

REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 19 December 2023

BY: Executive Director for Council Resources

SUBJECT: Annual Accounts 2022-23

4

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 audited accounts for 2022-23, noting some further changes to the accounts are still being finalised.

2 RECOMMENDATIONS

- 2.1 Members are recommended to;
- Approve the audited Accounts for the Council and Group components.
 - Delegate responsibility to the Council's Chief Finance Officer and Chair of the Audit & Governance Committee to make appropriate changes to the Accounts, subject to completion of audit work relating to asset valuations, and formal sign off from External Audit.
 - Approve the 2022-23 audited accounts for the Dr Bruce Fund.

3 BACKGROUND

- 3.1 The draft Accounts were formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2023, and were formally considered at Council on the 29th August 2023. As previously indicated the audit was delayed due to external audit resource challenges and the audit commenced mid-October 2023 and was completed in December.

- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3 week period concluding 21 July 2023. No objections were received during this period.
- 3.3 East Lothian Council's statutory accounts includes the financial results for both the Council and its group components. The audited financial accounts are set out in **Appendix 1**, and include an independent audit opinion on the financial statements, and as also highlighted in the auditor's draft annual audit report, I am pleased to report that an unmodified audit opinion has been presented signalling that the financial statements presented represent:
- A true and fair view of the affairs of the Council and the wider Group and were properly prepared in accordance with the financial reporting framework;
 - The audit 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 Late in the audit process, a review of operational assets identified that incorrect data had been used in the valuation of around 200 assets. The issue appears to relate to floor space information underpinning the valuation of land and buildings initially undertaken as at 31 March 2021. The Council is consulting with the valuer to quantify the potential understatement of the affected assets and the impact on the 2022/23 annual accounts. These changes are not expected to change the Council's General useable reserves balance but may impact on the Council's unusable reserves. Members will be kept fully updated of any changes that arise, and full details of the changes and the audited accounts will be submitted into Members Library Service.
- 3.5 During the course of the audit, it was discovered that the actuarial assumptions applied to the Pension liability in respect of unfunded obligations had not been appropriately capped in accordance with IFRIC 14. After engagement with the actuary, a disclosure was made for £12.194 million in relation to the unfunded pension obligation.
- 3.6 One unadjusted misstatement remains within the Accounts relating to certain items of non-pay expenditure that had been fully charged to financial year 2022/23 that includes costs relating to 2023/24. This amount is not material to the Accounts and the Council applies a consistency approach of accounting for annualised 12 months expenditure.
- 3.7 In addition to the Council's financial statements, Audit Scotland also provide an audit opinion of the Dr Bruce Trust which is administered by the Council. The final audited accounts are included within **Appendix 2**, of this report for Members information, and an unqualified audit opinion has been issued.

3.8 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2022-23 accounts will be formally signed by the Council (Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland once the valuation and associated Audit checks have been completed.

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 Council 29 August 2023 – Draft Annual Accounts 2022-23 (Item 2)

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DATE	14 December 2023

ANNUAL ACCOUNTS 2022-23

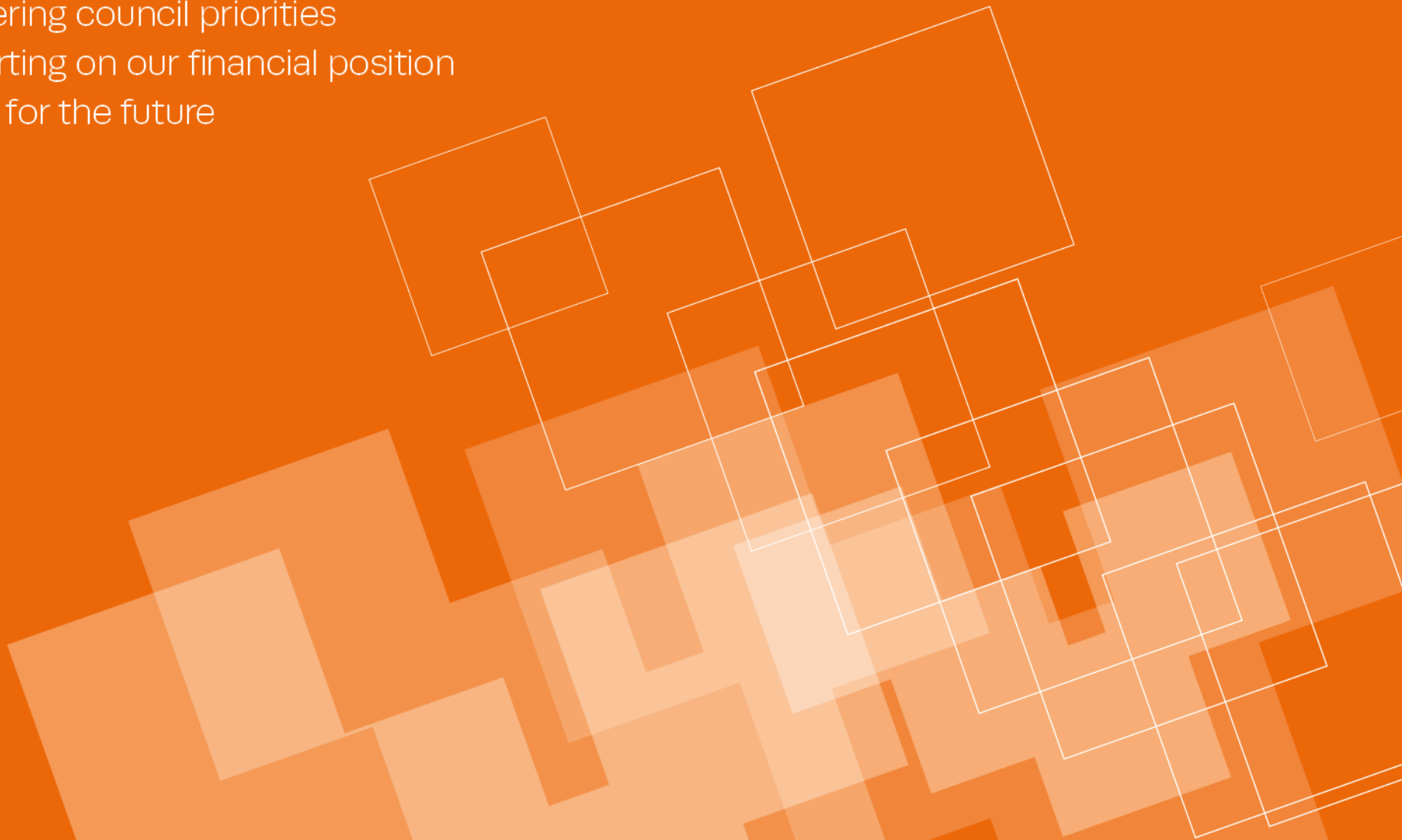


Sharing achievements

Delivering council priorities

Reporting on our financial position

Plans for the future



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Management Commentary

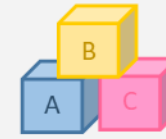
About East Lothian

East Lothian Council provides the county's c.110,000 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 4,979 (4,123 full-time equivalent) people work for the Council.

In 2022-23 the Council:

Educated **15,092** pupils in our secondary and primary schools



Provided Early Learning and Childcare to **2,433** children

Served **1.1 million** school meals



Looked after **196** vulnerable children in care homes, foster care and other care settings



- Provided **20,600 hours** of care at home each week to vulnerable adults and older people
- Looked after **620** over 65 year olds in care homes

Kept open:

- **139** Council buildings

Including:

- **30** public toilets
- **12** libraries

- Carried out approximately **5.8 million** domestic waste collections
- Collected some **54,000 tonnes** of waste
- Recycling rate of about **54%**



Maintained:

- **276** parks, pitches, play areas and burial grounds
- **1,073km** of roads
- **19,098** street lights (93% of which are LED)
- Repaired **2,406** potholes

About East Lothian Council's Group Entities

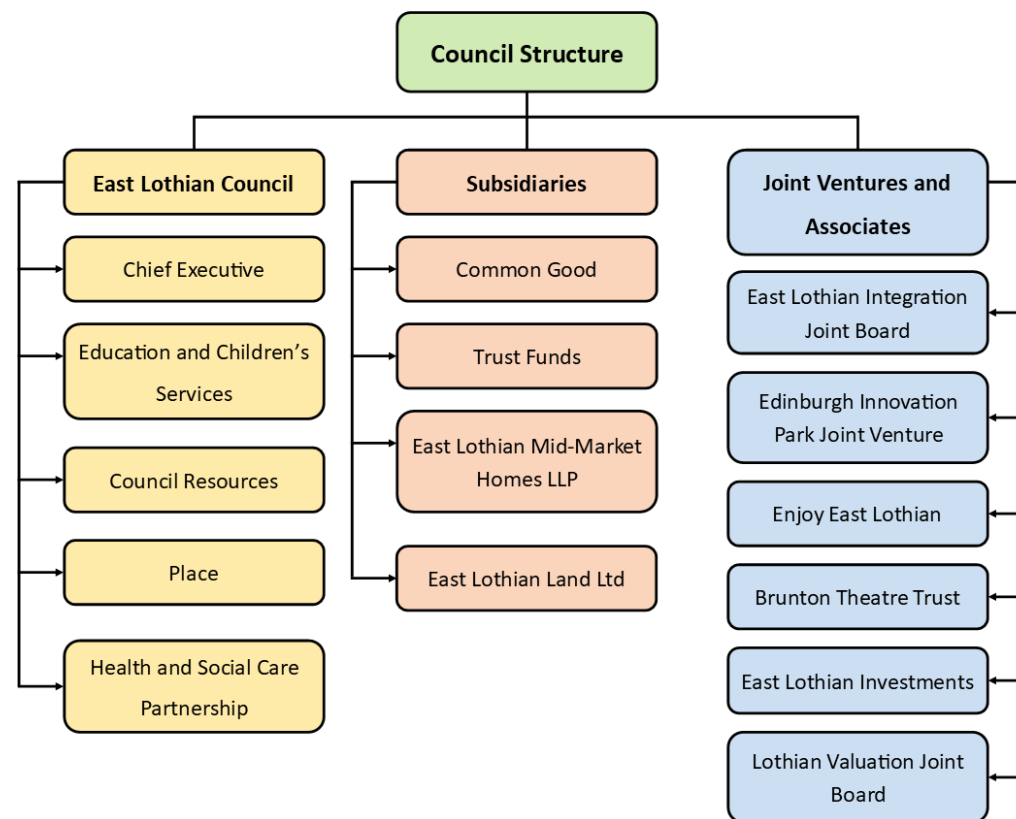
The Council's activities and assets predominantly relate to services provided for and on behalf of taxpayers and housing tenants. The Council also however has control of, or influence on, other bodies and activities where they consist of a separate and distinct responsibility or entity. In most cases 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, Joint Ventures and Associates are illustrated in the following diagram. More detail on the nature and purpose of these bodies is provided in the financial strategies section of this management commentary, as well as in Notes G1 to G6 of the financial statements.

The Edinburgh Innovation Park Joint Venture, in partnership with Queen Margaret University, is a new group entity in 2022/23.

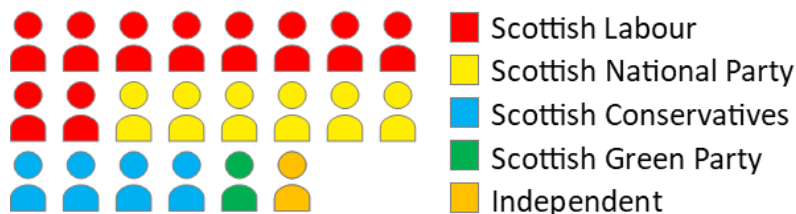


Political Structure

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 2022/23 was established by the Council elections held in May 2022. The political make-up of the Council was ten Scottish Labour, seven Scottish National Party, four Scottish Conservative and Unionist and one Scottish Green Party councillors. In early 2023 one of the SNP councillors resigned from the

SNP and now sits as an Independent Councillor. The Council is led by a minority Labour Administration.



Management Structure and Decision Making

The [Council's Management Team](#) is made up of senior officers and is led by the Chief Executive. Financial plans and monitoring reports for 2022/23 reflected the following Directorates:

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

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

Scheme of Administration

The Council's Scheme of Administration and Standing Orders (revised and updated in April 2023) 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. [A full list of Committees is available online.](#)

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

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

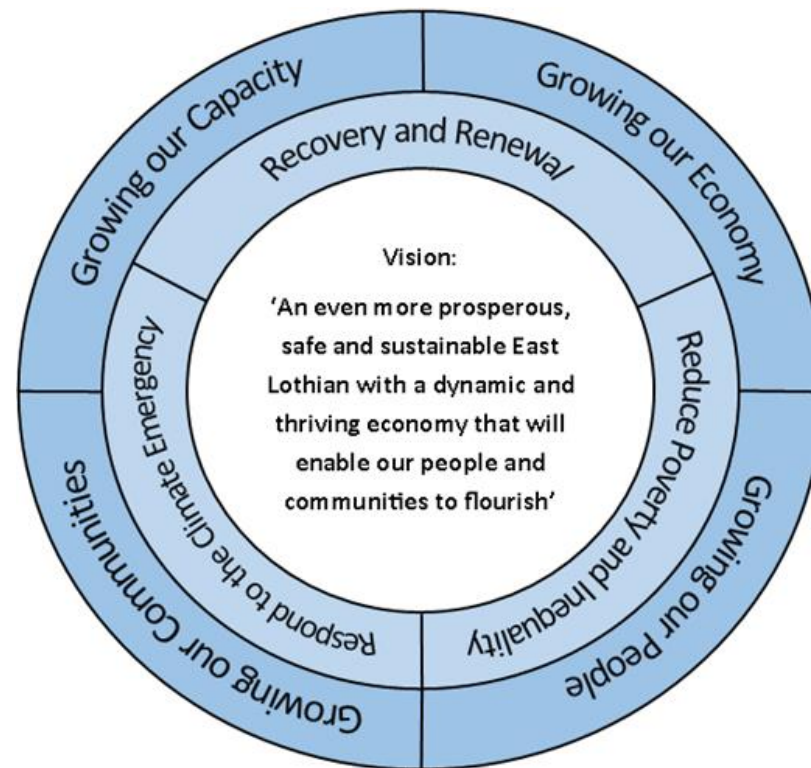
Strategy and Priorities

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

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

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

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



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

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

It is not possible to include all the actions in these strategies and plans – the first four listed above alone contain 290 actions. So the Action Plan, sets out 68 specific actions.

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.

2022/23 Highlights

The financial year 2022/23 has been a year of transition from the previous Council Plan to the new 2022-2027 Council Plan that was adopted in August 2022 and reflects prioritisation of the Council's response to COVID to Recovery and Renewal.

In late 2021 the Council began to come out of the whole council Business Continuity arrangements that had been put in place to deal with the COVID-19 pandemic in March 2020. However, the pandemic continued to have a major impact on the council and council services throughout 2022/23.

The pandemic has been the biggest challenge our society has faced for many generations and has created unprecedented challenges for the Council. As a consequence some council services continued to operate in Business Continuity mode through parts of 2022/23.

From late 2021, the focus of the Council moved from response to preparing for recovery and renewal. 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'. The Plan was based

around six principles and eight key priority areas and these are aligned closely with the key themes and priorities of the 2017/22 Council Plan and the [East Lothian Plan 2017-27](#) (East Lothian Community Planning Partnership's Local Outcome Improvement Plan). Since the Plan was a partnership plan which relied on input from partners such as the NHS and Volunteer Centre East Lothian the East Lothian Partnership Governance Group was given responsibility for monitoring the Plan's progress.

During 2022/23 the Governance Group received regular updates on the Recovery and Renewal Action Plan which tracked progress with the Plan's 36 actions. The latest update report (April 2023) indicated that significant progress has been made on all the actions.

Cost of Living Impact

Council Support for the People of East Lothian

The 'cost of living crisis' that engulfed the country in 2022 continued to impact on Council services during 2022/23. National funding was provided from the Scottish Government through its Local Authority COVID Economic Recovery Fund, from which £758,500 was used to support low income households, and the remainder to support business recovery.

This funding was allocated to various council services and third sector partners including

- £16,500 – Benefits Awareness and Take Up Campaign which ran between 8th September – 9th October 2022 and generated around £125,000 financial gains for 64 new clients
- £420,000 – to supplement the Scottish Welfare Fund and pay supplementary Cost of Living Assistance payments of £100 or £50 to people claiming Crisis Grants or Community Care Grants

- £90,000 – Children’s Services to support foster and kinship carers and provide additional Section 22 payments to vulnerable children and young people
- £75,000 – Adult Social Work to make cost of living payments to vulnerable adults, carers, and terminally ill and provide Volunteer Centre East Lothian with funding to support people supported by the Community First Service
- £112,000 – to support food initiatives, including the Fareshare Hub, East Lothian Foodbank and pantries and larders across the county
- £13,500 - Women’s Aid East and Midlothian to provide clients with grants of £150 - £200 to help with cost of living and energy bills

East Lothian citizens facing acute financial hardship due to rising energy and food costs were able to apply for funding from the East Lothian Energy Fund which was created using a generous £1m donation from Community Windpower.

The fund, which provided up to two months electricity bills plus cost of living awards was administered on behalf of Community Windpower and the council by Advice Direct. The £1m which was distributed from the end of November 2022 to the end of March 2023 helped over 1,800 households with average payments of around £550 per household.

In addition the council acted as agent for the Scottish Government in applying £4.788 million of government funding to support a cost of living award of £150 for qualifying Council Tax payers.

Financial Impact on the Council

The cost of living pressures also affected the Council’s own finances in 2022/23 and the prospects for future years. In recognition of this, and as the scale of the challenges for the future became clearer, [a Special Council Meeting of East Lothian Council](#) was held on 22 November 2022.

The report presented the potential scale of the unplanned use of reserves, and set out the range of external factors affecting Council finances including pay awards, inflationary pressures, increases in demand for Council services, and higher borrowing costs as interest rates increase.

A range of cost control measures were agreed including adherence to revenue and capital budgets, review of future spending plans and projects, reductions in heating use, and a review of Council property assets to optimise usage or determine disposal.

The mitigation measures recognised the wider financial pressures facing the council given the range of external pressures alongside the significant and growing challenge in meeting the financial requirements of population growth. To achieve financial sustainability the report noted that a fundamental review of the Council’s financial strategy and priorities alongside wider review of local government funding and distribution of resources would be required.

Consequently the Council’s corporate risk register was updated to reflect ‘Managing the Financial Environment’ as the highest scoring risk ever publicly reported by the Council. Further comments on the financial aspects of the cost of living pressures and their management are provided in the Financial Strategies section of the Management Commentary.

2022/23 Service Performance

The COVID-19 pandemic continued to have an impact on the performance of some council services and this was reflected in some of the council's key performance indicators including:

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

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

The first update on these indicators was presented to the [Policy Performance and Review Committee on 15th June 2023](#). The following are some of the key indicators against the six Council Plan objectives.

Reduce poverty and Inequality

- 21.1% of children are in households with less than 60% of average income after housing costs. This is below the Scottish average of 24%.
- The percentage of the population claiming Out of Work allowance/ Universal Credit has reduced from 2.8% in the previous year to 2.5%. The rate remains below the Scottish average of 3.3%.

Respond to the Climate Emergency

- The average council score in [Adaptation Scotland's Capability Framework](#) is 2.16.
- There have been 18 FTE staff certified as Carbon Literate with an additional 32 expected to be certified later in the year.

Grow our Economy

- Overall, 30% of people involved in Council operated employment programmes progressed into employment. This is a reduction compared to the 43% achieved in the previous year. The number of participants are much higher in 2022/23 at 722 compared to 467 in the previous year.

Grow our People

- The percentage of young people receiving After Care who are in a positive destination has improved slightly to 54% although under target (60%) for the year.
- 1023 referrals received into the single point of access (SPA) from the beginning of the school year (Aug 2022) to end of May 2023. The most common referral reasons being Neurodevelopmental Assessment, Anxiety and Emotional/ Behavioural Difficulties followed closely by Trauma and Low Mood.

Grow our Communities

- Number of affordable house completions and open market acquisitions increased from 126 to 196.
- Average number of days to re-let properties is outwith target at 65.2. Issues affecting performance include staffing issues, contractor delay and issues associated with the pandemic.

Grow our Capacity

- Proportion of non-Direct Debit payments undertaken online increased from 72% in 2021/22 to 79% in 2022/23

- Total number of on-line form transactions has improved in 2022/23 from 32,751 to 41,644. This includes 24,493 from the Customer Portal and 17,151 from the Council website.
- Percentage of income due from Council Tax received by the end of the year is 97.6% and on target for the year.

Property Structural Defects Assessment

The historic use of Reinforced Autoclaved Aerated Concrete (RAAC) in buildings has been noted by [the Institution of Structural Engineers](#) as presenting a risk of the existence of potential structural defects. This is considered to require identification and assessment of buildings with RAAC. During 2022/23 the Council commenced a review of the structural integrity of its property portfolio in relation to the use and condition of RAAC. The review is continuing into 2023/24 however the Council has reflected impairment charges in its 2022/23 financial statements for those properties where identification and assessment means that building usage has been curtailed due to confirmation of structural issues arising from RAAC. The total asset impairment relating to RAAC is £8.135m, of which £0.472m is reflected in Note 22 and £7.663m in the Revaluation Reserve on Note 34 of the financial statements. Further impairments due to RAAC may arise, and resolution of RAAC issues may affect future capital spending priorities.

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**



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

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

The Hub will provide services and fitted commercial laboratory and office space for high growth tech and innovation-based businesses. The Hub will become a vibrant innovation cluster where high growth SMEs and innovation-led businesses co-

locates with research and business networks under one roof to deliver a specialist service offering for commercial innovation.

The Hub will be a regional and national resource that will enable cross-sector collaborations and interactions at all levels.

Business will benefit from a network of business support and people and businesses will be brought together to share knowledge and skills at the 'crossing point' between R&D and commercialisation.

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

Key activities planned for 2023/24 include submission of the Hub application with detailed designs, completion of junction work to improve accessibility and connectivity to the Hub and the wider EIP, procurement of a contractor and commencement of construction.

- **New Council Housing**



The Housing Revenue Account plans to continue to invest in new council housing with £100.803 million of investment planned over the next five years. Key development sites include:

- Blindwells where 60 units were completed 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.
 - Windygoul South in Tranent where 60 units are due in 2023/2024;
 - Craighall phase 2&3 in Musselburgh where 45 units are due in 2023/2024;
 - Herdmanflat in Haddington that is due to deliver 95 units within the 5 year programme; and
 - Wallyford where a number of developments have the potential to deliver 136 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 further understand and realise 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 removal of planning constraints on the site contained within the new National Planning Framework 4 and will seek to plan the future development of the site in line with this. A small parcel of land, approximately 7 acres has been sold to an offshore wind development company and construction of their onshore transmission substation commenced in February 2023. The Council continues to work

closely with the renewable energy sector and has an option agreement in place for another offshore wind onshore substation and heads of terms established for a battery energy storage development. The Council has also been successful with a bid to the UK Government Levelling Up Fund for funds that will assist with site remediation in preparation for future development.

- **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. Feedback from public consultations in February 2023 have informed plans and a public exhibition in June 2023 will illustrate how stakeholder contributions have helped to evolve the design.

- **Asset Review Project**

Recognising that the way in which many services are being delivered is changing and with more employees working from home or on a hybrid basis, the opportunity to review accommodation in relation to asset rationalisation is being progressed. This review will assist in meeting budget efficiencies whilst meeting the Council's commitments to the Climate Change Strategy, Asset Management Plan and the Council Plan. The Asset Review supports work to ensure that the Council can continue to deliver effective services and the next steps of the project include rationalisation of the wider Council property assets including a 'place' project that looks at how the Council delivers services within the six main ward areas and will subsequently allow for further rationalisation of property. With the lease of Randall House due to end in October 2023, accommodation amendments in other offices are being implemented to more appropriately use the available capacity of existing buildings.

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 2022 covering the five year period 2023/24-2027/28 and can be found in the [East Lothian Council meeting papers of 13 December 2022](#) (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 2022 (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 2023/24 to 2027/28" can be found in the [East Lothian Council meeting papers of 28 February 2023](#) (Agenda Item 6).

Group Entities

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

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

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

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

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

Financial Statements Overview

The Group Financial Statements

The financial position and financial performance of the group predominantly reflect the position in relation to the Council's taxpayer and tenant services. Those service responsibilities represented 95% (2021/22: 94%) of the group's net assets and 102% (2021/22: 93%) 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 £744.748 million (2021/22: £591.033 million). The entities, other than the Council as the parent organisation, which primarily affect the net assets reported relate to Common Good and Trust Funds, which have net assets of some £24.339 million (see Note G3, 2021/22: £24.407 million). Additionally the Council's share of the net assets of its associates and joint ventures adds some £9.482 million (2021/22: £12.439 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 2023 related to service provision.

The Group Comprehensive Income and Expenditure Statement shows that the Group Deficit on the Provision of Services was £10.507 million (2021/22: a deficit of £17.715 million).

The subsidiaries which have the largest impact on this are:

- the Common Good (surplus £0.035 million, 2021/22: surplus £0.680 million) relating primarily to the performance of investment returns; and
- Trust Funds (deficit £0.133 million, 2021/22: surplus £0.289 million) relating primarily to investment returns.

East Lothian Mid-Market Homes achieved a surplus of £0.078 million (2021/22: £1.146 million). The large surplus in the prior year was due to grant income received from East Lothian Council.

The Group's share of the deficit on provision of services of joint ventures and associates is £5.576 million (2021/22: surplus £4.820 million), which primarily reflects the deficit 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.

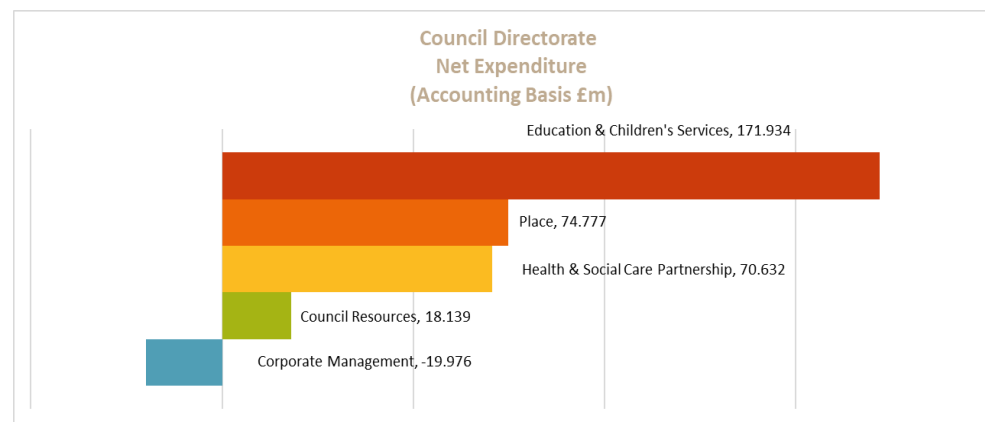
Council Provision of Services Income and Expenditure

The cost of taxpayer and tenant services provided by the Council on an accounting basis in 2022/23 was net expenditure of £328.388 million

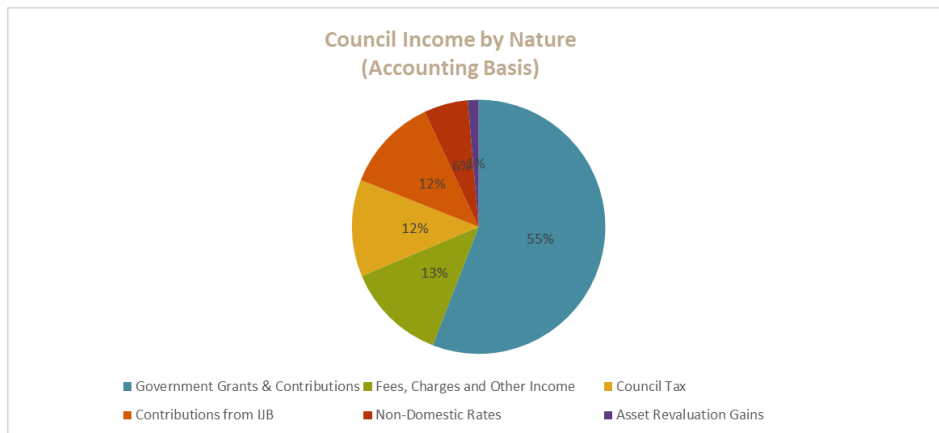
(2021/22 £301.188 million), an increase of £27.200 million (+9%). This increase is related to a number of factors. This is largely attributed to service demand pressures and the emergence of increasing cost inflation, including pay awards, fuel and purchasing costs.

The net deficit on the provision of services, after applying funding to the cost of services, was £4.899 million (2021/22: net deficit of £24.707 million). An increase of £26.180 million (2021/22 increase of £8.348 million) in capital grants and contributions received 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.



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	150,117		(1,087)	149,030
Health & Social Care Partnership	67,219			67,219
Place	51,395			51,395
Council Resources	19,603		(4,788)	14,815
Corporate Management	(282,348)	(408)	265,095	(17,661)
HRA	(4,652)		(3,612)	(8,264)
Other Income and Expenditure	-		(253,412)	(253,412)
Cost of Services	1,334	(408)	2,196	3,122

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

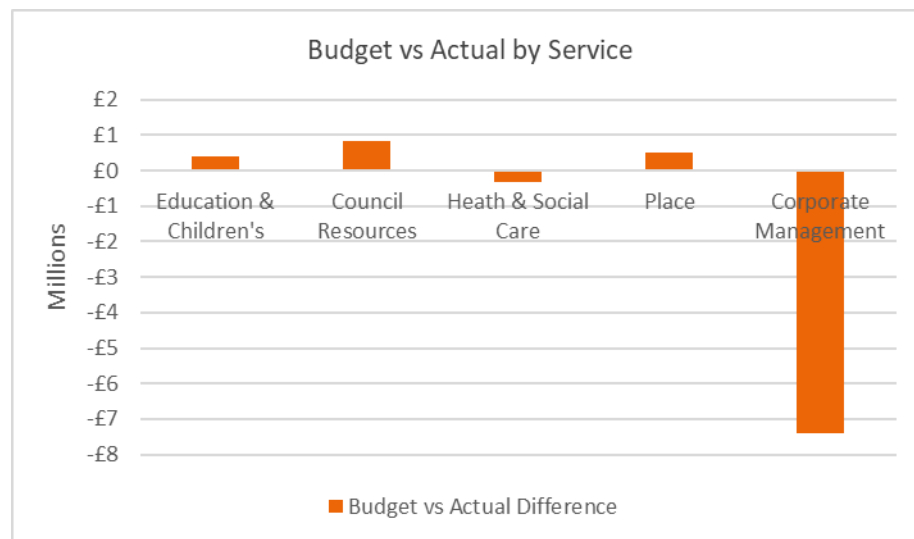
Council Management Reporting Outturn

Inflationary Pressures

The dominant aspect of the 2022/23 financial year affecting the Council relates to changes in the national and global economy. These have created significant inflationary pressures for East Lothian Council, as well as for the people and organisations of East Lothian.

For East Lothian Council this contributed to recurring in-year expenditure pressures of some £12.537 million. Key areas of inflationary pressure relate to pay awards, utility costs, and general inflation relating to purchases of supplies and services. Capital projects have also faced cost increases. Cost control measures agreed at a

[Special Council Meeting \(22 November 2022\)](#) included adherence to revenue and capital budgets, review of future spending plans and projects, reductions in heating use, and a review of Council property assets to optimise usage or determine disposal.



The review of service performance can be found in the [East Lothian Council meeting papers of 27 June 2023](#) (Agenda item 3). The total overspend for 22/23 was £5.986m due to the wide range of external financial pressures faced by the council such as high inflation and contractual costs; funding for public sector pay awards; high interest rates; and significant increased demand for Council services aligned to cost of living pressures and a growing population.

To manage the pressures in 2022/23 the Council has utilised or benefitted from a number of items which are not expected to be recurring funding support for future expenditure:

- Use of Council reserves to support expenditure (£8.690 million)

- Loans Fund repayment flexibility which permitted the Council to defer charging the General Fund to repay historic capital expenditure (£6.4 million)
- Flexibility in use of 1140 Hours Early Learning and Childcare Funding (£1.750 million)
- Flexibility for the Housing Revenue Account (HRA) to utilise General Capital Grant, permitting the HRA to transfer the equivalent sum to the General Fund (General Services) balance to support pay awards (£2.308 million)
- Additional funding for teachers pay (£0.779 million)
- Reduction in teacher pay costs due to strike action (£0.340 million)
- Other underspends (£0.777 million)

The Council therefore faces significant challenges in 2023/24 and later years with inflationary pressures anticipated to continue. Changes in interest rates are also anticipated to affect the future borrowing costs of the Council for new and replacement debt. Alongside these external challenges, the Council is now facing a very significant funding gap to meet the growing infrastructure and service requirements aligned to rapid population growth and this is now resulting in a very significant funding gap for the Council, to a scale and level we have never experienced. Future service revenue expenditure and capital expenditure plans will need to address these challenges, but given the scale and size of the challenge, this will require some very difficult decisions in order to support the delivery of a balanced budget.

Improving the Council's financial sustainability, especially moving towards balancing recurring expenditure and recurring income, is now a priority objective for the financial governance of the Council.

Housing Revenue Account

The Housing Revenue Account (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 2022/23 the Scottish Government implemented fiscal flexibilities to assist councils in managing the cost of pay awards. As part of this the HRA was permitted to use General Capital Grant to support capital expenditure and loans fund advance repayments. This allowed the HRA to forego the planned use of revenue balances to support in year capital expenditure. The HRA was then able to transfer the sum of £2.308 million to the General Services balances in compensation for the use of capital grant. Additionally in the year £0.410 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 deficit on HRA services for the year of £2.548 million (2021/22: £2.740 million surplus).

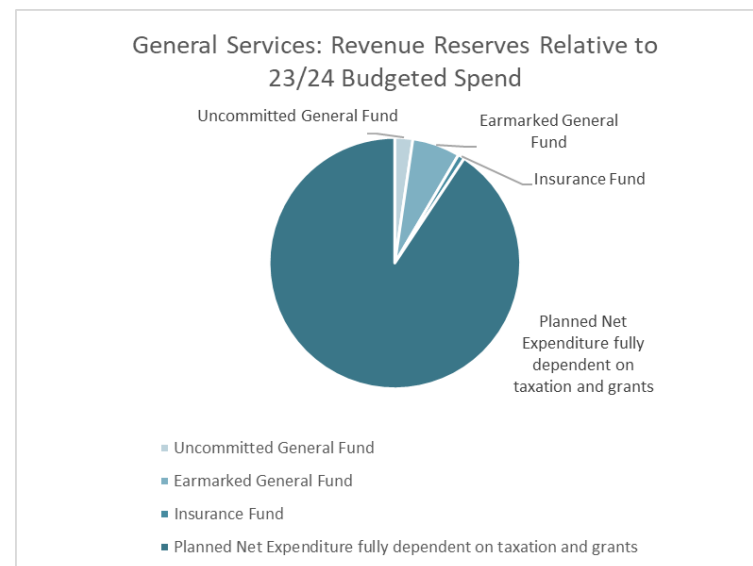
The change reflects significant council dwelling revaluation gains in 2021/22 which were not repeated to the same extent in 2022/23. Additionally an increase in impairment provision charges for outstanding rent debtors arose. These changes were partially offset by an increase in capital grants received.

Reserves

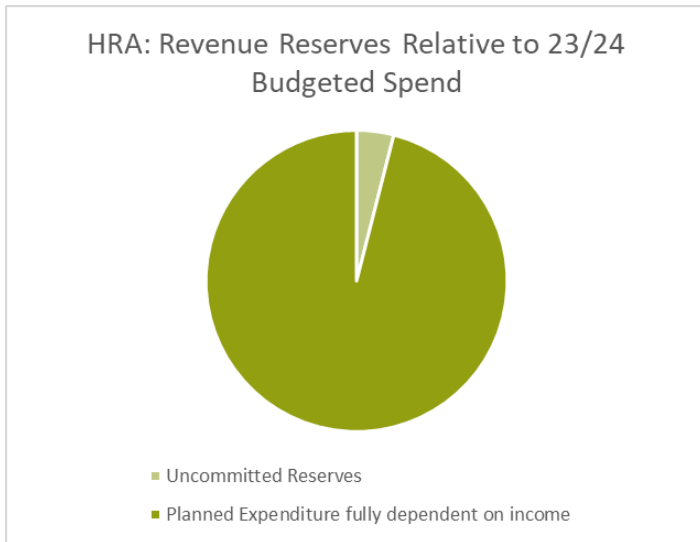
At 31 March 2023 the Council had total usable reserves, including HRA and capital, of £45.192 million (2021/22: £38.720 million). This includes £1.487 million for HRA revenue expenditure, and a total Capital Receipts Reserve of £14.607 million. More details are provided in Note 32 and Note 34.

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 £26.414 million (2021/22: £29.685 million).

The following chart shows the level of reserves in comparison to planned expenditure for 2023/24. It illustrates the importance of ongoing taxation and grant income to support council services.



The Housing Revenue Account balance at 31 March stands at £1.487 million (2021/22: £1.748 million), above the strategic target minimum balance of £1 million. The following chart shows the level of reserves compared to planned expenditure in 23/24.



Balance Sheet

The net assets for the Council have increased by £156.846 million or 28.38% (2021/22: £130.826 million, 31.0%). Changes include:

- Property, plant and equipment and other non-current assets show a net increase of £108.505 million (2021/22: increase £71.476 million). Additions of £127.133 million (2021/22: £95.530 million) reflected spend on assets by the Council. Additionally revaluation gains and impairment reversals of £39.984 million (2021/22: £30.189 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, based on an external review which indicated a higher average value per dwelling. Additionally increases were also applied to a portfolio of property assets where the previous carrying value was not considered to appropriately reflect the position as at 31 March 2023. These increases were partially offset by de-recognition,

depreciation, impairment and other revaluation changes of £58.060 million (2021/22 £54.243 million).

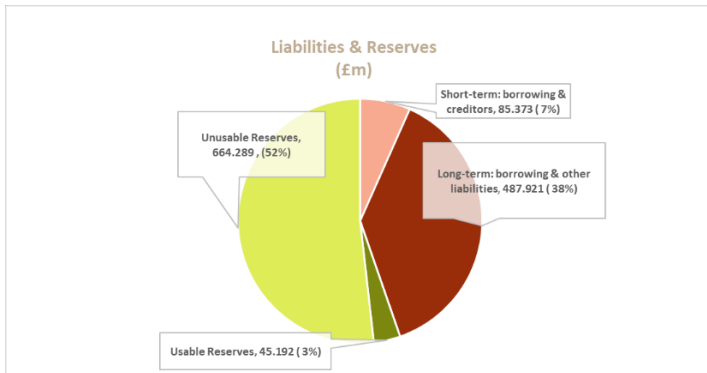
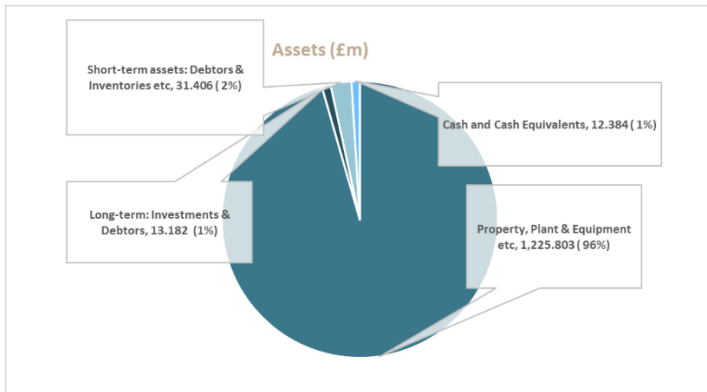
- Net pension liabilities decreased by £86.6 million (2021/22: £97.260 million decrease) to £12.194 million due to pensions assets exceeding estimated funded pension liabilities as at 31 March 2023, resulting in an asset ceiling being applied (see Note 31).
- Cash and cash equivalents decreased by £41.115 million (21/22 increase £20.646 million). The decrease largely reflects the non-recurrence of significant Scottish Government cash received in March 2022, a decrease in the level of liquid balances previously held for COVID-19 expenditure, and a decrease in borrowing due to higher interest rates making reduction in available cash balances more attractive than external borrowing.
- Liabilities, excluding pensions, increased by £12.370 million (2021/22: £59.818 million increase), with long-term liabilities increasing by £20.267 million, largely due to an increase in long-term borrowing, and short term liabilities decreasing by £7.897 million, largely due to a decrease in capital grants receipts in advance.

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

For example the increase in the Revaluation Reserve in 2022/23 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 2022/23 the Council provided capital investment of £127.132 million (2021/22: £95.530 million). Some of the significant capital projects undertaken in 2022/23 include:

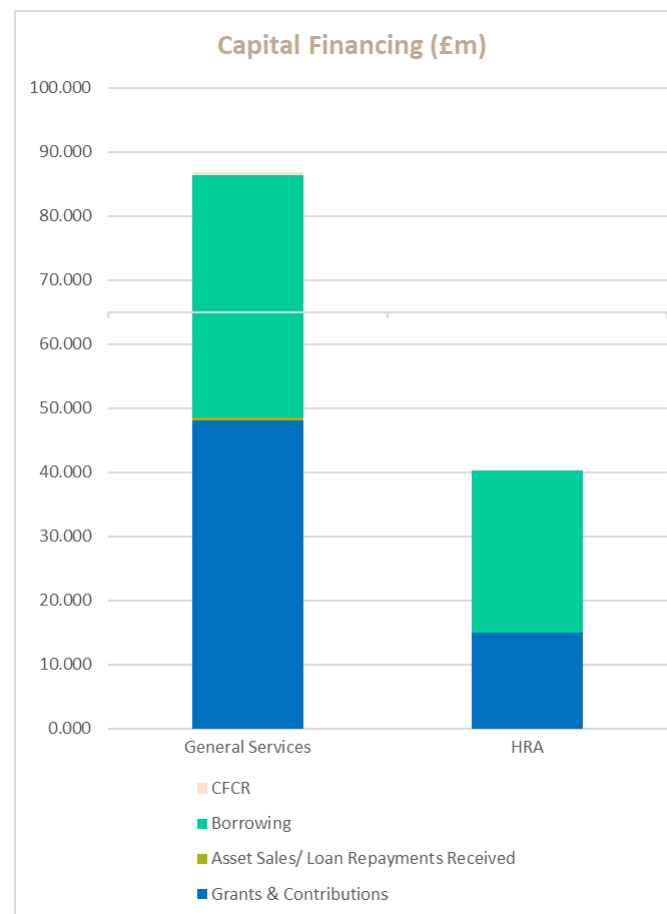
- Investment in Education related assets of £40.365 million (2021/22 £35.8 million), with significant projects including the new Wallyford Learning Campus and extensions to Law Primary, North Berwick and Ross High Schools.
- Investment in the Council's transport related infrastructure of £12.223 million (2021/22 £7.9 million).
- Work as part of the [Edinburgh and South East Scotland City Region Deal](#) related to the Innovation Park joint venture of £11.096 million, featuring a Food & Drink Innovation Hub, including developing the A1/ Queen Margaret University junction
- Investment in Town Centre Regeneration, Support for Business, other properties and operational assets of £23.098 million
- Additions to the Council's active housing stock and assets of £40.350 million (£2021/22: £30.8 million).

For General Services most of the £26.969 million underspend on expenditure compared to the budget relates to re-profiling of projects into future years. Supply chains have seen improvements in some areas, however there is still significant volatility and this remains a key element for capital projects. Construction cost increases also continue to be a feature affecting capital expenditure. A consideration for future capital spend is an assessment of the structural integrity of some Council buildings where Reinforced Autoclaved Aerated Concrete (RAAC) has been used.

The HRA capital programme delivered a relatively small underspend of £1.829 million against the planned budget during 2022/23.

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

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



Other Performance Indicators

The Council publishes performance results via its [performance website](#), with other information on performance available through the Council's [Performance Portal](#).

Financial Indicators

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

2021/22 £000s / % / Days	Council Financial Indicator	2022/23 £000s / % / Days	Commentary
20.44%	Council Tax funding to overall level of taxation and non-specific grant funding	18.96%	Reflects the overall percentage of East Lothian Council funding from local taxation.
96.33%	In year Council Tax collection rate	97.66%	Reflects East Lothian Council's effectiveness in collecting Council Tax.
99.23%	In year NDR collection rate	98.59%	Reflects East Lothian Council's effectiveness in collecting NDR debt.
511,227	Capital Financing Requirement	567,653	The Council's underlying need to borrow.
(533,786)	External Debt Levels (Financial Liabilities per Note 27 to the financial statements)	(541,616)	The Council's actual levels of external debt and long term liabilities.
99.47%	Overall General Fund (excl HRA) actual net expenditure compared to planned, as a percentage of the original expenditure budget	102.03%	How closely expenditure compares to the set net expenditure budget for the year.
0.91%	Uncommitted General Fund balance as a % of next year's net expenditure budget before application of taxation based funding and use of reserves	2.3%	Reflects the amount of funding available to manage unplanned events.
928	Sundry debtors collection: Average number of days of debts	646	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 13 June 2023 webpage, Item 10](#)) 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
Managing the Financial Environment	Very High	ELC annually refreshes the Financial Strategy, Capital Strategy and Treasury Management Strategy to take cognisance of any new/emerging financial risks. Regular management information to CMT and wider Council management, and quarterly financial reporting through political governance. The Council has agreed an enhanced range of urgent cost control measures aimed at mitigating and limiting the scale of rising costs. ELC has well developed medium term financial planning arrangements.
Homelessness	Very High	Continued monitoring of RSL nomination process. Cabinet approved recommended actions to address pressures relating to a lack of affordable housing supply and address homelessness pressures through delivery of an agreed action plan. Continue new build activity to increase housing stock. New team in place in response to Ukrainian refugee situation.
National Care Service	Very High	Council officers will actively engage in National Professional networks and feedback any relevant information to the working group. CMT will continue to monitor the development of the proposal and report to the Council. The Council has established a working group that will consider the scope and impact that the National Care Service may have on Council Services.
Supply/Cost of Materials and Labour	Very High	Regular communication with current suppliers around market conditions and alternative specifications/materials. Close engagement with Scotland Excel. Prioritising, Planning, Reporting and Monitoring of projects/programmes to identify financial implications. Continue further engagement with Scottish Government, Government Agencies and Professional Bodies.
BREXIT	Very High	The Council approved a Local Implementation Plan for year 1 investment arrangements. The Connected Economy Group continues to take a partnership approach to assessment of BREXIT related impacts. ELC continues to monitor developments.
Rising Energy Costs	Very High	Electricity, gas and oil is procured through Scottish Procurement. ELC's Energy Transformation Board seeks to improve energy efficiency and supply from renewable sources. Additional funding has been reflected in the 2023/24 approved budget.
Increased Financial Hardship	Very High	Some welfare benefits have changed, and additional national funding has been made available in order to help alleviate financial hardship and support those in need. All teams continue to provide support to EL residents and businesses struggling financially at this time. The Connected Economy Group (CEG) continues to take a partnership approach to assessment/monitoring of energy related costs to businesses and makes representations to UK and Scottish Governments.
Recovery and Renewal	Very High	ELC has had to adapt its delivery of services beyond the COVID pandemic and now subsequent concurrent challenges including the cost of living crisis and ensuing economic volatility. The Recovery & Renewal Plan interventions remain valid and under constant review. ELC will continue to lead recovery support by our partner agencies context of the Civil Contingencies Act 2004.

Risk	Risk Level	Corporate Risk Summary Key Mitigation steps
Maintenance of Assets	Very High	Annual update of programme of works based on condition, sustainability and statutory compliance assessments to inform budget requirement. Building surveyor and asset project manager now in place. Reports to the Corporate Asset Group highlighting risks and identify impact on the operation or safety of the assets to enable planned action to be considered and implemented. Regular review meetings are held between Education, Planning Finance and Strategic Asset and Capital Plan Management.
RAAC	Very High	Management and survey work to identify RAAC/Siporex. A desktop assessment of the ELC Asset Register to identify RAAC materials. Visual inspections undertaken to determine the location/condition of RAAC within building assets, inspections by building surveyor/structural engineer.
Workforce Challenges	Very High	The 2023-2027 Workforce Plan was approved by cabinet (Jan 2023). Regular assessment of staffing capacity within services enabling redeployment of resources to maintain frontline services. Reducing service provision when essential in non-statutory services. Business Continuity Plans activated as necessary.
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 the 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	Cross-service working group/oversight group meetings in place. Regular meetings, communication and co-ordination with partners. Dedicated staff support, database of host details established, cross-service collaboration and agreements. Developing a host family scheme for Unaccompanied Asylum Seeking Children. Further quantification and identification of future resource demands.
Climate Emergency	High	Annual reporting to the Scottish Government to track CO2e reductions and delivery of adaptation programmes. Delivery towards ELC's Climate Change Strategy (2020-2025) and Action Plan to achieve net zero by 2045. Annual Reports to Cabinet. Carbon Literacy Training rolled out to staff.
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. ELC has appointed external solicitors to provide legal support for the public fostering inquiry. Records management expertise allows us to respond effectively to SAR requests and information requests/provide evidence.
Flooding and Coastal Erosion	High	Flood risk and drainage issues are considered when processing planning applications. The Severe Weather Response Plan has been developed and ensures a co-ordinated and consistent multi-agency response. Emergency surface water, coastal and river flooding procedures are in place and have been proven effective. Maintenance of existing flood protection schemes. Inspection regimes are in place.
Public Protection and Duty of Care to Public	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 is to provide leadership and strategic oversight of Public Protection activity and performance across East Lothian and Midlothian. Oversight groups established.

The Management Commentary is authorised
by:

Monica Patterson
Chief Executive
[for signature after audit complete]

Norman Hampshire
Council Leader
[for signature after audit complete]

Sarah Fortune CPFA
Executive Director for Council Resources
(CFO)
[for signature after audit complete]

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

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

I confirm that these Annual Accounts were approved for signature by the Audit and Governance Committee at its meeting on *[date to be inserted after audit complete]*.

Signed on behalf of East Lothian Council.

Norman Hampshire
Council Leader
[for signature after audit complete]

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 2023.

Sarah Fortune CPFA
Executive Director for Council Resources (CFO)
28 June 2023

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 recent review of corporate governance carried out in 2023 and approved by CMT in May 2023 found that East Lothian Council continues to have good governance and control arrangements in place across the seven corporate good practice principles.

The Council's ELC values – Enabling, Leading and Caring – and the East Lothian Way behaviours underpins the way the Council continues to have recovered from the COVID 19 Pandemic and concurrent risks during 2022/23.

The Council published a COVID 19 Recovery and Renewal Plan in 2021 and has continued to monitor progress through recovery action. Following the Election of new Council members in 2022 a Council Plan 2022-2027 was approved in August 2022. Financial and Capital Strategies 2023/24 – 2027/28 were approved in December 2022.

The Council governance self-evaluation review against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 which was carried out in May 2023 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 Improvement to Excellence framework was approved by Cabinet in May 2023 to take account of the Council's new priorities as set out in the 2022-2027 Council Plan, and the experience and practice of operating the framework over the last few years.

Declaration of Assurance

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

All Chief Officers provided assurance that, to the best of their knowledge and understanding, the Internal Financial Controls in their areas operated satisfactorily. Although 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 implementation of 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. A total of 118

breaches have been recorded at the end of March 2023. The Homeless Service continues to face significant challenges in a context of constrained resources, the humanitarian efforts to accommodate refugees and deliver the more recent support schemes for Ukrainian nationals, notwithstanding the risks surrounding potential increases in homeless presentations should the schemes come to an end. We are also presented with increased challenges around housing market pressures which are affecting our ability to competitively bid for and secure properties. We are experiencing rising costs across the construction sector which impact on the delivery of our new build programme. The Scottish Government are fully aware of the challenges faced with ongoing and proactive engagement. A range of actions are being taken at a local level and pursued at a national level in ongoing discussions with the Scottish Government, COSLA and other representative bodies. Local actions include, but are not limited to, detailed scrutiny and action plans in respect of voids, conversion of temporary accommodation to mainstream accommodation where appropriate, high levels of homeless allocations and increased levels of more suitable temporary accommodation coming forward through the voids process.

As a result of the impact of Covid-19 on contractor resourcing, challenges in establishing access to properties, and material supply chain issues, East Lothian Council remained non-compliant with Scottish Housing Quality standards in terms of electrical inspection condition reporting at the 2021/22 reporting year. On entering the Covid-19 recovery phase in June 2022, the Council decided to initiate forced access for such works, where all other efforts to gain access had been exhausted. These arrangements have resulted in 98.30 % of all stock being brought up to standard as at the end of March 2023.

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 complied in all material respects with the 2018 CIPFA Audit Committees Practical

Guidance for Local Authorities and Police. A self-evaluation review of the revised 2022 CIPFA Audit Committees Practical Guidance for Local Authorities and Police is underway to ensure continued compliance.

All internal audit reports into service areas include recommendations, agreed actions and an implementation date. During 2021/22 areas identified with scope for improvement included the following:

- Control processes in place covering the Council partnership in East Lothian Mid-Market Homes LLP required significant improvement, the follow up completed in June 2023 demonstrated that all but two of the recommendations had been implemented ;
- The Council required to complete development of both Digital Learning and IT strategies. The Council Digital Learning an Teaching Strategy was approved by the Education Committee in March 2023;
- Control processes for stock control for property maintenance impacted by resourcing issues and COVID factors required further focus to improve. The follow up review completed in June 2023 established that all but one of the recommended actions had been implemented.
- Controls over purchasing and lower value procurement processes required systems improvement to allow for enhancement of the control processes as we enter the

recovery phase. The follow up review completed in June 2023 established that all but one of the recommended actions had 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 2022/23 follow-up reports were submitted to the Audit and Governance Committee on Management actions taken in respect of East Lothian Mid-Market Homes, IT Schools Procurement, Property Maintenance Stores, Low Value Purchasing, Scottish Welfare Fund, Corporate Appointeeship, Payroll, COVID 19 Grants, Risk Management, Non- Domestic Rates Reliefs and Recoveries, Council Tax Reliefs and Recoveries, Restart of Capital Projects .

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 2023 meeting of the Audit and Governance Committee. For 2022/23, Internal Audit has concluded that subject to a number areas for improvement which are outlined below, and consideration of the corporate risk that is outside of the Council's risk tolerance, 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 2023. Those areas which have been identified with scope for improvement include:

- Control processes for Waste Services income were severely impacted by a loss of staff resource, which impacted upon capacity and led to key controls in respect of Waste Services Trade Waste administration and invoicing for the sale of material not operating effectively, during the COVID-19 pandemic period. Since identification of this issue staff resource has been recruited to resolve the issues identified.
- The Council has appropriate systems in place to record all devices that are logged on to the Council network, however there is no clear record maintained of devices from original purchase through to eventual destruction, in either the Council or the Education asset estate. Work remains ongoing to develop a system to develop this system.
- The Council has not had in all cases appropriate management of suppliers in place during the year to ensure that the prices being paid matched framework contracts, and also authorisation processes are not always effectively in place. Improvement in the Contract Management processes were already being developed by the Procurement team during the year and when

implemented will help improve the control environment.

- The Governance and Control processes covering the legal, financial and operational processes between the Council and the Brunton Theatre Trust have substantial gaps that require to be resolved. The Internal Audit review in this area whilst substantially complete is continuing to be reviewed to agree the most appropriate recommended courses of action to resolve these gaps

Plans are in place to review these areas and consider appropriate actions for improvement during 2023/24.

In addition, the External Audit Management Report in June 2023 identified control weaknesses. Work on resolving these was immediately put in place and continues.

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. The Head of Finance has undertaken to bring a full report on the implementation of the financial management code to the Audit & Governance Committee by December 2023.

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 2022/23 and that they remain fit for purpose.

Monica Patterson
Chief Executive
[for signature after audit complete]

Norman Hampshire
Council Leader
[for signature after audit complete]

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 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the council-only Housing Revenue Account, Movement in the HRA statement, the Common Good Comprehensive Income and Expenditure Statement, Common Good Balance Sheet, the Trust Movement in Reserves Statement, Trust Comprehensive Income and Expenditure Statement, Trust Fund Balance Sheet, the Council Tax Income Account and the Non Domestic Rate (NDR) Income Account 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 UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 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 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

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

East Lothian Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

irregularities, including fraud. Procedures include:

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

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Matters on which I 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 parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

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

Remuneration report and trade union activity

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Remuneration Report

Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These regulations require Local Authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. The following information in this Remuneration Report has been audited by Audit Scotland.

- Senior Councillor Remuneration on page 38
- Pay Bandings information on page 39
- Senior Officer Remuneration on page 40
- Pension Benefits information for Senior Councillors and Officers on pages 44 to 45
- Total Councillor Remuneration on page 39
- Exit Packages on page 46

The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183 and SSI No. 2022/18). The Regulations provide for the grading of councillors for the purposes of remuneration

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

The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure. The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2022/23 the salary for the Leader of East Lothian Council is £32,622. 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 £193,817

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 2021/22 £	Taxable Expenses 2021/22 £	Total 2021/22 £	Annualised Salary 2021/22 £	Name	Office Held as at 31 March 2021	Salary, Fees and Allowances 2022/23 £	Taxable Expenses 2022/23 £	Total 2022/23 £	Annualised Salary 2022/23 £
27,164	-	27,164	31,010	Norman Hampshire	Leader of the Council and Cabinet Spokesperson for Community Planning	32,622	-	32,622	32,622
-	-	-	-	Lyn Jardine	Leader of the Opposition (from 24/05/2022)	20,915	-	20,915	25,327
23,257	-	23,257	23,257	Lachlan Bruce	Leader of the Opposition (to 04/05/2022)	2,302	-	2,302	25,327
23,257	-	23,257	23,257	Shamin Akhtar	Depute Leader and Cabinet Spokesperson for Health and Social Care	24,467	-	24,467	24,467
23,257	-	23,257	23,257	John McMillan	Provost and Cabinet Spokesperson for Environment, Economic Development and Tourism	24,467	-	24,467	24,467
23,257	-	23,257	23,257	Andy Forrest	Depute Provost and Cabinet Spokesperson for Housing and Property Maintenance	24,467	-	24,467	24,467
23,257	-	23,257	23,257	Fiona Dugdale	Cabinet Spokesperson for Education and Children's and Family Services	24,467	-	24,467	24,467
2,423	-	2,423	23,257	Colin McGinn	Cabinet Spokesperson for Community Wellbeing (from 04/05/2022) and Sport, Countryside and Leisure	24,467	-	24,467	24,467
23,257	-	23,257	23,257	Jim Goodfellow	Cabinet Spokesperson for Housing & Community Wellbeing (to 04/05/2022)	2,302	-	2,302	24,467
17,506	-	17,506	31,010	William Innes	Leader of the Council and Cabinet Spokesperson for Community Planning (to 24/10/21)	-	-	-	-
186,635	-	186,635	226,819	Total		180,476	-	180,476	230,078

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 2022/23 is available to view from the Council's ['payments to councillors' webpage](#).

2021/22 £	Type of Councillors' Remuneration	2022/23 £
447,803	Salaries	472,674
1,000	Allowances	1,375
5,926	Expenses	6,091
454,729	Total	480,140

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.

2021/22	Officers' Salary Brackets	2022/23
81	£50,000 - £54,999	99
68	£55,000 - £59,999	72
32	£60,000 - £64,999	64
22	£65,000 - £69,999	38
6	£70,000 - £74,999	20
1	£75,000 - £79,999	7
5	£80,000 - £84,999	1
-	£85,000 - £89,999	7
5	£90,000 - £94,999	2
2	£95,000 - £99,999	7
1	£100,000 - £104,999	2
2	£105,000 - £109,999	-
-	£110,000 - £114,999	3
-	£115,000 - £119,999	-
-	£120,000 - £124,999	-
1	£125,000 - £129,999	-
-	£130,000 - £134,999	1
226	Total	323

During 2022/23 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
2021/22	2021/22	2021/22			2022/23	2022/23	2022/23
£	£	£			£	£	£
127,397	-	127,397	Monica Patterson	Chief Executive	130,606	-	130,606
			Monica Patterson	Returning Officer	1,245	-	1,245
108,416	-	108,416	Lesley Brown	Executive Director - Education & Children's Services	113,628	-	113,628
108,706	-	108,706	Douglas Proudfoot	Executive Director - Place	113,628	-	113,628
103,668	-	103,668	Sarah Fortune	Executive Director - Council Resources	113,628	-	113,628
73,970	-	73,970	Morag Ferguson	Head of Corporate Support	99,469	-	99,469
16,043	-	16,043	Ellie Dunnet	Head of Finance	91,719	-	91,719
-	-	-	David Henderson	Head of Finance (14/06/2022 to 02/10/2022)	30,099	-	30,099
94,931	-	94,931	Judith Tait	Head of Children's Services	99,469	-	99,469
75,522	-	75,522	Nicola McDowell	Head of Education	99,469	-	99,469
94,931	-	94,931	Iain Gorman	Head of Operations (Post 100% funded by NHS Lothian)	99,469	-	99,469
95,221	-	95,221	Sharon Saunders	Head of Communities	99,469	-	99,469
91,837	-	91,837	Michaela Sullivan	Head of Development	99,469	-	99,469
88,403	-	88,403	Wendy McGuire	Head of Housing (1)	92,601	-	92,601
95,221	-	95,221	Thomas Reid	Head of Infrastructure	99,469	-	99,469
38,809	-	38,809	Jim Lamond	Executive Director - Council Resources (to 31/7/21)	-	-	-
1,213,075	-	1,213,075	Total		1,383,437	-	1,383,437

(1) Officer participating in a salary sacrifice scheme. Salary before sacrifice made is £99,469.

The salary, fees and allowances for senior officers include any payments made in respect of election roles. During 2022/23, all Heads of Service were paid £99,469 (full time equivalent) and all Executive Directors £113,628 (full time equivalent).

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

post. Alison MacDonald left this post in mid-June 2022 and was replaced by Fiona Wilson who has been appointed Chief Officer of East Lothian Health and Social Care Partnership.

During 2022/23 the Council paid £68,833 (including on-costs) as our shared cost of this

Subsidiary Bodies

The Council has two external subsidiary bodies, with details of the principal director or officer for the organisation provided in the table below. No additional remuneration is provided for their involvement in these posts.

No subsidiaries provide remuneration in excess of £150,000 per year to any officer or director.

Subsidiary	Principal Director or Officer	Role
East Lothian Land	Councillor John McMillan (Provost)	Director
East Lothian Mid-Market Homes	Douglas Proudfoot (Executive Director, Place)	Senior ELC Officer on the Board

The Common Good funds and Trust Funds under the stewardship of the Council are also consolidated as subsidiaries in the Council's financial statements. No individual is designated as principal director or officer for these purposes.

Pension Benefits

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

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

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

From 1 April 2015 the LGPS for local government employees transferred to a career average scheme. This means that pension benefits are built up each year based on the pensionable pay for that year. This is then added to the individual's pension account. At the end of each year the amount

in the pension account will be adjusted in line with the cost of living - currently the rate of the Consumer Price Index - to ensure it keeps its value.

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

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This was intended to strengthen the relationship between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum, up to the limit set by the Finance Act 2009. Between 1 April 2009 and 31 March 2015 the accrual

rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to this the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80^{ths} of final pensionable salary and years of pensionable service. From 1 April 2015 the accrual rate is 1/49th of pensionable pay in each year. The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The estimated pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment. This information is provided by The Lothian Pension Fund. The Lothian Pension Fund administers these pensions and holds information that is not available to the Council at the date of this statement.

Pension Contributions

2021/22			2022/23	
Range	Rate	Whole Time Pay	Range	Rate
£			£	
22,955	5.50%	On earnings up to and including	23,676	5.50%
22,956 - 27,603	5.60% - 5.80%	On earnings above	23,677 - 28,443	5.60% - 5.80%
27,604 - 37,474	5.90% - 6.50%	On earnings above	28,444 - 38,635	5.90% - 6.50%
37,475 - 50,602	6.60% - 7.30%	On earnings above	38,636 - 52,145	6.60% - 7.30%
50,603	7.40% - 11.20%	On earnings above	52,146	7.40% - 11.20%

Pension Benefits - Senior Councillors

The estimated pension entitlements for Senior Councillors for the year to 31 March 2023 are shown in the table below, together with the contribution made by the Council during the year.

Name	Office Held as at 31 March 2023	Pension Contributions		Accrued Pension Benefits			
		For Year to 31 March 2022	For Year to 31 March 2023	As at 31 March 2023		Difference from 31 March 2022	
				Pension	Lump Sum	Pension	Lump Sum
£	£	£000s	£000s	£000s	£000s		
Norman Hampshire	Leader of the Council and Cabinet Spokesperson for Community Planning	6,054	7,683	8	2	1	-
Lyn Jardine (1)	Leader of the Opposition (from 24/05/2022)	N/A	4,727	-	-	N/A	N/A
Lachlan Bruce (2)	Leader of the Opposition (to 04/05/2022)	5,256	520	3	-	1	-
Shamin Akhtar	Depute Leader and Cabinet Spokesperson for Health and Social Care	5,256	5,530	6	-	1	-
John McMillan	Provost and Cabinet Spokesperson for Environment, Economic Development and Tourism	5,256	5,530	6	-	1	-
Andy Forrest	Depute Leader and Cabinet Spokesperson for Housing and Property Maintenance	5,256	5,530	7	2	1	-
Fiona Dugdale	Cabinet Spokesperson for Education and Children's and Family Services	5,256	5,530	3	-	1	-
Colin McGinn	Cabinet Spokesperson for Community Wellbeing and Sport, Countryside and Leisure	548	5,530	3	-	1	-
Jim Goodfellow (3)	Cabinet Spokesperson for Housing & Community Wellbeing (to 04/05/2022)	5,256	520	4	-	-	-
Willie Innes	Leader of Council and Cabinet Spokesperson for Community Planning (to 24/10/21)	3,956	-	5	-	0	-
Total		42,094	41,100	45	4	7	-

(1) Started as councillor in this year. Disclosure not applicable in previous year.

(2) Member left this position in this year. Value provided for full year to 31/03/23.

(3) Member now retired. Value provided is value at retirement.

All senior councillor shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

Pension Benefits - Senior Employees

The estimated pension entitlements for senior employees for the year to 31 March 2023 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 2022	For Year to 31 March 2023	As at 31 March 2023		Difference from 31 March 2022	
		£	£	Pension £000s	Lump Sum £000s	Pension £000s	Lump Sum £000s
Monica Patterson	Chief Executive	27,962	29,517	77	129	9	6
Monica Patterson	Returning Officer	830	281	-	-	-	-
Lesley Brown	Executive Director – Education & Children's Services	24,502	25,680	10	-	3	-
Douglas Proudfoot	Executive Director - Place	24,502	25,680	54	93	5	4
Sarah Fortune	Executive Director - Council Resources	23,363	25,680	32	20	5	2
Morag Ferguson (1)	Head of Corporate Support	16,652	22,480	4	-	-	-
Ellie Dunnet (2)	Head of Finance	3,626	20,729	-	-	-	-
David Henderson(3)	Head of Finance (14/06/2022 to 02/10/2022)	-	16,858	19	5	-	-
Judith Tait	Head of Children's Services	21,455	22,480	8	-	3	-
Nicola McDowell	Head of Education	17,068	22,480	18	-	4	-
Iain Gorman	Head of Operations	21,455	22,480	8	-	3	-
Sharon Saunders	Head of Communities	21,455	22,480	50	66	6	3
Michaela Sullivan(2)	Head of Development	20,755	22,480	-	-	-	-
Wendy McGuire	Head of Housing	19,979	20,928	35	43	4	2
Thomas Reid	Head of Infrastructure	21,455	22,480	42	53	5	2
Jim Lamond	Executive Director - Council Resources (to 31/7/21)	8,197	-	-	-	-	-
Total		273,256	322,713	357	409	47	19

(1) The officer has less than 2 years' service in post but has previous LGPS membership so entitled to pension. Since 2017 pension benefits relating to her role as Depute Returning Officer have been contracted out.

(2) The officer has less than 2 years' service so is not entitled to a pension

(3) The officer was not a 'senior employee' for remuneration report purposes in 2021/22. A prior year comparative is provided as required by legislation.

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer

of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant

accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Exit Packages

Exit Packages 2021/22					Exit Packages 2022/23				
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	
-	-	-	-	£0 - £20,000	25	14	39	128	
-	-	-	-	£20,001 - £40,000	-	-	-	-	
1	-	1	52	£40,001 - £60,000	-	-	-	-	
-	-	-	-	£60,001 - £80,000	-	-	-	-	
-	-	-	-	£80,001 - £100,000	-	-	-	-	
1	-	1	108	£100,000 - £150,000	-	-	-	-	
2	-	2	160	Total	25	14	-	128	

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 2022/23, with comparative figures for 2021/22.

Trade Union Facility Time

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

Percentage of Pay Bill Spent on Facility Time

2021/22			2022/23		
Non-Education Staff	Education Staff	Percentage of pay bill spent on facility time	Non-Education Staff	Education Staff	
£86,119	£38,263	Total cost of facility time	£91,575	£84,976	
£108,392,058	£64,145,155	Total pay bill	£123,235,712	£68,723,752	
0.08%	0.06%	Percentage of the total pay bill spent on facility time	0.07%	0.12%	

Monica Patterson
Chief Executive
[for signature after audit complete]

Norman Hampshire
Council Leader
[for signature after audit complete]

Financial Statements: Primary Statements

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Council and Group Movement in Reserves Statement

The Movement in Reserves Statement (MiRS) shows the movement from the start to the end of the year on the different reserves held by the authority, analysed into 'usable reserves' i.e. those that can be applied to fund expenditure or reduce local taxation and other 'unusable reserves'.

The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. Transfers to or from other statutory reserves, as a result of decisions by the Council, are separately identified in the statement.

The "(Increase)/Decrease in Year" line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments. This statement also presents the movement in the year in the different reserves held by the combined group i.e. the Council, its associate companies, and subsidiaries.

Movement in Reserves Statement For the Year Ended 31 March 2023	General Fund Balance	Capital Grants & Receipts Unapplied	Capital Fund	Insurance Fund	Housing Revenue Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Group Usable Reserves	Group Unusable Reserves	Unusable: Minority Interests	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2022	(29,685)	-	(4,603)	(2,684)	(1,748)	(38,720)	(513,915)	(552,635)	(69,451)	(521,398)	(184)	(591,033)
Opening Balances Adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Restated Opening Balance	(29,685)	-	(4,603)	(2,684)	(1,748)	(38,720)	(513,915)	(552,635)	(69,451)	(521,398)	(184)	(591,033)
Total Comprehensive Expenditure and Income	2,351	-	-	-	2,548	4,899	(149,551)	(144,652)	8,530	(150,042)	(9)	(141,521)
Depreciation charged to the Revaluation Reserve	(12,804)	-	-	-	(3,173)	(15,977)	15,977	-	(16,173)	16,173	-	-
Adjustments Between Group Accounts and Authority Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 6)	16,032	-	(9,594)	-	(1,832)	4,606	(4,606)	-	4,504	(4,504)	-	-
Transfers to/from Other Statutory Reserves	(2,308)	-	(410)	-	2,718	-	-	-	-	-	-	-
(Increase)/Decrease in Year	3,271	-	(10,004)	-	261	(6,472)	(138,180)	(144,652)	(3,139)	(138,373)	(9)	(141,521)
Balance at 31 March 2023 Carried Forward	(26,414)	-	(14,607)	(2,684)	(1,487)	(45,192)	(652,095)	(697,287)	(72,590)	(659,771)	(193)	(732,554)

Movement in Reserves Statement For the Year Ended 31 March 2022	General Fund Balance	Capital Grants & Receipts Unapplied	Capital Fund	Insurance Fund	Housing Revenue Account	Total Usable Reserves (Note 32)	Unusable Reserves (Note 33)	Total Council Reserves	Group Usable Reserves	Group Unusable Reserves	Unusable: Minority Interests	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£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)

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

Council and Group Comprehensive Income and Expenditure Statement

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

2021/22 Council			2021/22 Group	Comprehensive Income and Expenditure Statement	2022/23 Council			2022/23 Group
Gross Spend £000s	Gross Income £000s	Net Spend £000s	Net Spend £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s	Net Spend £000s
170,081	(4,272)	165,809	165,809	Education & Children's Services	180,217	(8,283)	171,934	171,934
129,384	(65,743)	63,641	63,641	Health & Social Care Partnership	146,155	(75,523)	70,632	70,632
90,441	(17,549)	72,892	71,668	Place	95,568	(20,791)	74,777	74,783
17,853	(2,514)	15,339	15,361	Council Resources	20,682	(2,543)	18,139	18,192
16,444	(35,180)	(18,736)	(18,736)	Corporate Management	14,858	(34,834)	(19,976)	(19,976)
38,436	(36,193)	2,243	2,243	HRA	49,420	(36,538)	12,882	12,882
462,639	(161,451)	301,188	299,986	Cost of Services (Note 6)	506,900	(178,512)	328,388	328,447
				Other Income & Expenditure				
	(479)	(833)		-Other Operating Expenditure (Income) (Note 5)		(9,202)	(9,202)	(9,202)
	20,627	20,011		-Financing & Investment (Note 5)		18,179	18,152	18,152
	(296,629)	(296,629)		-Taxation and Non Specific Grant Income (Note 10)		(332,466)	(332,466)	(332,466)
	-	(4,820)		-Share of the Surplus(Deficit) on the provision of Services by Associates (Note G2)		-	5,576	5,576
	24,707	17,715		Deficit on Provision of Services (Note 8)		4,899	10,507	10,507
	(30,507)	(31,117)		(Surplus)/Deficit on Revaluation of Non-Current Assets (Note 14)		(48,565)	(48,595)	(48,595)
	318	319		Impairment losses on non-current assets charged to the revaluation reserve (Note 14)		8,581	8,581	8,581
	(1,862)	(1,869)		(Surplus)/Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income (Note 23)		174	372	372
	(123,482)	(123,482)		Actuarial (Gain) or Loss on Pension Assets/Liabilities (Note 31)		(109,741)	(109,741)	(109,741)
	-	(2,919)		Share of Other Comprehensive Income and Expenditure of Associates (Note G2)		-	(2,645)	(2,645)
	(155,533)	(159,068)		Other Comprehensive (Income) and Expenditure		(149,551)	(152,028)	(152,028)
	(130,826)	(141,353)		Total Comprehensive (Income) and Expenditure		(144,652)	(141,521)	(141,521)

Council and Group Balance Sheet

The Balance Sheet shows the value as at 31 March 2023 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 29 June 2023.

Sarah Fortune CPFA, Executive Director for Council Resources (CFO)
28 June 2023

31 March 2022 Council £000s	31 March 2022 Group £000s	Balance Sheet	Note	31 March 2023 Council £000s	31 March 2023 Group £000s
1,114,724	1,124,736	Property, Plant & Equipment	14,15	1,223,766	1,234,605
909	909	Intangible Assets	16	924	924
1,113	1,123	Heritage Assets	17	1,113	1,123
5,046	11,956	Long Term Investments	23	4,872	11,237
-	12,439	Investments in Associates & JVs	23	-	9,482
8,688	8,826	Long Term Debtors	24	8,310	8,433
1,130,480	1,159,989	Long Term Assets		1,238,985	1,265,804
-	-	Short Term Investments		-	-
493	493	Assets Held for Sale	18	613	613
691	691	Inventories	25	828	828
27,190	27,647	Short Term Debtors	26	29,965	30,327
53,499	54,207	Cash and Cash Equivalents	CFS	12,384	13,223
81,873	83,038	Current Assets		43,790	44,991
(14,752)	(14,752)	Short Term Borrowing	27	(14,031)	(14,031)
(60,188)	(52,956)	Short Term Creditors	28	(65,472)	(58,666)
(350)	(350)	Short Term Provisions	29	(993)	(993)
(17,980)	(17,980)	Capital Grants Receipts in Advance	35	(4,877)	(4,877)
(93,270)	(86,038)	Current Liabilities		(85,373)	(78,567)
(625)	(625)	Provisions	29	(168)	(168)
(412,553)	(412,633)	Long Term Borrowing	27	(430,243)	(430,336)
(54,476)	(53,904)	Other Long Term Liabilities	30	(57,510)	(56,976)
(98,794)	(98,794)	Pension Liability	31	(12,194)	(12,194)
(566,448)	(565,956)	Long Term Liabilities		(500,115)	(499,674)
552,635	591,033	Net Assets		697,287	732,554
(38,720)	(69,451)	Usable Reserves	32	(45,192)	(72,590)
(513,915)	(521,582)	Unusable Reserves	34	(652,095)	(659,964)
(552,635)	(591,033)	Total Reserves		(697,287)	(732,554)

Council and Group Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash

flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital to the authority.

The cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

Group Cash Flow includes the cash flows of the Council and its subsidiary companies.

2021/22 Council £000s	2021/22 Group £000s	Cash Flow Statement	Note	2022/23 Council £000s	2022/23 Group £000s
		Operating Activities			
24,707	17,715	Net Deficit on the Provision of Services		4,899	10,507
(91,367)	(84,458)	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	37	(86,858)	(93,567)
36,746	36,746	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	38	72,869	72,869
(29,914)	(29,997)	Net Cash Flows from Operating Activities		(9,090)	(10,191)
		Investing Activities			
92,931	92,931	Purchase of Property, Plant and Equipment		129,265	130,235
(34,945)	(34,945)	Other Receipts from Investing Activities		(54,092)	(54,092)
(1,077)	(1,077)	Proceeds from the Sale of Property, Plant and Equipment		(9,792)	(9,792)
56,909	56,909	Net Cash Flows from Investing Activities		65,381	66,351
		Financing Activities			
(80,000)	(80,000)	Cash Receipts of Short and Long Term Borrowing		(30,000)	(30,000)
1,571	1,571	Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Lease and On-Balance Sheet PFI Contracts		1,566	1,566
30,788	30,788	Repayments of Short and Long Term Borrowing		13,258	13,258
(47,641)	(47,641)	Net Cash Flows from Financing Activities		(15,176)	(15,176)
(20,646)	(20,729)	Net (Increase) or Decrease in Cash and Cash Equivalents		41,115	40,984
		Reconciliation of Opening and Closing Cash and Cash Equivalents			
32,853	33,478	Cash and Cash Equivalents at the Beginning of the Reporting Period		53,499	54,207
20,646	20,729	Net Increase or (Decrease) in Cash and Cash Equivalents		(41,115)	(40,984)
53,499	54,207	Cash and Cash Equivalents at the End of the Reporting Period		12,384	13,223
		The balance of the cash and cash equivalents is made up of the following elements:			
53,499	54,207	Cash held by officers		12,384	13,223

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Notes to the Financial Statements

Note 1 General Accounting Policies

i. General Principles

The Statement of Accounts summarises the authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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.

xiii. Events after the Reporting Period

Events after the Balance Sheet are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have been a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Note 2 Accounting Standards Not Yet Adopted

The following Adopted International Financial Reporting Standards (IFRS) have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

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:

- 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. Discussions commenced in 2022/23 concerning potential retention of monies by the Council due to contract adherence reviews. This is noted as a contingent asset.
- The Council's actuarial advisers have estimated that the Council's attributable share of the Lothian Pension Fund (Local Government Pension Scheme) assets exceed the Council's estimated funded pension liabilities. The Council has assessed that, given the legislative obligations and framework for LGPS employer contributions, the extent of the Council's control over the setting of future employer contributions is not sufficient to warrant recognition of a pension asset on the balance sheet. Instead, only the unfunded pension liability is recognised.

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 2023, for which there is a significant risk of material adjustment in the forthcoming year, are shown in the following table:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>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 2023 is £12.194 million (2021/22: £98.794 million) as a result of attributable assets at 31 March 2023 exceeding the estimated funded liabilities at that date, with a pensions asset ceiling being applied.</p>	<p>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.)</p>
Property, Plant, and Equipment (PPE)	<p>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 2023 is £1,223.766 million (2021/22: £1,114.724 million) with depreciation charges for 2022/23 of £46.279 million (excluding amortisation of intangible assets) (2021/22: £44.879 million).</p> <p>Estimated impairment charges have been recognised in relation to specific structural property defects, general asset revaluations, and other impairments. Impairment charge estimates for identified structural issues are based on the extent to which asset usage has been curtailed following confirmation of the defects. Condition assessment is continuing for these and other potential assets with defects and uncertainty therefore exists as to the potential for further impairment charges arising.</p>	<p>If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. (See Notes 14 and 15.)</p>

Note 5 Other Income and Expenditure Items

Included within the Comprehensive Income and Expenditure Statement:

2021/22 Council Net Expenditure £000s	2021/22 Group Net Expenditure £000s	Other Income and Expenditure Items in the CIES	2022/23 Council Net Expenditure £000s	2022/23 Group Net Expenditure £000s
(479)	(833)	(Gain)/Losses on the Disposal of Non-Current Assets	(9,202)	(9,202)
(479)	(833)	Total Other Operating Expenditure	(9,202)	(9,202)
15,194	15,188	Interest Payable and Similar Charges	16,160	16,001
(326)	(496)	Interest Receivable and Similar Income	(1,027)	(1,413)
-	(350)	(Gains)/Losses on sale of investments	-	(705)
-	(90)	Changes in fair value of financial instruments held at Fair Value through Profit or Loss	-	1,223
1,621	1,621	Financial Instrument Impairments	109	109
4,138	4,138	Interest Expense of Pension Defined Benefit Obligation	2,937	2,937
20,627	20,011	Total Financing & Investment	18,179	18,152

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.

2021/22 Council				2022/23 Council		
Expenditure Chargeable to Usable Reserves £000s	Adjustments between Funding & Accounting Basis (EFA Note 1) £000s	Net Expenditure in CIES £000s	Council Expenditure and Funding Analysis	Expenditure Chargeable to Usable Reserves £000s	Adjustments between Funding & Accounting Basis (EFA Note 1) £000s	Net Expenditure in CIES £000s
GF and HRA combined				GF and HRA combined		
138,577	27,232	165,809	Education & Children's Services	149,030	22,904	171,934
59,328	4,313	63,641	Health & Social Care Partnership	67,219	3,413	70,632
49,182	23,710	72,892	Place	51,395	23,382	74,777
11,793	3,546	15,339	Council Resources	14,815	3,324	18,139
(12,073)	(6,663)	(18,736)	Corporate Management	(17,661)	(2,315)	(19,976)
(7,395)	9,638	2,243	HRA	(8,264)	21,146	12,882
239,412	61,776	301,188	Net Cost of Service	256,534	71,854	328,388
(242,391)	(34,090)	(276,481)	Other Income & Expenditure	(253,412)	(70,077)	(323,489)
(2,979)	27,686	24,707	(Surplus)/Deficit on Provision of Services	3,122	1,777	4,899

GF	HRA	Combined		GF	HRA	Combined
(28,328)	(2,009)	(30,337)	Opening Fund Balance	(29,685)	(1,748)	(31,433)
(1,490)	(1,489)	(2,979)	(Surplus)/Deficit for year chargeable to General Fund and HRA	5,579	(2,457)	3,122
133	1,750	1,883	Transfer to/from Other Statutory Reserves	(2,308)	2,718	410
(29,685)	(1,748)	(31,433)	Closing Fund Balances	(26,414)	(1,487)	(27,901)

EFA Note 1 – Adjustments between accounting and funding basis

Adjustment for Capital Purposes (EFA Note 2)	2021/22 Council				Adjustments from General Fund to Arrive at the Comprehensive Income and Expenditure Statement	2022/23 Council				
	Net Change for Pension Adjustment (EFA Note 3)	Other Statutory Differences (EFA Note 4)	Depreciation Charged to Revaluation Reserve (EFA Note 5)	Total Adjustments		Adjustment for Capital Purposes (EFA Note 2)	Net Change for Pension Adjustment (EFA Note 3)	Other Statutory Differences (EFA Note 4)	Depreciation Charged to Revaluation Reserve (EFA Note 5)	Total Adjustments
	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s
11,649	5,816	(315)	10,082	27,232	Education & Children's Services	6,605	5,500	943	9,856	22,904
516	3,547	-	250	4,313	Health & Social Care Partnership	(147)	3,315	-	245	3,413
11,611	9,402	-	2,697	23,710	Place	12,248	8,432	-	2,702	23,382
895	2,651	-	-	3,546	Council Resources	846	2,478	-	-	3,324
(6,801)	138	-	-	(6,663)	Corporate Management	(2,315)	-	-	-	(2,315)
6,827	530	-	2,281	9,638	HRA	17,494	479	-	3,173	21,146
24,697	22,084	(315)	15,310	61,776	Net Cost of Service	34,731	20,204	943	15,976	71,854
(37,958)	4,138	(270)	-	(34,090)	Other Income & Expenditure	(72,746)	2,937	(269)	1	(70,077)
(13,261)	26,222	(585)	15,310	27,686	Difference between deficit charged to fund balances and Comprehensive Income and Expenditure Statement Deficit	(38,015)	23,141	674	15,977	1,777

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.

2021/22 Council			Council Income and Expenditure for Each Service, Inclusive of Internal Recharges	2022/23 Council		
Gross Spend £000s	Gross Income £000s	Net Spend £000s		Gross Spend £000s	Gross Income £000s	Net Spend £000s
254,217	(88,408)	165,809	Education & Children's Services	199,905	(27,971)	171,934
135,812	(72,171)	63,641	Health & Social Care Partnership	152,394	(81,762)	70,632
112,629	(39,737)	72,892	Place	119,208	(44,431)	74,777
22,543	(7,204)	15,339	Council Resources	24,874	(6,735)	18,139
19,691	(38,427)	(18,736)	Corporate Management	18,180	(38,156)	(19,976)
39,036	(36,793)	2,243	HRA	50,136	(37,254)	12,882
583,928	(282,740)	301,188	Cost of Services	564,697	(236,309)	328,388

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.

Council Expenditure and Income Analysed by Segment and Nature 2022/23	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	109,358	24,731	62,913	17,312	-	3,450	-	217,764
Other Service Expenses	45,829	58,143	28,262	6,457	17,926	11,114	-	167,731
Depreciation, Amortisation & Impairment	19,407	769	14,685	846	-	12,647	-	48,354
Reallocation of Internal Costs	5,660	868	(8,554)	(3,456)	(3,068)	8,550	-	-
Reallocation of Costs to Capital	(37)	-	(3,628)	(477)	-	(403)	-	(4,545)
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
Asset Revaluation Losses	-	-	1,890	-	-	14,062	-	15,952
Interest Payments	-	-	-	-	-	-	19,206	19,206
Contribution to IJB	-	61,644	-	-	-	-	-	61,644
Total Expenditure	180,217	146,155	95,568	20,682	14,858	49,420	19,206	526,106
Income								
Fees, Charges and Other Service Income	(1,933)	(11,700)	(14,580)	(1,930)	(259)	(34,796)	-	(65,198)
Asset revaluation gains	(2,918)	(671)	(1,624)	-	-	(1,742)	-	(6,955)
Interest and Investment Income	-	-	-	-	-	-	(1,027)	(1,027)
Gain on Disposal of Assets	-	-	-	-	-	-	(9,202)	(9,202)
Income from Council Tax and Non-Domestic Rates	-	-	-	-	-	-	(91,737)	(91,737)
Contributions from IJB	-	(61,644)	-	-	-	-	-	(61,644)
Government Grants and Contributions	(3,432)	(1,508)	(4,587)	(613)	(34,575)	-	(240,729)	(285,444)
Total Income	(8,283)	(75,523)	(20,791)	(2,543)	(34,834)	(36,538)	(342,695)	(521,207)
Deficit on the Provision of Services								4,899

Prior year's expenditure and income by segment and nature is analysed as follows. The table reflects the 2021/22 data on a comparable basis to the 2022/23 table.

Council 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 and 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)
Loss on Disposal of Assets	-	-	-	-	-	-	-	-
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

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.

2021/22 Council			2022/23 Council			
General Fund Balance £000s	Housing Revenue Account £000s	Movement in Usable Reserves £000s	Council Adjustments between Accounting and Funding Basis under Regulations	General Fund Balance £000s	Housing Revenue Account £000s	Movement in Usable Reserves £000s
Adjustments Primarily Involving the Capital Adjustment Account						
Reversal of Items Debited or Credited to the CIES:						
(20,600)	(9,224)	(29,824)	Charges for Depreciation and Amortisation of Non-Current Assets	(21,082)	(9,473)	(30,555)
(895)	(25)	(920)	Impairment Losses on Property, Plant and Equipment	(1,820)	-	(1,820)
(3,176)	(4,498)	(7,674)	Revaluation Gains (Losses) on Property, Plant and Equipment in SDPS	3,324	(12,321)	(8,997)
26,411	9,258	35,669	Capital Grant and Contributions Applied	48,093	14,983	63,076
500	(20)	480	Derecognition of non-current assets	8,497	705	9,202
60	-	60	Expected credit loss of assets funded from capital sources under statute	(55)	-	(55)
Statutory Repayment of Debt:						
1,508	-	1,508	Statutory repayment of debt: PPP	1,501	-	1,501
63	-	63	Statutory repayment of debt: Finance Leases	65	-	65
4,696	4,406	9,102	Statutory repayment of debt: Loans Fund	326	4,822	5,148
Funding of Capital Expenditure Incurred in the Year						
533	4,264	4,797	Capital Expenditure Charged Against the General Fund and HRA balances	450	-	450
Adjustments Primarily Involving the Employee Statutory Adjustment Account:						
315	-	315	Employee Statutory Adjustments: Accumulated Annual Leave	(943)	-	(943)
Adjustments Primarily Involving the Financial Instruments Adjustment Account:						
256	-	256	Charge of deferred premiums from the refinancing of debt	256	-	256
14	-	14	Charge for interest rate adjustments related to stepped interest rate borrowing	13	-	13
Adjustments Primarily Involving the Pensions Reserve:						
(44,545)	(1,087)	(45,632)	Net Retirement Benefits per IAS 19	(43,816)	(1,064)	(44,880)
18,952	458	19,410	Employer's Contributions Payable to the Lothian Pension Fund	21,224	515	21,739
(15,908)	3,532	(12,376)	Total Adjustments to General Fund and HRA Balance	16,033	(1,833)	14,200
		(652)	Adjustments to the Capital Receipts Reserve			(9,594)
		(13,028)	Total Statutory Adjustments affecting Usable Reserves			4,606

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.

2021/22 £000s	Council Taxation and Non-Specific Grant Income	2022/23 £000s
(60,645)	Council Tax	(63,051)
(21,943)	Non Domestic Rates	(28,686)
(176,622)	Non Ring-fenced Government Grants	(177,130)
(37,419)	Capital Grants and Contributions	(63,599)
(296,629)	Total	(332,466)

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.

In 2022/23 the remaining COVID-19 Grants were distributed on behalf of the Scottish Government in accordance with the Scottish Government's eligibility criteria. Cost of Living Support for Council Tax Payers was also distributed on behalf of the Scottish Government.

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

2021/22 £000s	Council Agency Income and Expenditure	2022/23 £000s
20,852	Scottish Water Income Collected	21,396
8,803	COVID-19: Business Grants	-
4,216	COVID-19: Other Grants	1,382
-	Scottish Government: Cost of Living Support for Council Tax Payers	4,788
561	Salary sacrifice schemes	1,093
34,432	Total	28,659

Note 12 Audit Costs

Audit Scotland was appointed as the authority's external auditor in 2022/23. For 2022/23 the agreed audit fee is £291,020 (2021/22: £258,700). Actual expenditure in the year, after the application of a rebate, was £277,751 (2021/22: £258,700). No fees were payable in respect of other services provided by the appointed auditor.

Note 13 Related Parties

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

Government – Including UK and Scottish Government

Government has significant influence over the general operations of the authority. It is responsible for providing the statutory framework within which the authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in note 36 on page 114.

Members

Members of the authority have direct control over the authority's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in the Remuneration Report.

East Lothian Council approved total Grants of £3.814 million (2021/22: £3.724 million) which in 2022/23 is made up as follows:

2021/22 £000s	Council Grants Approved	2022/23 £000s
1,545	One Council Community Partnership	1,600
1,250	Area Partnership Funding	1,250
263	Children's Services	393
532	Health & Social Care partnership Grants to Voluntary Organisations	439
134	Community Council Administration Grants, Insurance & Local Priority Scheme	132
3,724	Total	3,814

Of these amounts, payments for 'Partnership Funding' totalling some £1.302 million (2021/22 £0.863 million) as shown in the table were awarded to organisations in which Members have representation. This represents 34% (2021/22: 23%) of the total £3.814m (2021/22: £3.724 million) grants awarded.

In all instances, the grants were made with proper consideration of declarations of interest. A register of Members' interests is available on the authority's website. Details of all grants and awards to organisations in which Members have representation are listed in the Related Parties table.

Council Related Parties	Partnership Funding £000s	Other £000s	Total £000s
Coastal Communities Museum Trust	15	4	19
Cockenzie House and Gardens	-	14	14
East Lothian Advice Consortium	417	-	417
First Step	416	105	521
Gullane Area Community Council	-	7	7
Hallhill Ltd	78	-	78
Hibernian FC	-	10	10
Lamp of Lothian Management Committee	20	-	20
Lothian Mineworkers' Welfare Convalescent Home Trust	5	-	5
Pennypit Community Development Trust	198	100	298
Preston Lodge High School Excellence in Learning Foundation	-	3	3
Recharge Youth Facility	53	-	53
Volunteer Centre East Lothian	100	38	138
Tranent and Elphinstone Community Council	-	14	14
Waggon Way	-	3	3
Total	1,302	298	1,600

Other Public Bodies

Other public bodies that the Scottish Government have control or significant influence over are considered related parties by IAS 24. The material transactions for these bodies are reported as follows:-

Related Parties	Expenditure £000s	Income £000s	Net Expenditure £000s	Debtor / (Creditor) £000s
Other Local Authorities	2,883	1,651	1,232	(2,178)
Food Standards Scotland	-	5	(5)	2
Scottish Courts and Tribunals Service	17	-	17	1
Care Inspectorate	-	44	(44)	-
Children's Hearings Scotland	-	3	(3)	2
Historic Environment Scotland	-	1	(1)	-
Scottish Environment Protection Agency	41	26	15	32
Scottish Qualifications Authority	503	-	503	-
Skills Development Scotland	-	198	(198)	34
VisitScotland	71	-	71	-
Scottish Water	9	13	(4)	16
Disclosure Scotland	34	-	34	2
Education Scotland	33	-	33	3
Forestry and Land Scotland	3	-	3	-
Social Security Scotland	-	4	(4)	-
Transport Scotland	-	-	-	214
NHS Lothian	1,641	15,847	(14,206)	468
Scottish Police Authority	120	-	120	-
Total	5,355	17,792	(12,437)	(1,404)

Joint Ventures and Entities Controlled or Significantly Influenced by the Authority

Income and Expenditure In Year 2021/22 £000s	Position at Year End		Entity	Nature of Related Party Relationship with the Council	Income and Expenditure In Year 2022/23 £000s	Position at Year End		Nature of Transactions and Balances
	Debtor Balances 2021/22 £000s	Creditor Balances 2021/22 £000s				Debtor Balances 2022/23 £000s	Creditor Balances 2022/23 £000s	
2,032	42	-	Enjoy East Lothian Limited	Charitable organisation registered with OSCR.	1,726	-	-	Payment for provision of leisure services
16	-	(52)	East Lothian Land Limited	To manage land to support economic development in East Lothian.	29	-	(29)	Rent payments and loan from the company
15	26	-	East Lothian Investments Ltd	To grant interest free loans to East Lothian businesses to encourage commercial activity and enterprise in the area.	-	-	-	Gift card scheme operating in 21/22. Debtor balance from 21/22 now repaid.
(211)	-	(909)	Brunton Theatre Trust	Charitable organisation registered with Office of Scottish Charity Regulators.	(224)	-	(1,101)	Payment for provision of arts/cultural services and income for services provided to the Trust.
564	-	(4,877)	Common Goods	The Council manages assets of historic burghs in line with statute.	314	-	(5,317)	Transactions are for services provided and received and interest earned. Balances relate to CG cash held by ELC and finance leases
10	-	(1,897)	Trust Funds	A number of trust funds which are managed by the council in line with the respective trust deeds.	41	-	(2,063)	Interest earned and cash balances relating to normal operations.
671	-	-	Lothian Valuation Joint Board	Statutory body set up by Scottish ministers.	684	-	-	Payments to run valuation services
64,003	-	(1,507)	East Lothian Integrated Joint Board	Statutory Body for the integration of health & social care services under The Public Bodies (Joint Working) (Scotland) Act 2014.	72,920	-	(1,791)	Payments to run health & social care services, including NHS resource transfer and social care fund.
-	-	-	Edinburgh Innovation Park JV	Joint Venture with Queen Margaret University utilising City Region Deal funding	1,378	-	-	Payments towards development and construction of a food, drink and health innovation park.
1,031	-	(1,078)	East Lothian Mid-Market Homes LLP	Established to manage affordable housing properties, to be available for mid-market rent.	(42)	-	(96)	In 2021/22 capital grant for affordable housing. In 2022/23 charges for services by ELC.
68,131	68	(10,320)			76,826	-	(10,397)	

The above table illustrates the year-end inter group positions between the Council and the entities with which it has significant influence or control. The full figures for these entities are disclosed in the group accounts elements of the Primary Statements, as well as further details provided in the Group Accounts Notes.

Note 14 Property Plant and Equipment Movements

Council Property, Plant & Equipment Movements 2022/23	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
2022/23									
Gross Book Value at 31 March 2022	386,464	572,267	58,841	132,949	9,455	4,469	77,195	1,241,639	130,904
Additions	18,433	7,375	8,802	8,394	1,013	-	82,847	126,864	768
Revaluation increase/(decrease) to Revaluation Reserve	12,513	(22,665)	-	-	(39)	-	-	(10,190)	(7,380)
Revaluation increase/(decrease) to SDPS	(12,321)	3,324	-	-	(0)	-	-	(8,997)	484
Transfer to/from assets held for sale	-	-	-	-	-	(120)	-	(120)	-
Disposals	(375)	(121)	(1,719)	-	-	-	-	(2,215)	-
Other movements	16,414	6,991	-	(265)	93	33	(23,266)	0	(6,788)
Gross Book Value at 31 March 2023	421,128	567,171	65,924	141,077	10,522	4,382	136,777	1,346,981	117,988
Accumulated depreciation at 31 March 2022	(2,419)	(30,395)	(37,806)	(55,046)	(1,248)	-	(1)	(126,915)	(6,744)
Depreciation charge for the year	(12,627)	(23,742)	(5,134)	(4,702)	(16)	(58)	-	(46,279)	(7,235)
Revaluation written out to revaluation reserve	12,999	37,137	-	-	39	-	-	50,174	13,028
Revaluation written out to SDPS	-	(474)	-	(586)	-	-	(760)	(1,820)	-
Depreciation eliminated on disposal	12	-	1,613	-	-	-	-	1,625	-
Other movements	(0)	43	-	-	-	(30)	(13)	(0)	951
Accumulated depreciation at 31 March 2023	(2,036)	(17,432)	(41,327)	(60,334)	(1,225)	(88)	(774)	(123,215)	-
Net Book Value at 31 March 2023	419,093	549,739	24,598	80,743	9,297	4,293	136,002	1,223,766	117,988
Net Book Value at 31 March 2022	384,045	541,872	21,035	77,903	8,207	4,469	77,194	1,114,724	124,160

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.
- The existing carrying amount of a replaced infrastructure asset is treated as zero when it is replaced.

Council 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
2021/22									
Gross Book Value at 31 March 2021	414,384	564,142	57,482	124,353	10,446	4,390	34,968	1,210,165	129,865
Additions	16,659	7,773	10,708	8,573	713	7	51,079	95,512	(44,879)
Revaluation increase/(decrease) to Revaluation Reserve	(44,766)	2,729	-	-	-	55	-	(41,982)	72,099
Revaluation increase/(decrease) to SDPS	(4,498)	(2,955)	-	-	-	2	-	(7,451)	635,208
Transfer to/from assets held for sale	-	-	-	-	-	(217)	-	(217)	(1)
Transfer to/from assets held for sale	-	(354)	-	-	-	-	-	(354)	
Disposals	(164)	(4,343)	(9,522)	-	(3)	-	-	(14,033)	13,863
Other movements	4,850	5,275	173	23	(1,700)	232	(8,852)	-	13,862
Gross Book Value at 31 March 2022	386,464	572,267	58,841	132,949	9,455	4,469	77,195	1,241,639	130,904
Accumulated depreciation at 31 March 2021	(62,248)	(9,655)	(43,050)	(50,354)	(1,774)	(2)	0	(167,083)	-
Depreciation charge for the year	(11,504)	(25,188)	(3,466)	(4,687)	(3)	(31)	-	(44,878)	(6,744)
Revaluation written out to revaluation reserve	71,319	698	-	-	-	82	-	72,100	-
Revaluation written out to SDPS	(25)	(179)	(716)	-	-	-	-	(919)	-
Depreciation eliminated on disposal	38	4,343	9,479	-	3	-	-	13,863	-
Transfer to/from assets held for sale	-	-	-	-	-	2	-	2	-
Other movements	-	(414)	(53)	(6)	526	(52)	(2)	0	-
Accumulated depreciation at 31 March 2022	(2,419)	(30,395)	(37,806)	(55,046)	(1,248)	-	(1)	(126,915)	(6,744)
	-	-	-	-	-	-	-	-	-
Net Book Value at 31 March 2022	384,045	541,872	21,035	77,903	8,207	4,469	77,194	1,114,724	124,160
Net Book Value at 31 March 2021	352,136	554,487	14,432	73,999	8,671	4,388	34,969	1,043,082	129,865

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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grants Income line of the Comprehensive Income and Expenditure Statement. Gains that are credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

- Infrastructure assets and community assets – depreciated historical cost
- Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Other land and buildings – 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 full 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 interim review of the valuation of council dwellings as at 31 March 2023 indicated that the average valuation per dwelling was understated. The Council engaged with external valuers to undertake an analysis of Council Dwellings and Other Land and Buildings to provide an overall assessment of the movement in the valuation of the portfolio. Consequently a desktop revaluation of relevant operational properties has been applied in 2022/23.

Capital Commitments

As at 31 March 2023 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 £29.685 million (2021/22 £68.473 million: General Services £56.066 million, HRA £12.407 million). The gross commitments for the Council's major projects are shown in the Capital Commitments table.

Council Capital Commitments	General Fund	HRA
	2022/23	2022/23
	£000s	£000s
Wallyford Learning Campus	7,315	
Ross High School	2,519	
Vehicles - ordered awaiting delivery	2,359	
North Berwick High School	2,063	
Pinkie St. Peters PS - Extension	1,502	
Musselburgh Flood Protection Scheme	1,179	
Accelerating Growth	906	
Law Primary	558	
West Barns PS - Extension	311	
St Gabriels PS - Extension	259	
Support for Business - Gateside West	258	
Preston Tower	236	
Musselburgh Grammar - upgrades	204	
Other Projects	198	
Ormiston Primary School - Extension	30	
Central Heating Installation Programme - HRA		6,851
Ravensheugh Brae Musselburgh development		1,506
Housing Management IT system		781
Disabled Adaptations		435
House Extension Framework Programme		215
Total	19,897	9,788

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 2022/23 predominantly related to schools and corporate systems.

2021/22 £000s	Council Intangible Assets	2022/23 £000s
1,146	Net Carrying amount at the start of the year	909
18	Additions during the year	269
(255)	Amortisation for the year	(254)
909	Net carrying amount at the end of year	924

Note 17 Heritage Assets

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

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

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

2021/22 £000s	Council Heritage Assets (Cost or Valuation)	2022/23 £000s
1,042	Net Carrying amount at the start of the year	1,113
71	Revaluation increases recognised in the Revaluation Reserve	-
1,113	Net carrying amount at the end of year	1,113

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

Note 18 Assets Held for Sale

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

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

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

All capital receipts are either credited to the Capital Receipts Reserve or designated to the Capital Grants and Receipts Unapplied Account. They can then be used for new capital investment or to meet the cost of debt repayments, 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.

2021/22	Council Assets Held for Sale	2022/23
£000s		£000s
575	Balance Outstanding at Start of Year	493
216	Assets Newly Classified as Held for Sale	120
(223)	Revaluation Losses	-
(75)	Assets Sold	-
493	Balance outstanding at end of the year	613

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 2022 £000s	Council Assets Held Under Finance Leases	31 March 2023 £000s
27,151	Other Land and Buildings	25,781
28	Community Assets	26
120	Vehicles, Plant, Furniture and Equipment	111
41	Assets Under Construction	41
27,340	Total	25,959

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 2022 £000s	Council Finance Lease Liabilities (NPV of Minimum Lease Payments)	31 March 2023 £000s
(65)	Current	(67)
(707)	Non-Current	(640)
(4,602)	Finance Costs Payable in Future Years	(4,400)
(5,374)	Minimum Lease Payments	(5,107)

The minimum lease payments are payable as follows:

Minimum Lease Payments 31 March 2022 £000s	Lease Liabilities Repayments 31 March 2022 £000s	Council Future Minimum Lease Payments	Minimum Lease Payments 31 March 2023 £000s	Lease Liabilities Repayments 31 March 2023 £000s
285	65	Not Later Than One Year	287	67
1,140	282	Later Than One Year and Not Later Than Five Years	1,107	252
3,949	425	Later Than Five Years	3,713	388
5,374	772	Total	5,107	707

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 2022/23 was £0.806 million (2021/22: £0.924 million).

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

Minimum Lease Payments 2021/22 £000s	Council Operating Leases	Minimum Lease Payments 2022/23 £000s
838	Not Later Than One Year	458
752	Later Than One Year and Not Later Than Five Years	364
953	Later Than Five Years	1,077
2,543	Total	1,899

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 31 March 2022 £000s	Council as Lessor	Future Minimum Lease Payments Receivable 31 March 2023 £000s
(1,076)	Not Later Than One Year	(1,175)
(2,707)	Later Than One Year and Not Later Than Five Years	(2,990)
(30,001)	Later Than Five Years	(30,866)
(33,784)	Total	(35,031)

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 2023 are as follows:

Council Private Finance Initiatives and Similar Contracts as at 31 March 2023	Payment for Services £000s	Reimbursement of Capital Expenditure		Total £000s
		£000s	Interest £000s	
Payable in 2023/24	3,894	1,459	2,078	7,431
Payable Within 2-5 Years	15,277	7,189	7,257	29,723
Payable Within 6-10 Years	16,214	15,153	5,786	37,153
Payable Within 11-15 Years	5,766	7,705	758	14,229
Total	41,151	31,506	15,879	88,536

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 2022	Council Outstanding Liability to the Contractor	31 March 2023
(34,516)	Balance at Start of Year	(33,008)
1,508	Payments	1,501
(33,008)	Balance Outstanding at Year End	(31,507)

Note 21 Capital Expenditure and Capital Financing

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

31 March 2022 £000s	Council Capital Expenditure and Capital Financing	31 March 2023 £000s
467,524	Opening Capital Financing Requirement	511,227
	Capital Investment	
95,512	Property, Plant and Equipment	126,864
18	Intangible Assets	269
	Sources of finance	
(426)	Capital receipts	(198)
(256)	Loan Repayment Received (ELHA)	(266)
(23,721)	Government grants	(44,152)
(11,948)	Other Contributions	(18,925)
(4,797)	Direct Revenue Contributions	(450)
(10,679)	Statutory Repayment of Debt	(6,715)
511,227	Closing Capital Financing Requirement	567,654

Note 22 Impairment and Revaluation Losses Charged to SDPS

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

During 2022/23, impairment losses were recognised in the Surplus or Deficit on the Provision of Services (SDPS) as stated in Note 14 totalling £1.820 million (2021/22: £0.920 million). This related to a number of properties impaired due to damage or shortened asset lives.

Revaluation losses charged to SDPS, as stated in Note 8, amounted to £15.952 million (2021/22: £9.778 million). In both years the

predominant element arose from updated valuations for Council Dwellings.

The impairment charges and revaluation losses above include charges for those properties where usage has been curtailed due to confirmation of structural issues arising from Reinforced Autoclaved Aerated Concrete (RAAC). Future impairments for other assets due to RAAC may arise.

Note 23 Long Term Investments

The following long-term investments are held as designated through Other Comprehensive Income and Expenditure, which the Council considers to equal the net assets of the related companies.

31 March 2022 £000s	Council Long Term Investments	31 March 2023 £000s	Details
4,269	Lothian Buses plc	4,104	East Lothian Council holds 200,000 ordinary shares representing 3.1% of the share capital.
208	East Lothian Investments Limited	210	The Council's interest, estimated as 40% was inherited from the former Lothian Investments Board. No dividends are received.
569	East Lothian Land	558	Set up in 2000 for the purpose of managing land to support economic development. The Council is the sole shareholder. No dividends are received.
-	Racecourse Media Group (RMG)	-	Membership arises as part of the management of media rights in relation to Musselburgh racecourse. If the media management arrangements cease the Council has to surrender the shareholding. Consequently no market value is anticipated for the holding.
5,046	Total	4,872	

In the Council's group accounts East Lothian Land is treated as a subsidiary and East Lothian Investments is treated as an associate. They are carried at fair value reflecting the potential for adverse changes which would affect the historic cost of the initial investments. Other group entities have insignificant historic cost investment values and are treated as carried at historic cost, since no significant impairment of

the historic cost of the impairment is possible. The Council's share of the net assets of joint ventures and associates is presented in the group accounts. Lothian Buses is not part of the Council's group and is therefore carried at fair value to fully reflect the Council's interest in the organisation at the balance sheet date.

Note 24 Long Term Debtors

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

greater than one year, which is summarised below:

31 March 2022 £000s	Council Long Term Debtors	31 March 2023 £000s	Purpose
452	Private property owners - Common Repairs	419	Repairs to private property funded by secured ELC loans
1	Employees - Car/Other Loans	1	Loans to employees repaid over 3-5 years
8,189	East Lothian Housing Association	7,914	Loans secured on land and houses
(10)	Expected Credit Loss ELHA	(66)	Lifetime expected credit loss on East Lothian Housing Association loan above
47	Long Term VAT Debtor	33	VAT not immediately reclaimable
9	Other	9	Loans secured on houses
8,688	Total	8,310	

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 2022	Council Inventories	31 March 2023
£000s		£000s
691	Stocks to be consumed in service provision	828
691	Total	828

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 2023 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.

The prior year restatement relates to revisions made in 2022/23 to provide a more detailed analysis of the debtors.

Restated 31 March 2022 £000s	Council Short Term Debtors	31 March 2023 £000s
10,694	Central Government bodies	8,376
1,018	Other local authorities	950
3,722	NHS bodies	2,981
2	Public corporations and trading funds	2
8,259	Trade and other receivables	12,393
2,358	HRA rents	2,683
12,759	Taxpayers - Council Tax	13,118
1,788	Prepayments	4,564
40,600	Total	45,067

31 March 2022 £000s	Council Short Term Debtors Provision Against Non-Payment	31 March 2023 £000s
(3,818)	Other Receivables	(3,610)
(1,503)	Tenants - Council House Rents	(1,635)
(8,089)	Taxpayers - Council Tax	(9,857)
(13,410)	Total	(15,102)

27,190	Short Term Debtors Total	29,965
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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 2022					31 March 2023				
Council Financial Instruments					Council Financial Instruments				
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s
Cash & Cash Equivalents	Debtors	Investments	Debtors	Financial Assets and Other Debtors	Cash & Cash Equivalents	Debtors	Investments	Debtors	Total
Short Term		Long Term			Short Term		Long Term		
53,499	19,715	-	8,640	Held at Amortised Cost	12,384	23,652	-	8,277	44,313
-	-	5,046	-	Designated Equity Instruments held at Fair Value Through Other Comprehensive Income (FVOCI)	-	-	4,872	-	4,872
-	7,475	-	48	Other Debtors (Not Financial Assets)	-	6,313	-	33	6,346
53,499	27,190	5,046	8,688	Total Financial Assets and Other Debtors	12,384	29,965	4,872	8,310	55,531
Borrowings	Creditors	Borrowings	Creditors	Financial Liabilities	Borrowings	Creditors	Borrowings	Creditors	Total
Short Term		Long Term			Short Term		Long Term		
(14,752)	(51,657)	(412,553)	(21,045)	Held at Amortised Cost	(14,031)	(39,323)	(430,243)	(25,803)	(509,400)
-	(26,861)	-	(132,850)	Non-Financial Instruments	-	(32,019)	-	(31,875)	(63,894)
(14,752)	(78,518)	(412,553)	(153,895)	Total Financial Liabilities	(14,031)	(71,342)	(430,243)	(57,678)	(573,294)

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount

presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to either the relevant service for receivables specific to that service, or the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying

amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income (FVOCI)

With the introduction of IFRS 9, an equity instrument can be elected into a 'Fair Value Through Other Comprehensive Income' treatment rather than 'fair value through profit or loss', if it is not held for trading. The impact of an election in relation to an equity instrument to post gains/losses to other comprehensive income, is that movements in fair value will not be debited/credited to the Surplus or Deficit on the Provision of Services as they arise. Instead, movements will be accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss would be transferred to the General Fund Balance, and the gain/loss is recognised in the 'Surplus or Deficit from Investments in Equity Instruments Designated at Fair Value Through Other Comprehensive Income'.

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

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

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

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

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

Financial Instruments Gains and Losses

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

2021/22			2022/23		
Surplus or Deficit on the Provision of Services	Other Comprehensive Income and Expenditure	Council 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>			
-	(1,862)	Investments in Equity Instruments designated at FVOCI	-	174	
1,621	-	Financial Assets carried at Amortised Cost: Impairment Allowance	109	-	
1,621	(1,862)	Total Net Gains/Losses	109	174	
		<i>Interest Revenue:</i>			
(326)	-	Financial Assets measured at Amortised Cost	(1,027)	-	
-	-	Other Financial Assets measured at FVOCI	-	-	
(326)	-	Total Interest Revenue	(1,027)	-	
15,194	-	Interest Expense	16,160	-	
28	-	Fee Expense	11	-	

Financial Liabilities and Financial Assets – Fair Value

As at 31 March 2023, the Council held £49.185 million (2021/22: £86.901 million) financial assets and £541.616 million (2021/22: £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 2022			31 March 2023	
Carrying Amount	Fair Value	Council Financial Liabilities	Carrying Amount	Fair Value at Level 2
£000s	£000s		£000s	£000s
(386,875)	(416,117)	PWLB Debt	(403,880)	(317,260)
(40,430)	(57,347)	Non-PWLB Debt	(40,394)	(36,762)
(51,657)	(51,657)	Short Term Creditors	(39,323)	(39,323)
(1,566)	(1,566)	Short Term Finance Lease Liability	(1,527)	(1,527)
(21,044)	(21,044)	Long Term Creditors	(25,804)	(25,804)
(32,214)	(32,214)	Long Term Finance Lease Liability	(30,688)	(30,688)
(533,786)	(579,945)	Total Liabilities	(541,616)	(451,364)

31 March 2022			31 March 2023	
Carrying Amount	Fair Value	Council Financial Assets	Carrying Amount	Fair Value at Level 2
£000s	£000s		£000s	£000s
53,499	53,499	Cash & Cash Equivalents (Short term Investments)	12,384	12,384
5,046	5,046	Long Term Investments	4,872	4,872
19,715	19,715	Short Term Debtors	23,652	23,652
8,641	8,641	Long Term Debtors	8,277	8,277
86,901	86,901	Total Assets	49,185	49,185

The fair value of the liabilities is less than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans, where the interest rate payable is lower than the rates available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £317.260 million measures the economic effect of the terms agreed with the

PWLB, compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value, measures the lower value of interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

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

Key risks

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for overall risk management, as

well as written policies (covering specific areas such as interest rate risk, credit risk and the investment of surplus cash).

Expected Credit Losses / Credit Risk

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

31 March 2022			Council Expected Credit Loss (ECL)	31 March 2023		
12 Month	Lifetime	Lifetime		12 Month	Lifetime	Lifetime
ELHA	ELHA	Sundry Accounts		ELHA	ELHA	Sundry Accounts
£000s	£000s	£000s		£000s	£000s	£000s
-	70	975	Opening Balance	-	11	2,433
-	(59)	1,458	Changes in Models/Risk Parameters	-	55	(198)
-	11	2,433	Closing Balance	-	66	2,235

During the year the authority wrote off financial assets with a contractual amount outstanding of £0.256 million (£0.242 million in 2021/22).

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 80% collection due to current economic conditions of the carrying amount of £8.189 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.

Restated 31 March 2022 £000s	Council Credit Risk	31 March 2023 £000s
4,641	Less than one month (not past due date)	4,981
214	Between 1 and 3 months	4,640
857	Between 3 and 12 months	518
935	Between 1 and 2 years	554
560	Between 2 and 5 years	787
890	More than 5 years	909
8,097	Total	12,389

The prior year restatement relates to revisions to the age bandings to provide more detail.

Market Risks

Price Risk

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

However, it does have interests with a carrying value of £4.872 million (2021/22: £5.046 million) in a number bodies. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in their carrying value. Where the historic cost of the interest could result in a substantive impairment loss to the Council, or where the entity is not part of the Council's group, the interests are

classified as Equity Instruments Designated as Fair Value through Other Comprehensive Income. Consequently movements in the carrying values will impact on gains and losses recognised in the Financial Instruments Revaluation Reserve.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, it only acquires shareholdings in return for “open book” arrangements with the company concerned, so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

On behalf of the Trusts and Common Good Funds, the Council does invest in equities and bonds via a professional investment management company. The investment managers seek to secure and grow the capital value of the funds whilst generating a return on those assets that the Trusts and Common Goods can use. The choice of investments is at the discretion of the investment managers, guided by the underlying objective of securing the current and longer-term value of the funds.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances).
- Investments at variable rates – the interest income credited to the CIES will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other CIES.

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

According to this assessment strategy, at 31 March 2023, 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 2022	Council Interest Rate Risk	31 March 2023
£000s		£000s
431	Increase in Interest Payable on Variable Rate Borrowings	347
(242)	Increase in Interest Receivable on Variable Rate Borrowings	(149)
189	Impact on Surplus or Deficit on the Provision of Services	198
87	Share of overall impact debited to the HRA	86
77,244	*Decrease in Fair Value of Fixed Rate Borrowings Liabilities	(42,199)

**No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure*

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice; this seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore, there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All short term debtors are due to be paid to the Council in less than one year.

Refinancing and Maturity Risk

The Council maintains a significant debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period.

The prior year restatement relates to a change in the number of age bandings used in 2022/23.

Restated Actual 31 March 2022 £000s	Council Refinancing and Maturity Risk	Approved Minimum Limits	Approved Maximum Limits	Approved Maximum Limits 2022/23 £000s	Actual 31 March 2023 £000s
21,812	Less than 1 year	0%	20%	90,242	21,986
11,279	Between 1 and 2 years	0%	30%	135,364	9,159
19,818	Between 2 and 5 years	0%	40%	180,485	28,775
40,581	Between 5 and 10 years	0%	40%	180,485	63,604
50,547	Between 10 and 20 years	0%	75%	338,409	38,390
19,902	Between 20 and 30 years	0%	75%	338,409	15,902
92,500	Between 30 and 40 years	0%	75%	338,409	105,396
176,896	Over 40 years	0%	75%	338,409	168,000
433,335	Total				451,212

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 2023 were:

The prior year restatement relates to revisions made in 2022/23 to provide a detailed analysis of the creditors.

Restated 31 March 2022 £000s	Council Short Term Creditors	31 March 2023 £000s
(11,667)	Central government bodies	(13,535)
(2,636)	Other local authorities	(3,129)
(372)	NHS bodies	(2,513)
(94)	Public corporations	(2)
(24,687)	Trade and Other Payables	(24,135)
(1,972)	Income in Advance	(3,244)
(6,032)	Other Employee Costs	(5,889)
(11,161)	Other Related Parties	(11,499)
(1,567)	PPP & Finance Leases	(1,526)
(60,188)	Total	(65,472)

Note 29 Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Opening Balance at 1 April 2021 £000s	Provisions Made in 2021/22 £000s	Provisions Transfers between short & long term in 2021/22 £000s	Closing Balance at 31 March 2022 £000s	Council Provisions	Opening Balance at 1 April 2022 £000s	Provisions Made in 2022/23 £000s	Provisions Transfers between short & long term in 2022/23 £000s	Closing Balance at 31 March 2023 £000s
-	-	(350)	(350)	Other	(350)	(127)	(516)	(993)
-	-	(350)	(350)	Current Provisions	(350)	(127)	(516)	(993)
(109)	-	-	(109)	Municipal Mutual	(109)	(59)	-	(168)
(811)	(55)	350	(516)	Other	(516)	-	516	-
(920)	(55)	350	(625)	Non-Current Provisions	(625)	(59)	516	(168)
(920)	(55)	-	(975)	Total Provisions	(975)	(186)	-	(1,161)

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

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

Municipal Mutual

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

Other Provisions

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 2023/24.

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.

Contingent Liability -Historic Child Abuse Claims

A change in legislation has removed a time-limit for compensation claims related to child abuse cases. The Council recognises that this could result in a potential liability to the authority, however the likelihood of such a liability which might arise from historic or current cases cannot be quantified, nor can the extent to which insurance policy cover may reimburse the Council for such claims. Consequently the Council has not recognised a provision for potential claims, but considers them to be a contingent liability.

Contingent Liability - Common Good Assets Judicial Review

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

Contingent Liability - Reinforced Autoclaved Aerated Concrete (RAAC)

Survey works confirmed the presence of RAAC in Brunton Hall, with substantial areas of the building's roof being affected. Repair works are anticipated but this will not be quantifiable until final surveys are complete and the full options report is provided to the Council which will outlay the anticipated costs. Consequently the Council has not recognised a provision for potential repair work, but considers them to be a contingent liability.

Contingent Asset – Private Finance Initiative / Public Private Partnership

Discussions related to the PFI scheme commenced in 2022/23 concerning potential retention of monies to be paid by the Council due to contract adherence reviews. At present discussions are continuing, no reliable estimate is available, and any agreed final position is not considered to be wholly within the Council's control. However as a

settlement arrangement is deemed probable it has been noted here as a contingent asset.

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 2022 £000s	Council Other Long Term Liabilities	31 March 2023 £000s	Description of Liability
(21,044)	Deferred Liabilities - Developers Contributions	(25,804)	These amounts represent the payments received from developers and are linked to future capital spending. Funding is retained until project is completed.
(347)	Deferred Liabilities - Rental Income in Advance	(343)	Income to be released over the lease period.
(871)	Other	(676)	Other long term commitments including lifetime replacement of 3G pitches and tennis courts, and reimbursement of coastal protection works undertaken by a third party.
(32,214)	PPP and Finance Lease Liabilities	(30,687)	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.
(54,476)	Total Long Term Liabilities	(57,510)	

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 Local Government Pension Scheme, administered by the Lothian Pension Fund operated by the City of Edinburgh Council – this is a funded defined benefit career average revalued earning (CARE) scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Council participates in two post-employment schemes:

- 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 2023.

- 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 2023.

- 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 2023.

- Goodwin - An employment tribunal case (Goodwin v Department for Education) has also established a requirement that UK LGPS funds should pay equal survivor benefits between same and opposite sex widowers. The remedy is still uncertain however actuarial advice is that the impact may be to increase pension liabilities by approximately 0.1% to 0.2%. On this basis actuarial advice is that a specific adjustment is neither necessary or appropriate due to the low impact they perceive this would have.

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

31 March 2022 £000s	Council Defined Benefit Pension Schemes	31 March 2023 £000s
	Comprehensive Income and Expenditure Statement	
	Cost of Service Comprising:	
41,353	Current Service Cost	41,943
141	Past Service Costs (Including Curtailments)	-
	Financing and Investment Income and Expenditure	
4,138	Net Interest Expense	2,937
45,632	Total Post Employment Benefit Charged to the Surplus or Deficit	44,880
	Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	
	Re-measurement of the Net Defined Benefit Liability Comprising:	
(60,121)	Return on Plan Assets (Excluding the Amount Included in the Net Interest Expense)	3,969
(59,351)	Actuarial (Gains) and Losses Arising on Changes in Financial Assumptions	(334,943)
(5,342)	Actuarial (Gains) and Losses Arising on Changes in Demographic Assumptions	(6,404)
-	Asset Ceiling Applied	185,633
1,332	Other Re-measurement Experiences	42,004
(123,482)	Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(109,741)
	Movement in Reserves Statement	
(26,222)	Reversal of Net Charges Made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in Accordance with the Code.	(23,141)
19,410	Actual Amount Charged Against the General Fund Balance for Pensions in the Year	21,739
	Employers Contributions Payable	21,739

Statutory Charge to the General Fund/HRA

Statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MiRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

We recognise the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the MiRS. The Defined Benefit Pension Schemes table shows transactions have been made in the CIES and the General Fund Balance via the MiRS during the year.

Pension assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

Lothian Pension Fund –Asset Ceiling

The Council's actuarial advisers have estimated that the Council's attributable share of the Lothian Pension Fund (Local Government Pension Scheme) assets exceed the Council's estimated pension funded liabilities. The Council has assessed that, given the legislative

obligations and framework for LGPS employer contributions, the extent of the Council's control over the setting of future employer contributions is not sufficient to warrant recognition of a pension asset on the balance sheet. Instead an 'asset ceiling' has been applied and reflected in Other Comprehensive Income and Expenditure. Therefore, only the unfunded pension liability is recognised.

31 March 2022 £000s	Council Pension Assets and Liabilities Recognised in the Balance Sheet	31 March 2023 £000s
(853,807)	Present Value of the Defined Benefit Obligation	(607,963)
755,013	Fair Value of Plan Assets (before Cap)	781,402
-	Asset Ceiling Applied	(185,633)
(98,794)	Net Liability Arising from Defined Benefit Obligation	(12,194)

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

31 March 2022 £000s	Council Reconciliation of the Movements in the Fair Value of the Scheme Assets	31 March 2023 £000s
677,545	Opening Fair Value of Scheme Assets	755,013
13,579	Interest Income	20,503
-	Remeasurement Gain/(Loss):	-
60,121	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	(3,969)
19,410	Contributions from Employer	21,739
4,885	Contributions from Employees into the Scheme	5,511
(20,527)	Benefits Paid	(17,395)
-	Asset Ceiling cap Applied	(185,633)
755,013	Closing Fair Value of Scheme Assets	595,769

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

31 March 2022 £000s	Council Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	31 March 2023 £000s
(873,599)	Opening Balance at 1 April	(853,807)
(41,353)	Current Service Cost	(41,943)
(17,717)	Interest Cost	(23,440)
(4,885)	Contributions from Scheme participants	(5,511)
	Re-measurement (Gains) and Losses:	
59,351	Actuarial (Gains)/Losses Arising from Changes in Financial Assumptions	334,943
5,342	Actuarial (Gains)/Losses Arising from Changes in Demographic Assumptions	6,404
(1,332)	Other	(42,004)
(141)	Past Service Cost	-
20,527	Benefits Paid	17,395
(853,807)	Closing Balance at 31 March	(607,963)

The maturity profile of the scheme liabilities is as follows:

Council Maturity Profile of Defined Benefit Obligation	Liability Split £000s	Liability Split %
Active Members	(309,663)	52.0%
Deferred Members	(61,458)	10.3%
Pensioner Members	(224,648)	37.7%
Total for Funded Obligations	(595,769)	100.0%
Unfunded Pensioner Liabilities	(12,194)	
Total Pension Liability	(607,963)	

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 2023 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 2021/22	Female 2021/22	Council Mortality Assumptions Longevity at Age 65	Male 2022/23	Female 2022/23
20.3	23.1	Current Pensioners	19.9	22.9
21.6	25	Future Pensioners	21.2	24.7

2021/22	Council Rate of Inflation	2022/23
3.7%	Rate of Increase in Salaries	3.5%
3.2%	Rate of Increase in Pensions	3.0%
2.7%	Rate for Discounting Scheme Liabilities	4.8%

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

Council 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%	11,092
0.5% increase in the Salary Increase Rate	0%	1,167
0.5% increase in the Pension Increase Rate	2%	10,088

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 2022 £000s	Council Scheme Assets Fair Value	31 March 2023 £000s
620,145	Quoted Prices in Active Markets	614,064
134,868	Quoted Prices not in Active Markets	167,338
755,013	Total	781,402

Impact on Council's Cash Flows

Due to the external financial environment, there has been a significant movement in the valuation of the pension balance. As at 31 March 2023 the actuarial assessment is that the Council's pension assets exceed the estimated funded pension liabilities. As noted above the Council has applied an 'asset ceiling' accounting treatment and therefore unfunded pension liability is recognised. Statutory arrangements for funding the Lothian Pension Fund LGPS however mean that the Council expects to continue to make employer contributions in future years, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £21.739 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 2022/23, the Council paid £11.5 million (2021/22: £10.8 million) to the Scottish Teachers Superannuation Scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay (2021/22: 23%). The estimated contribution for 2023/24 is £12.2 m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement, outside of the terms of the STPS. In 2022/23, the Council paid £0.454m (2021/22: £0.465m) 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 2022/23, the Council paid £0.048 million (2021/22: £0.050 million) to individuals. The estimated value of future liabilities based on actuarial mortality estimates is £0.214 million.

Note 32 Usable Reserves

Council Usable Reserve	General Fund	Capital Fund and Capital Receipts Reserve	Insurance Fund	Housing Revenue Account	Total
	£000s	£000s	£000s	£000s	£000s
Balance at 31 March 2022	(29,685)	(4,603)	(2,684)	(1,748)	(38,720)
(Surplus) / Deficit on Provision of Service	2,351	-	-	2,548	4,899
Depreciation charged to Revaluation Reserve	(12,804)	-	-	(3,173)	(15,977)
Adjustments Between Accounting and Funding Basis	16,032	(9,594)	-	(1,832)	4,606
Transfers Between Reserves	(2,308)	(410)	-	2,718	-
Balance at 31 March 2023	(26,414)	(14,607)	(2,684)	(1,487)	(45,192)

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. The HRA repaid General Services the sum of £2.308 million (2021/22: Nil) in compensation for the HRA use of General Capital Grant for HRA capital expenditure. This was part of a permitted arrangement to assist in funding the impact of 2022/23 pay awards.

Capital Grants and Receipts Unapplied Account

No unapplied capital grants or receipts are currently held.

Capital Fund

The Council has statutory powers to hold a Capital Fund to meet future capital investment costs, either reducing loans fund advances or to fund the principal repayments of the loans fund. Some £1.803 million of the balance at 31 March 2023 (31 March 2022: £0.734 million) relates to the Housing Revenue Account (HRA) to be used for the benefit of HRA tenants. Additionally the HRA transferred £0.410 million (2022/23: £1.750 million) of government grant to the General Services' Capital Fund in return for the transfer of property 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 Council determined that no transfers to or from the Insurance Fund were required in 2022/23 (2021/22: £0.378 million transfer in).

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. As noted above the HRA repaid a total of £2.718 million to General Services Usable Reserves, being the General Fund (£2.308 million, 2021/22: Nil) and the Capital Fund (£0.410 million, 2021/22: £1.750 million).

Note 33 Earmarked Elements of the General Fund

The amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23 are:

Balance at 1 April 2021	Transfers Out	Transfers In	Balance at 31 March 2022	Council Earmarked Balance	Balance at 1 April 2022	Transfers Out	Transfers In	Balance at 31 March 2023
£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s
(3,095)	-	(5,612)	(8,707)	Committed for Future Budgets	(8,707)	183	-	(8,524)
-	-	-	-	Transformation Fund	-	-	(5,826)	(5,826)
(932)	423	(1,924)	(2,433)	Other Ring-fenced Funds	(2,433)	996	(816)	(2,253)
(2,064)	1,077	(45)	(1,032)	Statutory Earmarking of Council Tax Income for Affordable Housing	(1,032)	-	(431)	(1,463)
(1,071)	-	(77)	(1,148)	Devolved School Management Balances	(1,148)	-	-	(1,148)
(8,900)	3,421	-	(5,479)	COVID-19 Funding	(5,479)	5,479	-	-
(3,445)	-	-	(3,445)	Cost Reduction Fund	(3,445)	3,445	-	-
(2,282)	-	-	(2,282)	General Services Capital	(2,282)	2,282	-	-
(2,000)	-	-	(2,000)	Civil Emergency Fund	(2,000)	2,000	-	-
(440)	-	-	(440)	Other Balances	(440)	440	-	-
(36)	-	-	(36)	Mid and East Lothian Drugs & Alcohol Project	(36)	36	-	-
(24,265)	4,921	(7,658)	(27,002)	Total Earmarked Balances	(27,002)	14,861	(7,073)	(19,214)
			(2,683)	Uncommitted General Fund (General Services) Balance				(7,200)
			(29,685)	Total General Fund (General Services) Balance				(26,414)

Note 34 Unusable Reserves

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

31 March 2022 £000s	Council Unusable Reserve	31 March 2023 £000s
(306,351)	Revaluation Reserve	(330,228)
98,794	Pensions Reserve	12,194
4,479	Employee Statutory Adjustment Account	5,422
(309,113)	Capital Adjustment Account	(337,664)
(4,047)	Financial Instruments Revaluation Reserve	(3,873)
2,323	Financial Instruments Adjustment Account	2,054
(513,915)	Total	(652,095)

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 2022 £000s	Council Revaluation Reserve	31 March 2023 £000s
(291,587)	Balance at 1 April	(306,351)
(30,813)	Upward Revaluation of Assets	(48,585)
625	Downward Revaluation of Assets and Impairment Losses Not Charged to the Surplus/Deficit on the Provision of Services	8,601
(30,188)	Surplus of Deficit on Revaluation of Non-Current Assets not Posted to the Surplus or Deficit on the Provision of Services	(39,984)
15,310	Depreciation charged to the Revaluation Reserve	15,977
49	Accumulated Gains on Assets Sold or Scrapped	130
-	Derecognition of Assets	-
65	Assets Transferred to Common Good	-
(306,351)	Balance at 31 March	(330,228)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. A debit balance on the Pensions Reserve therefore indicates a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. In that event the statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

As at 31 March 2023 the actuarial assessment is that the Council's pension assets exceed the estimated funded pension liabilities. The Council has applied an 'asset ceiling' accounting treatment on the basis that the Council does not have control over the realisation of potential future employer contributions. This is because the benefits of any future employer contribution reduction are contingent upon the financial status of the pension fund as a whole. On that basis a 'net pension asset' is not shown on the balance sheet and the pension reserve reflects only the unfunded liability.

31 March 2022 £000s	Council Pension Reserve	31 March 2023 £000s
196,054	Balance at 1 April	98,794
(123,482)	Actuarial Gains or Losses on Pensions Assets and Liabilities	(295,374)
-	Application of Asset Ceiling	185,633
45,632	Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the CIES	44,880
(19,410)	Employer's Pension Contributions and Direct Payments to Pensioners Payable in the Year	(21,739)
98,794	Balance at 31 March	12,194

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 2022 £000s	Council Employee Statutory Adjustment Account	31 March 2023 £000s
4,794	Balance at 1 April	4,479
(4,794)	Settlement or Cancellation of Accrual Made at End of the Preceding Year	(4,479)
4,479	Amount Accrued at the End of the Current Year	5,422
(315)	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	943
4,479	Balance at 31 March	5,422

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 2022 £000s	Council Capital Adjustment Account	31 March 2023 £000s
(296,389)	Balance at 1 April	(309,113)
29,569	Depreciation charged to the Capital Adjustment Account	30,302
255	Intangible asset amortisation charged to the Capital Adjustment Account	254
7,674	Revaluation Gains / Losses on Property, Plant and Equipment	8,997
(60)	Charges for expected credit loss of Non-Current financial assets funded as capital expenditure	55
919	Impairment Losses on Property, Plant and Equipment	1,820
484	Assets Written Off on Disposal or Sale	461
38,841	Net Amounts Written Out of the Cost of Non-Current Assets Consumed in the Year	41,889
	Capital Financing applied in the year	
(426)	Capital Receipts Applied	(198)
(35,669)	Capital Grants and Contributions Credited to the CIES that Have Been Applied to Capital Financing	(63,077)
(10,673)	Statutory Provision for the Financing of Capital Investment Charged Against the General Fund and HRA Balances	(6,715)
(4,797)	Capital Expenditure Charged Against the General Fund and HRA Balances	(450)
(51,565)		(70,440)
(309,113)	Balance at 31 March	(337,664)

Financial Instruments Revaluation Reserve

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

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

Financial Instruments Adjustment Account

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

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

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

31 March 2022 £000s	Council Financial Instruments Revaluation Reserve	31 March 2023 £000s
(2,185)	Balance at 1 April	(4,047)
(1,870)	Upward Revaluation of Investments	(2)
8	Downward Revaluation of Investments	176
(4,047)	Balance at 31 March	(3,873)

31 March 2022 £000s	Council Financial Instruments Adjustment Account	31 March 2023 £000s
2,593	Balance at 1 April	2,323
(14)	Annual charge for effective interest rate adjustments related to historic stepped interest rate borrowing	(13)
(256)	Annual recharge of deferred premiums from the refinancing of debt	(256)
(270)	Amount by Which Finance Costs Charged to the CIES are Different from Finance Costs Chargeable in the Year in Accordance with Statutory Provisions	(269)
2,323	Balance at 31 March	2,054

As at 31 March 2023 the balance of the account represented £1.023million (2021/22: £1.279 million) relating to historic deferred premiums, with four years remaining, arising from the early repayment of debt. The remaining £1.031million (2021/22: £1.044 million) relates to the adjustment to interest charges for historic stepped interest rate borrowing.

Note 35 Capital Grant Receipts in Advance

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

31 March 2022 £000s	Council Capital Grants & Contributions Receipts in Advance	31 March 2023 £000s
(11,080)	Early Learning and Child Care	(3,178)
(4,037)	Accelerating Growth Projects	(295)
(1,276)	Town Centre Regeneration Fund	(1,021)
(590)	Prestongrange RCGF	(61)
(554)	HRA	-
(380)	Roads contributions	(123)
(50)	3G Pitches - Scottish Football Association	-
(13)	NHS	-
-	Hallam Cemetery contribution	(100)
-	National Trust for Scotland	(31)
-	UK Shared Prosperity Fund	(47)
-	Visit Scotland	(21)
(17,980)	Total	(4,877)

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.

2021/22 £000s	Council Grant Income Credited to Taxation & Non-Specific Grant Income	2022/23 £000s
(225,803)	Government grants	(249,532)
(9,913)	Non Government grants	(19,883)
(235,716)	Total	(269,415)

2021/22 £000s	Council Grant Income Credited to Services	2022/23 £000s
(17,862)	Government Grant: Housing Benefit Subsidy	(17,020)
(15,345)	Government Grant & Contributions: NHS	(14,233)
(18,173)	Government Grant & Contributions: Other	(20,250)
(1,553)	Non-Government Grants & Contributions	(1,863)
(52,933)	Total	(53,366)

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Note 37 Cash Flow Statement – Non Cash Movements

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

Council 2021/22 £000s	Group 2021/22 £000s	Adjustment to Net Deficit on the Provision of Services for Non-Cash Movements	Council 2022/23 £000s	Group 2022/23 £000s
(45,134)	(45,314)	Depreciation and Amortisation	(46,532)	(46,762)
(920)	(919)	Impairments and Downward Valuations	(1,820)	(1,820)
(7,674)	(7,372)	Revaluation of Assets	(8,997)	(8,997)
-	90	Increase (Decrease) in fair value of investments	-	(1,223)
(599)	(245)	Carrying Amount of Non-Current Assets Held for Sale, Sold or Derecognised	(590)	(590)
(45,632)	(45,632)	Net Charges Made for Retirement Benefits in Accordance with IAS 19	(44,880)	(44,880)
19,410	19,410	Employer's Contributions Payable to the Lothian Pension Fund	21,739	21,739
15	14	Non Cash Interest Adjustment	13	13
-	4,820	Change in Associates SDPS - Non-Cash Movement	-	(5,576)
22	21	Decrease (Increase) in interest charges accrued	(239)	(239)
(55)	(55)	Decrease (Increase) in Provisions	(186)	(186)
(267)	(267)	Increase (Decrease) in Inventories	136	136
(9,319)	(9,372)	Decrease (Increase) in Revenue Creditors	(7,360)	(7,426)
(1,214)	363	Increase (Decrease) in Revenue Debtors	1,858	2,244
(91,367)	(84,458)	Total	(86,858)	(93,567)

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.

Council 2021/22 £000s	Council Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	Council 2022/23 £000s
35,669	Proceeds from Capital Grants	63,077
-	Proceeds from Short-Term Investments	-
1,077	Proceeds from Sale of PPE, Assets Held for Sale and Other Non-Current Assets	9,792
36,746	Total	72,869

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.

2021/22 £000s	Council Material Items of Income and Expense	2022/23 £000s
45,134	Depreciation and Amortisation Charged on Assets	46,532
920	Impairments	1,820
17,844	Housing Benefit Paid	16,816
10,025	Unitary Charge/PPP Payments to Contractor	10,328

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 2023, are shown in the Fair Value Hierarchy table:

31 March 2022	Council Fair Value Hierarchy	31 March 2023
Total Fair Value £000s		Total Fair Value £000s
	<i>Recurring fair value measurements at Level 2 for:</i>	
5,046	Equity Instruments	4,872
4,960	Non-Financial Assets	4,906
10,006	Total	9,778

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

Significant Observable Inputs – Level 2

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

Note 41 Events after the Reporting Period

There were no events to report after the balance sheet date.

Specific Group Notes

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

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

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 2021/22	Percentage Share 2022/23	Carrying Value at 31 March 2023 £000s	Share of (Surplus) or Deficit 2022/23 £000s	Other CIES Items 2022/23 £000s
East Lothian Investments	40.00%	40.00%	210	(2)	-
Enjoy East Lothian Ltd	40.00%	40.00%	2,963	424	(1,985)
Brunton Theatre Trust	28.57%	28.57%	307	(63)	-
East Lothian IJB	50.00%	50.00%	5,061	5,084	-
Edinburgh Innovation Park Joint Venture Ltd	-	50.00%	(11)	11	-
Lothian Valuation Joint Board	12.50%	12.50%	952	122	(660)
Total			9,482	5,576	(2,645)

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.

The Brunton Theatre is leased by the Council to the Trust, and is the key property asset used by the Trust. During 2022/23 structural defects were identified arising from the use of Reinforced Autoclaved Aerated Concrete (RAAC). Parts of the building have been removed from usage and the Trust is adapting its future plans for achieving its objectives.

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 2022/23 East Lothian Council contributed £61.644 million (2021/22: £52.823 m), 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 £1.791 million (2021/22: creditor balance of £1.507 million).

Edinburgh Innovation Park Joint Board

The [Edinburgh Innovation Park Joint Venture](#) is a joint venture partnership established with Queen Margaret University to create an innovation park, with particular focus on food, drink and health sciences, as part of the [Edinburgh & South East Scotland City Region Deal](#). The Council has 50% control of the partnership entity. The joint venture has related subsidiary bodies for the development and eventual operation of the Innovation Park. The primary source of funding for the project is from the City Region Deal, with the Council responsible for the administration and proper use of the grant. Additional funding also comes directly from the Council as part of the City Deal agreement.

Lothian Valuation Joint Board

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

The Council has less than 20% of the voting or potential voting power in the Lothian Valuation Joint Board but has assessed that it has significant influence of this organisation, requiring inclusion in the

Council's Group Accounts. This is on the basis of representation on the Joint Board by East Lothian councillors and material transactions between East Lothian Council and the Joint Board.

The summarised financial information of the various associates and joint ventures for the financial year 2022/23 is presented below:

Associates/Joint Ventures 2022/23	Assets at the End of the Year £000s	Liabilities at the End of the Year £000s	Net Assets at the End of the Year £000s	Revenues During the Year £000s	(Surplus) or Deficit for the Year £000s
East Lothian Investments	604	(80)	525	(19)	(2)
Enjoy East Lothian Ltd	8,310	(904)	7,406	(6,749)	898
Brunton Theatre Trust	1,373	(297)	1,076	(1,779)	(72)
East Lothian IJB	20,571	(10,449)	10,122	(204,552)	10,167
Edinburgh Innovation Park Joint Venture Ltd	1,395	(1,417)	(22)	-	22
Lothian Valuation Joint Board	11,143	(3,524)	7,619	(6,278)	974
Total	43,396	(16,671)	26,726	(219,377)	11,987

Associates/Joint Ventures 2021/22	Assets at the End of the Year £000s	Liabilities at the End of the Year £000s	Net Assets at the End of the Year £000s	Revenues During the Year £000s	(Surplus) or Deficit for the Year £000s
East Lothian Investments	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 2023 show net current assets of £557,799 (31 March 2022: £569,089), and a loss before taxation of £11,290 (31 March 2022: loss of £8,207). The company retains all accumulated profits and losses. No dividend was received. The value of East Lothian Land is included within the Council accounts at the net asset value noted above.

Trust Funds and Common Goods

The Council acts as a majority or sole Trustee for 46 trusts, bequests and other funds as well as separate Common Good Funds. The net value of the Trusts included within the Group Accounts is £6.516 million (2021/22: £6.649 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 £17.823 million (2021/22: £17.758 million). The annual accounts for the Common Good Funds and Trust Funds are included in the 'Other Accounts' section of these annual accounts.

East Lothian Mid-Market Homes LLP

The Limited Liability Partnership was established to manage new build properties in Dunbar, to be available for mid-market rent. East Lothian Council has 83% control of the partnership, with the Scottish Futures Trust also maintaining a 'minority interest' which is presented separately in the group accounts. The partnership leases housing from a third party and also purchases housing directly. It subsequently leases the dwellings to individuals at a mid-market rent, not as social housing provision. The partnership accounts to 31 March 2023 show net assets of £1.656 million (2021/22 £1.577 million), and comprehensive net income of £0.078 million (2021/22: £1.146 million).

Note G4 Financial Impact of Consolidation

The effect of inclusion of the associate and subsidiary companies on the Group Balance Sheet is to increase Net Assets and Reserves by £35.267 million (2021/22: £38.398 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.

Note G6 Reconciliation of the Council Deficit to the Group Deficit

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

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

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.

2021/22 £000s	Reconciliation of the Council Surplus / Deficit to the Group Surplus / Deficit	2022/23 £000s
24,707	Deficit for the Year on Authority Comprehensive Income & Expenditure Account	4,899
(4,820)	Associates	5,576
(2,172)	Subsidiaries	32
17,715	(Surplus) / Deficit for the Year on the Group Income & Expenditure Account	10,507

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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.

2021/22 £000s	Housing Revenue Account	2022/23 £000s
	Income	
(32,824)	Dwelling Rents	(33,320)
(660)	Non-Dwelling Rents	(652)
(1,869)	Non-Current Assets Revaluation Gains	(1,742)
(682)	Service Charges	(673)
(159)	Other Income	(151)
(36,194)	Total Income	(36,538)
	Expenditure	
8,142	Repairs and Maintenance	8,903
11,156	Supervision and Management	11,154
17,896	Depreciation, Impairment and Revaluation Losses of Non-Current Assets	26,709
(816)	Impairment of Debtors	224
1,623	Other Expenditure	1,988
38,001	Total Expenditure	48,978
1,807	Net Expenditure of HRA included in CIES	12,440
436	HRA Share of Corporate and Democratic Core	442
2,243	Net Expenditure of HRA Services	12,882
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement	
20	Losses on Sale of HRA Non-Current Assets	(705)
5,922	Interest Payable and Similar Charges	6,013
(16)	HRA Interest and Investment Income	(207)
99	Pensions Interest Cost and Expected Return on Pension Assets	70
(11,008)	Capital Grants and Contributions Receivable	(15,505)
(2,740)	(Surplus) Deficit for the year on HRA Services	2,548

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.

2021/22 £000s	Movement on the HRA Statement	2022/23 £000s
(2,009)	Balance on the HRA at the End of the Previous Period	(1,748)
(2,740)	Deficit for the year on the HRA Income and Expenditure Statement	2,548
(2,281)	Depreciation charged to the Revaluation Reserve	(3,173)
3,532	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(1,832)
(1,489)	Net Decrease in the Balance before Transfer to or from Reserves	(2,457)
-	Adjustment for the Elimination of Internal Recharges	-
1,750	HRA Balance Transferred to General Services	2,718
261	Decrease in year on the HRA	261
(1,748)	Balance on the HRA at the End of the Current Period	(1,487)

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.

2021/22 £000s	Note to the Movement on the HRA Statement	2022/23 £000s
(13,747)	Depreciation, Revaluation and Impairment of Fixed Assets	(21,794)
9,258	Capital Grant and Contributions Applied	14,983
(20)	Gain on sale of HRA Non-Current Assets	705
(629)	HRA share of contributions to or from the pensions reserve	(548)
4,406	Loans Fund Principal Repayments	4,822
4,264	Capital Expenditure Funded by the HRA	-
3,532	Adjustments between Accounting Basis and Funding Basis under Legislative Framework	(1,832)

Number of HRA Houses

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

Number Of HRA Houses	1 Apt	2 Apt	3 Apt	4 Apt	5 Apt	6 Apt	7 Apt	8 Apt	Total
As at 31 March 2022	43	1,850	4,571	2,307	231	6	1	1	9,010
As at 31 March 2023	43	1,871	4,647	2,339	243	8	1	1	9,153
Increase/(Decrease) in Year	-	21	76	32	12	2	-	-	143

Housing Rent Debtors

As at 31 March 2023 housing rent debtors amounted to £2.683 million (2021/22: £2.358 million). In the interests of prudent financial management the council has made an allowance for non-collection of £1.635 million (2021/22: £1.503 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 2021/22 £000s	Unusable Reserves 2021/22 £000s	Total Fund Reserves 2021/22 £000s	Movement in the Common Good Reserves	Usable Reserves 2022/23 £000s	Unusable Reserves 2022/23 £000s	Total Fund Reserves 2022/23 £000s
(12,252)	(4,386)	(16,638)	Opening Balance	(13,006)	(4,752)	(17,758)
Movement in reserves during the period						
(680)	-	(680)	(Surplus) or deficit on provision of services	(35)	-	(35)
-	(440)	(440)	Other Comprehensive Expenditure and Income	-	(30)	(30)
(680)	(440)	(1,120)	Total Comprehensive Expenditure and Income	(35)	(30)	(65)
Adjustments between usable and unusable reserves						
(74)	74	-	Depreciation charged to the Revaluation Reserve	(92)	92	-
(74)	74	-	Total adjustments between usable and unusable reserves	(92)	92	-
(754)	(366)	(1,120)	(Increase) Decrease in Year	(127)	62	(65)
(13,006)	(4,752)	(17,758)	Balance at 31 March 2023 carried forward	(13,133)	(4,690)	(17,823)

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

Common Good Comprehensive Income and Expenditure Statement

The Common Good returned a surplus for the year of £0.065 million (2021/22: Surplus £1.120 million). The change, largely attributable to investment values, reflects fair value movements in financial investment returns for 2022/23 due to a significant downturn in market values in the year, with the largest impact being in the first half of the financial year.

Cash income was however maintained through significant realised gains arising from the sale of investments during the year. Additionally changes in interest rates during the year increased the income earned from Common Good cash balances lodged with East Lothian Council.

2021/22 £000s	Common Good Comprehensive Income and Expenditure Statement	2022/23 £000s
	Income	
(493)	Rents and Other Income	(526)
(289)	Property Asset Transfers from General Services Recognised in Usable Reserves	-
(13)	Revaluation Gains for Property Assets Recognised in Usable Reserves	-
(795)	Total Income	(526)
	Expenditure	
72	Premises-related Expenditure	71
52	Supplies and Services	67
160	Third Party Grants and Payments	83
157	Depreciation	185
441	Total Expenditure	406
(354)	Cost Of Services	(120)
(192)	(Gains)/Loss on the sale of investments	(347)
(91)	Interest receivable and similar income	(192)
(43)	Changes in the fair value of investments	624
(680)	(Surplus) or Deficit on Provision of Services	(35)
(375)	Gains on Revaluation of Property, Plant & Equipment	(30)
(65)	Property Asset Transfers from General Services Recognised in Revaluation Reserve	-
(440)	Other Comprehensive (Income) and Expenditure	(30)
(1,120)	Total Comprehensive (Income) and Expenditure	(65)

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 £4.745 million (2021/22: £4.269 million) that is East Lothian Council. This is due to the Common Good Funds not having banking facilities of their own, instead the Council releases monies held on behalf of the Common Good as required.

Long-term financial investments suffered from market value losses in the year. Liquidity has improved however with an increased balance due from East Lothian Council, generally reflecting cash from sale of investments and increased interest earned on the cash balances held by East Lothian Council.

The unaudited accounts were submitted for audit on 29 June 2023.

Sarah Fortune CPFA
Executive Director for Council Resources (CFO)
28 June 2023

2021/22 £000s	Common Good Balance Sheet	2022/23 £000s
8,775	Property Plant & Equipment	8,676
3,654	Long Term Investments	3,570
644	Long Term Debtors	598
13,073	Long Term Assets	12,844
424	Sundry Debtors	260
4,269	Operating Balance Debtor (East Lothian Council)	4,745
4,693	Current Assets	5,005
(8)	Short Term Creditors	(26)
(8)	Current Liabilities	(26)
17,758	Net Assets	17,823
(4,752)	Property Revaluation Reserve	(4,690)
(13,006)	Usable Reserves	(13,133)
(17,758)	Total Reserves	(17,823)

Notes to the Common Good Account

Non-Current Assets

The value of the Common Good property, plant and equipment changed in the following way.

Finance Lease

Details of Common Good Finance Leases

Common Good buildings used by the Council for the provision of taxpayer services are not included on the Common Good balance sheet. They are treated as equivalent to finance leases. There is currently no rental charge for some building assets currently used by the Council which are on Common Good land.

Brunton Theatre Structural Defects

The Brunton Theatre is a Musselburgh Common Good property which is treated as being leased to East Lothian Council. It therefore is not included on the Common Good balance sheet. In February 2023 structural defects related to the historic use of Reinforced Autoclaved Aerated Concrete (RAAC) were identified. Consequently parts of the building have been removed from use. The Council is currently

2021/22 £000s	Common Good Property, Plant & Equipment	2022/23 £000s
8,190	Opening Net Book Value	8,775
289	Assets Transferred from General Services (Depreciated Historic Cost)	-
-	Additions	56
388	Revaluations	30
65	Assets Transferred from General Services (Revaluation Balances)	-
(157)	Depreciation	(185)
8,775	Closing Net Book Value	8,676

reviewing the options to resolve the situation, as well as the relevant responsibilities arising for the Common Good and taxpayer funds.

Rental Income

Where a rent schedule is in place a debtor is shown on the Common Good balance sheet. Future Minimum Lease Payments, and the debtor repayment schedule, are shown in the following table. Formal arrangements for continued Council use of Common Good assets, which recognise and reflect Common Good ownership, are anticipated to be agreed. Any adjustments will be accounted for when an agreement is reached.

2021/22	2021/22		2022/23	2022/23
Minimum Lease	Debtor	Common Good Finance Leases	Minimum Lease	Debtor Repayments
Payments (MLP)	Repayments in		Payments (MLP)	in MLP
£000s	MLP		£000s	£000s
£000s	£000s		£000s	£000s
245	37	Income Receivable in the next year	247	37
980	147	Income Receivable in years 2 to 5	987	147
3,949	424	Income Receivable after 5 years	3,713	387
5,174	608	Total Receivable	4,947	571

Fund Analysis

The separate funds are valued at 31 March 2023 as:

Common Good Fund Analysis	Dunbar	Haddington	Musselburgh	North	Cockenzie,	Total
	£000s	£000s	£000s	Berwick	Port Seton	£000s
	£000s	£000s	£000s	£000s	& Tranent	£000s
	£000s	£000s	£000s	£000s	£000s	£000s
Balance Brought forward at 1 April 2022	(1,007)	(797)	(9,092)	(1,687)	(423)	(13,006)
(Surplus) Deficit in the Year	42	(23)	(51)	(3)	-	(35)
Depreciation charged to the Revaluation Reserve	(5)	-	(74)	(13)	-	(92)
Fund Balance at 31 March 2023	(970)	(820)	(9,217)	(1,703)	(423)	(13,133)
Property Revaluation Reserve	(444)	(58)	(2,745)	(1,345)	(98)	(4,690)
Total Reserves	(1,414)	(878)	(11,962)	(3,048)	(521)	(17,823)

Fund balances at 31 March 2023 include accumulated fair value gains on financial instrument investments of £0.664 million (2021/22: £1.291 million). The change reflects market value losses recorded in the year. The accumulated gains are unrealised and should be regarded as deferred gains. It would not be considered prudent for these gains to be used until they are realised. The fund balances also reflect the value of Common Good property assets. Some properties are inalienable and therefore their values cannot be realised through sale of the assets. The fund balances for Cockenzie, Port Seton & Tranent arise solely from the recognition of land assets transferred from the Council's balance sheet.

Trust Funds Account

The Council acts as a majority or sole Trustee for 46 trusts, bequests and other funds, which are administered in accordance with their individual terms. The Council has initiated a review of trusts administered by East Lothian Council with an objective to improve the effectiveness of all the Trust Funds and support achievement of their objectives. The review is anticipated to conclude during 2023/24 and to propose changes in the stewardship, governance, and administration arrangements of a number of Trust Funds. The Trust Funds have been accounted for on a 'going concern' basis due to the expectation that the underlying purposes of the funds will continue to be met, with funds being used to support the trusts' objectives.

Trust Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Trust funds, analysed between usable reserves i.e. those that can be applied to fund expenditure, and other reserves. Fund balances at 31 March 2023 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 2021/22 £000s	Unusable Reserves 2021/22 £000s	Total Fund Reserves 2021/22 £000s	Movement in the Trust Reserves	Usable Reserves 2022/23 £000s	Unusable Reserves 2022/23 £000s	Total Fund Reserves 2022/23 £000s
(5,445)	(681)	(6,126)	Opening Balance at 1 April brought forward	(5,751)	(898)	(6,649)
			Movement in reserves during the period			
(289)	-	(289)	(Surplus) or Deficit on provision of services	133	-	133
-	(234)	(234)	Other Comprehensive Expenditure and Income	-	-	-
(289)	(234)	(523)	Total Comprehensive Expenditure and Income	133	-	133
			Adjustments between usable and unusable reserves			
(17)	17	-	Depreciation charged to the Revaluation Reserve	(27)	27	-
(17)	17	-	Total adjustments between usable and unusable reserves	(27)	27	-
(306)	(217)	(523)	Increase/Decrease in Year	106	27	133
(5,751)	(898)	(6,649)	Balance at 31 March carried forward	(5,645)	(871)	(6,516)

Trust Comprehensive Income and Expenditure Statement

During the year 2022/23, the Trust Funds incurred a deficit for the year of £0.133 million (2021/22: Surplus £0.523 million).

The deficit is primarily attributable to decreases in the market value of financial investments, particularly in the first half of the financial year. Significant realised gains arose from the sale of investments during the year. Interest income benefitted from the rise in interest rates, with more interest being earned on the cash balances held by East Lothian Council on behalf of the Trust Funds.

2021/22 £000s	Trusts Comprehensive Income and Expenditure Statement	2022/23 £000s
	Income	
(65)	Rents and Other Income	(52)
(65)	Total Income	(52)
	Expenditure	
1	Premises-related expenditure	2
29	Supplies and Services	39
16	Third Party Grants and Payments	8
21	Depreciation	31
67	Total Expenditure	80
2	Cost Of Services	28
(158)	(Gains) on the sale of investments	(358)
(86)	Interest receivable and similar income	(136)
(47)	Changes in the fair value of investments	599
(289)	(Surplus) or Deficit on Provision of Services	133
(234)	(Surplus) on Revaluation of Property, Plant & Equipment	-
(234)	Other Comprehensive Income and Expenditure	-
(523)	Total Comprehensive Income and Expenditure	133

Trust Fund Balance Sheet

Trust Fund net assets decreased in the year to £6.516 million (2021/22: £6.649 million) largely due to decreases in the market value of financial investments. Cash and short term liquid assets have increased slightly.

The unaudited accounts were submitted for audit on 29 June 2023.

Sarah Fortune CPFA
Executive Director for Council Resources (CFO)
28 June 2023

2021/22 £000s	Trusts Balance Sheet	2022/23 £000s
967	Property Plant & Equipment	936
3,825	Long Term Investments	3,563
66	Long Term Debtors	60
4,858	Long Term Assets	4,559
33	Short Term Debtors	17
1,897	Operating balance debtor (East Lothian Council)	2,063
1,930	Current Assets	2,080
(1)	Short Term Creditors	-
(1)	Current Liabilities	-
(138)	Other Long Term Liabilities	(123)
(138)	Long Term Liabilities	(123)
6,649	Net Assets	6,516
(898)	Property Revaluation Reserve	(871)
(5,751)	Usable Reserves	(5,645)
(6,649)	Total Reserves	(6,516)

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 2023 are shown in the Trust Investments table.

2021/22 £000s	Trust Investments	2022/23 £000s
	<u>Investments >£100,000 at End of Year:</u>	
291	Vanguard Inv Serv/Vanguard Funds PLC S&P500 Ucits	407
-	- Blackrock EURPN Dy BR EURPN Dynamic Fd Dis	130
121	Ishares Trust Core S&P 500 Etf	116
-	- Astrazeneca Ord USD0.25	101
-	- Janus Henderson EURP Seld Opps	105
104	Rio Tinto Ord GBP0.10	-
109	Mercantile Investment Ord 0.25	-
227	UBS Assets Mgt US Equity	-
2,720	Other stocks and shares	2,619
253	Held as Cash / Liquid Assets	85
3,825	Total Investments	3,563

Post Reporting Period Event: Trust Funds Administration Review

Following external audit recommendations to improve the Council has commenced a review of the stewardship and administration arrangements for the Trust Funds. The objective of the review is to ensure that the Trust Funds effectively and appropriately achieve their objectives, in accordance with the relevant trust deeds and bequests.

The review is anticipated to finish during 2023/24 and propose changes in the stewardship, governance and administration arrangements of the Trust Funds.

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.

2021/22 £000s	Council Tax Income Account	2022/23 £000s
(73,489)	Gross Council Tax Levied and Contributions in Lieu	(77,245)
	Adjusted For:	
5,460	Council Tax Reduction Scheme	5,652
5,728	Other Discounts and Reductions	6,058
1,551	Provision for Non Collection	2,039
(60,750)	Council Tax Income in Year	(63,496)
105	Adjustments to Previous Years' Council Tax	445
(60,645)	Transfer to General Fund	(63,051)

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 (£)	894.46	1,043.54	1,192.61	1,341.69	1,762.83	2,180.25	2,627.48	3,287.14	
Effective Properties	917	7,776	13,366	5,969	6,232	5,407	4,808	661	45,136
Ratio to Band D	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360	
Band D Equivalents	611	6,048	11,881	5,969	8,188	8,786	9,416	1,619	52,518
Provision for non-payment (2.65%)									(1,392)
Council Tax Base									51,126

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.

2021/22 £000s	Non Domestic Rate Income Account	2022/23 £000s
(40,496)	Gross Rates Levied and Contributions in Lieu	(61,978)
18,170	Relief and Other Deductions	12,412
-	Write Offs of Un-Collectable Debts & Allowance for Impairment	26
(22,326)	Net Non-Domestic Rate Income	(49,540)
1,383	Adjustments to Previous Years' National Non-Domestic Rates	(3,097)
(20,943)	Total Non-Domestic Rate Income (Before Authority Retentions)	(52,637)
268	Non-Domestic Rate Income retained by the Council (BRIS)	-
(20,675)	Contribution to the National Non-Domestic Rate Pool	(52,637)
(21,943)	Non Domestic Rate income credited to the General Fund	(28,686)

Business Rate Incentivisation Scheme (BRIS)

The Business Rates Incentivisation Scheme (BRIS) permits the authority to retain half of the NDR income which exceeds the income target set by the Scottish Government. There was no BRIS income retained in 2022/23 (2021/22: £0.268 million retained).

Rateable Values

An analysis of the rateable values at 01 April 2022 is detailed in the Rateable Values table.

Rateable Values	Number	Rateable Value £000s
Shops, Offices and other Commercial Subjects	1,731	28,340
Industrial and Freight Transport	967	11,707
Miscellaneous (Schools etc.)	1,070	40,142
Total	3,768	80,189

Rate Level

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

- 49.8p (2021/22: 49.0p) per pound for properties with a rateable value of up to £51,000 (2021/22: £51,000),
- 51.1p (2021/22: 50.3p) per pound for properties with a rateable value of over £51,000 and up to £95,000 (2021/22: £51,000 up to £95,000),
- 52.4p (2021/22: 51.6p) per pound for properties with a rateable value of £95,000 or over.

From 1 April 2022 levels of rates relief under the Small Business Bonus Scheme were set at:

- 100% (2021/22: 100%) for eligible properties with a combined Rateable Value (RV) of up to £15,000 (2021/22: £15,000),
- 25% (2021/22: 25%) for eligible properties with a combined RV between of over £15,000 and up to £18,000 (21/22: £15,000 and £18,000).

For businesses with multiple properties, whose cumulative RV is £35,000 (2021/22: £35,000) or less, the relief is 25% (2021/22: 25%) for each property with a rateable value of £18,000 (2021/22: £18,000) or less.

Financial Statements: Glossary of Terms

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 2023

Charity Number SC019149

DR BRUCE FUND
FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2023

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DR BRUCE FUND
TRUSTEES' ANNUAL REPORT
YEAR ENDED 31 MARCH 2023

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	Rachel Browne 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 2023

The trustees present their report and the financial statements of the charity for the year ended 31 March 2023.

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 2022/23 the trust made two awards totalling £80 (2021/22: £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 volatile market conditions. The market value of the whole portfolio decreased by £0.26m in the year to 31st March 2023, and the income earned by the portfolio decreased by 2% in the same period.

Full details of the trust's financial transactions during the year ended 31st March 2023 are shown on the attached financial statements.

The trust incurred operational expenditure of £1,223, against income of £1,499. Together with losses related to investment assets of £851, this resulted in a decrease in reserves of £575. At 31 March 2023, the trust had unrestricted funds of £20,331.

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 are working to improve the process for awarding grants to enable the Trust to fulfil its intended objectives and intend to continue to make annual awards as funds allow. There is an ongoing review of trusts administered by East Lothian Council with an objective to improve the effectiveness of all the Trust Funds and support achievement of their objectives. The review is anticipated to conclude during 2023/24 and to propose changes in the stewardship, governance and administration arrangements of a number of Trust Funds, including those relating to the Dr Bruce Fund charity.

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, to May 2022:

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

19 December 2023

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 19 December 2023 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 in the statement of accounts of the Dr Bruce Fund for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charity as at 31 March 2023 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the trustees for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on other requirements

Other information

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

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Use of my report

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

Rachel Browne CPFA
Senior Audit Manager
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

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

DR BRUCE FUND

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2023

	Note	Total Funds 2022/23 £	Total Funds 2021/22 £
Income From			
Donated services	2	1,000	1,000
Income from Investments	3	499	330
Refunds received	4	0	70
Total Income and Endowments		1,499	1,400
Expenditure On			
Management Fees	5	(143)	(104)
Charitable Activities	6	(80)	(70)
Audit Fees	2	(1,000)	(1,000)
Total Expenditure		(1,223)	(1,174)
Net Income		276	226
Net (Losses) Gains on investments	8	(851)	550
Gain In Investments Revaluation Reserve	9	0	167
Net Movement In Funds		(575)	943
Reconciliation Of Funds			
Total funds brought forward		20,886	19,943
Total Funds carried forward		20,311	20,886

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 2023

	Note	2022/23 £	2021/22 £
FIXED ASSETS			
Investments	8	12,758	13,714
CURRENT ASSETS			
Debtors	10	7,553	7,172
CURRENT LIABILITIES			
Creditors		0	0
TOTAL NET ASSETS		<u>20,311</u>	<u>20,886</u>
THE FUNDS OF THE CHARITY			
Unrestricted funds	11	(20,311)	(20,886)
TOTAL CHARITY FUNDS		<u>(20,311)</u>	<u>(20,886)</u>

These financial statements were approved by the members of the committee and authorised for issue on 19 December 2023 and are signed on their behalf by:

Councillor Andrew Forrest
Trustee
John Muir House
Haddington
EH41 3HA
19 December 2023

DR BRUCE FUND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2023

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.

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 2022/23, the external annual audit fee was a donated service of £1,000 from East Lothian Council.

3 INVESTMENT INCOME

	Unrestricted Funds 2022/23	Unrestricted Funds 2021/22
	£	£
Dividends - equities	330	306
Interest on cash deposits	169	24
	499	330

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 2022/23	Unrestricted Funds 2021/22
	£	£
Investment and ELC management fees	143	104

6 COSTS OF CHARITABLE ACTIVITIES

	Grant Funding activities 2022/23	Grant Funding activities 2021/22
	£	£
Grants of £40 made to 2 individuals(21/22: £35 each)	80	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

	2022/23	2021/22
	£	£
Market Value at 1 April	13,714	13,164
Profits (Losses) from Sales	1,284	577
Net (loss)/gain on fair value revaluations	(2,135)	(27)
Gains (Losses) on Investments	(851)	550
Management Fees deducted from investments	(105)	
Market Value at 31 March	12,758	13,714

	Total Funds	Total Funds
	2022/23	2021/22
	£	£
Investments at fair value comprised:		
Quoted shares	12,758	13,714

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 2022/23.

10 DEBTORS

	2022/23	2021/22
	£	£
Other Debtors	7,553	7,172

11 ANALYSIS OF CHARITABLE FUNDS

	Balance at 1st April 2022	Gain/(Loss) in Investments (Note 7)	Profit/(Loss) for Period (excluding Gain/ (Loss) in Investments	Balance at 31st March 2023
	£	£	£	£
General Funds	20,886	(851)	276	20,311

Management of the General Funds balance should 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.