Deficit on the Provision of Services		24,707	17,715
(51,399)	(46,719)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	37	(91,367)	(84,458)
30,559	30,559	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	38	36,746	36,746
(30,775)	(31,053)	Net Cash Flows from Operating Activities		(29,914)	(29,997)
Investing Activities					
55,630	55,915	Purchase of Property, Plant and Equipment		92,931	92,931
(34,261)	(34,262)	Other Receipts from Investing Activities		(34,945)	(34,945)
(1,488)	(1,488)	Proceeds from the Sale of Property, Plant and Equipment		(1,077)	(1,077)
19,881	20,165	Net Cash Flows from Investing Activities		56,909	56,909
Financing Activities					
(10,000)	(10,000)	Cash Receipts of Short and Long Term Borrowing		(80,000)	(80,000)
1,545	1,545	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Lease and On-Balance Sheet PFI Contracts		1,571	1,571
17,282	17,282	Repayments of Short and Long Term Borrowing		30,788	30,788
8,827	8,827	Net Cash Flows from Financing Activities		(47,641)	(47,641)
(2,067)	(2,061)	Net (Increase) or Decrease in Cash and Cash Equivalents		(20,646)	(20,729)
Reconciliation of Opening and Closing Cash and Cash Equivalents					
30,786	31,417	Cash and Cash Equivalents at the Beginning of the Reporting Period		32,853	33,478
2,067	2,061	Net Increase or (Decrease) in Cash and Cash Equivalents		20,646	20,729
32,853	33,478	Cash and Cash Equivalents at the End of the Reporting Period		53,499	54,207

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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 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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* has been deferred to 2024/25. Implementation will require more lease arrangements to be recognised as assets on the balance, with associated payments liabilities also presented.

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, and group arrangements.
- 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 funding is excluded from the Comprehensive Income and Expenditure Statement.
- Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and are included on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. In the event that this requires further asset transfers, for example if the Council ceases use of the buildings, the necessary adjustments will be enacted when an agreement is reached.
- The Private Finance Initiative (PFI) contract for the refurbishment and facilities management of six secondary schools is treated by recognising assets and liabilities on the authority's Balance Sheet. This is because the authority considers that it has the majority of the risks and rewards of ownership.

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 2022, 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 longer-term implications of COVID-19 will depend on a variety of factors and will directly affect Council operations as well as the wider economy. Consequently COVID-19 may continue to affect the collectability of monies owing to the Council as at 31 March 2022, 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 reflected this uncertainty in its assumptions regarding the collection of some debts.	If evidence during 2022/23 contradicts the assumptions there is the potential for significant change – most particularly to require additional impairment of debtors. (See Notes 24 and 26.)
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements including the discount rate used, the rate of projected salary increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied. The actual figure has proved to be variable over time and more detail regarding this has been referred to in Note 31. The Pensions Reserve balance at 31 March 2022 is £98.794 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 31.)
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 2022 is £1,114.724 million with depreciation charges for 2021/22 of £44.879 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 Notes 14 and 15.)
Arrears	At 31 March 2022 the authority had balances of £12.759 million relating to Council Tax debt and £2.358 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 26.)

Note 5 Other Income and Expenditure Items

Included within the Comprehensive Income and Expenditure Statement:

2020/21 Net Spend £000s	2020/21 Group Net Spend £000s	Other Income and Expenditure Items in the CIES	2021/22 Net Spend £000s	2021/22 Group Net Spend £000s
(856)	(856)	(Gain)/Losses on the Disposal and De-recognition of Non-Current Assets	(479)	(833)
(856)	(856)	Total Other Operating Expenditure	(479)	(833)
16,173	16,171	Interest Payable and Similar Charges	15,194	15,188
(361)	(527)	Interest Receivable and Similar Income	(326)	(496)
-	175	(Gains)/Losses on sale of investments	-	(350)
-	(1,532)	Changes in fair value of financial instruments held at Fair Value through Profit or Loss	-	(90)
261	261	Financial Instrument Impairments	1,621	1,621
3,478	3,478	Interest Expense of Pension Defined Benefit Obligation	4,138	4,138
19,551	18,026	Total Financing & Investments	20,627	20,011

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.

2020/21 Restated				2021/22			
Expenditure Chargeable to Usable Reserves	Adjustments between Funding & Accounting Basis (EFA Note 1)	Net Expenditure in CIES	Expenditure and Funding Analysis	Expenditure Chargeable to Usable Reserves	Adjustments between Funding & Accounting Basis (EFA Note 1)	Net Expenditure in CIES	
£000s	£000s	£000s		£000s	£000s	£000s	
GF and HRA combined				GF and HRA combined			
127,363	10,024	137,387	Education & Children's Services	138,577	27,232	165,809	
55,404	(187)	55,217	Health & Social Care Partnership	59,328	4,313	63,641	
44,929	12,547	57,476	Place	49,182	23,710	72,892	
10,895	1,892	12,787	Council Resources	11,793	3,546	15,339	
(6,058)	(10,169)	(16,227)	Corporate Management	(12,073)	(6,663)	(18,736)	
(6,196)	15,114	8,918	HRA	(7,395)	9,638	2,243	
226,337	29,221	255,558	Net Cost of Service	239,412	61,776	301,188	
(238,808)	(26,685)	(265,493)	Other Income & Expenditure	(242,391)	(34,090)	(276,481)	
(12,471)	2,536	(9,935)	(Surplus)/Deficit on Provision of Services	(2,979)	27,686	24,707	

GF	HRA	Combined		GF	HRA	Combined
(16,154)	(2,009)	(18,163)	Opening Fund Balance	(28,328)	(2,009)	(30,337)
(12,471)	-	(12,471)	(Surplus)/Deficit for year chargeable to General Fund and HRA	(1,490)	(1,489)	(2,979)
297	-	297	Transfer to/from Other Statutory Reserves	133	1,750	1,883
(28,328)	(2,009)	(30,337)	Closing Fund Balances	(29,685)	(1,748)	(31,433)

Restatement of 2020/21 figures relate to the Council's restructuring of directorate groupings for internal reporting purposes. The Expenditure and Funding Analysis, and supporting tables, reflect the new directorates on a comparable basis for both years.

EFA Note 1 – Adjustments between accounting and funding basis

2020/21 Restated					2021/22					
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		£000s	£000s	£000s	£000s	£000s
3,110	2,331	777	3,806	10,024	Education & Children's Services	11,649	5,816	(315)	10,082	27,232
(1,876)	1,501	-	188	(187)	Health & Social Care Partnership	516	3,547	-	250	4,313
5,165	4,099	-	3,283	12,547	Place	11,611	9,402	-	2,697	23,710
555	1,148	-	189	1,892	Council Resources	895	2,651	-	-	3,546
(10,170)	1	-	-	(10,169)	Corporate Management	(6,801)	138	-	-	(6,663)
12,295	212	-	2,607	15,114	HRA	6,827	530	-	2,281	9,638
9,079	9,292	777	10,073	29,221	Net Cost of Service	24,697	22,084	(315)	15,310	61,776
(29,892)	3,478	(271)	-	(26,685)	Other Income & Expenditure	(37,958)	4,138	(270)	-	(34,090)
(20,813)	12,770	506	10,073	2,536	Difference between (surplus) deficit charged to fund balances and Comprehensive Income and Expenditure Statement (Surplus) Deficit	(13,261)	26,222	(585)	15,310	27,686

EFA Note 2 - Adjustments for capital purposes

There are various changes relating to capital assets, such as:

- Adding back depreciation, impairment and revaluation gains and losses that are charged to the cost of service.
- Adjusting the capital disposals and de-recognitions with a transfer of income on disposal of assets and the amounts written off for those assets.
- The statutory charges for capital financing, i.e. loans fund principal repayments and other revenue contributions, are deducted from

other income and expenditure, as these are not chargeable under generally accepted accounting practices.

- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in year.

EFA Note 3 - Net change for pension adjustment

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

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

EFA Note 4 - Other Statutory differences

Other statutory differences include:

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

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

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

EFA Note 5 – Depreciation charged to the Revaluation Reserve

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

Note 7 Income and Expenditure Including Internal Recharges

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

The income and expenditure for each service, inclusive of internal recharges, are shown below. Restatement of 2020/21 figures relate to the Council's restructuring of directorate groupings for internal reporting purposes. The table reflects the new directorates on a comparable basis for both years.

2020/21 Restated			Income and Expenditure for Each Service, Inclusive of Internal Recharges	2021/22		
Gross Spend £000s	Gross Income £000s	Net Spend £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s
227,691	(90,304)	137,387	Education & Children's Services	254,217	(88,408)	165,809
127,732	(72,515)	55,217	Health & Social Care Partnership	135,812	(72,171)	63,641
97,483	(40,007)	57,476	Place	112,629	(39,737)	72,892
19,082	(6,295)	12,787	Council Resources	22,543	(7,204)	15,339
20,946	(37,173)	(16,227)	Corporate Management	19,691	(38,427)	(18,736)
45,922	(37,004)	8,918	HRA	39,036	(36,793)	2,243
538,856	(283,298)	255,558	Cost of Services	583,928	(282,740)	301,188

Note 8 Expenditure and Income Analysed by Segment and Nature

The Council is required to analyse the relevant service segments in the EFA on the basis of the organisational structure adopted. Reportable operating segments are based on the Council's internal management reporting used to assess service performance when considering the allocation of financial resources. The authority's expenditure and income is analysed as follows.

Expenditure and Income Analysed by Segment and Nature 2021/22	Education & Children's Services £000s	Health & Social Care Partnership £000s	Place £000s	Council Resources £000s	Corporate Management £000s	HRA £000s	Costs not included in a service £000s	Total £000s
Expenditure								
Employee Benefits Expenses	99,165	21,875	58,472	15,889	371	3,188	-	198,960
Other Service Expenses	43,834	52,924	28,700	5,339	19,077	8,963	-	158,837
Depreciation, Amortisation & Impairment	19,425	769	13,434	895	-	11,529	-	46,052
Reallocation of Internal Costs	5,204	993	(7,984)	(3,794)	(3,004)	8,586	-	1
Reallocation of Costs to Capital	-	-	(3,139)	(476)	-	(197)	-	(3,812)
Asset Revaluation Losses	2,453	-	958	-	-	6,367	-	9,778
Interest Payments	-	-	-	-	-	-	20,953	20,953
Contribution to IJB	-	52,823	-	-	-	-	-	52,823
Total Expenditure	170,081	129,384	90,441	17,853	16,444	38,436	20,953	483,592
Income								
Fees, Charges and Other Service Income	(1,261)	(11,382)	(13,401)	(1,989)	(287)	(34,324)	-	(62,644)
Asset revaluation gains	(148)	(2)	(84)	-	-	(1,869)	-	(2,103)
Interest and Investment Income	-	-	-	-	-	-	(326)	(326)
Gain on Disposal of Assets	-	-	-	-	-	-	(479)	(479)
Income from Council Tax and Non-Domestic Rates	-	-	-	-	-	-	(82,588)	(82,588)
Contributions from IJB	-	(52,823)	-	-	-	-	-	(52,823)
Government Grants and Contributions	(2,863)	(1,536)	(4,064)	(525)	(34,893)	-	(214,041)	(257,922)
Total Income	(4,272)	(65,743)	(17,549)	(2,514)	(35,180)	(36,193)	(297,434)	(458,885)
Deficit on the Provision of Services								24,707

Prior year's expenditure and income by segment and nature is analysed as follows. Restatement of 2020/21 figures relate to the Council's restructuring of directorate groupings for internal reporting purposes. The table reflects the 2020/21 data on a comparable basis to the 2021/22 table.

Expenditure and Income Analysed by Segment and Nature (Restated) 2020/21	Education & Children's Services £000s	Health & Social Care Partnership £000s	Place £000s	Council Resources £000s	Corporate Management £000s	HRA £000s	Costs not included in a service £000s	Total £000s
Expenditure								
Employee Benefits Expenses	89,742	18,349	50,147	13,426	416	2,602	-	174,682
Other Service Expenses	39,966	52,594	25,880	4,481	20,480	11,357	-	154,758
Depreciation, Amortisation and Impairment	14,030	645	11,278	744	-	22,182	-	48,879
Reallocation of Internal Costs	4,967	746	(8,869)	(3,363)	(2,963)	9,482	-	-
Reallocation of Costs to Capital	-	-	(2,900)	(396)	-	(234)	-	(3,530)
Interest Payments	-	-	-	-	-	-	19,912	19,912
Contribution to IJB	-	48,952	-	-	-	-	-	48,952
Total Expenditure	148,705	121,286	75,536	14,892	17,933	45,389	19,912	443,653
Income								
Fees, Charges and Other Service Income	(1,344)	(13,464)	(10,548)	(1,570)	(133)	(36,471)	-	(63,530)
Asset Revaluation Gains	(7,113)	(2,333)	(2,830)	-	-	-	-	(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	(2,861)	(1,320)	(4,682)	(535)	(34,027)	-	(207,329)	(250,754)
Total Income	(11,318)	(66,069)	(18,060)	(2,105)	(34,160)	(36,471)	(285,405)	(453,588)
(Surplus) on the Provision of Services								(9,935)

Note 9 Adjustments between Accounting and Funding Basis under Regulations

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

2020/21			Adjustments between Accounting and Funding Basis under Regulations	2021/22		
General Fund Balance	Housing Revenue Account	Movement in Usable Reserves		General Fund Balance	Housing Revenue Account	Movement in Usable Reserves
£000s	£000s	£000s		£000s	£000s	£000s
Adjustments Primarily Involving the Capital Adjustment Account						
Reversal of Items Debited or Credited to the CIES:						
(18,293)	(9,155)	(27,448)	Charges for Depreciation and Amortisation of Non-Current Assets	(20,600)	(9,224)	(29,824)
(938)	(10,420)	(11,358)	Impairment Losses on Property, Plant and Equipment	(895)	(25)	(920)
12,276	-	12,276	Revaluation Gains (Losses) on Property, Plant and Equipment in SDPS	(3,176)	(4,498)	(7,674)
23,206	5,865	29,071	Capital Grant and Contributions Applied	26,411	9,258	35,669
850	7	857	Derecognition of non-current assets	500	(20)	480
(34)	-	(34)	Expected credit loss of assets funded from capital sources under statute	60	-	60
Statutory Repayment of Debt:						
1,484	-	1,484	Statutory repayment of debt: PPP	1,508	-	1,508
61	-	61	Statutory repayment of debt: Finance Leases	63	-	63
8,329	4,054	12,383	Statutory repayment of debt: Loans Fund	4,696	4,406	9,102
Funding of Capital Expenditure Incurred in the Year						
295	3,226	3,521	Capital Expenditure Charged Against the General Fund and HRA balances	533	4,264	4,797
Adjustments Primarily Involving the Employee Statutory Adjustment Account:						
(777)	-	(777)	Employee Statutory Adjustments: Accumulated Annual Leave	315	-	315
Adjustments Primarily Involving the Financial Instruments Adjustment Account:						
256	-	256	Charge of deferred premiums from the refinancing of debt	256	-	256
15	-	15	Charge for interest rate adjustments related to stepped interest rate borrowing	14	-	14
Adjustments Primarily Involving the Pensions Reserve:						
(29,791)	(786)	(30,577)	Net Retirement Benefits per IAS 19	(44,545)	(1,087)	(45,632)
17,327	480	17,807	Employer's Contributions Payable to the Lothian Pension Fund	18,952	458	19,410
14,266	(6,729)	7,537	Total Adjustments to General Fund and HRA Balance	(15,908)	3,532	(12,376)
		(1,488)	Adjustments to the Capital Receipts Reserve			(652)
		6,049	Total Statutory Adjustments affecting Usable Reserves			(13,028)

Note 10 Taxation and Non-Specific Grant Income

Grant income can take many forms: paid on account; by instalments or in arrears; government grants or third party contributions and donations. This is recognised as due to East Lothian Council when there is an assurance that the authority has complied with the necessary conditions attached to these payments. East Lothian Council credited the following to taxation and non-specific grant income in the CIES.

2020/21 £000s	Taxation and Non-Specific Grant Income	2021/22 £000s
(58,585)	Council Tax	(60,645)
(18,274)	Non Domestic Rates	(21,943)
(178,258)	Non Ring-fenced Government Grants	(176,622)
(29,071)	Capital Grants and Contributions	(37,419)
(284,188)	Total	(296,629)

Note 11 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.

2020/21 £000s	Agency Income and Expenditure	2021/22 £000s
19,249	Scottish Water Income Collected	20,852
27,575	COVID-19: Business Grants	8,803
864	COVID-19: Other Grants	4,216
462	Salary sacrifice schemes	561
48,150	Total	34,432

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

2020/21 £000s	COVID-19 Grants Distributed for Scottish Government	2021/22 £000s
8,623	Strategic Framework Business Grants	6,470
	- Hospitality and Leisure Funding	1,264
210	Taxi Driver Support	558
	- Route Map Extension Restrictions Fund	223
102	Small Accommodation Providers	153
	- Public House Table Service Restrictions Fund	93
	- Scottish Brewers Support Fund	35
45	Soft Play Closure Fund	7
17,624	Business Grants	-
375	Business Closure Fund	-
228	Newly Self Employed Help Fund	-
114	Tourism Large Self-Catering	-
107	Furlough Support Fund	-
90	Contingency Fund Plus	-
57	Discretionary Business Hardship Fund	-
27,575	Sub-total: Business Grants	8,803
	- Scottish Child Payment Bridging/ Family Pandemic Payments	1,105
	- £500 Payments to Social Care Workers & Providers	998
	- Low Income Pandemic Payments	950
70	Self Isolation Fund Support	930
330	Support for Early Learning & Childcare Providers	204
61	Fuel Poverty and Hardship Support	29
403	Hardship Payments Grants	-
864	Sub-total: Other Grants	4,216
28,439	Total	13,019

Note 12 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 2021/22 the audit fee was £258,700 (2020/21: £253,490). No fees were payable in respect of other services provided by the appointed auditor.

Note 13 Related Parties

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

Government – Including UK and Scottish Government

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

Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in the Remuneration Report.

East Lothian Council approved total Grants of £3.724 million which in 2021/22 is made up of: One Council Community Partnership funding of £1.545 million; Area Partnership funding of £1.250 million; Children's Services £0.263 million; Community Council Administration Grants, Insurance and Local Priority Scheme Grants £0.134 million; Health and Social Care Partnership Grants to Voluntary Organisations of £0.533 million.

Of these amounts, payments for 'Partnership Funding' totalling some £0.863 million as shown in the table were awarded to organisations in which Members have representation. This represents 23% 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 Funding £000s	Other £000s	Total £000s
Coastal Communities Museum Trust	8	-	8
Cockenzie House and Gardens	-	29	29
East Lothian Advice Consortium	352	-	352
First Step	208	93	301
Gullane Area Community Council	-	7	7
Hallhill Ltd	93	50	143
Hibernian FC	-	30	30
Lamp of Lothian Management Committee	20	-	20
Lothian Mineworkers' Welfare Convalescent Home Trust	5	-	5
Pennypit Community Development Trust	99	90	189
Preston Lodge High School Excellence in Learning Foundation	-	4	4
Recharge Youth Facility	28	-	28
Volunteer Centre East Lothian	50	-	50
Tranent and Elphinstone Community Council	-	14	14
Waggon Way	-	5	5
Total	863	322	1,185

Joint Ventures and Entities Controlled or Significantly Influenced by the Authority

Income and Expenditure In Year	Position at Year End		Entity	Nature of Related Party Relationship	Income and Expenditure In Year	Position at Year End		Nature of Transactions
	Debtor Balances	Creditor Balances				Debtor Balances	Creditor Balances	
	2020/21	2020/21				2021/22	2021/22	
2,361	41	-	Enjoy East Lothian Limited	Charitable organisation registered with OSCR.	2,032	42	-	Payment for provision of leisure services
17	-	(73)	East Lothian Land Limited	To manage land to support economic development in East Lothian.	16	-	(52)	Loan from the company
34	128	-	East Lothian Investments Ltd	To grant interest free loans to East Lothian businesses to encourage commercial activity and enterprise in the area.	15	26	-	Transactions relate to the EL Gift Card scheme. Balances relate to the residual element of a loan.
533	-	(555)	Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators.	(211)	-	(909)	Payment for provision of arts/cultural services and income for services provided to the Trust.
-	-	(4,029)	Common Goods	The Council manages assets of historic burghs in line with statute.	564	-	(4,877)	Transactions are for services provided and received and property asset transfers. Balances relate to CG cash held by ELC and finance leases
(14)	-	-	Musselburgh Racing Associated Cttee	Previously organised racing on Musselburgh Links under agreement with council.	-	-	-	The Committee was wound up in June 2020.
-	-	(1,809)	Trust Funds	A number of trust funds which are managed by the council in line with the respective trust deeds.	10	-	(1,897)	Cash balances relating to normal operations
665	-	-	Lothian Valuation Joint Board	Statutory body set up by Scottish ministers.	671	-	-	Payments to run valuation services
59,906	-	(433)	East Lothian Integrated Joint Board	Statutory Body for the integration of health & social care services under The Public Bodies (Joint Working) (Scotland) Act 2014.	64,003	-	(1,507)	Payments to run health & social care services, including NHS resource transfer and social care fund.
125	5	-	East Lothian Mid-Market Homes LLP	Established to manage affordable housing properties, to be available for mid-market rent.	1,031	-	(1,078)	Net transfer to EL MMH of funds required by statutory guidance to be used to support affordable housing.
63,627	174	(6,899)			68,131	68	(10,320)	

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 14 Property Plant and Equipment Movements

Property, Plant & Equipment Movements 2021/22	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
Net Book Value at 1 April 2021	352,136	554,487	14,432	74,000	8,671	4,387	34,969	1,043,082	129,865
Additions	16,659	7,773	10,708	8,573	713	7	51,079	95,512	929
Depreciation	(11,504)	(25,188)	(3,466)	(4,687)	(3)	(31)	-	(44,879)	(6,744)
Revaluation gains and losses recognised in SDPS	(4,498)	(2,955)	-	-	-	2	-	(7,451)	-
Impairment recognised in SDPS	(25)	(179)	(716)	-	-	-	-	(920)	-
Revaluation Gains and Losses recognised in the Revaluation Reserve	26,553	3,427	-	-	-	138	-	30,118	-
Disposals and De-recognitions	(126)	-	(43)	-	-	-	-	(169)	-
Assets Transferred to the Common Good	-	(354)	-	-	-	-	-	(354)	-
Asset reclassified (to)/from Held for Sale	-	-	-	-	-	(216)	-	(216)	-
Other Movements in cost or valuation	4,850	4,861	120	17	(1,174)	181	(8,854)	1	109
Net Book Value at 31 March 2022	384,045	541,872	21,035	77,903	8,207	4,468	77,194	1,114,724	124,159
Gross Book Value	386,464	572,267	58,841	See note	9,455	4,468	77,194	See note	130,903
Accumulated Depreciation & Impairment	(2,419)	(30,395)	(37,806)	See note	(1,248)	-	-	see note	(6,744)
Net Book Value at 31 March 2022	384,045	541,872	21,035	77,903	8,207	4,468	77,194	1,114,724	124,159

In relation to Infrastructure Assets the Council has elected to apply both statutory overrides allowed in Scottish Government Finance Circular 9/2022 (Statutory Override - Accounting for Infrastructure Assets). These constitute:

- Omission of the reporting of Gross Cost and Accumulated Depreciation and Impairment balances for infrastructure assets. On this basis the cross sub-total for Property, Plant and Equipment is also excluded. This has also been applied to the 2020/21 comparatives below.
- The existing carrying amount of a replaced infrastructure asset is treated as zero when it is replaced.

Property, Plant & Equipment Movements 2020/21	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 (Restated) £000s
Net Book Value at 1 April 2020	358,065	464,915	12,127	70,492	8,507	4,254	34,756	953,116	103,100
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)	(4,996)
Revaluation gains and losses recognised in SDPS	-	12,568	-	-	-	(92)	-	12,476	3,544
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	27,757
Disposals and De-Recognitions	-	-	(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	129,865
Gross Book Value	414,384	564,142	57,482	See above	10,445	4,389	34,969	See above	129,865
Accumulated Depreciation & Impairment	(62,248)	(9,655)	(43,050)	See above	(1,774)	(2)	-	See above	-
Net Book Value at 31 March 2021	352,136	554,487	14,432	74,000	8,671	4,387	34,969	1,043,082	129,865

Restatement of the 'PFI Assets Included in PPE' column for 2020/21 relates to the removal of an asset on one site which is not formally a part of the PFI scheme, and which therefore does not relate to the PFI / PPP liability reported by the Council.

Note 15 Property Plant and Equipment

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

Recognition

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

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. Additional spend on assets is recognised at the end of the financial year and therefore there is no significant depreciation in the year for additional spend on assets. An entire year's charge is made in the year of disposal. An exception is made for assets without a determinable finite useful life (land and certain community assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following basis:

- Council dwellings and other buildings – 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 £5.500 million has major components and the cost

of the components is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation

Council Dwellings	23-60 years
Council Garages	9-10 years
Other Land and Buildings	0-60 years
Vehicles, Plant Furniture & Equipment	1-50 years
Infrastructure	3-51 years
Community Assets	23-38 years
Assets Under Construction are not Depreciated	

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation on assets and the depreciation based on their historical cost, being charged each year to the Revaluation Reserve.

Revaluations

The authority carries out a rolling programme that ensures that all PPE required to be measured at current value, are revalued at least every five years.

Valuations are carried out by professional firms of chartered surveyors and by Council Estates staff. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The dates for valuation are shown in the table.

Revaluations	Date of Last Valuation	Date of Next Valuation
Council Dwellings - Council Houses & Garages	31/03/2019	31/03/2024
Other Land & Buildings - Non Operational Industrial Lets etc.	31/03/2020	31/03/2025
Other Land & Buildings - Operational Portfolio of Schools, Community Centres etc.	31/03/2021	31/03/2026

An 'out-of-cycle' valuation exercise was undertaken as at 31 March 2022 to ensure that a number of selected assets were valued in the correct cycle for valuations according to their asset category. Additionally a review of the valuation of council dwellings as at 31 March 2022 indicated that the average valuation per dwelling was understated. The balance sheet value for council dwellings was adjusted through an indexation process to more appropriately reflect the expected existing use value (social housing) based carrying amount at the balance sheet date.

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.

Common Good Assets Judicial Review

Following a judicial review decision, and the issue by East Lothian Council of a public consultation on the identification of Common Good assets, a number of assets were transferred from East Lothian Council's balance sheet to the Common Good Funds in the 2020/21 annual accounts. During 2021/22 it was identified that some additional land assets should be transferred and these are presented as a de-recognition from East Lothian Council's service balance sheet.

Capital Commitments

As at 31 March 2022 the Council entered into a number of contracts for the construction or enhancement of PPE in 2022/23 and future years budgeted to a value of £68.473 million (2020/21 £37.475 million):

General Services £21.953 million, HRA £15.522 million). The gross commitments for the Council's major projects are shown in the Capital Commitments table.

Capital Commitments	General Fund	HRA
	2021/22	2021/22
	£000s	£000s
Wallyford Learning Campus	24,018	
Accelerating Growth	10,177	
Pinkie St. Peters PS - Extension	5,538	
Law Primary	3,470	
Support for Business - Gateside West	2,280	
North Berwick High School	2,242	
Ross High School	1,913	
West Barns PS - Extension	1,538	
Court Accommodation	1,415	
Ormiston Primary School - Extension	928	
St Gabriels PS - Extension	800	
Preston Tower	790	
Vehicles - ordered awaiting delivery	512	
Musselburgh Grammar - upgrades	236	
Other Projects	209	
Central Heating Installation Programme - HRA		7,348
Ravensheugh Brae Musselburgh development		2,116
Housing Management IT system		781
Ground stabilisation works at Fa'side Lodge, Tranent		645
House Extension Framework Programme		635
Disabled Adaptations		302
Summers Inman Surveyors Work (Adaptation Projects)		176
Fire Door compliance programme		164
Floors Terrace roofing		128
Other Projects		112
Total	56,066	12,407

Note 16 Intangible Assets

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

Software rights can be obtained as part of wider system implementation initiatives. Software acquired during 2021/22 predominantly related to schools and corporate systems.

Note 17 Heritage Assets

The aim of the authority's museums service is to preserve and present the authority's Cultural and Heritage assets and to enable communities and individuals to engage with these assets as a resource for enjoyment, education and information. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on PPE. However, some of the measurement rules are relaxed in relation to heritage assets.

Oil paintings are reported in the Balance Sheet at insurance valuation by which is based on market values. Valuations were provided at 31 March 2022 by Lyon & Turnbull. Valuations are obtained every five years with the next valuation due 31 March 2027. The paintings are

2020/21 £000s	Intangible Assets	2021/22 £000s
709	Net Carrying amount at the start of the year	1,146
581	Additions during the year	18
(144)	Amortisation for the year	(255)
1,146	Net carrying amount at the end of year	909

deemed to have indeterminate lives and a high residual value, hence the authority does not consider it appropriate to charge depreciation.

2020/21 £000s	Heritage Assets (Cost or Valuation)	2021/22 £000s
1,042	Net Carrying amount at the start of the year	1,042
-	Revaluation increases recognised in the Revaluation Reserve	71
1,042	Net carrying amount at the end of year	1,113

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

Note 18 Assets Held for Sale

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

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

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

All capital receipts are either credited to the Capital Receipts Reserve or designated to the Capital Grants and Receipts Unapplied Account. They can then be used for new capital investment or to meet the cost of debt repayments, or to fund transformational projects that are anticipated to result in long term revenue savings for the Council.

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

2020/21	Assets Held for Sale	2021/22
£000s		£000s
701	Balance Outstanding at Start of Year	575
75	Assets Newly Classified as Held for Sale	216
(201)	Revaluation Losses	(223)
-	Assets Sold	(75)
575	Balance outstanding at end of the year	493

Note 19 Leases

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 2021 £000s	Assets Held Under Finance Leases	31 March 2022 £000s
24,347	Other Land and Buildings	27,151
168	Community Assets	28
130	Vehicles, Plant, Furniture and Equipment	120
13	Assets Under Construction	41
24,658	Total	27,340

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 2021 £000s	Finance Lease Liabilities (Minimum Lease Payments)	31 March 2022 £000s
(63)	Repayment of Lease Liability: Current	(65)
(772)	Repayment of Lease Liability: Non-Current	(707)
(4,824)	Finance Costs Payable in Future Years	(4,602)
(5,659)	Minimum Lease Payments	(5,374)

The minimum lease payments are payable as follows:

Minimum Lease Payments 31 March 2021 £000s	Lease Liabilities Repayments 31 March 2021 £000s	Future Minimum Lease Payments	Minimum Lease Payments 31 March 2022 £000s	Lease Liabilities Repayments 31 March 2022 £000s
285	63	Not Later Than One Year	285	65
1,140	273	Later Than One Year and Not Later Than Five Years	1,140	282
4,234	499	Later Than Five Years	3,949	425
5,659	835	Total	5,374	772

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 2021/22 was £0.924 million (2020/21: £0.807 million).

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

Minimum Lease Payments 2020/21 £000s	Operating Leases	Minimum Lease Payments 2021/22 £000s
797	Not Later Than One Year	838
957	Later Than One Year and Not Later Than Five Years	752
-	Later Than Five Years	953
1,754	Total	2,543

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:

Future Minimum Lease Payments Receivable	Council as Lessor	Future Minimum Lease Payments Receivable
31 March 2021		31 March 2022
£000s		£000s
(1,288)	Not Later Than One Year	(1,076)
(2,673)	Later Than One Year and Not Later Than Five Years	(2,707)
(30,289)	Later Than Five Years	(30,001)
(34,250)	Total	(33,784)

Note 20 Private Finance Initiatives and Similar Contracts

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

under the contracts on the Balance Sheet as part of property, plant and equipment.

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

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 14.

The Council makes an agreed payment each year which is increased annually in line with inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but is otherwise fixed. The PFI contract runs until 2035, at which time the

facilities and all operational services revert to full council management. At this time responsibility for facilities management, maintenance, insurance etc. will all transfer back to the Council. Under the terms of the contract, all facilities will be handed back to the Council in the same condition as at the Service Availability Date i.e. the date the facilities were completed. To achieve this, there will be an increased lifecycle spend over the last five years of the contract, ensuring the facilities are handed back in the appropriate condition. Innovate East Lothian Limited has no right of renewal of the contract.

Payments remaining to be made under the PFI contract at 31 March 2022 are as follows:

Private Finance Initiatives and Similar Contracts	Payment for Services £000s	Reimbursement of Capital Expenditure		Interest £000s	Total £000s
		£000s	£000s		
Payable in 2022/23	3,754	1,502	2,176		7,432
Payable Within 2-5 Years	15,236	6,783	7,704		29,723
Payable Within 6-10 Years	17,141	13,346	6,666		37,153
Payable Within 11-15 Years	8,774	11,377	1,508		21,659
Payable Within 16-20 Years	-	-	-		-
Total	44,905	33,008	18,054		95,967

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 2021	Outstanding Liability to the Contractor	31 March 2022
(36,000)	Balance at Start of Year	(34,516)
1,484	Payments	1,508
(34,516)	Balance Outstanding at Year End	(33,008)

Note 21 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the Capital Expenditure and Capital Financing table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue at the time assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that is financed by borrowing and consequently has not yet been charged against the Council's usable reserves.

31 March 2021 £000s	Capital Expenditure and Capital Financing	31 March 2022 £000s
457,290	Opening Capital Financing Requirement	467,524
	Capital Investment	
56,421	Property, Plant and Equipment	95,512
581	Intangible Assets	18
	Sources of finance	
(248)	Capital receipts	(426)
-	Loan Repayment Received (ELHA)	(256)
(18,728)	Government grants	(23,721)
(10,343)	Other Contributions	(11,948)
(3,521)	Direct Revenue Contributions	(4,797)
(13,928)	Statutory Repayment of Debt	(10,679)
467,524	Closing Capital Financing Requirement	511,227

Note 22 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 2021/22, the Council recognised impairment losses totalling £0.920 million (Note 14). This related to a small number of properties due to damage or shortened asset lives.

During 2020/21, the Council recognised impairment losses totalling £11.358 million which predominantly related to enhancement of HRA assets which does not increase the value of council dwellings under the existing use value-Social Housing valuation basis. There is no equivalent HRA impairment for 2021/22 due to valuation indexation being applied to council dwellings, which generally reflected an increase in the average valuation per dwelling.

Note 23 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 2021 £000s	Long Term Investments	31 March 2022 £000s	Details
2,407	Lothian Buses plc	4,269	East Lothian Council holds 200,000 ordinary shares representing 3.1% of the share capital.
200	East Lothian Investments Limited	208	The Council's interest, estimated as 40% was inherited from the former Lothian Investments Board. No dividends are received.
577	East Lothian Land	569	Set up in 2000 for the purpose of managing land to support economic development. The Council is the sole shareholder. No dividends are received.
-	Racecourse Media Group (RMG)	-	Membership arises as part of the management of media rights in relation to Musselburgh racecourse. If the media management arrangements cease the Council has to surrender the shareholding. Consequently no market value is anticipated for the holding.
3,184	Total	5,046	

Note 24 Long Term Debtors

In addition to short term debt, the Council is owed money by a small number of people and organisations that will be repaid over a period

greater than one year, which is summarised below:

31 March 2021 £000s	Long Term Debtors	31 March 2022 £000s	Purpose
292	Public Private Partnerships - Prepaid Lifecycle Replacement Costs	-	Prepaid lifecycle replacement costs - over 30 years
490	Private property owners - Common Repairs	452	Repairs to private property funded by secured ELC loans
1	Employees - Car/Other Loans	1	Loans to employees repaid over 3-5 years
8,455	East Lothian Housing Association	8,189	Loans secured on land and houses
(70)	Expected Credit Loss ELHA	(10)	Lifetime expected credit loss on East Lothian Housing Association loan above
25	East Lothian Investments	-	To support ELI granting of loans to businesses
-	Long Term VAT Debtor	47	VAT not immediately reclaimable
9	Other	9	Loans secured on houses
9,202	Total	8,688	

Note 25 Inventories

Inventories include materials or supplies held which will be used in the provision of services, as well as assets in the process of production for sale or distribution. Inventories are measured at the lower of cost and net realisable value.

31 March 2021 £000s	Inventories	31 March 2022 £000s
959	Stocks to be consumed in service provision	691
959	Total	691

Note 26 Short Term Debtors

A debtor is an amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of the accounting period. The amount owed to the Council as at 31 March 2022 is presented in the table. Based on past experience and our assessment of collection risks, we have made provision against non-payment of these debts, which reduces the reported value of the debtors.

31 March 2021 £000s	Short Term Debtors	31 March 2022 £000s
10,844	Central Government Bodies	10,694
1,145	Other Local Authorities	1,018
1,454	NHS Bodies	3,722
8	Public Corporations and Trading Funds	2
25,069	Other Entities and Individuals	25,164
38,520	Total	40,600

31 March 2021 £000s	Short Term Debtors Provision Against Non-Payment	31 March 2022 £000s
(6,924)	Taxpayers - Council Tax	(8,089)
(2,298)	Customers - Goods and Services	(3,818)
(2,372)	Tenants - Council House Rents	(1,503)
(11,594)	Total	(13,410)

26,926	Short Term Debtors Total	27,190
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Short-term debtors include debtors for government COVID funding. An additional table details the relevant balances included in short-term debtors.

31 March 2021 £000s	Debtors related to COVID-19 Funding which are included in the above	31 March 2022 £000s
-	Community Testing 2021/22	544
70	Self Isolation Support Grant	349
2	Taxi Driver Support Fund	231
-	Covid Brewer Fund	35
-	Omicron Impacts Fund	11
428	Local Authority Discretionary Fund	-
66	Wave 3 Small Accommodation	-
62	Free School Meals	-
29	School Transport Covid Retrofit	-
20	Large Self-Catering and Exclusive Use Venues	-
677	Total	1,170

Note 27 Financial Instruments

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

31 March 2021					31 March 2022				
£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	Total
Short Term		Long Term			Short Term		Long Term		
32,853	18,797	-	8,910	Held at Amortised Cost	53,499	19,715	-	8,640	81,854
-	-	3,184	-	Designated Equity Instruments held at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	5,046	-	5,046
-	8,129	-	292	Other Debtors (Not Financial Assets)	-	7,475	-	48	7,523
32,853	26,926	3,184	9,202	Total Financial Assets and Other Debtors	53,499	27,190	5,046	8,688	94,423
Borrowings		Creditors	Borrowings	Creditors	Financial Liabilities		Borrowings	Creditors	Total
Short Term		Long Term			Short Term		Long Term		
(32,306)	(43,735)	(345,822)	(22,249)	Held at Amortised Cost	(14,752)	(51,657)	(412,553)	(21,045)	(500,007)
-	(21,216)	-	(231,832)	Non-Financial Instruments	-	(26,861)	-	(132,850)	(159,711)
(32,306)	(64,951)	(345,822)	(254,081)	Total Financial Liabilities	(14,752)	(78,518)	(412,553)	(153,895)	(659,718)

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 23) as Fair Value through Other Comprehensive Income, as they are not held for trading or income generation, rather, longer term policy initiatives. The Council has no current intention to dispose of these shareholdings.

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

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

The inputs to the measurement techniques are categorised in accordance with the fair value hierarchy detailed in Note 40.

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

Financial Instruments Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

2020/21			2021/22		
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Financial Instruments Income, Expenses, Gains & Losses	Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	
£000s	£000s		£000s	£000s	
		<i>Net Gains/Losses on:</i>			
-	1,845	Investments in Equity Instruments designated at FVOCI	-	(1,862)	
261	-	Financial Assets carried at Amortised Cost: Impairment Allowance	1,621	-	
261	1,845	Total Net Gains/Losses	1,621	(1,862)	
		<i>Interest Revenue:</i>			
(361)	-	Financial Assets measured at Amortised Cost	(326)	-	
-	-	Other Financial Assets measured at FVOCI	-	-	
(361)	-	Total Interest Revenue	(326)	-	
16,173	-	Interest Expense	15,194	-	
-	-	Fee Expense	28	-	

Financial Liabilities and Financial Assets – Fair Value

As at 31 March 2022, the Council held £86.901 million financial assets and £533.786 million 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 2021			31 March 2022	
Carrying Amount	Fair Value	Financial Liabilities	Carrying Amount	Fair Value at Level 2
£000s	£000s		£000s	£000s
(327,600)	(396,893)	PWLB Debt	(386,875)	(416,117)
(50,528)	(73,577)	Non-PWLB Debt	(40,430)	(57,347)
(43,735)	(43,735)	Short Term Creditors	(51,657)	(51,657)
(1,577)	(1,577)	Short Term Finance Lease Liability	(1,566)	(1,566)
(22,249)	(22,249)	Long Term Creditors	(21,044)	(21,044)
(33,774)	(33,774)	Long Term Finance Lease Liability	(32,214)	(32,214)
(479,463)	(571,805)	Total Liabilities	(533,786)	(579,945)

31 March 2021			31 March 2022	
Carrying Amount	Fair Value	Financial Assets	Carrying Amount	Fair Value at Level 2
£000s	£000s		£000s	£000s
32,853	32,853	Cash & Cash Equivalents (Short term Investments)	53,499	53,499
3,184	3,184	Long Term Investments	5,046	5,046
18,797	18,797	Short Term Debtors	19,715	19,715
8,910	8,910	Long Term Debtors	8,641	8,641
63,744	63,744	Total Assets	86,901	86,901

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 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £416.117 million measures the economic effect of the terms agreed with the PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value, measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

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

Key risks

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council,
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or stock market movements,
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments,
- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential

adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as well as written policies (covering specific areas such as interest rate risk, credit risk and the investment of surplus cash).

Expected Credit Losses / Credit Risk

The changes in the loss allowance for investments and trade receivables during the year are shown in the Expected Credit Loss table.

31 March 2021			Expected Credit Loss (ECL)	31 March 2022		
12 Month	Lifetime	Lifetime		12 Month	Lifetime	Lifetime
ELHA	ELHA	Sundry Accounts		ELHA	ELHA	Sundry Accounts
£000s	£000s	£000s		£000s	£000s	£000s
-	36	1,001	Opening Balance	-	70	975
-	34	(26)	Changes in Models/Risk Parameters	-	(59)	1,458
-	70	975	Closing Balance	-	11	2,433

During the year the authority wrote off financial assets with a contractual amount outstanding of £0.242 million (£0.251 million in 2020/21).

The Expected Credit Loss (ECL) required under IFRS 9 was calculated for East Lothian Housing Association (ELHA) on a lifetime expected credit

loss basis. This was based for ELHA on an 85% expectation of full collection, an 11% expectation of 99.98% collection (this rate was provided by a professional rating agency) and a 4% expectation of a 97% collection due to current economic conditions of the carrying amount of £8.455 million.

Also to comply with IFRS 9, the ECL calculation of the Sundry Accounts provides for lifetime expected losses. This is calculated using a simplified approach methodology based on the type and age of the debt. The age of the debt is shown in the Credit Risk table.

31 March 2021	Credit Risk	31 March 2022
£000s		£000s
3,358	Less Than Three Months (90 days)	4,854
357	Three to Six Months (91 - 182 days)	255
847	Six Months to One Year (183 - 365 days)	466
2,067	Greater Than One Year (greater than 365 days)	2,522
6,629	Total	8,097

Market Risks

Price Risk

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

However, it does have shareholdings to the value of £5.046 million 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 2022, if all interest rates had been 1% higher (with all other variables held constant) the financial effect is shown in the Interest Rate Risk table.

31 March 2021	Interest Rate Risk	31 March 2022
£000s		£000s
429	Increase in Interest Payable on Variable Rate Borrowings	431
(373)	Increase in Interest Receivable on Variable Rate Borrowings	(242)
56	Impact on Surplus or Deficit on the Provision of Services	189
26	Share of overall impact debited to the HRA	87

69,906	Decrease in Fair Value of Fixed Rate Borrowings Liabilities*	77,244
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**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 (£19.715 million) 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.

During 2021/22 the Council recognised and has reported a breach of the 75% limit for borrowing for more than 10 years. The action reduced the volatility in regard to the interest rate risk. The decision to borrow achieved the best interest rates available at the time, when rates were volatile and subject to increases at very short notice.

Actual 31 March 2021 £000s	Refinancing and Maturity Risk	Approved Minimum Limits	Approved Maximum Limits	Approved Maximum Limits 2021/22 £000s	Actual 31 March 2022 £000s
30,772	Less Than 1 Year	0%	20%	86,667	21,812
13,239	Between 1 and 2 Years	0%	30%	130,000	11,279
20,517	Between 2 and 5 Years	0%	40%	173,334	19,818
40,883	Between 5 and 10 Years	0%	40%	173,334	40,581
270,137	More than 10 Years	0%	75%	325,001	339,845
375,548	Total				433,335

Note 28 Short Term Creditors

A creditor is an amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period. The amounts owed by the Council as at 31 March 2022 were:

31 March 2021 £000s	Short Term Creditors	31 March 2022 £000s
(10,326)	Central Government Bodies	(11,667)
(3,010)	Other Local Authorities	(2,636)
(364)	NHS Bodies	(372)
-	Public Corporations	(1,603)
(34,844)	Other Entities and Individuals	(43,910)
(48,544)	Total	(60,188)

31 March 2021 £000s	COVID-19 Grants Related Creditors (included within Short Term Creditors)	31 March 2022 £000s
-	Covid Administration Grants	(55)
-	Libraries COVID Relief	(33)
(322)	Sustainability Panel Payment	(21)
(1,717)	Strategic Framework Business Fund	-
(217)	Additional teacher funding	-
(132)	Enjoy Leisure Loss of income scheme grant support	-
(54)	Free School Meal payments	-
(51)	Childcare Provider Temporary Restrictions Fund	-
(29)	Fuel Poverty Grant	-
(27)	School Transport Covid Retrofit	-
(24)	Town & BIDS Resilience & Recovery Fund	-
(18)	Large Self-Catering Exclusive Use Venues	-
(15)	Market Readiness Fund	-
(6)	Wave 2 Small Accommodation	-
(2)	Self Isolation Support Grants	-
(2,614)	Total	(109)

Note 29 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.

Opening Balance at 1 April 2020 £000s	Provisions Made in 2020/21 £000s	Closing Balance at 31 March 2021 £000s	Provision	Opening Balance at 1 April 2021 £000s	Provisions Made in 2021/22 £000s	Transfers between Short & Long Term Provisions in 2021/22 £000s	Closing Balance at 31 March 2022 £000s
			- Municipal Mutual	-	-	-	-
			- Other	-	-	(350)	(350)
-	-	-	Current Provisions	-	-	(350)	(350)
(109)	-	(109)	Municipal Mutual	(109)	-	-	(109)
(350)	(461)	(811)	Other	(811)	(55)	350	(516)
(459)	(461)	(920)	Non-Current Provisions	(920)	(55)	350	(625)
(459)	(461)	(920)	Total Provisions	(920)	(55)	-	(975)

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 is anticipated to require a settlement to be made. Due to the ongoing nature of the dispute it is not appropriate to include further details of the matter. The determination of any settlement amount is anticipated to occur during 2022/23.

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. The Council and the landlord have both initiated reviews to assess the extent of dilapidations arising.

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 by East Lothian Council of a public consultation on the identification of Common Good assets, a number of assets were transferred from East Lothian Council's balance sheet to the Common Good Funds in the 2020/21 annual accounts. Common Good building assets currently used by the Council to deliver services have been treated as finance lease assets and remain on the Council's balance sheet. This is on the basis that formal arrangements for continued Council use of the assets, which recognise and reflect the Common Good ownership of those assets, are anticipated to be agreed. Consequently the Council considers any potential remaining transfers to be a contingent liability.

Note 30 Long Term Liabilities

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

31 March 2021 £000s	Other Long Term Liabilities	31 March 2022 £000s	Description of Liability
(22,249)	Deferred Liabilities - Developers Contributions	(21,044)	These amounts represent the payments received from developers and are linked to future capital spending. Funding is retained until project is completed.
(351)	Deferred Liabilities - Rental Income in Advance	(347)	Income to be released over the lease period.
(733)	Other	(871)	Other long term commitments including lifetime replacement of 3G pitches and tennis courts.
(33,774)	PPP and Finance Lease Liabilities	(32,214)	This amount represents the outstanding obligations that the council has in relation to finance and PFI leases. More details are provided in Notes 19 and 20.
(57,107)	Total Long Term Liabilities	(54,476)	

Note 31 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered by the Lothian Pension Fund operated by the City of Edinburgh Council – this is a funded defined benefit 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.

Effects of Recent Court Cases

- GMP equalisation/indexation treatment – An allowance for full GMP indexation was included within the most recent funding valuation position at 31 March 2020 and therefore the allowance is automatically included within the liability reported at 31 March 2022.
- 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 2022.
- McCloud – An allowance for the estimated impact of the McCloud judgement was included within the most recent

funding valuation position at 31 March 2020 and therefore the allowance is automatically included within the liability reported at 31 March 2022.

- 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 million to £1.7 million (2020/21 0.1% to 0.2%, £0.9 million to £1.7 million).

31 March 2021 £000s	Defined Benefit Pension Schemes	31 March 2022 £000s
	Comprehensive Income and Expenditure Statement	
	Cost of Service Comprising:	
27,098	Current Service Cost	41,353
1	Past Service Costs (Including Curtailments)	141
	Financing and Investment Income and Expenditure	
3,478	Net Interest Expense	4,138
30,577	Total Post Employment Benefit Charged to the Surplus or Deficit	45,632
	Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the Net Defined Benefit Liability Comprising:	
(83,403)	Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	(60,121)
159,011	Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	(59,351)
(33,403)	Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	(5,342)
(5,629)	Other Re-measurement Experiences	1,332
36,576	Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(123,482)
	Movement in Reserves Statement	
(12,770)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code.	(26,222)
	Actual Amount Charged Against the General Fund Balance for Pensions in the Year	
17,327	Employers Contributions Payable	19,410

- Other Court Cases – other court cases that may impact future LGPS benefits are Walker and O’Brien. The actuarial assessment is that these are unlikely to be significant judgements. No allowance has been made until further information is available.

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.

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:

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.

31 March 2021 £000s	Pension Assets and Liabilities Recognised in the Balance Sheet	31 March 2022 £000s
	Pension Assets and Liabilities Recognised in the Balance Sheet	
(873,599)	Present Value of the Defined Benefit Obligation	(853,807)
677,545	Fair Value of Plan Assets	755,013
(196,054)	Net Liability Arising from Defined Benefit Obligation	(98,794)

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

31 March 2021 £000s	Reconciliation of the Movements in the Fair Value of the Scheme Assets	31 March 2022 £000s
591,911	Opening Fair Value of Scheme Assets	677,545
13,623	Interest Income	13,579
(13,008)	Re-measurement Gain/(Loss):	-
83,403	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	60,121
17,807	Contributions from Employer	19,410
4,486	Contributions from Employees into the Scheme	4,885
(20,677)	Benefits Paid	(20,527)
677,545	Closing Fair Value of Scheme Assets	755,013

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

2020/21 £000s	Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2021/22 £000s
(738,619)	Opening Balance at 1 April	(873,599)
(27,098)	Current Service Cost	(41,353)
(17,101)	Interest Cost	(17,717)
(4,486)	Contributions from Scheme participants	(4,885)
	Re-measurement (Gains) and Losses:	
(159,011)	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	59,351
33,403	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	5,342
18,637	Other	(1,332)
(1)	Past Service Cost	(141)
20,677	Benefits Paid	20,527
(873,599)	Closing Balance at 31 March	(853,807)

The maturity profile of the scheme liabilities is as follows:

Maturity Profile of Defined Benefit Obligation	Liability Split £000s	Liability Split %
Active Members	(469,151)	55.9%
Deferred Members	(100,239)	11.9%
Pensioner Members	(269,734)	32.1%
Total for Funded Obligations	(839,124)	100.0%
Unfunded Pensioner Liabilities	(14,683)	
Total Pension Liability	(853,807)	

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 2022 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 2020/21	Female 2020/21	Mortality Assumptions Longevity at Age 65	Male 2021/22	Female 2021/22
20.5	23.3	Current Pensioners	20.3	23.1
21.9	25.2	Future Pensioners	21.6	25

2020/21	Rate of Inflation	2021/22
3.4%	Rate of Increase in Salaries	3.7%
2.9%	Rate of Increase in Pensions	3.2%
2.0%	Rate for Discounting Scheme Liabilities	2.7%

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % Increase to Defined Benefit Obligation	Approximate Monetary Amount
Actuarial Assumptions Sensitivity Analysis		
	%	£000s
0.5% decrease in Real Discount Rate	2%	16,217
0.5% increase in the Salary Increase Rate	0%	1,857
0.5% increase in the Pension Increase Rate	2%	14,231

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 2021	Scheme Assets Fair Value	31 March 2022
£000s		£000s
534,725	Quoted Prices in Active Markets	620,145
142,820	Quoted Prices not in Active Markets	134,868
677,545	Total	755,013

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 £98.794 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 £18.147 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 2021/22, the Council paid £10.8m (2020/21: £10.2m) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay (2020/21: 23%). The estimated contribution for 2022/23 is £11.3m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement, outside of the terms of the STPS. In 2021/22, the Council paid £0.465m (2020/21: £0.488m) 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 2021/22, the Council paid £0.05 million (2020/21: £0.06 million) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.260 million.

Note 32 Usable Reserves

Usable Reserve	Capital Grant & Receipts				Housing Revenue Account £000s	Total £000s
	General Fund £000s	Unapplied Account £000s	Capital Fund £000s	Insurance Fund £000s		
Balance at 31 March 2021	(28,328)	(245)	(2,201)	(2,306)	(2,009)	(35,089)
(Surplus) / Deficit on Provision of Service	27,447	-	-	-	(2,740)	24,707
Depreciation charged to Revaluation Reserve	(13,029)	-	-	-	(2,281)	(15,310)
Adjustments Between Accounting and Funding Basis	(15,908)	-	(652)	-	3,532	(13,028)
Transfers Between Reserves	133	245	(1,750)	(378)	1,750-	-
Balance at 31 March 2022	(29,685)	-	(4,603)	(2,684)	(1,748)	(38,720)

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 Account

The £0.245 million balance previously held related solely to capital receipts retained to support transformation projects, and this has been fully applied in 2021/22 and transferred to the General Fund.

Capital Fund

The Council has statutory powers to hold a Capital Fund to meet future capital investment costs, either reducing loans fund advances or to fund the principal repayments of the loans fund. Some £734,000 of the balance at 31 March 2022 (31 March 2021: £627,000) relates to the

Housing Revenue Account (HRA) to be used for the benefit of HRA tenants. Additionally the HRA transferred £1.750m of government grant to the General Services' Capital Fund in return for the transfer of land from General Services to the HRA.

Insurance Fund

The Insurance Fund is used where the authority could insure against a risk but has chosen not to do so, defraying any loss or damage suffered or expenses incurred by the authority as a consequence of that risk. It can also be used to pay premiums on a policy to insure against a risk. The Insurance Account surplus for the year of £0.378 million (2020/21: £0.297 million) was transferred from the General Fund to the Insurance Fund.

Housing Revenue Account

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

Note 33 Unusable Reserves

Unusable reserves cannot be used to support services. Unusable reserves include gains and losses which will only become available to support services if the assets are sold. These gains and losses are referred to as unrealised. The authority has several different unusable reserves, the balances of which are shown in this table, with expanded explanations below.

31 March 2021 £000s	Unusable Reserve	31 March 2022 £000s
(291,587)	Revaluation Reserve	(306,351)
196,054	Pensions Reserve	98,794
4,794	Employee Statutory Adjustment Account	4,479
(296,389)	Capital Adjustment Account	(309,113)
(2,185)	Financial Instruments Revaluation Reserve	(4,047)
2,593	Financial Instruments Adjustment Account	2,323
(386,720)	Total	(513,915)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its PPE. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of, or de-recognised, and the gains are realised.

The reserve contains revaluation gains only since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2021 £000s	Revaluation Reserve	31 March 2022 £000s
(231,150)	Balance at 1 April	(291,587)
(90,246)	Upward Revaluation of Assets	(30,813)
19,736	Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provision of Services	625
(70,510)	Surplus of Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(30,188)
10,073	Depreciation charged to the Revaluation Reserve	15,310
-	Accumulated Gains on Assets Sold or Scrapped	49
-	Assets Transferred to Common Good	65
(291,587)	Balance at 31 March	(306,351)

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 2021 £000s	Pension Reserve	31 March 2022 £000s
146,708	Balance at 1 April	196,054
36,576	Actuarial Gains or Losses on Pensions Assets and Liabilities	(123,482)
30,577	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the CIES	45,632
(17,807)	Employer's Pension Contributions and Direct Payments to Pensioners Payable in the Year	(19,410)
196,054	Balance at 31 March	98,794

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 2021 £000s	Employee Statutory Adjustment Account	31 March 2022 £000s
4,017	Balance at 1 April	4,794
(4,017)	Settlement or Cancellation of Accrual Made at End of the Preceding Year	(4,794)
4,794	Amount Accrued at the End of the Current Year	4,479
777	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	(315)
4,794	Balance at 31 March	4,479

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancements. The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all of the transactions posted to the account.

31 March 2021 £000s	Capital Adjustment Account	31 March 2022 £000s
(277,064)	Balance at 1 April	(296,389)
27,304	Depreciation charged to the Capital Adjustment Account	29,569
144	Intangible asset amortisation charged to the Capital Adjustment Account	255
(12,276)	Revaluation (Gains) Losses on Property, Plant and Equipment	7,674
34	Charges for expected credit loss of Non-Current financial assets funded as capital expenditure	(60)
11,358	Impairment Losses on Property, Plant and Equipment	919
631	Assets Written Off on De-recognition or Sale	484
27,195	Net Amounts Written Out of the Cost of Non-Current Assets Consumed in the Year	38,841
	Capital Financing applied in the year	
-	Capital Receipts Applied	(426)
(29,071)	Capital Grants and Contributions Credited to the CIES that Have Been Applied to Capital Financing	(35,669)
(13,928)	Statutory Provision for the Financing of Capital Investment Charged Against the General Fund and HRA Balances	(10,673)
(3,521)	Capital Expenditure Charged Against the General Fund and HRA Balances	(4,797)
(46,520)		(51,565)
(296,389)	Balance at 31 March	(309,113)

Financial Instruments Revaluation Reserve

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

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

31 March 2021 £000s	Financial Instruments Revaluation Reserve	31 March 2022 £000s
(4,031)	Balance at 1 April	(2,185)
1	Opening balance adjustment	
-	Upward Revaluation of Investments	(1,870)
1,845	Downward Revaluation of Investments	8
(2,185)	Balance at 31 March	(4,047)

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 2021 £000s	Financial Instruments Adjustment Account	31 March 2022 £000s
2,864	Balance at 1 April	2,593
(15)	Charge for adjustments related to stepped interest rate borrowing	(14)
(256)	Charge for deferred premiums from the refinancing of debt	(256)
(271)	Difference between CIES finance costs and charges under statutory provisions	(270)
2,593	Balance at 31 March	2,323

As at 31 March 2022 the balance of the account represented £1.279 million (2020/21: £1.535 million) relating to historic deferred premiums, with five years remaining, arising from the early repayment of debt. The remaining £1.044 million (2020/21: £1.058 million) relates to the adjustment to interest charges for historic stepped interest rate borrowing.

Note 34 Earmarked Elements of the General Fund

The amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2021/22 are:

Balance at 1 April 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Earmarked Elements	Balance at 1 April 2021	Transfers Out	Transfers In	Balance at 31 March 2022
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
(1,716)	-	(1,379)	(3,095)	Committed for Future Budgets	(3,095)	-	(5,612)	(8,707)
-	-	(8,900)	(8,900)	COVID-19 Funding	(8,900)	3,421	-	(5,479)
(3,445)	-	-	(3,445)	Cost Reduction Fund	(3,445)	-	-	(3,445)
-	-	(932)	(932)	Other Ring-fenced Funds (Restated)*	(932)	423	(1,924)	(2,433)
(2,282)	-	-	(2,282)	General Services Capital	(2,282)	-	-	(2,282)
(2,000)	-	-	(2,000)	Civil Emergency Fund	(2,000)	-	-	(2,000)
(21)	-	(1,050)	(1,071)	Devolved School Management Balances	(1,071)	-	(77)	(1,148)
(1,962)	402	(504)	(2,064)	Statutory Earmarking of Council Tax Income for Affordable Housing	(2,064)	1,077	(45)	(1,032)
(485)	45	-	(440)	Other Balances	(440)	-	-	(440)
(303)	267	-	(36)	Mid and East Lothian Drugs & Alcohol Project	(36)	-	-	(36)
(12,214)	714	(12,765)	(24,265)	Total Earmarked Elements	(24,265)	4,921	(7,658)	(27,002)
			(4,063)	Uncommitted General Fund (General Services) Balance				(2,683)
			(28,328)	Total General Fund (General Services) Balance				(29,685)

*In 2020/21 'Other Ring-fenced Funds' was presented as part of the uncommitted balances. The presentation practice has been reviewed and it is now presented as a formally earmarked balance for 2021/22.

Note 35 Capital Grant Receipts in Advance

The Council has received a number of grants and contributions that have not been recognised as income immediately as the conditions attached to them have not been met. There may be circumstances in which the Council has to return the funds to the provider.

31 March 2021 £000s	Capital Grants & Contributions Receipts in Advance	31 March 2022 £000s
(12,683)	Early Learning and Child Care	(11,080)
(2,139)	Accelerating Growth Projects	(4,037)
(1,458)	Town Centre Regeneration Fund	(1,276)
-	Prestongrange RCGF	(590)
-	HRA	(554)
(35)	Roads contributions	(380)
-	3G Pitches - Scottish Football Association	(50)
(17)	NHS	(13)
(5)	Scottish Futures Trust	-
(70)	Visit Scotland	-
(16,407)	Total	(17,980)

Note 36 Grant Income

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

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

Amounts recognised as due to the authority are not credited to the CIES until conditions attached to the grant or contribution have been satisfied. It is stipulated that the future economic benefits or service

potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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.

2020/21 £000s	Grant Income Credited to Taxation & Non-Specific Grant Income	2021/22 £000s
(214,397)	Government grants	(225,803)
(11,206)	Non Government grants	(9,913)
(225,603)	Total	(235,716)

2020/21 £000s	Grant Income Credited to Services	2021/22 £000s
(18,851)	Government Grant: Housing Benefit Subsidy	(17,862)
(14,879)	Government Grant & Contributions: NHS	(15,345)
(17,094)	Government Grant & Contributions: Other	(18,173)
(1,453)	Non-Government Grants & Contributions	(1,553)
(52,277)	Total	(52,933)

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.

During 2021/22 non-recurring COVID-19 funding was received as part of General Revenue Grant (GRG) as follows:

2020/21 £000s	COVID-19 Non-Recurring Funding Included In General Revenue Grant	2021/22 £000s
(7,359)	COVID-19 Associated Funding	(5,018)
(3,828)	Business Support & Low Income Household	(1,517)
(1,815)	Education Recovery Funding - £60m Distribution	(1,169)
-	- Low Income Pandemic Payments	(1,004)
(327)	Financial Insecurity Flexible Funding	(415)
-	- Tenant Grant Fund	(184)
-	- Extension to Outbound Calling / Local Self isolation Services	(155)
-	- CO2 Monitors	(61)
(180)	Business Support Administration Grant	(51)
(6,390)	Other COVID Funding Received in 2020/21	-
-	- Recovery of Overpayment of GRG in 2020/21	98
(19,899)	Amounts Credited to Taxation & Non-Specific Grant Income	(9,476)

Note 37 Cash Flow Statement – Non Cash Movements

The surplus or deficit on the provision of services (in the Operating Activities section of the Cash Flow Statement) has been adjusted for the following non-cash movements:

Authority 2020/21 £000s	Group 2020/21 £000s	Adjustment to Net Deficit on the Provision of Services for Non-Cash Movements	Authority 2021/22 £000s	Group 2021/22 £000s
(37,521)	(37,695)	Depreciation and Amortisation	(45,134)	(45,314)
(11,358)	(11,358)	Impairments and Downward Valuations	(920)	(919)
12,276	12,453	Revaluation of Assets	(7,674)	(7,372)
-	1,532	Increase (Decrease) in fair value of investments	-	90
(631)	(705)	Carrying Amount of Non-Current Assets Held for Sale, Sold or Derecognised	(599)	(245)
(30,577)	(30,577)	Net Charges Made for Retirement Benefits in Accordance with IAS 19	(45,632)	(45,632)
17,807	17,807	Employer's Contributions Payable to the Lothian Pension Fund	19,410	19,410
15	15	Non Cash Interest Adjustment	15	14
-	3,159	Change in Associates SDPS - Non-Cash Movement	-	4,820
37	37	Decrease (Increase) in interest charges accrued	22	21
(461)	(461)	Decrease (Increase) in Provisions	(55)	(55)
(907)	(907)	Increase (Decrease) in Inventories	(267)	(267)
(4,838)	(4,852)	Decrease (Increase) in Revenue Creditors	(9,319)	(9,372)
4,759	4,834	Increase (Decrease) in Revenue Debtors	(1,214)	363
(51,399)	(46,718)	Total	(91,367)	(84,458)

Note 38 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.

2020/21 £000s	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	2021/22 £000s
29,071	Proceeds from Capital Grants	35,669
-	Proceeds from Short-Term Investments	-
1,488	Proceeds from Sale of PPE, Assets Held for Sale and Other Non-Current Assets	1,077
30,559	Total	36,746

Note 39 Material Items of Income and Expense

Where items are not disclosed on the face of the CIES, the Council is required to disclose the nature and amount of material items. Material items of expenditure charged to services in the year are shown in the table.

Material items of income credited to service revenue accounts within the CIES largely relate to grants and contributions and these are disclosed in Note 36. Subsidy income in relation to the payments of Housing Benefit (included in the table) is also disclosed in Note 36.

2020/21 £000s	Material Items of Income and Expense	2021/22 £000s
37,521	Depreciation and Amortisation Charged on Assets	45,134
11,358	Impairments and Downward Valuations	920
18,794	Housing Benefit Paid	17,844
9,900	Unitary Charge/PPP Payments to Contractor	10,025

Note 40 Fair Value Hierarchy

Fair Value Measurement

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

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

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities, for which fair value is measured or disclosed in the Council's financial statements, are categorised within the fair value hierarchy as follows:

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

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2022, are shown in the Fair Value Hierarchy table:

31 March 2021 Total Fair Value £000s	Fair Value Hierarchy	31 March 2022 Total Fair Value £000s
	<i>Recurring fair value measurements at Level 2 for:</i>	
3,184	Equity Instruments	5,046
4,963	Non-Financial Assets	4,960
8,147	Total	10,006

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

Significant Observable Inputs – Level 2

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

Notes to the Group Financial Statements

The Council undertakes a broad range of activities, often in conjunction with external organisations. In some cases, the Council has an interest in these organisations demonstrated through ownership or control/significant influence.

The CIPFA Code of Practice requires that, where the Council has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these

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

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.

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 2020/21	Percentage Share 2021/22	Carrying Value at 31 March 2022 £000s	Share of (Surplus) or Deficit 2021/22 £000s	Other CIES Items 2021/22 £000s
East Lothian Investments	40.00%	40.00%	234	(1)	-
Enjoy East Lothian Ltd	36.36%	40.00%	1,402	489	(1,590)
Brunton Theatre Trust	28.57%	28.57%	244	(54)	-
East Lothian IJB	50.00%	50.00%	10,145	(5,341)	-
Lothian Valuation Joint Board	12.50%	12.50%	414	87	(1,329)
Total			12,439	(4,820)	(2,919)

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

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

East Lothian Investments Ltd

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

Enjoy East Lothian Ltd

Enjoy East Lothian Limited (Enjoy) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council. The current contract between Enjoy and the Council runs until 30 September 2031. All of the facilities are owned by the

Council, with the exception of Dunbar Leisure Pool, which is wholly owned by Enjoy. Four of the ten 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 2021/22 East Lothian Council contributed £52.823 million (2020/21: £48.952m), excluding NHS resource transfers, to the annual running costs. Expenditure was incurred, and income earned, by both partners during the financial year in providing services in accordance with the commissioning directions from the IJB. As at the Balance Sheet date the Council currently has a creditor balance with the IJB totalling £1.507 million (2020/21: creditor balance of £0.433 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 2021/22 has been presented below:

Associates/Joint Ventures	Assets at the End of the Year	Liabilities at the End of the Year	Net Assets at the End of the Year	Revenues During the Year	(Surplus) or Deficit for the Year
	£000s	£000s	£000s	£000s	£000s
East Lothian Investments	663	(143)	520	(25)	(2)
Enjoy East Lothian Ltd	8,118	(4,613)	3,505	(6,078)	1,222
Brunton Theatre Trust	1,170	(315)	856	(1,381)	(190)
East Lothian IJB	20,289	-	20,289	(209,932)	(10,681)
Lothian Valuation Joint Board	3,999	(685)	3,314	(6,263)	694
Total	34,239	(5,756)	28,484	(223,679)	(8,957)

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 2022 show net current assets of £569,089 (31 March 2021: £576,629), and a loss before taxation of £8,207 (31 March 2021: Loss of £7,486). 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 £6.649 million (2020/21: £6.126 million). Although included as a subsidiary, the Council does not expect a dividend as a result of its involvement. The total value of the Common Good funds within the Group Accounts is £17.758 million (2020/21: £16.638 million). Financial Statements for the Trust Funds and for the Common Good are provided later in this document.

East Lothian Mid-Market Homes LLP

The Limited Liability Partnership was established to manage new build properties in Dunbar, to be available for mid-market rent. East Lothian Council has 83% control of the partnership, with the Scottish Futures Trust also maintaining a 'minority interest' which is presented separately in the group accounts. The partnership leases housing from a third party and also purchases housing directly. It subsequently leases the dwellings to individuals at a mid-market rent, not as social housing provision. The partnership accounts to 31 March 2022 show net assets of £1.577 million (2020/21: £0.431 million), and comprehensive net income of £1.146 million (2020/21: £0.377 million).

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 £38.398 million (2020/21: £24.768 million). This is largely due to the value of Common Good and Trust Funds property and investment

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.

values, and the Council's share of the East Lothian Integration Joint Board's net assets.

During 2021/22 the Council established a joint venture arrangement with Queen Margaret University for the development and operation of an Innovation Park, featuring a Food and Drink Innovation Hub. There were no material transactions in the year and consequently the arrangement is not included in the Group Accounts. It is anticipated that more material transactions from 1 April 2022 will result in inclusion in the 2022/23 Group Accounts

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.

2020/21 £000s	Housing Revenue Account	2021/22 £000s
	Income	
(32,397)	Dwelling Rents	(32,824)
(669)	Non-Dwelling Rents	(660)
-	Non-Current Assets Revaluation Gains	(1,869)
(611)	Service Charges	(682)
(2,794)	Other Income	(159)
(36,471)	Total Income	(36,194)
	Expenditure	
6,990	Repairs and Maintenance	8,142
11,425	Supervision and Management	11,156
22,182	Depreciation, Impairment and Revaluation Losses of Non-Current Assets	17,896
125	Impairment of Debtors	(816)
4,242	Other Expenditure	1,623
44,964	Total Expenditure	38,001
8,493	Net Expenditure of HRA Services as Included in the Whole Authority Comprehensive Income and Expenditure Statement	1,807
425	HRA Services Share of Corporate and Democratic Core	436
8,918	Net Expenditure of HRA Services	2,243
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement	
(7)	Losses on Sale of HRA Non-Current Assets	20
6,202	Interest Payable and Similar Charges	5,922
(6)	HRA Interest and Investment Income	(16)
94	Pensions Interest Cost and Expected Return on Pension Assets	99
(5,865)	Capital Grants and Contributions Receivable	(11,008)
9,336	(Surplus) Deficit for the year on HRA Services	(2,740)

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.

2020/21 £000s	Movement on the HRA Statement	2021/22 £000s
(2,009)	Balance on the HRA at the End of the Previous Period	(2,009)
9,336	Deficit for the year on the HRA Income and Expenditure Statement	(2,740)
(2,607)	Depreciation charged to the Revaluation Reserve	(2,281)
(6,729)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	3,532
-	Net (Increase) Decrease in the Balance before Transfer to or from Reserves	(1,489)
-	HRA Balance Transferred to General Services	1,750
-	(Increase) Decrease in year on the HRA	261
(2,009)	Balance on the HRA at the End of the Current Period	(1,748)

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.

2020/21 £000s	Note to the Movement on the HRA Statement	2021/22 £000s
(19,575)	Depreciation, Revaluation and Impairment of Fixed Assets	(13,747)
5,865	Capital Grant and Contributions Applied	9,258
7	Gain (Loss) on sale of HRA Non-Current Assets	(20)
(306)	HRA share of contributions to or from the pensions reserve	(629)
4,054	Loans Fund Principal Repayments	4,406
3,226	Capital Expenditure Funded by the HRA	4,264
(6,729)	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	3,532

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 2021	43	1,824	4,542	2,282	228	4	2	8,925
As at 31 March 2022	43	1,850	4,571	2,307	231	6	2	9,010
Increase/(Decrease) in Year	-	26	29	25	3	2	-	85

Housing Rent Debtors

As at 31 March 2022 housing rent debtors amounted to £2.358 million (2020/21: £2.496 million). In the interests of prudent financial management the council has made an allowance for non-collection of £1.503 million (2020/21: £2.372 million).

Common Good Account

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

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

Common Good Movement in Reserves Statement

Usable Reserves 2020/21 £000s	Unusable Reserves 2020/21 £000s	Total Fund Reserves 2020/21 £000s	Movement in the Common Good Reserves	Usable Reserves 2021/22 £000s	Unusable Reserves 2021/22 £000s	Total Fund Reserves 2021/22 £000s
(11,141)	(3,889)	(15,030)	Opening Balance	(12,252)	(4,386)	(16,638)
			Movement in reserves during the period			
(1,041)	-	(1,041)	(Surplus) or deficit on provision of services	(680)	-	(680)
-	(567)	(567)	Other Comprehensive Expenditure and Income	-	(440)	(440)
(1,041)	(567)	(1,608)	Total Comprehensive Expenditure and Income	(680)	(440)	(1,120)
			Adjustments between usable and unusable reserves			
(70)	70	-	Depreciation charged to the Revaluation Reserve	(74)	74	-
(70)	70	-	Total adjustments between usable and unusable reserves	(74)	74	-
(1,111)	(497)	(1,608)	(Increase) Decrease in Year	(754)	(366)	(1,120)
(12,252)	(4,386)	(16,638)	Balance at 31 March carried forward	(13,006)	(4,752)	(17,758)

This statement shows the movement in the year on the different reserves held by the Common Good funds, analysed between usable reserves i.e. those that can be applied to fund expenditure, and other reserves.

Common Good Comprehensive Income and Expenditure Statement

During the year further land assets were transferred to the Common Good from the Council's General Services balance sheet following the work undertaken in 2020/21 to identify Common Good assets.

The change in fair value movements in financial investment returns for 2021/22 reflects a downturn in market values in the last quarter. This is in part attributed to the economic consequences of the war in Ukraine. Significant realised gains arose from the sale of investments during the year.

2020/21 £000s	Common Good Comprehensive Income and Expenditure Statement	2021/22 £000s
	Income	
(448)	Rents and Other Income	(493)
-	Property Asset Transfers from General Services Recognised in Usable Reserves	(289)
(176)	Revaluation Gains Recognised in Usable Reserves for Property Assets	(13)
(624)	Total Income	(795)
	Expenditure	
53	Premises-related Expenditure	72
32	Supplies and Services	52
118	Third Party Grants and Payments	160
153	Depreciation	157
356	Total Expenditure	441
(268)	Cost Of Services	(354)
90	(Gains)/Loss on the sale of investments	(192)
(85)	Interest receivable and similar income	(91)
(778)	Changes in the fair value of investments	(43)
(1,041)	(Surplus) or Deficit on Provision of Services	(680)
(567)	Gains on Revaluation of Property, Plant & Equipment	(375)
-	Property Asset Transfers from General Services Recognised in Revaluation Reserve	(65)
(567)	Other Comprehensive (Income) and Expenditure	(440)
(1,608)	Total Comprehensive (Income) and Expenditure	(1,120)

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 £4.269 million (2020/21: £4.029 million) that is East Lothian Council. This is due to the Common Good Funds not having banking facilities of their own, instead the Council releases the monies as required.

Property assets increased due to further transfers from the Council's general services balance sheet. The significant increase in sundry debtors reflects liquid assets held by the investment manager following the sale of investments. As at 31 March 2022 the funds had not been re-invested, and hence the reported value of investments is lower than at 31 March 2021.

Sarah Fortune CPFA
Executive Director for Council Resources (CFO)

2020/21 £000s	Common Good Balance Sheet	2021/22 £000s
8,190	Property Plant & Equipment	8,775
3,673	Long Term Investments	3,654
726	Long Term Debtors	644
12,589	Long Term Assets	13,073
67	Sundry Debtors	424
4,029	Operating Balance Debtor (East Lothian Council)	4,269
4,096	Current Assets	4,693
(47)	Short Term Creditors	(8)
(47)	Current Liabilities	(8)
16,638	Net Assets	17,758
(4,386)	Property Revaluation Reserve	(4,752)
(12,252)	Usable Reserves	(13,006)
(16,638)	Total Reserves	(17,758)

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.

2020/21 £000s	Common Good Non-Current Assets	2021/22 £000s
7,600	Opening Net Book Value	8,190
-	Assets Transferred from General Services (Depreciated Historic Cost)	289
743	Revaluations	388
-	Assets Transferred from General Services (Revaluation Balances)	65
(153)	Depreciation	(157)
8,190	Closing Net Book Value	8,775

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 some building assets currently used by the Council which are on Common Good land. 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.

2020/21 £000s	Common Good Finance Leases	2021/22 £000s
245	Income Receivable in the next year	245
980	Income Receivable in years 2 to 5	980
4,194	Income Receivable after 5 years	3,949
5,419	Total Receivable	5,174

Fund Analysis

The separate funds are valued at 31 March 2022 as:

Common Good Fund Analysis	Dunbar	Haddington	Musselburgh	North Berwick	Cockenzie, Port Seton & Tranent	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Balance Brought forward at 1 April 2021	(986)	(734)	(8,466)	(1,642)	(424)	(12,252)
(Surplus) Deficit in the Year	(18)	(63)	(568)	(32)	1	(680)
Depreciation charged to the Revaluation Reserve	(3)	-	(58)	(13)	-	(74)
Fund Balance at 31 March 2022	(1,007)	(797)	(9,092)	(1,687)	(423)	(13,006)
Property Revaluation Reserve	(443)	(50)	(2,813)	(1,348)	(98)	(4,752)
Total Reserves	(1,450)	(847)	(11,905)	(3,035)	(521)	(17,758)

Fund balances at 31 March 2022 include accumulated fair value gains on financial instrument investments of £1.291 million (2020/21: £1.248 million). 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 recognition of 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 2022 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 2020/21 £000s	Unusable Reserves 2020/21 £000s	Total Fund Reserves 2020/21 £000s	Movement in the Trust Reserves	Usable Reserves 2021/22 £000s	Unusable Reserves 2021/22 £000s	Total Fund Reserves 2021/22 £000s
(4,705)	(698)	(5,403)	Opening Balance at 1 April brought forward	(5,445)	(681)	(6,126)
			Movement in reserves during the period			
(723)	-	(723)	(Surplus) on provision of services	(289)	-	(289)
-	-	-	Other Comprehensive Expenditure and Income	-	(234)	(234)
(723)	-	(723)	Total Comprehensive Expenditure and Income	(289)	(234)	(523)
			Adjustments between usable and unusable reserves			
(17)	17	-	Depreciation charged to the Revaluation Reserve	(17)	17	-
(17)	17	-	Total adjustments between usable and unusable reserves	(17)	17	-
(740)	17	(723)	Increase/Decrease in Year	(306)	(217)	(523)
(5,445)	(681)	(6,126)	Balance at 31 March carried forward	(5,751)	(898)	(6,649)

Trust Comprehensive Income and Expenditure Statement

During the year 2021/22, the Trust Funds made a gain in net assets of £523,000 (2020/21: £723,000).

The change in fair value movements in financial investment returns for 2021/22 reflects a downturn in market values in the last quarter. This is in part attributed to the economic consequences of the war in Ukraine. Significant realised gains arose from the sale of investments during the year.

2020/21 £000s	Trusts Comprehensive Income and Expenditure Statement	2021/22 £000s
	Income	
(28)	Rents and Other Income	(65)
(28)	Total Income	(65)
	Expenditure	
2	Premises-related expenditure	1
22	Supplies and Services	29
13	Third Party Grants and Payments	16
21	Depreciation	21
58	Total Expenditure	67
30	Cost Of Services	2
85	(Gains)/Losses on the sale of investments	(158)
(84)	Interest receivable and similar income	(86)
(754)	Changes in the fair value of investments	(47)
(723)	(Surplus) or Deficit on Provision of Services	(289)
-	(Surplus) on Revaluation of Property, Plant & Equipment	(234)
-	Other Comprehensive Income and Expenditure	(234)
(723)	Total Comprehensive Income and Expenditure	(523)

Trust Fund Balance Sheet

Trust Fund net assets increased in the year to £6.649 million (2020/21: £6.126 million) largely due to the sale of investments, pending re-investment of the proceeds, and to a lesser extent an increase in the fair value of investments held. Additionally property asset revaluation gains were also recognised in the year.

Sarah Fortune CPFA
Executive Director for Council Resources (CFO)

2020/21 £000s	Trusts Balance Sheet	2021/22 £000s
753	Property Plant & Equipment	967
3,644	Long Term Investments	3,825
72	Long Term Debtors	66
4,469	Long Term Assets	4,858
2	Short Term Debtors	33
1,808	Operating balance debtor (East Lothian Council)	1,897
1,810	Current Assets	1,930
-	Short Term Creditors	(1)
-	Current Liabilities	(1)
(153)	Other Long Term Liabilities	(138)
(153)	Long Term Liabilities	(138)
6,126	Net Assets	6,649
(681)	Property Revaluation Reserve	(898)
(5,445)	Usable Reserves	(5,751)
(6,126)	Total Reserves	(6,649)

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 2022 are shown in the Trust Investments table.

2020/21 £000s	Trust Investments	2021/22 £000s
	<u>Investments >£100,000 at End of Year:</u>	
241	Vanguard Inv Serv/Vanguard Funds PLC S&P500 Ucits	291
190	UBS Assets Mgt US Equity	227
101	Ishares Trust Core S&P 500 Etf	121
128	Mercantile Investment Ord 0.25	109
-	Rio Tinto Ord GBP0.10	104
107	Blackrock Ord 0.25	-
119	Findlay Park Fds American USD	-
	<u>Others:</u>	
2,666	Other stocks and shares	2,720
92	Held as Cash / Liquid Assets	253
3,644	Total Investments	3,825

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.

2020/21 £000s	Council Tax Income Account	2021/22 £000s
(71,588)	Gross Council Tax Levied and Contributions in Lieu	(73,489)
	Adjusted For:	
5,672	Council Tax Reduction Scheme	5,460
5,623	Other Discounts and Reductions	5,728
1,604	Provision for Non-Collection	1,551
(58,689)	Council Tax Income in Year	(60,750)
104	Adjustments to Previous Years' Council Tax	105
(58,585)	Transfer to General Fund	(60,645)

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	926	7,755	13,402	5,937	6,020	5,174	4,679	652	44,545
Ratio to Band D	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360	
Band D Equivalents	617	6,032	11,913	5,937	7,910	8,408	9,163	1,597	51,577
Provision for non-payment (2%)									(1,032)
Council Tax Base									50,545

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.

2020/21 £000s	Non Domestic Rate Income Account	2021/22 £000s
(41,171)	Gross Rates Levied and Contributions in Lieu	(40,496)
22,230	Relief and Other Deductions	18,170
-	Write offs and Impairment Allowance	-
(18,941)	Net Non-Domestic Rate Income	(22,326)
1,507	Adjustments to Previous Years' National Non-Domestic Rates	1,383
(17,434)	Total Non-Domestic Rate Income (Before Authority Retentions)	(20,943)
-	Non-Domestic Rate Income retained by the Council (BRIS)	268
(17,434)	Contribution to the National Non-Domestic Rate Pool	(20,675)
(18,274)	Non Domestic Rate income credited to the General Fund	(21,943)

Business Rate Incentivisation Scheme (BRIS)

The Business Rates Incentivisation Scheme (BRIS) permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government. In 2021/22 the authority retained an amount of £0.268m representing a 50 per cent share of additional rates income generated in 2019/20. There was no BRIS retained in 2020/21.

Rateable Values

An analysis of the rateable values at 01 April 2021 is detailed in the Rateable Values table.

Rateable Values	Number	Rateable Value £000s
Shops, Offices and other Commercial Subjects	1,636	27,538
Industrial and Freight Transport	934	11,488
Miscellaneous (Schools etc.)	1,038	40,433
Total	3,608	79,459

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:

- 49.0p (2020/21: 49.8p) per pound for properties with a rateable value of up to £51,000 (2020/21: £51,000),
- 50.3p (2020/21: 51.1p) per pound for properties with a rateable value of over £51,000 and up to £95,000 (2020/21: £51,000 up to £95,000),
- 51.6p (2020/21: 52.4p) per pound for properties with a rateable value of over £95,000.

From 1 April 2021 levels of rates relief under the Small Business Bonus Scheme were set at:

- 100% (2020/21: 100%) for eligible properties with a combined Rateable Value (RV) of up to £15,000 (2020/21: £15,000),
- 25% (2020/21: 25%) for eligible properties with a combined RV between of over £15,000 and up to £18,000 (20/21: £15,000 and £18,000).

For businesses with multiple properties, whose cumulative RV is £35,000 (2020/21: £35,000) or less, the relief is 25% for each property with a rateable value of £18,000 (2020/21: £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.



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

www.eastlothian.gov.uk

DR BRUCE FUND

FINANCIAL STATEMENTS

31 MARCH 2022

Charity Number SC019149

DR BRUCE FUND
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2022

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DR BRUCE FUND

MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS

Registered Charity Name	Dr Bruce Fund
Charity Number	SC019149
Trustees	The elected Councillors of Musselburgh
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 2022

The trustees present their report and the financial statements of the charity for the year ended 31 March 2022.

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 2021/22 the trust made two awards totalling £70 (2020/21: £70).

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 £0.2m in the year to 31st March 2022, and the income earned by the portfolio increased by 2% in the same period.

Full details of the trust's financial transactions during the year ended 31st March 2022 are shown on the attached financial statements.

The trust incurred operational expenditure of £1,174, against income of £1,400. Together with gains related to investment assets of £717, this resulted in an increase in reserves of £943. At 31 March 2022, the trust had unrestricted funds of £20,886.

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

Following the council election in May 2022, the elected councillors for Musselburgh who serve as trustees are:

Ruaridh Bennet
Cher Cassini
Andrew Forrest
Shona McIntosh

Signed on behalf of the trustees

Councillor Andrew Forrest
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 1 November 2022 and signed on their behalf by:

Councillor A Forrest
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 of the Dr Bruce Fund for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and Notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Dr Bruce Fund as at 31 March 2022 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' Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 the trustees intend to discontinue the Dr Bruce Fund's operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- 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

Other information

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

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 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

DR BRUCE FUND

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2022

	Note	Total Funds 2021/22 £	Total Funds 2020/21 £
Income From			
Donated services	2	1,000	1,000
Income from Investments	3	330	328
Refunds received	4	70	0
Total Income and Endowments		1,400	1,328
Expenditure On			
Management Fees	5	(104)	(84)
Charitable Activities	6	(70)	(70)
Audit Fees	2	(1,000)	(1,000)
Total Expenditure		(1,174)	(1,154)
Net Income		226	174
Net (Losses) Gains on investments	8	550	2,506
Gain in Investments Revaluation Reserve	9	167	
Net Movement In Funds		943	2,680
Reconciliation Of Funds			
Total funds brought forward		19,943	17,263
Total Funds carried forward		20,886	19,943

The Statement of Financial Activities includes all gains and losses in the year and therefore a Movement in Reserves Statement has not been prepared, with Note 11 providing an equivalent analysis.

All of the above amounts relate to continuing activities.

DR BRUCE FUND

BALANCE SHEET

AS AT 31 MARCH 2022

	Note	2021/22 £	2020/21 £
FIXED ASSETS			
Investments	8	13,714	13,164
CURRENT ASSETS			
Debtors	10	7,172	6,884
CURRENT LIABILITIES			
Creditors		0	(105)
TOTAL NET ASSETS		<u>20,886</u>	<u>19,943</u>
THE FUNDS OF THE CHARITY			
Investments Revaluation Reserve	11	0	(6,112)
Unrestricted funds	11	(20,886)	(13,831)
TOTAL CHARITY FUNDS		<u>(20,886)</u>	<u>(19,943)</u>

These financial statements were approved by the members of the committee and authorised for issue on 1 November 2022 and are signed on their behalf by:

Councillor Andrew Forrest
Trustee
John Muir House
Haddington
EH41 3HA

DR BRUCE FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2022

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 2021/22, the external annual audit fee was a donated service of £1,000 from East Lothian Council.

3 INVESTMENT INCOME

	Unrestricted Funds 2021/22 £	Unrestricted Funds 2020/21 £
Dividends - equities	306	310
Interest on cash deposits	24	18
	330	328

4 REFUNDS RECEIVED

During 2021/22 the Trust received refunds as a result of uncashed cheques totalling £70. The refunded cheques related to the 2020/21 grants distribution.

5 INVESTMENT MANAGEMENT COSTS

	Unrestricted Funds 2021/22 £	Unrestricted Funds 2020/21 £
Investment and ELC management fees	104	84

6 COSTS OF CHARITABLE ACTIVITIES

	Grant Funding activities 2021/22 £	Grant Funding activities 2020/21 £
Grants of £35 made to 2 individuals(20/21: £35 each)	70	70
	70	70

7 STAFF COSTS AND EMOLUMENTS

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

8 INVESTMENTS

Movement in market value

	2021/22 £	2020/21 £
Market Value at 1 April	13,164	10,774
Profits (Losses) from Sales	577	2,241
Net (loss)/gain on revaluation	(27)	149
Market Value at 31 March	13,714	13,164

	Total Funds 2021/22	Total Funds 2020/21
Investments at fair value comprised:	£	£
Quoted shares	13,714	13,164

9 GAIN IN INVESTMENTS REVALUATION RESERVE

During 2021/22 the identification of the Dr Bruce Fund's Investment Revaluation Reserve balance, which is derived from information provided by the investment manager for the pooled trust funds administered by East Lothian Council, was refined. This resulted in a relatively minor gain to the Dr Bruce Fund of £167. No comparable amendment arose in 2020/21.

10 DEBTORS

	2021/22	2020/21
	£	£
Other Debtors	7,172	6,884

11 ANALYSIS OF CHARITABLE FUNDS

	Balance at 1st April 2021	Gain in Investments Revaluation Reserve (Note 9)	Investment Revaluation Reserve Transferred to General Funds	Profit (Loss) for Period (excluding Gain in Investments Revaluation Reserve)	Balance at 31st March 2022
	£	£	£	£	£
Investments Revaluation Reserves	6,112	167	(6,279)	0	0
General Funds	13,831	-	6,279	776	20,886
	19,943	167	0	776	20,886

In 2021/22 the role, status and basis for the Investments Revaluation Reserve was reviewed. It was concluded that it was not appropriate to continue to maintain a separate Investments Revaluation Reserve.

Accordingly the balance in the reserve has been transferred into General Funds. Management of the General Funds balance should however continue to recognise that fair value gains on investments are not realised in cash terms until the investments are sold.

The extent of unrealised gains in the General Funds will therefore continue to inform Trustees' decisions regarding the utilisation of reserves.

