

10.00am, Thursday, 25 June 2015

Unaudited Financial Statements 2014/15

Item number	8.6
Report number	
Executive/routine	
Wards	

Executive summary

The report presents the Council's 2014/15 Unaudited Financial Statements to Members. These statements present the financial position and performance of the Council, together with that of the wider Council Group, for the year to 31 March 2015. The report also includes a summary of the outturn position and notes that a detailed report will be brought to the Finance and Resources Committee in August.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	SO1 , SO2 , SO3 , SO4

Unaudited Financial Statements 2014/15

Recommendations

1.1.1 It is recommended that Council note that:

- 1.1.1 the unaudited financial statements for 2014/15 will be submitted to the external auditor by the required date;
- 1.1.2 a detailed report on the outturn will be reported to the Finance and Resources Committee in August 2015; and
- 1.1.3 the audited financial statements and the auditor's report will be submitted to the Governance, Risk and Best Value Committee at the conclusion of the audit in September 2015 and thereafter to Council in October 2015.

Background

- 2.1 The purpose of this report is to present the unaudited financial statements for 2014/15 for Council's consideration.
- 2.2 The Council's unaudited financial statements, shown in Appendix 1, have been completed in accordance with proper accounting practices and are being presented to Council prior to submission to the external auditor by 30 June, as required by the Local Authority Accounts (Scotland) Regulations 2014.
- 2.3 Members should note that the revised regulations stipulate that the public inspection period begins earlier than in previous years. The financial statements must be published on the Council website no later than 30 June 2015 and made available for inspection for a period of 15 working days immediately thereafter.
- 2.4 The unaudited Balance Sheet and Statement of Responsibilities require to be signed only by the Head of Finance, in another change in regulations. The audited financial statements will require full sign-off by the Head of Finance, Chief Executive and Leader of the Council.

Main report

- 3.1 The financial position for the Council, and its wider group responsibilities, is presented in the following statements:
 - Movement in Reserves Statement (pages 14-16);

- Comprehensive Income and Expenditure Statements for the Group (page 17) and the Council (page 18); and
 - Balance sheets for the Group (pages 19-20) and the Council (pages 21-22).
- 3.2 The consolidated group accounts include the results of the following subsidiaries, associates and trusts:
- Subsidiaries – CEC Holdings Ltd and Transport for Edinburgh Ltd;
 - Associates – Edinburgh Leisure, Festival City Theatres Trust, Common Good and Lothian Valuation Joint Board; and
 - Trusts – International Conference Centre Income and Expenditure Trusts.
- 3.3 The unaudited financial statements also include a remuneration report. This covers the Council's Leader, Civic Head, Senior Councillors and Conveners of Joint Boards and senior employees within both the Council and its subsidiary companies for current and, where applicable, former post holders (pages 136 to 146).

Outturn Summary

- 3.4 The Council's outturn position shows a net underspend against budget of £0.519m. This is attributable to the following main factors:
- There was an overspend within the General Fund of £5.520m. Within this amount, four of the five main service areas returned underspends against their approved budgets. Health and Social Care returned an overspend of £5.878m, with this being met from underspends / additional income from other areas of the Council's budget.
 - Net savings in loan charges / interest received of £3.170m, mainly as a result of the continuing Council strategy not to undertake external borrowing to finance capital investment during the year. The approved budget includes savings of £3.1m in loan charges, over a two year period, with these savings offsetting pressures, including increased teachers' pension contributions.
 - Increase in the amount of Council Tax income collected, compared to budget, of £4.105m, mainly as a result of additional properties on which the tax can be levied. The approved budget for 2015/16 includes additional income of £3.2m from Council Tax, reflecting projected increases in the number of chargeable dwellings.
- 3.5 The net underspend of £0.519m has been set aside within the Council Priorities Fund. The balance in the Council Priorities Fund is fully committed. Members are asked to note that a detailed outturn report will be presented to the Finance and Resources Committee in August 2015. A reconciliation of the Comprehensive Income and Expenditure Statement to the underspend of £0.519m is shown in Appendix 2.

- 3.6 The HRA was balanced after making a contribution of £2.503m to the Renewal and Repairs Fund, via the General Fund. These funds are earmarked for future capital investment in new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform. An additional £6.1m of debt was paid off in the year to 31 March 2015.
- 3.7 Capital expenditure, including the HRA, totalled £188.136m, compared to a revised budget of £184.867m, showing an accelerated spend of £3.269m, or 1.8% of budget, mainly related to asset management work projects. Within these amounts, expenditure on General Fund services exceeded budget by £9.092m, while expenditure on the HRA slipped by £5.823m.
- 3.8 Capital income totalled £137.340m, compared to a revised budget of £127.512m. The favourable position relates largely to increased capital receipts, although it should be noted that this is an acceleration of income realised rather than an increase in the overall level of receipts to be generated.
- 3.9 In total £50.796m was funded through borrowing, of which £30.975m related to the General Fund and £19.821m to the HRA. The revenue costs arising from this borrowing have been provided for in the 2015-16 budgets and are containable within the Council's Long-Term Financial Plan and HRA business plan.
- 3.10 The Financial Statements will be submitted to the Governance, Risk and Best Value Committee, together with the ISA260 report from the External Auditor, in September 2015 and to Council after conclusion of the audit.

Reserves

- 3.11 At 31 March 2015, the General Fund reserves had fallen to £117.314m, a decrease of £5.995m. The level of reserves is reviewed annually by Council as part of the revenue budget process. This review considers the level of balances held, the financial risks which may occur and the arrangements in place to manage these.
- 3.12 The unallocated General Fund balance remains at £13.025m at 31 March 2015. The remaining £104.289m is earmarked for specific purposes. These earmarked balances are held for a number of reasons:
- Balances set aside for specific financial risks which are likely to arise in the medium term future – examples include monies earmarked for equal pay and the insurance fund. The Council holds £56.261m against these future risks.
 - Balances set aside, primarily from grant income, due to timing differences between the receipt of grants income and contributions and the planned expenditure thereof. The Council holds £38.705m of income which has been received in advance of planned expenditure.
 - Balances set aside to enable the Council to undertake investment in specific projects, which will deliver savings in future years. These savings are used,

initially, to reimburse the earmarked balances. The Council holds £8.269m of balances for such projects.

- Balances held under the Devolved School Management scheme of £1.054m. This scheme permits balances held on individual school budgets to be carried forward to the following financial year.

3.13 Details of the earmarked balances are shown in Appendix 3.

Pension Liability

3.14 The financial statements have been prepared as determined under International Accounting Standard (IAS) 19, Employee Benefits. Under IAS19, the Council's net pension liability now stands at £726.969m, an increase of £191.471m from the balance at 31 March 2014. The actuarial valuation considers the appropriate employer's rates and this, together with employee contributions and revenues generated from fund investments, will be utilised to meet the fund's future commitments.

Measures of success

4.1 Council receives an unqualified audit certificate from the External Auditor by 30 September 2015.

Financial impact

5.1 The report identifies where funding has been made available for known risks and the Council holds unallocated General Fund reserves against the likelihood of unfunded risks occurring.

Risk, policy, compliance and governance impact

6.1 The Governance, Risk and Best Value Committee will consider the financial statements at the conclusion of the audit.

Equalities impact

7.1 There are no equalities impact implications arising from this report.

Sustainability impact

8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

Consultation and engagement

- 9.1 The unaudited financial statements will be published on the Council's website from 30 June 2015 and made available for public inspection for a period of 15 working days in accordance with the provisions of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014.

Background reading/external references

None.

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Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on agreed objectives
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	<ol style="list-style-type: none">1. Unaudited financial statements 2014/152. Summary reconciliation of the Comprehensive Income and Expenditure Statement to the reported underspend3. Revenue balances



**2014/2015
UNAUDITED STATEMENT OF
ACCOUNTS**

The City of Edinburgh Council

Statement of Accounts

Year to 31 March 2015

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MANAGEMENT COMMENTARY

Basis of Accounts

The Unaudited Statement of Accounts presents the financial position and performance of the Council, together with the financial position of the wider Council Group for the year to 31 March 2015.

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice.

Statutory Background

The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary current frontline functions being the provision of education to school-age children within the city, social care services, economic development, a range of community-based services such as roads maintenance, street lighting and refuse collection and quality of life functions such as libraries, culture, recreation and parks. Services are delivered to just under half a million citizens across the 102 square mile Council area.

Comprehensive further detail of the services provided by the Council is included on its website and within the annual Key Facts and Figures and Edinburgh by Numbers publications.

The Council currently has 58 Councillors representing 17 wards within the city.

Political representation as of May 2015 was as follows:

Labour Party	20 members
Scottish National Party	17 members
Conservative Party	11 members
Scottish Green Party	6 members
Liberal Democrats	3 members
Independent	1 member

The Labour and Scottish National Party groups together form the Capital Coalition for the City of Edinburgh, which is made up of 37 of the 58 Councillors.

The Capital Coalition leads the Council and fills the roles of Lord Provost, Leader of the Council and most committee convenerships.

The Full Council meets once a month and also delegates decisions to committees which meet regularly throughout the year.

Details of the senior councillors' remuneration and committee roles are disclosed in the Remuneration Report from page 137 of these financial statements.

MANAGEMENT COMMENTARY

Corporate Strategy

The current Council Strategic Plan was first developed in 2012 and outlines priorities for the period 2012-17. The plan forms the central part of the Council's planning and performance management framework and is reviewed and updated each year to take account of new developments, emerging priorities and actions.

To meet this commitment, the 2015 review builds on the strategic direction set out in the Council Transformation Programme and the 'Organise to Deliver' reports to refresh the approach the plan takes to communicating the Council's vision and purpose. This refresh is proposed in order to ensure the plan remains fit for purpose through a period of change and promotes staff and customer engagement. The plan seeks to embody clearly and promote the Council values of putting the customer first, being forward-thinking, working together and being honest and transparent. The framework is also intended to demonstrate a clear line of sight to the Capital Coalition pledges, Edinburgh Partnership Community Plan, the Corporate Transformation Programme and more operational delivery plans spanning the Council's service areas.

The draft Council Business Plan for 2015/18 therefore adopts a single vision for the city, shared with all Council partners. To deliver this vision, the plan sets out overlapping strategic themes common to the work of all service areas. These themes set out a commitment for the Council to:

- Improve quality of life
- Ensure economic vitality, and
- Build excellent places.

Across all of these themes, the plan sets out a further common commitment to provide best value and to



Within these themes, the plan also provides an overview of key priority outcomes for the Council, linked to priorities set out in existing service plans and strategies and to key priorities emerging from customer consultation and engagement work.

MANAGEMENT COMMENTARY

Risks and Uncertainty

In 2012, an external review of the Council's risk management arrangements concluded that they were inadequate for an organisation of its size, nature and complexity. The co-sourcing arrangements for the internal audit and risk management service subsequently put in place by the Director of Corporate Governance therefore sought to enhance the Council's capacity and capability in this area and the extent of improvement has been noted in successive external assessments.

Robust risk management ensures that the Council's agreed outcomes, pledges, objectives and service delivery are achieved more effectively and efficiently and that performance will be improved through better-informed decision-making and reduced uncertainty. To this end, a Risk Management Policy and Framework was approved by the Governance, Risk and Best Value Committee in March 2015. This policy sets out the Council's approach to risk management and the activities and responsibilities required to ensure that risk management is embedded comprehensively and consistently across the Council.

Robust risk management is based on a cycle of regular review and update which should be evidenced in risk registers held and maintained by the Corporate Leadership Group (CLG), Service Area senior management teams (SMTs) and, below this, in teams as required by the appropriate SMT. Every quarter, service area and CLG risk committees review and challenge the issues and risks arising and update their risk registers appropriately. The CLG and Chief Risk Officer also report on risks and risk management to the Governance, Risk and Best Value Committee which is charged with monitoring the effectiveness of the Council's overall risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The most recent such update was considered by the Committee on 5 March 2015, setting out the highest-priority risks of the Council, alongside the key controls in place to mitigate them.

The highest-assessed inherent risks i.e. the risks where there were no plans in place to manage them, were that:

- the Council has insufficient resources to structure and maintain a capital portfolio that is fit-for-purpose and meets health and safety standards now and in the future;
- the affordability and delivery of the Adult Social Care service, particularly in light of expected demographic changes, could impact on the outcomes and care for the people of Edinburgh;
- the IT infrastructure is not fit for purpose and does not meet the present or future needs of the Council, impacting on the Council's ability to deliver services as expected;
- the Council's transformational change agenda is not implemented effectively with support from elected members and trade unions, resulting in a failure to meet service delivery outcomes and impacting on cost reductions and staff morale;
- the Council does not generate sufficient savings to meet budget targets in the short and longer term, resulting in under-delivery of key services.

The report therefore also set out a range of current, and proposed further, mitigating actions in assessing the residual level of risk to which the Council is exposed.

MANAGEMENT COMMENTARY

Results for the year

While the Council is required by statute to report publicly on its performance across a range of areas set out by the Accounts Commission, a suite of additional measures, aligned to the Council's priorities, continues to be reported on a monthly basis to the Corporate Leadership Group and half-yearly to the Corporate Policy and Strategy Committee and relevant Executive Committees. This thematic reporting is intended to complement financial data in giving a more rounded and informed picture of overall performance. Progress is tracked against around forty key indicators covering the full range of Council services, with both absolute levels and trends in performance analysed to identify areas for remedial action and / or dissemination of best practice. Edinburgh-specific performance data for 2014/15 has also been provided through a range of other channels, including the Edinburgh People Survey, audits and inspections. Performance against a range of local-level, "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

Financial Ratios

Financial ratios relating to Council Tax, debt and borrowing are shown below.

Council Tax	2014/15	2013/14	
In-year collection rate	95.40%	94.70%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Council Tax income as a percentage of overall funding	24.78%	24.88%	This shows the proportion of total funding that is derived from Council Tax.
Debt and Borrowing - Prudence			
Capital Financing Requirement	£1,726.0m	£1,728.5m	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. Financing costs are provided for within the Council's Long-Term Financial Plan. Further details of the capital financing requirement can be seen in note 39 to the Financial Statements.
External debt levels	£1,677.2m	£1,670.6m	External debt levels include long-term, commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability			
Financing costs to net revenue stream - General Fund	11.94%	11.94%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream - HRA	34.43%	36.44%	
Impact of capital investment on Council Tax	0.96%	0.18%	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents	-0.10%	1.03%	

MANAGEMENT COMMENTARY

Financial Performance

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 18. This statement has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are shown in the Movement in Reserves Statement (pages 14 to 16).

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below. Further details will be provided in the report to the Finance and Resources Committee in August 2015, which will be available on the Council's website.

	Budget	Actual	(Under)
	2014/15	2014/15	/ Over
	£000	£000	Spend
			£000
General Fund services	850,075	855,595	5,520
Dividend income (net)	(8,000)	(8,437)	(437)
Loans charges / interest on revenue balances	118,165	114,995	(3,170)
Net contribution to earmarked balances	(1,827)	723	2,550
	958,413	962,876	4,463
Total expenditure to be funded			
Council Tax	(234,591)	(238,696)	(4,105)
Council Tax Reduction Scheme	26,597	25,785	(812)
Total - Council Tax income account	(207,994)	(212,911)	(4,917)
Community Charge income	0	(65)	(65)
General revenue funding	(386,311)	(386,311)	0
Distribution from non-domestic rate pool	(364,108)	(364,108)	0
Funding	(958,413)	(963,395)	(4,982)
	0	(519)	(519)
Transfer to Council Priorities Fund			

Fees and charges levied by the Council have been offset against the cost of providing services and are included within the actual cost of General Fund Services shown above.

Budget performance - General Fund

Four of the Council's five main service areas maintained expenditure within approved levels during the year. This was achieved despite on-going increases in demand across a number of areas influenced by demographics and wider social change, including early years and primary school provision and services for at-risk children and older people. While there is clear evidence that the position is improving, economic conditions continue to place additional calls upon welfare-related services whilst also exerting an element of downward pressure on fees and charges income. Recent changes in UK-wide welfare reforms have, in general terms, also increased benefits processing and appeals volumes, as well as contributing to an increase in the overall level of housing rent arrears.

The main variances in the Council's outturn position arose in the following areas:

- An overspend within General Fund services of £5.520m. Within this amount, all services except Health and Social Care returned small underspends against their approved budgets. The additional costs relate mainly to Health and Social Care demand pressures, with these being met from underspends / additional income from other areas of the Council's budget.
- A reduction of £3.170m on loan charges / interest received, mainly as a result of the Council's planned strategy not to undertake borrowing to finance capital investment during the year.

MANAGEMENT COMMENTARY

Financial Performance - continued

- Additional Council Tax receipts, compared to budget, of £4.105m, mainly as a result of additional properties on which tax can be levied, and a reduction in exemptions. A further saving of £0.812m compared to budget was achieved on the Council Tax Reduction Scheme (formerly Council Tax Benefit).
- The Council transferred a net sum of £0.723m to reserves during 2014/15. This includes monies returned from the equal pay provision, which have been set aside in the earmarked balance for contingency funding and workforce management, as shown in note 10.1.
- The surplus of £0.519m returned in 2014/15 was transferred to the Council Priorities Fund, which forms part of the earmarked proportion of the General Fund for contingency funding, as detailed in note 10.1.

Principal Sources of Funding - General Fund

The principal sources of funding used by the Council during the year were:

	£000
Council Tax / Community Charge income (net of Council Tax Reduction Scheme)	212,976
General revenue funding	386,311
Distribution from non-domestic rates pool	<u>364,108</u>
Total	<u><u>963,395</u></u>

Reconciliation to Amounts Reported for Resource Allocation Decisions

Note 32 to the Financial Statements shows the amounts reported for resource allocation decisions. The service income and expenditure shown in note 32 can be reconciled back to the total shown for General Fund services as follows:

	Expenditure £000	Income £000	Net Expenditure £000	Budget £000
Children and Families	415,268	(23,875)	391,393	391,393
Corporate Governance	120,889	(39,825)	81,064	81,529
Economic Development	17,589	(5,136)	12,453	12,479
Health and Social Care	285,275	(75,038)	210,237	204,359
Lothian and Borders Valuation Joint Board	3,745	0	3,745	3,745
Services for Communities	385,667	(248,352)	137,315	137,316
Net cost of housing benefits	229,642	(202,248)	27,394	29,580
Other non-departmental specific income and expenditure	15,293	2,486	17,779	16,271
	<u>1,473,368</u>	<u>(591,988)</u>	<u>881,380</u>	<u>876,672</u>
General Fund services (as shown on page 6)			855,595	
Council Tax Reduction Scheme (as shown on page 6)			<u>25,785</u>	
			<u><u>881,380</u></u>	

Classification of Community Safety Expenditure

In accordance with guidance issued by LASAAC in December 2014, the Council has not reclassified Community Safety expenditure as Housing Services. The following figures which relate to Community Safety are included in Environmental Services within the Comprehensive Income and Expenditure Statement. Relevant expenditure relates to crime reduction (payments to Police Scotland) and CCTV costs.

	2013/14 £000	2014/15 £000
Relevant Community Safety expenditure included in Environmental Services	3,437	3,461

MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves - General Fund

The Council's General Fund reserves comprise two elements:

- The unallocated General Fund; and
- Balances earmarked for specific purposes.

The unallocated General Fund is held against the risk of unanticipated expenditure and/or reduced income arising in any particular year. The level on this reserve is reviewed annually by the Council as part of the revenue budget process. This review considers the level of balances held, the financial risks which could be realised and the arrangements in place to manage these.

The latest review was in February 2015, as part of the 2015-2016 budget setting process. The unallocated General Fund balance remains at £13.025m, which equates to 1.36% of the annual budgeted net expenditure. There were no planned contributions to the unallocated General Fund for 2014/15.

In addition, the Council has a further £104.289m of balances earmarked for specific purposes. Details can be seen in note 10 to the Financial Statements. These are held for a number of reasons:

- Balances set aside for specific financial risks which are likely to arise in the medium term future. Examples include monies earmarked for equal pay and the insurance fund. The Council holds £56.261m against these future risks.
- Balances set aside, primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof. The Council holds £38.705m of income which has been received in advance of planned expenditure.
- Balances set aside to enable the Council to undertake investment in specific projects which will deliver savings in future years. These savings are used, initially, to reimburse the earmarked balances. The Council holds £8.269m of balances for such projects.
- Balances held under the School Board Delegation Scheme (DSM), which permits balances on individual school budgets to be carried forward to the following financial year. The current balance is £1.054m.

In summary, the level of reserves at 31 March 2015, together with the forward strategy, are considered appropriate in view of the financial liabilities and risks likely to face the Council in the short to medium term.

Housing Revenue Account

The Council has a statutory obligation to maintain a housing revenue account (HRA) which records all income and expenditure for the management of, and investment in, Council homes. All expenditure on homes let by the Council is funded through the rent and related service charges paid by its tenants.

The HRA Business plan supports delivery of the City Housing Strategy by:

- providing high quality housing services to tenants;
- improving the quality of existing homes to meet the Scottish Housing Quality Standard by 2015; and
- building new, energy efficient affordable homes to address the shortage of affordable housing in the city.

Since 2006/07, the HRA has been supported by a rent strategy of annual rent increases to ensure that there was a robust financial framework for delivering the capital investment required to meet the Scottish Housing Quality Standard by 2015. Throughout 2014/15 the Council consulted tenants on their priorities for future investment and rent levels to inform the rent strategy from 2015 onwards.

At the end of 2014/15, the HRA was balanced after making a contribution of £2.503m to the Renewal and Repairs Fund, via the General Fund. These funds are earmarked for future capital investment in new homes through 21st Century Homes and as a contingency to manage the impact of welfare reform. In line with the HRA business plan, an additional £6.1m of debt was paid off in-year.

HRA income pays for housing management services and repairs and maintenance. It also meets the cost of servicing borrowing required for capital investment. Feedback from Council tenants shows a high level of satisfaction with the housing and repairs services, the quality of their homes and the neighbourhoods they live in. Benchmarking shows these results put Edinburgh in the top three Scottish local authority landlords and are as good as, if not better than, the results of other similar sized social landlords across the UK.

MANAGEMENT COMMENTARY

Financial Performance - continued

Housing Revenue Account - continued

The capital programme supports investment in current homes and funds the construction of new affordable homes. The capital programme is funded mainly through prudential borrowing; however capital receipts, capital funded from current revenue and grants (Home Energy Efficiency Programme Scotland) also contribute to capital investment.

Significant progress was made during 2014/15. The Council now complies with the requirements of the Scottish Housing Quality Standard (SHQS). Around 3,000 homes are currently classed as in abeyance, where tenants or neighbours have not agreed to participate in improvements works, these are being prioritised. Significant progress has also been made in delivering new homes through the 21st Century Homes programme. Over 800 new affordable homes are either under construction or in development and a further 400 affordable homes are planned.

The HRA Business Plan is managing emerging risks for future years by reducing revenue costs where possible and ensuring adequate contingency to manage these risks. Actions to manage risk include:

- Robust performance management and benchmarking to allow for comparisons of costs and performance with similar landlords;
- Build uncommitted contingency over coming years to ensure the HRA can react to and absorb short-term impacts on income reduction from welfare reform and support other unforeseen expenditure;
- Reducing the repairs budget, whilst maintaining performance to generate revenue savings;
- Repaying debt to generate revenue savings; and
- Increasing the provision for rent arrears and bad debt to manage the impact of welfare reform.

Capital Expenditure

Capital expenditure is controlled through the Prudential Code that provides the framework for investing in infrastructure. In Scotland, local authorities are required by regulation to comply with the Prudential Code under Part 7 of the Local Government (Scotland) Act 2003. The key objectives of the Prudential Code are to ensure that capital plans are affordable, prudent and sustainable and that treasury decisions are taken in accordance with professional guidance and best practice.

In addition, capital plans must be consistent with, and support, local strategic planning, local asset management planning and proper option appraisal.

The outturn position for capital expenditure is summarised below:

	Revised Budget 2014/15 £000	Actual 2014/15 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	141,735	150,827	9,092
Housing Revenue Account	43,132	37,309	(5,823)
Total capital expenditure	<u>184,867</u>	<u>188,136</u>	<u>3,269</u>
Capital receipts and other contributions			
- General Fund services	(29,066)	(32,863)	(3,797)
- Housing Revenue Account	(9,872)	(13,228)	(3,356)
Government and other grants			
- General Fund services	(86,949)	(86,989)	(40)
- Housing Revenue Account	(1,625)	(4,260)	(2,635)
Total capital income	<u>(127,512)</u>	<u>(137,340)</u>	<u>(9,828)</u>
Balance to be funded through borrowing			
- General Fund services	25,720	30,975	5,255
- Housing Revenue Account	31,635	19,821	(11,814)
Total advances from loans fund	<u>57,355</u>	<u>50,796</u>	<u>(6,559)</u>

Expenditure on General Fund services accelerated in total by £9.092m. Accelerated spend related mainly to asset management works projects across the Council estate. Expenditure on the Housing Revenue Account slipped by £5.823m.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure - continued

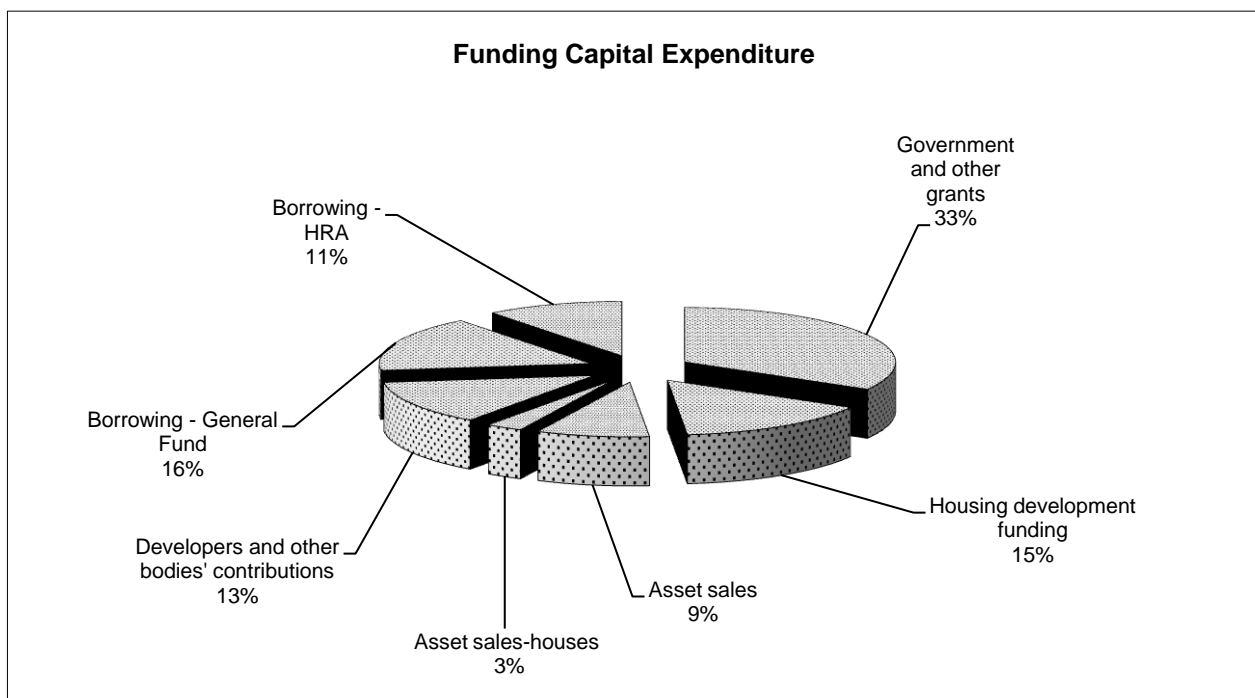
The Council received £57.675m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £188.136m. Major capital projects undertaken during the year included:

- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £37.309m;
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £9.696m;
- Social housing through the housing development fund - £28.512m;
- Tram works, roads and other infrastructure - £34.867m;
- Health and Social Care establishments - £5.199m;
- Educational properties - £28.279m; and
- Recreational venues (including libraries, parks and open spaces) - £5.419m.

The economic climate has seen some improvement in the property market and this in turn has positively impacted on the Council's ability to raise income to fund capital projects through the sale of assets.

The chart below shows how the General Fund and HRA capital programmes were funded. As can be seen, 27% of the programme was funded through additional borrowing.



Group Accounts

The Council's arm's-length companies have also been affected by the economic climate. A number of the companies are involved in the property market and have seen the values of their property portfolios decrease as a direct result of the current economic conditions. In June 2014 the Council agreed a restructuring of its property companies. Waterfront Edinburgh Ltd, Parc Craigmillar Ltd and Shawfair Land Ltd became wholly owned subsidiaries of the EDI Group Ltd to ensure that there is a coherent strategy across the companies and to improve corporate governance.

MANAGEMENT COMMENTARY

Financial Performance - continued

Group Accounts - continued

Net assets for 2014/15 include a combined group pension liability of £748.313m, as shown in note 43.9. This reflects the inclusion of pension liabilities relating to Council, other employees, including subsidiary companies and the incorporation of Lothian and Borders Valuation Joint Board as an associate within the group. This exceeds the value of distributable reserves held by the Group. It should be noted that this is a snapshot of the position at 31 March 2015. The actuarial valuation, which takes a longer term view, will consider the appropriate employers' contribution rates and these, together with employee contributions and revenues generated from fund investments, will be utilised to meet the financing of these liabilities. It is therefore appropriate to adopt a going concern basis for the preparation of the group financial statements.

Performance Overview

The Council's Best Value Audit report was published in May 2013 and recognised a range of improvements since the previous assessment in 2007, including good progress in improving outcomes for people and communities. In concluding that the Council's finances were well managed, the report nonetheless highlighted significant risks and uncertainties and, in light of these, the paramount importance of identifying savings that were both achievable and delivered. A follow-up audit was undertaken in summer 2014, with the Controller of Audit's findings reported to the Council in December.

These findings noted improvements in a number of frontline services that had been highlighted in the May 2013 report, as well as to the Council's wider governance arrangements, risk management and internal audit functions. Despite progress in these areas, the report noted with concern that a means of fully addressing the Council's savings gap remained to be found, as well as the continued lack of a comprehensive workforce strategy and shortcomings in information and communications technology arrangements. Since publication of the follow-up report, the Council has developed its transformation plan (building on work previously undertaken as part of the BOLD initiative) which, alongside a greater focus on prioritisation of key services, will address its overall savings requirements going forward. A workforce strategy was approved by the Finance and Resources Committee in March 2015, with work to secure, from April 2016, improvements to the Council's information and communications technology through service reprocurement also well-advanced.

Under Section (1) (1) (a) of the Local Government Act 1992, the Accounts Commission has a statutory power to define the performance information that councils must publish locally in the following financial year with a view to facilitating comparison over time within, and across, authorities. The approach adopted in recent years has been largely non-prescriptive, with councils encouraged to develop their own comprehensive performance data sets, building on the Scotland-wide Local Government Benchmarking Framework to promote performance improvement and the targeting of resources to areas of greatest impact.

Due to the time required for calculation, verification and publication of Scotland-wide figures, provisional 2014/15 data will not be available in sufficient time for inclusion in the unaudited or audited financial statements. An overview of the Council's 2013/14 performance against the sixty efficiency- and outcome-related indicators comprising the framework and other relevant indicators as they related to the Council's then five strategic themes has, however, been produced, as well as more detailed briefings on the framework's seven elements. These briefings analyse not only existing performance but, more importantly, consider areas for improvement and planned or proposed actions to address these.

Comprehensive detail of both Council-wide and service-specific performance is also available on the Council's website. Progress in delivering the Capital Coalition's pledges is furthermore reported to Council on a six-monthly basis.

MANAGEMENT COMMENTARY

Future Developments

The one notable exception to the overall balanced position in 2014/15 was Health and Social Care, where underlying demand-led pressures contributed to a significant overspend. Urgent action, including commissioning an external review of financial performance, has therefore been instructed with a view to returning the service to a sustainable position in advance of full integration with health services from April 2016. Reconciling increasing service demand with reducing resources more generally remains the Council's main short- to medium-term challenge in delivering its priority outcomes; while expenditure demands are expected to increase by around 15% by 2018/19, overall resources available through Government Grant funding, Non-Domestic Rates and Council Tax are forecast to remain broadly static over this period. As a result, it is estimated that the Council needs to save at least £107m over the five-year period to 2019/20. At the same time, councils are at the centre of a wider public service reform programme, not only in the area of welfare-related changes but also more fundamental structural transformation resulting, for example, from health and social care integration. There is therefore a need to go beyond incremental, efficiency-driven measures (although these are clearly still important) and consider more transformational options for service delivery whilst aligning available resources more closely to the Council's priority outcomes.

To this end, the Council has established a transformation programme, an overview of which was reported to the Corporate Policy and Strategy Committee on 12 May 2015. This programme is geared towards building a lean and agile organisation, centred on customers, services and communities, and underpinned by significant investment to deliver both service benefits and financial savings.

Health and Social Work Integration

The Public Bodies (Joint Working) (Scotland) Bill

The Public Bodies (Joint Working) (Scotland) Bill was given Royal Assent by the Public Bodies Act.

The Edinburgh Integration Scheme has been signed off by the Minister and the Order will be laid before the Scottish Parliament before the summer recess.

Governance

Currently joint National Health Service (NHS) and CEC governance arrangements are the Edinburgh Partnership Board, Edinburgh Partnership Executive and the Health and Social Care Partnership.

Joint Boards chaired by senior officers have also been established below this level and there are a number of steering and project boards supporting Integration.

A pan-Lothian National Health Service Lothian Finance and Resources Group has been established, comprising S95 officers from Lothian councils and senior finance officers in NHS which will consider the financial framework of the new Integrated Joint Board.

Programme

It is estimated that the new Health and Social Care Partnership will encompass a combined budget of around £400-500 million of which approximately £200 million is currently Council budget. This brings together existing budgets from the Health and Social Care Service in the Council as well as those from NHS Lothian's Community Health Partnership. These budgets will be delegated to the Integrated Joint Board for governance, planning and resourcing purposes. The Strategic (Commissioning) Plan will identify how the resources are to be spent to deliver on the national outcomes and how the balance of care will be shifted from institutional to community-based settings.

Work is progressing on the key steps required to establish the Integrated Joint Board to allow it to get ready for the delegation of functions and resources. This includes a variety of tasks agreed in the Scheme and development of the Strategic Plan.

A detailed risk log is maintained for the Integration Programme and reported through the status reporting process to the Shadow Health and Social Care Partnership and through the Corporate Programmes Office reporting procedure.

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, including group interests, and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Head of Finance.
- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- ensure the Statement of 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 Statement of Accounts for signature.

The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of 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 this statement of accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Local Authority Accounting Code (insofar as it is compatible with legislation), except where stated in the Policies and Notes to the Accounts.

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Accounts

The Statement of Accounts presents 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 2015.

HUGH DUNN, CPFA
Head of Finance
15 June 2015

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and its Group members. Reserves are analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation), most of which is already earmarked and other, unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund and Housing Revenue Account balances before any discretionary transfers to or from earmarked reserves undertaken by the Council. Group reserves are shown as either usable or unusable reserves.

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2014/15				
Balance at 31 March 2014	123,309	0	21,936	0
Movement in reserves during 2014/15				
(Surplus) or deficit on the provision of services	(4,463)	17,476	0	0
Other Comprehensive Income and Expenditure	0	0	0	21,479
Total Comprehensive Income and Expenditure	(4,463)	17,476	0	21,479
Adjustments between accounting basis and funding basis under regulations (Note 9)	7,629	(14,973)	0	(21,479)
Net (increase) / decrease before transfers to statutory reserves	3,166	2,503	0	0
Transfer to / (from) other statutory reserves (Note 10.3)	(9,161)	(2,503)	12,868	0
Minority interest and other consolidation adjustments	0	0	0	0
(Increase) / decrease in year	(5,995)	0	12,868	0
Balance at 31 March 2015	117,314	0	34,804	0
	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2014/15				
Balance at 31 March 2014	1,994	25,835	173,074	23,192
Movement in reserves during 2014/15				
(Surplus) or deficit on the provision of services	0	0	13,013	5,886
Other Comprehensive Income and Expenditure	0	11,298	32,777	(26,396)
Total Comprehensive Income and Expenditure	0	11,298	45,790	(20,510)
Adjustments between accounting basis and funding basis under regulations (Note 9)	2,355	0	(26,468)	307
Net (increase) / decrease before transfers to statutory reserves	2,355	11,298	19,322	(20,203)
Transfer to / (from) other statutory reserves (Note 10.3)	0	(1,206)	(2)	7,678
Minority interest and other consolidation adjustments	0	0	0	0
(Increase) / decrease in year	2,355	10,092	19,320	(12,525)
Balance at 31 March 2015	4,349	35,927	192,394	10,667

MOVEMENT IN RESERVES STATEMENT

	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2014/15				
Balance at 31 March 2014	<u>196,266</u>	<u>1,612,466</u>	<u>108,949</u>	<u>1,917,681</u>
Movement in reserves during 2014/15				
(Surplus) or deficit on the provision of services	18,899	0	0	18,899
Other Comprehensive Income and Expenditure	<u>6,381</u>	<u>(185,180)</u>	<u>(1,859)</u>	<u>(180,658)</u>
Total Comprehensive Income and Expenditure	25,280	(185,180)	(1,859)	(161,759)
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>(26,161)</u>	<u>26,468</u>	<u>(307)</u>	<u>0</u>
Net (increase) / decrease before transfers to statutory reserves	(881)	(158,712)	(2,166)	(161,759)
Transfer to / (from) other statutory reserves (Note 10.3)	7,676	2	(7,676)	2
Minority interest and other consolidation adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(Increase) / decrease in year	<u>6,795</u>	<u>(158,710)</u>	<u>(9,842)</u>	<u>(161,757)</u>
Balance at 31 March 2015	<u>203,061</u>	<u>1,453,756</u>	<u>99,107</u>	<u>1,755,924</u>

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2013/14 Comparative Data				
Balance at 31 March 2013	<u>105,996</u>	<u>0</u>	<u>30,748</u>	<u>0</u>
Movement in reserves during 2013/14				
(Surplus) or deficit on the provision of services	(27,930)	(18,545)	0	0
Other Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,707</u>
Total Comprehensive Income and Expenditure	(27,930)	(18,545)	0	16,707
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>30,290</u>	<u>22,843</u>	<u>0</u>	<u>(16,707)</u>
Net (increase) / decrease before transfers to statutory reserves	2,360	4,298	0	0
Transfer to / (from) other statutory reserves (Note 10.3)	14,953	(4,298)	(8,812)	0
Minority interest and other consolidation adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(Increase) / decrease in year	<u>17,313</u>	<u>0</u>	<u>(8,812)</u>	<u>0</u>
Balance at 31 March 2014	<u>123,309</u>	<u>0</u>	<u>21,936</u>	<u>0</u>

MOVEMENT IN RESERVES STATEMENT

	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Restated Group Usable Reserves £000
2013/14 Comparative Data				
Balance at 31 March 2013	7,030	18,873	162,647	8,687
Movement in reserves during 2013/14				
(Surplus) or deficit on the provision of services	0	0	(46,475)	4,505
Other Comprehensive Income and Expenditure	0	8,805	25,512	17,894
Total Comprehensive Income and Expenditure	0	8,805	(20,963)	22,399
Adjustments between accounting basis and funding basis under regulations (Note 9)	(5,037)	0	31,389	252
Net (increase) / decrease before transfers to statutory reserves	(5,037)	8,805	10,426	22,651
Transfer to / (from) other statutory reserves (Note 10.3)	1	(1,843)	1	(8,146)
Minority interest and other consolidation adjustments	0	0	0	0
(Increase) / decrease in year	(5,036)	6,962	10,427	14,505
Balance at 31 March 2014	1,994	25,835	173,074	23,192

	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2013/14 Comparative Data				
Balance at 31 March 2013	171,334	1,682,410	(1,306,506)	547,238
Movement in reserves during 2013/14				
Transfer of Police and Fire Services to central government	0	0	1,412,688	1,412,688
(Surplus) or deficit on the provision of services	(41,970)	0	0	(41,970)
Other Comprehensive Income and Expenditure	43,406	(38,554)	697	5,549
Total Comprehensive Income and Expenditure	1,436	(38,554)	1,413,385	1,376,267
Adjustments between accounting basis and funding basis under regulations (Note 9)	31,641	(31,389)	(252)	0
Net (increase) / decrease before transfers to statutory reserves	33,077	(69,943)	1,413,133	1,376,267
Transfer to / (from) other statutory reserves (Note 10.3)	(8,145)	(1)	8,146	0
Minority interest and other consolidation adjustments	0	0	(5,824)	(5,824)
(Increase) / decrease in year	24,932	(69,944)	1,415,455	1,370,443
Balance at 31 March 2014	196,266	1,612,466	108,949	1,917,681

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services for the Group in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

for the year ended 31 March 2015

2013/14			Gross Expend.	Income	Net Expend.
£000		Notes	£000	£000	£000
	SERVICES				
343,151	Education Services		364,953	(24,502)	340,451
320,540	Social Work		396,772	(73,524)	323,248
1,265	Housing Revenue Account		72,694	(105,524)	(32,830)
36,415	Other Housing Services		298,722	(268,408)	30,314
51,537	Cultural and Related Services		65,738	(16,625)	49,113
70,753	Environmental Services		101,704	(29,414)	72,290
58,121	Roads and Transport		248,885	(185,186)	63,699
33,189	Planning and Development		69,007	(41,748)	27,259
11,540	Corporate and Democratic Core		13,823	(296)	13,527
18,820	Non-Distributed Costs		18,600	0	18,600
8,067	Services to the Public		25,950	(18,366)	7,584
204	Other Income and Expenditure		81,834	(71,794)	10,040
1,724	Associates and Joint Ventures Accounted for on an Equity Basis		23,144	(21,060)	2,084
<u>955,326</u>	COST OF SERVICES		<u>1,781,826</u>	<u>(856,447)</u>	925,379
4,221	Other Operating Expenditure	11.			(4,807)
110,758	Financing and Investment Income and Exp.	12.			91,300
<u>(1,028,335)</u>	Taxation and Non-Specific Grant Income	13.			<u>(1,030,771)</u>
41,970	SURPLUS ON PROVISION OF SERVICES				(18,899)
(49,212)	Surplus on Revaluation of Non-Current Assets			(19,070)	
(25,871)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(204,649)	
86,492	Changes in Financial and Demographic Assumptions / Other Experience			361,397	
<u>(16,958)</u>	Other Unrealised (Gains) / Losses			<u>42,980</u>	
<u>(5,549)</u>	Other Comprehensive Income and Expend.				180,658
<u>36,421</u>	TOTAL COMPREHENSIVE EXPENDITURE				<u>161,759</u>

An analysis of minority interest shares in the Group Comprehensive Income and Expenditure Statement can be seen in note 7.1.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing Council services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover its expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

for the year ended 31 March 2015

2013/14			Gross Expend.	Income	Net Expend.
£000	SERVICES	Notes	£000	£000	£000
343,151	Education Services		364,953	(24,502)	340,451
320,540	Social Work		396,772	(73,524)	323,248
1,265	Housing Revenue Account		72,694	(105,524)	(32,830)
36,415	Other Housing Services		298,722	(268,408)	30,314
53,643	Cultural and Related Services		61,402	(10,532)	50,870
70,753	Environmental Services		101,704	(29,414)	72,290
68,636	Roads and Transport		123,819	(52,828)	70,991
33,962	Planning and Development		56,196	(23,501)	32,695
11,540	Corporate and Democratic Core		13,823	(296)	13,527
18,820	Non-Distributed Costs		18,600	0	18,600
8,067	Services to the Public		25,950	(18,366)	7,584
(3,636)	Other Income and Expenditure		76,456	(71,324)	5,132
963,156	COST OF SERVICES		<u>1,611,091</u>	<u>(678,219)</u>	932,872
3,652	Other Operating Expenditure	11.			(4,716)
109,910	Financing and Investment Income and Exp.	12.			91,625
(1,030,243)	Taxation and Non-Specific Grant Income	13.			(1,032,794)
46,475	SURPLUS ON PROVISION OF SERVICES				(13,013)
(49,212)	Surplus on Revaluation of Non-Current Assets			(19,070)	
(25,871)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(204,649)	
86,492	Changes in Financial and Demographic Assumptions / Other Experience			361,397	
1,633	Other Unrealised Losses			14,725	
13,042	Other Comprehensive Income and Expend.				152,403
59,517	TOTAL COMPREHENSIVE EXPENDITURE				<u>139,390</u>
RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION					
£000					£000
59,517	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)				139,390
(288)	Subsidiary and associate transactions included in the Council's CIES				829
(26,252)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries				15,506
3,444	Associates				6,034
36,421	Group total Comprehensive Expenditure for the year				<u>161,759</u>

GROUP BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group. The net liability of the Group (assets less liabilities) represents the total net loss of the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services. The second category of reserves is those that the Group is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold.

31 March 2014			31 March 2015	
£000		Notes	£000	£000
3,292	Intangible Assets	16.		4,954
1,017,351	Council Dwellings		1,029,558	
1,763,693	Other Land and Buildings		1,732,117	
103,377	Vehicles, Plant, Furniture and Equipment		178,127	
941,347	Infrastructure Assets		912,496	
11,347	Community Assets		12,192	
17,150	Surplus Assets		12,624	
79,740	Assets under Construction		50,330	
<u>3,934,005</u>	Property, Plant and Equipment	14.		3,927,444
2,415	Investment Properties	15.		16,304
30,391	Heritage Assets	17.		31,075
17,379	Assets Held for Sale	22.		21,179
821	Available for Sale Financial Assets			794
258	Deferred Tax			297
11,524	Other Long-Term Assets (Pension)			0
5,127	Long-Term Investments			11,377
37,845	Investments in Associates and Joint Ventures			33,771
95,766	Long-Term Debtors	20.		113,146
<u>4,138,823</u>	Long-Term Assets			<u>4,160,341</u>
4,586	Short-Term Investments		0	
2,889	Assets Held for Sale	22.	8,503	
17,220	Inventories	19.	12,057	
123,600	Short-Term Debtors	20.	82,467	
37,467	Cash and Cash Equivalents	21.	95,504	
<u>185,762</u>	Current Assets			198,531
(57,994)	Short-Term Borrowing		(77,787)	
(173,775)	Short-Term Creditors	23.	(169,845)	
(4,977)	Capital Grants Received in Advance		(1,340)	
(19,577)	Provisions	24.	(19,769)	
<u>(256,323)</u>	Current Liabilities			(268,741)

GROUP BALANCE SHEET

31 March 2014		31 March 2015		
£000		Notes	£000	£000
(1,393,140)	Long-Term Borrowing		(1,351,473)	
(205,184)	Other Long-Term Liabilities		(232,435)	
(9,547)	Deferred Tax		(3,467)	
(5,923)	Liabilities in Associates and Joint Ventures		(7,883)	
<u>(536,787)</u>	Other Long-Term Liabilities (Pensions)		<u>(738,949)</u>	
<u>(2,150,581)</u>	Long-Term Liabilities			<u>(2,334,207)</u>
<u>1,917,681</u>	Net Assets			<u>1,755,924</u>
918,790	Revaluation Reserve		911,395	
1,306,580	Capital Adjustment Account		1,339,227	
(51,049)	Financial Instruments Adjustment Account		(49,159)	
(535,498)	Pensions Reserve		(726,969)	
(26,357)	Employee Statutory Adjustment Account		(20,738)	
<u>108,949</u>	Group Unusable Reserves		<u>99,107</u>	
<u>1,721,415</u>	Unusable Reserves	26.		1,552,863
1,994	Capital Grants Unapplied Account		4,349	
25,835	Capital Fund		35,927	
21,936	Renewal and Repairs Fund		34,804	
123,309	General Fund		117,314	
<u>23,192</u>	Group Usable Reserves		<u>10,667</u>	
<u>196,266</u>	Usable Reserves	10.		<u>203,061</u>
<u>1,917,681</u>	Total Reserves			<u>1,755,924</u>

HUGH DUNN, CPFA
Head of Finance
15 June 2015

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example, the revaluation reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'.

31 March 2014 £000		Notes	31 March 2015 £000 £000	
3,292	Intangible Assets	16.		4,954
1,017,351	Council Dwellings		1,029,558	
1,735,804	Other Land and Buildings		1,704,462	
35,755	Vehicles, Plant, Furniture and Equipment		104,027	
939,723	Infrastructure Assets		911,161	
11,347	Community Assets		12,192	
17,150	Surplus Assets		12,624	
<u>79,740</u>	Assets under Construction		<u>50,330</u>	
<u>3,836,870</u>	Property, Plant and Equipment	14.		3,824,354
2,215	Investment Properties	15.		16,104
30,391	Heritage Assets	17.		31,075
17,379	Assets Held for Sale	22.		21,179
23,335	Long-Term Investments			23,335
<u>99,266</u>	Long-Term Debtors	20.		<u>116,646</u>
<u>4,012,748</u>	Long-Term Assets			<u>4,037,647</u>
4,586	Short-Term Investments		0	
2,889	Assets Held for Sale	22.	8,503	
2,537	Inventories	19.	2,749	
113,602	Short-Term Debtors	20.	69,623	
<u>20,167</u>	Cash and Cash Equivalents	21.	<u>81,948</u>	
<u>143,781</u>	Current Assets			162,823
(57,994)	Short-Term Borrowing		(79,287)	
(151,613)	Short-Term Creditors	23.	(141,185)	
(4,977)	Capital Grants Received in Advance		(1,340)	
<u>(16,752)</u>	Provisions	24.	<u>(17,993)</u>	
<u>(231,336)</u>	Current Liabilities			(239,805)

BALANCE SHEET

31 March 2014			31 March 2015	
£000		Notes	£000	£000
(1,403,784)	Long-Term Borrowing	18.	(1,360,607)	
(200,371)	Other Long-Term Liabilities	18.	(226,939)	
<u>(535,498)</u>	Other Long-Term Liabilities (Pensions)	43.3	<u>(726,969)</u>	
<u>(2,139,653)</u>	Long-Term Liabilities			<u>(2,314,515)</u>
<u>1,785,540</u>	Net Assets			<u>1,646,150</u>
918,790	Revaluation Reserve		911,395	
1,306,580	Capital Adjustment Account		1,339,227	
(51,049)	Financial Instruments Adjustment Account		(49,159)	
(535,498)	Pensions Reserve		(726,969)	
<u>(26,357)</u>	Employee Statutory Adjustment Account		<u>(20,738)</u>	
<u>1,612,466</u>	Unusable Reserves	26.		1,453,756
1,994	Capital Grants Unapplied Account		4,349	
25,835	Capital Fund		35,927	
21,936	Renewal and Repairs Fund		34,804	
<u>123,309</u>	General Fund		<u>117,314</u>	
<u>173,074</u>	Usable Reserves	10.		192,394
<u>1,785,540</u>	Total Reserves			<u>1,646,150</u>

HUGH DUNN, CPFA
 Head of Finance
 15 June 2015

GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Council 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

Year ended 31 March 2015

2013/14 £000		Notes	£000	£000
	Operating Activities			
(212,792)	Taxation		(216,370)	
(1,061,122)	Grants		(1,074,651)	
(86,695)	Housing rents		(90,335)	
(512,828)	Sales of goods and rendering of services		(544,389)	
<u>(4,871)</u>	Interest and investment income received		<u>(11,680)</u>	
(1,878,308)	Cash inflows from operating activities			(1,937,425)
616,610	Cash paid to and on behalf of employees		647,532	
200,368	Housing benefits paid out		202,498	
746,226	Cash paid to suppliers of goods and services		750,977	
2,582	Taxation paid		3,546	
<u>96,806</u>	Interest paid		<u>96,112</u>	
<u>1,662,592</u>	Cash outflows from operating activities			<u>1,700,665</u>
(215,716)	Net cash flows from operating activities			(236,760)
	Investing Activities			
241,291	Net cash flows from investing activities	28.		182,878
	Financing Activities			
<u>31,490</u>	Net cash flows from financing activities	29.		<u>(4,155)</u>
<u>57,065</u>	Net decrease / (increase) in cash and cash equivalents			<u>(58,037)</u>
<u>(94,532)</u>	Cash and cash equivalents at 1 April			<u>(37,467)</u>
<u>(37,467)</u>	Cash and cash equivalents at 31 March	21.		<u>(95,504)</u>

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Year ended 31 March 2015

2013/14 £000		Notes	£000	£000
	Operating Activities			
(211,614)	Taxation		(216,284)	
(1,061,122)	Grants		(1,074,652)	
(86,695)	Housing rents		(90,335)	
(370,204)	Sales of goods and rendering of services		(387,583)	
(4,651)	Interest and investment income received		(11,450)	
(1,734,286)	Cash inflows from operating activities			(1,780,304)
540,639	Cash paid to and on behalf of employees		571,736	
200,368	Housing benefits paid out		202,498	
696,889	Cash paid to suppliers of goods and services		695,572	
96,313	Interest paid		95,646	
1,534,209	Cash outflows from operating activities			1,565,452
(200,077)	Net cash flows from operating activities			(214,852)
	Investing Activities			
228,620	Net cash flows from investing activities	28.		159,001
	Financing Activities			
28,993	Net cash flows from financing activities	29.		(5,930)
57,536	Net decrease / (increase) in cash and cash equivalents			(61,781)
(77,703)	Cash and cash equivalents at 1 April			(20,167)
(20,167)	Cash and cash equivalents at 31 March	21.		(81,948)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2015 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Council.

1.1 Accruals of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice.
- Provision has been made in the relevant accounts for bad and doubtful debts.

1.2 Debt Redemption

- The Council operates a consolidated loans fund under the terms of the Local Government (Scotland) Act 1975. Capital payments made by services are financed from the loans fund and repaid on an annuity basis.
- Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Comprehensive Income and Expenditure Statement in the period during which the repurchase or early settlement is made. Where the repurchase of borrowing is taken with a refinancing or restructuring option, gains or losses are recognised over the life of the replacement borrowing.

1.3 Cash and Cash Equivalents

Cash and cash equivalents includes:

- credit and debit funds held in banks; and
- investments maturing within three months of the Balance Sheet date in respect of the Council and two months of the Balance Sheet date in respect of other Group members.

1.4 Contingent Assets and Liabilities

Contingent assets are not recognised in the accounting statements. Where there is a probable inflow of economic benefits or service potential, this is disclosed in the notes to the financial statements.

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment or transfer of economic benefit, this is disclosed in the notes to the financial statements.

1.5 Provisions

The value of provisions is based upon the Council's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

1.6 Employee Benefits

• Accruals of Holiday Leave

'Cost of services' within the Comprehensive Income and Expenditure Statement includes a charge for annual leave to which employees are entitled, but have not taken, as at the Balance Sheet date.

The Council is not required to raise Council Tax to cover the cost of accrued annual leave. These costs are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account balances by way of an adjusting transaction with the employee statutory adjustment account.

• Pensions

The Council participates in two different pension schemes which meet the needs of employees in particular services. Both the schemes provide members with defined benefits related to pay and service. The schemes are as follows:

• Teachers

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension cost charged in the accounts is the contribution rate set on the basis of a notional fund.

• Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.6 Employee Benefits - continued

- Pensions - continued
- Other Employees - continued

The Financial Statements have been prepared including pension costs as determined under International Accounting Standard 19 - Employee Benefits (IAS19). The cost of services includes expenditure equivalent to the amount of retirement benefits the Council has committed to during the year. The interest cost on defined benefit obligation and interest income on plan assets have been charged / credited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.

The pension costs charged to the Comprehensive Income and Expenditure Statement in respect of employees are not equal to contributions paid to the funded scheme for employees. The amount by which pension costs under IAS19 are different from the contributions due under the pension scheme regulations is disclosed in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

Pension assets have been valued at bid value (purchase price), as required under IAS19.

Under pension regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund.

1.7 Financial Instruments

- Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement (CIES) is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discounts is respectively deducted from or added to the amortised cost of the new loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

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 Council has a policy of spreading the gain / 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 against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement for the General Fund Balance.

- Financial Assets

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to 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 Council has, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council may make loans to related parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the related party, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.7 Financial Instruments - continued

- **Financial Assets - continued**

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 the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited / debited to the Comprehensive Income and Expenditure Statement.

Surplus funds on behalf of the Council and associated bodies and cash monies of Lothian Pension Funds are now managed by the Council under a formal management agreement in a pooled investment arrangement. While the monies continue to be shown as investments in Lothian Pension Funds' accounts, they are no longer shown as both liabilities and investments in the Council's accounts.

- **Available-for-Sale-Financial Instruments**

The Council has a significant financial interest in several companies and trusts which have been set up for specific purposes. Details of these appear in note 7 to the Financial Statements. These financial interests have been assessed under the requirements of FRS26 Financial Instruments: Measurement.

The Council's investments in Lothian Buses Limited, CEC Holdings Limited and CEC Recovery Limited (formerly tie Limited) have been assessed as outwith the scope of FRS26.

Unless otherwise stated, the accounts of these companies may be obtained on application to the Head of Finance, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

1.8 Government and non-Government Grants and Contributions

- **Revenue**

Revenue grants and contributions have been included in the financial statements on an accruals basis.

Where such funds remain unapplied at the Balance Sheet date, but approval has been given to carry these funds forward to the next financial year, these amounts have been set aside in the General Fund.

- **Capital**

Capital grants and contributions are recognised in the Comprehensive Income and Expenditure Statement except to the extent there are conditions attached to them that have not been met.

Where there are no conditions attached to capital grants and contributions, these funds are a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account, where expenditure has been incurred and the unapplied capital grants account where expenditure has not been incurred.

Where there are outstanding conditions attached to capital grants and contributions that have not been met at the Balance Sheet date, the grant or contribution will be recognised as part of capital grants receipts in advance. Once the condition has been met, the grant or contribution will be transferred from capital grants received in advance and recognised as income in the Comprehensive Income and Expenditure Statement, as above.

1.9 Intangible Assets

Intangible fixed assets represent software licences purchased by the Council.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of intangible fixed assets has been capitalised on an accruals basis.

- **Measurement**

Intangible fixed assets are initially measured at cost.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Intangible Assets - continued

- **Depreciation**

Software licences are depreciated over the period of the licence, commencing in the year after acquisition.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories acquired through a non-exchange transaction are measured at their fair value as at the date of acquisition.

Inventories held for distribution at no charge or a nominal charge are measured at the lower of cost and current replacement cost.

1.11 Investment Properties

- **Measurement**

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value.

Any gains or losses arising from a change in the fair value of investment properties are recognised in the Comprehensive Income and Expenditure Statement for the period in which they arise.

- **Revaluation**

Investment properties are revalued annually.

- **Depreciation**

Investment properties held at fair value are not depreciated.

- **De-recognition**

Investment properties are de-recognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential is expected from its disposal.

The gain or loss arising from the retirement or disposal of an investment property is recognised in the 'surplus or deficit on provision of services' within the Comprehensive Income and Expenditure Statement in the period of the retirement or disposal.

1.12 Leases

- **Finance Leases**

Finance leases, which have substantially transferred to the authority the benefits and risks of ownership of a non-current asset, are treated as if the asset had been purchased outright.

- **Leased-in Assets**

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The capital element of the lease is included as obligations under finance leases / creditors.

- **Operating Leases**

Leases that do not meet the definition of a finance lease are accounted for as operating leases.

- **Leased-in Assets**

Rental payments, net of benefits received, under operating leases are charged to the relevant service on a straight line basis over the life of the lease.

- **Leased-out Assets**

Rental income received under operating leases is credited to the relevant service in accordance with the terms specified in the lease agreement.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.12 Leases - continued

- **Finance Leases - continued**

- **Leased-in Assets - continued**

The lease rentals comprise capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue on a straight line basis over the terms of the lease.

1.13 Current and Non-Current Assets Held for Sale

Current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed and it is expected that the sale will be realised within twelve months of the Balance Sheet date.

Non-current assets held for sale are assets that the Council has identified as surplus to requirement, are being actively marketed, but it is not expected that the sale will be realised within twelve months of the Balance Sheet date.

- **Measurement**

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell at the Balance Sheet date. Where the sale is expected to occur in more than twelve months, the cost is measured at present value.

- **Depreciation**

Current and non-current assets held for sale are not depreciated.

1.14 Overheads

The costs of support services are allocated to direct services. The allocations are made on a basis appropriate to the service provided, in order to match costs to service usage. Certain support service costs are recovered through direct charges during the year.

1.15 Public Private Partnership - School Buildings, Maintenance and Other Facilities

Public Private Partnership (PPP) contracts are agreements to receive services, where the responsibility for making available the non-current assets required to provide the services passes to the PPP contractor. As the Council is deemed to control the services that are provided under this scheme and as ownership of the schools and other facilities will pass to the Council at the end of the contracts for no additional charge, the Council carries the non-current assets used under the contracts on its Balance Sheet.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other assets owned by the Council.

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

- fair value of the services received during the year - debited to education services in the Comprehensive Income and Expenditure Statement.
- finance cost - an interest charge of 7.35% (PPP1 scheme) and 5.004% (PPP2 scheme) on the outstanding balance sheet liability - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- contingent rent - increases in the amount to be paid for the property arising during the contract - debited to 'financing and investment income' in the Comprehensive Income and Expenditure Statement.
- payment towards liability - applied to write down the value of the finance lease on the Balance Sheet.
- lifecycle replacement costs - recognised as non-current assets on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.16 Property, Plant and Equipment

• Categories of Assets

Property, plant and equipment is categorised into the following classes:

Council dwellings	Other land and buildings
Vehicles, plant, furniture and equipment	Infrastructure assets, e.g. roads and footways
Community assets, e.g. parks	Assets under construction
Surplus assets (assets that are surplus to requirements, but there are no clear plans to sell these at the current time.)	

• Recognition

Expenditure on the acquisition, creation or enhancement of non-current assets has been capitalised on an accruals basis. Expenditure lower than £6,000 on individual assets is charged to revenue.

• Measurement

Infrastructure, community assets and assets under construction are measured at historical cost.

All other classes of property, plant and equipment are measured at fair value.

- Other land and buildings - fair value is the amount that would be paid for the assets in its existing use.
- Council dwellings - fair value is measured at existing use value - social housing.
- Vehicles, plant, furniture and equipment - fair value is the amount equivalent to depreciated historical cost for short life and/or low values assets. For assets with longer lives and/or high values, fair value is the amount that would be paid for the asset in its existing use or depreciated replacement cost for specialised /rarely sold assets where insufficient market-based evidence exists.

• Depreciation

Depreciation is provided on all property, plant and equipment, other than freehold land, community assets and assets under construction.

The Council does not depreciate its non-current assets in the year of acquisition. The Council operates a five-year rolling revaluation programme for assets and provides for depreciation on a straight line basis on the opening book value over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is not impacted by changes in asset value during the year arising from either revaluation or enhancements.

Component accounting is applied as part of the revaluation process. As a result, where a building asset is split down into further components for the first time in year, the depreciation charge is based on the opening book value over the opening remaining useful life of the asset rather than subsequent component values and associated lives. The difference is not considered material.

• Charges to Revenue for use of Non-Current Assets

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service.
- impairment losses attributable to the clear consumption of economic benefits on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

The Council is not required to raise council tax to cover depreciation or impairment losses.

Depreciation and impairment losses are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.16 Property, Plant and Equipment - continued

- **Revaluations**

Where assets are included in the Balance Sheet at fair value, revaluations are carried out at intervals of no more than five years. The Council operates a rolling programme for revaluations. The determination of fair value of land and buildings is undertaken by the Council's Estate Manager (Corporate Property).

- **De-recognition**

An asset is de-recognised either on its disposal, or where no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition of an asset is included in 'surplus or deficit on the provision of services' within the Comprehensive Income and Expenditure Statement when the asset is de-recognised.

The gain or loss on de-recognition of property, plant and equipment assets is a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account.

- **Components**

Component accounting is applied to all assets that comprise land and buildings. Land and buildings are treated as separate components of an asset and accounted for separately.

The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million approximately. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.

Where it is necessary to break a building down into further components, the following categories are applied:

- Structural - includes external and internal walls, traditional roofing, doors, etc.
- Non traditional roofing - includes flat roof, non-traditional roof coverings and industrial type roofs.
- Finishes - includes doors, windows and room finishes.
- Mechanical and electrical services - includes water, heat, ventilation, electrical, lifts, fire and communications.
- Fittings and furnishings - includes fittings, furnishings and sanitary appliances.

1.17 Heritage Assets

- **Categories of Assets**

Heritage assets comprise the following:

Monuments and statues	Civic regalia and artefacts
Archival collections	Libraries special collections
Museum and gallery collections	

Intangible heritage assets represent three private vehicle registration plates.

It has not been practical or possible to split out all heritage assets belonging to the common good fund, charities or trusts. Therefore, the Council's Balance Sheet may hold elements of heritage assets that belong to other entities.

- **Recognition**

Expenditure on the acquisition, creation or enhancement of heritage assets has been capitalised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.17 Heritage assets - continued

• Measurement

Heritage asset valuations may be made by any method that is appropriate and relevant. Furthermore valuations need not be carried out by external valuers and there is no prescribed minimum period between valuations.

The following measurement bases have been applied to heritage assets based on the most relevant and appropriate information available. This is set in the context where it is not practicable to obtain up to date valuations for all heritage assets at a cost which is commensurate with the benefits to users of the Council's financial statements.

- | | |
|---------------------------------------|--|
| • Monuments and statues | Historic value |
| • Civic regalia and artefacts | Insurance purposes valuation |
| • Archival collections | Insurance purposes valuation, based on restoration costs only |
| • Libraries special collections | Insurance purposes valuation |
| • Museum and gallery collections | Insurance purposes valuation |
| • Private vehicle registration plates | Cost or current value information is not readily available, therefore these assets have not been recognised on the Council's Balance Sheet |

• Depreciation

Heritage assets are deemed to have indeterminate lives and a high residual value; hence it is not considered appropriate to charge depreciation.

1.18 Reserves

Reserves held on the Balance Sheet are classified as either usable or unusable reserves.

Usable reserves hold monies that can be applied to fund expenditure or reduce Council Tax. Unusable reserves cannot be applied to fund expenditure.

• Usable Reserves

The Council operates the following usable reserves:

- Capital receipts reserve - this represents capital receipts available to finance capital expenditure in future years.
- Capital grants unapplied account - holds capital grants and contributions that have been received towards specific works that have yet to be completed.
- Capital fund - under Schedule 3 of the Local Government (Scotland) Act 1975, certain receipts derived from the sale of property may also be used to create a capital fund "to be used for defraying any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans".
- Renewal and repairs fund - holds monies set aside for the renewal and repair of Council property. This fund is operated under the terms of Schedule 3 to the Local Government (Scotland) Act 1975.
- General Fund - held to mitigate financial consequences of risks and other events impacting on the Council's resources. Monies within the General Fund can be earmarked for specific purposes.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Reserves - continued

● Unusable Reserves

The Council operates the following unusable reserves:

- Revaluation reserve - holds unrealised gains arising since 1 April 2007 from holding non-current assets.
- Capital adjustment account - provides a mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.
- Financial instruments adjustment account - provides a mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.
- Pension reserve - represents the net monies which the Council requires to meet its pension liability, as calculated under IAS19, Employee Benefits. The Council operates a pensions reserve fund under the terms of the Local Government Pension Reserve Fund (Scotland) Regulations 2003.
- Employee statutory adjustment account - represents the net monies which the Council requires to meet its short-term compensated absences for employees under IAS19.

1.19 Revenue Expenditure Funded from Capital Under Statute

Expenditure that may be capitalised under statutory provisions that does not result in the creation of assets for the Council has been charged to the 'net cost of services' in the Comprehensive Income and Expenditure Statement.

These costs are a reconciling item in the Movement in Reserves Statement for the General Fund by way of an adjusting transaction with the capital adjustment account.

1.20 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is not recoverable from HM Revenue and Customs.

1.21 Group Account Consolidation

Group accounts have been prepared on the following basis:

- Accounting policies for group members have been aligned where possible.
- The following methods of consolidation have been used:
 - Subsidiaries - line-by-line basis;
 - Associates - equity method.
- Transport for Edinburgh Limited's and CEC Holdings Limited's reporting periods are to 31 December. As this is within three months of the Council's reporting period (to 31 March), no consolidation adjustments have been made.
- Inter-company transactions have been eliminated on consolidation.
- Minority interests have been disclosed separately within the Group Balance Sheet and in Note 7.1 to the Financial Statements.
- Group members' financial statements have been prepared on an accruals basis, with the exception of the International Conference Centre Income Trust and International Conference Centre Expenditure Trust, which have been prepared on a cash basis.

NOTES TO THE FINANCIAL STATEMENTS

2. Accounting Standards that have been Issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- IFRS 13 Fair Value Measurement
- IFRIC 21 Levies
- Annual Improvements to IFRS 2011-2013 Cycle

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 financial statements.

IFRS 13 changes relate to improved consistency in fair value measurements and disclosures. IFRIC 21 provides guidance on government levies. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

3. Judgements Made in Applying Accounting Policies

In applying the accounting policies set out in Note 1 to the Financial Statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The most significant judgements made in these Financial Statements are detailed below:

3.1 Provision of School Buildings

The Council is deemed to control the services provided under the Public Private Partnership agreements (PPP1 and PPP2) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1) and Axiom Education Limited (PPP2).

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £557.310m at 31 March 2015) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

3.2 Group Membership

The Council has an interest in a number of subsidiary and associate companies and trusts. Full details of these interests are shown in note 7 to the Financial Statements. The most significant of these companies in terms of the size of trading operations and other factors are included in the Group Accounts.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. 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.

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The following table details uncertainties on assumptions and estimates, and outlines the potential effect if actual results differ from the assumptions made.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. A reduction in spending on repairs and maintenance would bring into doubt the useful lives assigned to the assets.	If the useful life of assets is reduced, depreciation increases and the carrying value of the assets falls. It is estimated that the annual depreciation charge would increase and the carrying value would fall by £13.071m for each year that useful lives were reduced.
Long-Term Contracts	The Council's approved budget provides for inflationary uplifts on long-term contracts.	If inflation were to increase by 1%, this would result in an additional cost of £0.453m per annum.
Provisions	The Council has made a provision of £2.645m in respect of the remainder of anticipated equal pay settlements. This is based on the number of potential claimants and assumes similar settlement terms to those achieved previously. There is uncertainty surrounding both of these assumptions.	Should the settlement values increase by 10% this would have the effect of adding £0.265m to the provision required.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured.
Arrears	At 31 March, the Council had a balance of sundry debtors of £37.522m. A review of significant balances suggested that an impairment of doubtful debts of £6.824m (18%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £6.824m to be set aside as an allowance.
Arrears	In addition, the Council has a further debtor of £6.742m in respect of unbilled works on statutory notices. A review of these suggested that an impairment of doubtful debts of £3.551m was appropriate.	If the Council was unable to recover a further 10% of this amount, it would require to set an additional £0.674m aside as an allowance.
VAT Recovery Status	The Council's accounts are prepared on the assumption that VAT charged on its purchases is fully recoverable and that it will not become partially exempt.	If the Council were to exceed its 5% de minimis level, a minimum repayment of £3.907m would be due to HM Revenue and Customs.

NOTES TO THE FINANCIAL STATEMENTS

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty - continued

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Council Tax Arrears	The Council makes an assumption on the level of Council Tax that will be collected over a number of years. The Council currently assumes that 96.64% of Council Tax will be collected. An impairment for doubtful debts of £8.282m has been provided for. In the current economic climate it is not certain that this would be sufficient.	If collection rates were to deteriorate by 1%, the amount to be impaired would require an additional £2.481m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £4.327m. A review of significant balances suggested that an impairment of doubtful debts of £4.326m (99%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	Whilst there has been a significant increase in arrears and the impairment set aside, the decision by the UK Government to devolve the control of discretionary housing payments to the Scottish Government means that more help may be available for under-occupancy arrears than initially expected.
Council Dwellings - Housing Stock	Council dwellings are valued using the Beacon Method which aggregates the vacant possession values of each unit of housing stock. The beacon discount factor is determined by applying a capitalisation yield to the gross rental income and comparing this to the aggregate value. This methodology takes account of regional variations in capital values, stock condition, rent arrears and voids. The discount factor applied is 48%.	If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £19.484m. If the discount factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £19.484m.

This list does not include assets and liabilities that are carried at fair value based on recently observed market prices.

5. Material Items of Income and Expense

The Council used £1.336m of the provision previously set aside for equal pay to offset costs arising during the year. The effect of this decrease is included within 'Other Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

In February 2015 the Scottish Parliament passed the Community Charge Debt (Scotland) Act 2015 bringing to an end the collection of Community Charge debts. The Council wrote off £73m of Community Charge debtors during the year, on the basis of this Bill. A bad debt provision for the full amount of outstanding Community Charge debtors had already been made in the Financial Statements therefore this has been fully drawn down. The effect of this is included in the Comprehensive Income and Expenditure Statement.

6. Events After the Balance Sheet Date

There are no current events after the Balance Sheet Date that require to be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates

The Council holds shares in various trading companies, either as a controlling or minority shareholder.

The Council is also represented on the Boards of various companies that are limited by guarantee and have no share capital. It participates in these companies by means of Board membership and the provision of funding and management support.

The following entities have a significant impact on the Council's operations and have been consolidated into the Group Accounts:

Subsidiaries:	Shareholding	
• CEC Holdings Limited	100.00%	
• Transport for Edinburgh Limited	100.00%	
Associates:		
• Edinburgh Leisure	33.33%	Board representation
• Festival City Theatres Trust	33.33%	Board representation
• Lothian Valuation Joint Board	61.22%	Funding percentage
• Common Good	100.00%	

Trusts:

- International Conference Centre Income Trust
- International Conference Centre Expenditure Trust

The following companies are not consolidated into the Group Accounts. An assessment has been carried out on these companies, their activities and the level of Council control. These companies are not considered to be a material part of the Group and have therefore been excluded from the Group Accounts:

	Shareholding
• Capital City Partnership Limited	100.00%
• CEC Recovery Limited (formerly tie Limited)	100.00%
• Marketing Edinburgh Limited	100.00%

Unless otherwise stated, the accounts of the companies may be obtained on application to the Head of Finance, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG.

7.1 Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

Attributable shares of income and expenditure 2014/15	Authority £000	Minority Interests £000	Total £000
(Surplus) or Deficit on the Provision of Services	(18,899)	0	(18,899)
Other Comprehensive Income and Expenditure	180,658	0	180,658
	<u>161,759</u>	<u>0</u>	<u>161,759</u>
2013/14 Comparative Data	£000	£000	£000
(Surplus) or Deficit on the Provision of Services	41,970	0	41,970
Other Comprehensive Income and Expenditure	(5,549)	0	(5,549)
	<u>36,421</u>	<u>0</u>	<u>36,421</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Subsidiary Companies

- **Capital City Partnership**

The company is a private company limited by guarantee and is a charitable organisation. From January 2012 the Council became the sole member of the company.

The principal activities of the company are to promote community regeneration, by bringing together key statutory, voluntary, community and private sector bodies.

The most recent unaudited results of the company are as follows:	31.03.15	31.03.14
	£000	£000
Net assets	858	952
Net (profit) / loss before taxation	(41)	695
Retained profit carried forward	254	517

- **CEC Holdings Limited**

The principal activities of the company are property development and the operation of an international conference centre. The company is wholly owned by the City of Edinburgh Council.

The most recent audited results of the company are as follows:	31.12.14	Restated 31.12.13
	£000	£000
Net assets	17,576	20,088
Net (profit) / loss before taxation	(415)	3,514
Retained loss carried forward	(52,060)	(54,951)

The Council inherited its interest in CEC Holdings Limited following the local government reorganisation in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

- **CEC Recovery Limited (formerly tie Limited)**

The principal activity of the company was previously the promotion, development, procurement, project management and implementation of certain nominated projects. The company did not actively trade in the year to 31 March 2015 and is actively pursuing the transferral of project documentation to Transport Scotland. The company changed its name from tie Limited to CEC Recovery Limited on 13 May 2013.

The City of Edinburgh Council owns 100% (1,000 shares) of the issued share capital through Transport Edinburgh Limited (a dormant company), the immediate parent company of CEC Recovery Limited. The most recent audited results of the company are as follows. Financial statements for 2014/15 have yet to be completed, however, the results are not expected to be materially different to those for 2013/14.

	31.03.14
	£000
Net assets	0
Net deficit before taxation	0
Retained losses carried forward	(1)

- **Marketing Edinburgh Limited**

The company is a private company limited by guarantee. The Council is the sole member.

The principal activities of the company are to increase economic activity within the Edinburgh area by promoting it as a destination to live, work, study, etc.

The most recent audited results of the company are as follows:	31.03.15	31.03.14
	£000	£000
Net assets	262	300
Net (profit) / loss before taxation	38	42
Retained profit carried forward	262	300

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.2 Subsidiary Companies - continued

• Transport for Edinburgh Limited

The principal activities of the company are as a holding company for the City of Edinburgh Council's interest in public transport companies; Lothian Buses Limited and Edinburgh Trams Limited. The company is wholly owned by the City of Edinburgh Council.

The Council's major shareholding in Lothian Buses of 5,824,139 (91.01%) £1 ordinary shares (fully paid) was transferred to Transport for Edinburgh Limited in 2014.

The Council inherited its interest in Lothian Buses Limited, following the reorganisation of local government in 1996. It is considered that this was on an acquisition basis, however, as no consideration was given for these interests, there was no goodwill involved in these transactions.

Edinburgh Trams Limited commenced a fare paying revenue service on 31 May 2014.

The most recent audited results of the company and its primary subsidiaries are as follows:

	31.12.14	31.12.13
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	61,825	n/a
Net profit before taxation	(9,579)	n/a
Retained earnings	(11,136)	n/a
Dividend paid	5,000	n/a
Lothian Buses Limited		
Net assets	62,275	81,480
Net profit before taxation	(10,143)	(11,653)
Retained earnings	(54,436)	(68,604)
Dividend paid	5,494	3,296
Edinburgh Trams Limited		
Net assets	(449)	n/a
Net loss before taxation	564	n/a
Retained earnings	(449)	n/a
Dividend paid	0	n/a

A copy of the latest accounts can be obtained by writing to the Finance Director, Lothian Buses Limited, Annandale Street, Edinburgh, EH7 4AZ.

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Associates

- **Edinburgh Leisure**

This is a non-profit-distributing company limited by guarantee and registered as a Charity. Each member has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of the company being wound up.

The principal activity of the company is the provision of recreation and leisure facilities.

The City of Edinburgh Council is represented on the company's Board of Directors and contributes a substantial sum to the company towards the cost of operating sport and leisure facilities.

The City of Edinburgh Council leases its sport and leisure centres to the company.

The most recent audited results of the company are as follows:	31.03.15	31.03.14
	£000	£000
Net liabilities	(2,827)	(3,835)
Net operating (profit)/cost	(612)	237
Losses carried forward	2,827	3,835

Although Edinburgh Leisure is included in the Group Accounts, as the nature of its activities is a core part of Council policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of Edinburgh Leisure, based on 33.33% (2013/14 33.33%) Board Representation, is as follows:

	31.03.15	31.03.14
	£000	£000
Incoming resources	(9,847)	(10,183)
Net loss	336	800
Net liabilities	(942)	(1,278)
Total usable reserves	942	1,278

- **Festival City Theatres Trust**

This is a non-profit-distributing company limited by guarantee and registered as a Charity.

The City of Edinburgh Council is represented on the trust's board of directors and gives substantial financial assistance. The City of Edinburgh Council leases the King's Theatre and the Festival Theatre to the trust.

The most recent audited results of the company are as follows:	31.03.15	31.03.14
	£000	£000
Net assets	4,179	4,446
Net outgoing resources	(266)	(75)
Fund balances carried forward	(4,179)	(4,446)

Although Festival City Theatres Trust is included in the Group Accounts, due to the nature of its activities being a core part of the Council's policy, the Council has no legal interest in the assets or liabilities of the company.

The group share of the results of the Festival City Theatres Trust, based on 33.33% (2013/14 33.33%) Board representation, is as follows:

	31.03.15	31.03.14
	£000	£000
Incoming resources	(3,645)	(4,376)
Net outgoing resources	(89)	(25)
Net assets	1,393	1,482
Total usable reserves	(1,393)	(1,482)

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.3 Associates - continued

- **Lothian Valuation Joint Board**

The Lothian Valuation Joint Board provides Valuation Appeals, Lands Valuation, Electoral Registration and Council Tax Valuation Services.

The Board comprises 16 members of whom nine are elected by the City of Edinburgh, three by West Lothian and two each by East and Midlothian Councils.

Costs incurred by the Lothian Valuation Joint Board are apportioned in accordance with the non-domestic rateable subjects and dwellings valued for Council Tax within the areas of each constituent authority.

The group share of the results of the Lothian Valuation Joint Board, based on a 61.22% (2013/14 61.22%) funding percentage is as follows:

	31.03.15	Restated
	£000	31.03.14
		£000
Funding - requisitions	(3,635)	(3,671)
Other income	<u>(1,397)</u>	<u>(979)</u>
Total income	<u>(5,032)</u>	<u>(4,650)</u>
Deficit for the year	<u>307</u>	<u>247</u>
Net liabilities	<u>(6,941)</u>	<u>(4,644)</u>
Usable reserves	0	0
Unusable reserves	<u>6,941</u>	<u>4,644</u>
Total reserves	<u>6,941</u>	<u>4,644</u>

NOTES TO THE FINANCIAL STATEMENTS

7. Subsidiaries and Associates - continued

7.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are unaudited.

7.5 Shareholder Support to Council Companies

A number of companies within the group are currently dependent on the continued financial support of the Council. The companies are EICC Limited, a subsidiary of CEC Holdings Limited - (the Council owns 100% of the shares in CEC Holdings Limited), Festival City Theatres Trust and Edinburgh Leisure.

7.6 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £109.774m (2013/14 £132.141m) representing the Council's share of the realisable surpluses or deficits in these companies.

8. Trusts

● International Conference Centre Expenditure Trust

This Trust was set up to hold funds provided by the Council for its development of the Edinburgh International Conference Centre. The balance of unexpended funds held at 31 March 2015 was £4.153m (31 March 2014 £5.890m).

The decrease in the balance of £1.737m relates mainly to the provision of funding to EICC for capital development costs of £1.767m. The Expenditure Trust received interest of £0.03m.

The £1.364m transferred from the Income Trust noted below was transferred to the Council to defray the development and running costs of the new additional function space.

● International Conference Centre Income Trust

This Trust was set up to hold funds received from the sale of land at the Edinburgh International Conference Centre site, pending their use for development and other costs of the centre. The balance of unexpended funds held at 31 March 2015 was £3.551m (31 March 2014 £4.915m).

Funds in the Income Trust have reduced by £1.364m during the year, relating mainly to the transfer, noted above, to the International Conference Centre Expenditure Trust. The Income Trust received interest of £0.023m.

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2014/15	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	133,556	18,266	0
Movements in the market value of investment properties	(13,889)	0	0
Amortisation and impairment of intangible assets	710	0	0
Capital grants and contributions applied	(64,652)	(4,747)	0
Capital funded from revenue	(25)	(5,649)	0
Revenue expenditure funded from capital under statute	32,641	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(70,285)	(23,123)	0
Capital expenditure charged against General Fund and HRA balances	(32,641)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (Gain) / loss on sale of property, plant and equipment and assets held for sale	(5,023)	307	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,479)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,434)	(460)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	95,001	1,081	0
Employer's pension contributions and direct payments to pensioners payable in the year	(60,933)	(426)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,397)	(222)	0
Total Adjustments	7,629	(14,973)	(21,479)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2014/15	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(151,822)
Movements in the market value of investment properties	0	0	13,889
Amortisation of intangible assets	0	0	(710)
Capital grants and contributions applied	3,298	0	66,101
Capital funded from revenue	0	0	5,674
Revenue expenditure funded from capital under statute	0	0	(32,641)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	93,408
Capital expenditure charged against General Fund and HRA balances	0	0	32,641
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(943)	0	943
Adjustments primarily involving the Capital Receipts Reserve			
Net loss on sale of property, plant and equipment and assets held for sale	0	0	4,716
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,479
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,894
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	61,359
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,619
Total Adjustments	2,355	0	26,468

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2013/14 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	144,120	52,082	0
Movements in the market value of investment properties	0	0	0
Amortisation of intangible assets	288	0	0
Capital grants and contributions applied	(82,023)	(3,301)	0
Capital funded from revenue	(382)	(3,575)	0
Revenue expenditure funded from capital under statute	30,365	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(66,794)	(23,163)	0
Capital expenditure charged against General Fund and HRA balances	(30,365)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and as held for sale	3,118	534	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(16,707)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,263)	(397)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	83,438	1,009	0
Employer's pension contributions and direct payments to pensioners payable in the year	(59,705)	(450)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	9,493	104	0
Total Adjustments	30,290	22,843	(16,707)

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments Between Accounting Basis and Funding Basis Under Regulations - continued

2013/14 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(196,202)
Movements in the market value of investment properties	0	0	0
Amortisation of intangible assets	0	0	(288)
Capital grants and contributions applied	0	0	85,324
Capital funded from revenue	0	0	3,957
Revenue expenditure funded from capital under statute	0	0	(30,365)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	0	89,957
Capital expenditure charged against General Fund and HRA balances	0	0	30,365
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(5,037)	0	5,037
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and as held for sale	0	0	(3,652)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	16,707
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,660
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(84,447)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	60,155
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	(9,597)
Total Adjustments	(5,037)	0	(31,389)

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves

10.1 Transfers to and from Usable Reserves

This note sets out the amounts set aside in the Group's and the Council's usable reserves and the amounts posted back from these reserves to meet expenditure during the year. Comparative data is included for 2013/14 which has been restated.

	Balance at 01.04.13 £000	Net Transfers Out 2013/14 £000	Net Transfers In 2013/14 £000	Balance at 31.03.14 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(52,595)	(2,356)	0	(54,951)
Capital grants unapplied account	3,815	(183)	0	3,632
Transport for Edinburgh Limited				
Revenue reserves	42,601	0	19,251	61,852
Total Usable Reserves - Subsidiaries	(6,179)	(2,539)	19,251	10,533
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	1,615	0	36	1,651
Edinburgh Leisure				
Earmarked revenue reserve	287	0	132	419
Revenue reserves	(765)	(932)	0	(1,697)
International Conference Centre Trusts				
Income Trust	6,134	(1,219)	0	4,915
Expenditure Trust	6,075	(1,404)	1,219	5,890
Festival City Theatres Trust				
Earmarked capital reserve	1,763	(157)	0	1,606
Revenue reserves	(243)	118	0	(125)
Total Usable Reserves - Associates and Joint Ventures	14,866	(3,594)	1,387	12,659
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	8,687	(6,133)	20,638	23,192

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.14 £000	Net Transfers Out 2014/15 £000	Net Transfers In 2014/15 £000	Balance at 31.03.15 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(54,951)	2,891	0	(52,060)
Capital grants unapplied account	3,632	0	(419)	3,213
Transport for Edinburgh				
Revenue reserves	61,852	(13,329)	0	48,523
Total Usable Reserves - Subsidiaries	10,533	(10,438)	(419)	(324)
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserves	1,651	0	1,185	2,836
Edinburgh Leisure				
Earmarked revenue reserve	419	0	160	579
Revenue reserves	(1,697)	0	176	(1,521)
International Conference Centre Trusts				
Income Trust	4,915	(1,364)	0	3,551
Expenditure Trust	5,890	(3,101)	1,364	4,153
Festival City Theatres Trust				
Earmarked capital reserve	1,606	(149)	0	1,457
Revenue reserves	(125)	0	61	(64)
Total Usable Reserves - Associates and Joint Ventures	12,659	(4,614)	2,946	10,991
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	23,192	(15,052)	2,527	10,667

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

(re-stated)	Balance at 01.04.13 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Balance at 31.03.14 £000
Council's Usable Reserves				
General Fund				
Unallocated General Fund	13,025	0	0	13,025
Balances held by schools under Devolved School Management (DSM)	2,649	(2,649)	1,273	1,273
Balances set aside for specific inv.	8,229	(4,632)	8,431	12,028
Contingency funding, workforce mgmt.	18,203	0	4,629	22,832
Council Priorities Fund	2,917	(207)	8,184	10,894
Dilapidations Fund	10,993	(4,375)	1,536	8,154
Energy efficiency Fund	997	(110)	96	983
Insurance Funds	10,675	(1,264)	2,517	11,928
Licensing Income	1,592	0	228	1,820
Recycling balances	1,464	0	0	1,464
Revenue grants and contributions received in advance of planned expenditure	17,927	(9,603)	7,856	16,180
Council Tax Discount Fund	13,774	0	2,561	16,335
Spend to Save Fund and similar projects	3,434	(3,226)	5,988	6,196
Other earmarked balances	117	(13)	93	197
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	(4,298)	4,298	0
Total General Fund	<u>105,996</u>	<u>(30,377)</u>	<u>47,690</u>	<u>123,309</u>
Housing Revenue Account Balance	<u>0</u>	<u>(4,298)</u>	<u>4,298</u>	<u>0</u>
Renewal and Repairs Fund	<u>30,748</u>	<u>(13,207)</u>	<u>4,395</u>	<u>21,936</u>
Capital Fund	<u>18,873</u>	<u>(1,911)</u>	<u>8,873</u>	<u>25,835</u>
Capital Receipts Reserve	<u>0</u>	<u>(16,707)</u>	<u>16,707</u>	<u>0</u>
Capital Grants Unapplied Account	<u>7,030</u>	<u>(5,036)</u>	<u>0</u>	<u>1,994</u>
Total Usable Reserves - Council	<u>162,647</u>	<u>(71,536)</u>	<u>81,963</u>	<u>173,074</u>
Total Usable Reserves - Group	<u>171,334</u>	<u>(77,669)</u>	<u>102,601</u>	<u>196,266</u>

The General Fund useable reserves categorisations have been restated for 2013/14 to better reflect the strategic classification of funds.

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.14 £000	Inter-Fund Transfer 2014/15 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31.03.15 £000
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under DSM	1,273	0	(1,273)	1,054	1,054
Balances set aside for specific inv.	12,028	496	(3,938)	5,303	13,889
Contingency funding, workforce mgmt.	22,832	0	(5,676)	745	17,901
Council Priorities Fund	10,894	0	(8,258)	519	3,155
Dilapidations Fund	8,154	0	(85)	690	8,759
Energy efficiency Fund	983	0	(275)	91	799
Insurance Funds	11,928	0	(1,550)	2,179	12,557
Licensing Income	1,820	0	(447)	29	1,402
Recycling balances	1,464	0	(92)	0	1,372
Revenue grants and contributions received in advance of planned expend.	16,180	(496)	(6,915)	5,308	14,077
Council Tax Discount Fund	16,335	0	0	2,301	18,636
Spend to Save Fund and similar projects	6,196	0	(2,861)	4,134	7,469
Other earmarked balances	197	0	0	22	219
Strategic Acquisition Fund	0	0	0	3,000	3,000
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,503)	2,503	0
Total General Fund	123,309	0	(33,873)	27,878	117,314
Housing Revenue Account Balance	0	0	(2,503)	2,503	0
Renewal and Repairs Fund	21,936	0	0	12,868	34,804
Capital Fund	25,835	0	(1,298)	11,390	35,927
Capital Receipts Reserve	0	0	21,479	(21,479)	0
Capital Grants Unapplied Account	1,994	0	(943)	3,298	4,349
Total Usable Reserves - Council	173,074	0	(17,138)	36,458	192,394
Total Usable Reserves - Group	196,266	0	(32,190)	38,985	203,061

10.2 Devolved School Management

A net credit balance of £1.054m (2013/14 £1.273m) is held within the General Fund in accordance with the Devolved School Management scheme.

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves

2014/15

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(33,873)	(2,503)	0	21,479
Transfers in	27,878	2,503	12,868	(21,479)
Total movements in fund	<u>(5,995)</u>	<u>0</u>	<u>12,868</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	3,166	2,503	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	(9,161)	(2,503)	12,868	0
Total movements in fund	<u>(5,995)</u>	<u>0</u>	<u>12,868</u>	<u>0</u>
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(943)	(1,298)	(15,052)	(32,190)
Transfers in	3,298	11,390	2,527	38,985
Total movements in fund	<u>2,355</u>	<u>10,092</u>	<u>(12,525)</u>	<u>6,795</u>
Recognised in Comprehensive Income and Expenditure Statement	2,355	11,298	(20,203)	(881)
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	0	(1,206)	7,678	7,676
Total movements in fund	<u>2,355</u>	<u>10,092</u>	<u>(12,525)</u>	<u>6,795</u>

2013/14 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(30,377)	(4,298)	(13,207)	(16,707)
Transfers in	47,690	4,298	4,395	16,707
Total movements in fund	<u>17,313</u>	<u>0</u>	<u>(8,812)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	2,360	4,298	0	0
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	14,953	(4,298)	(8,812)	0
Total movements in fund	<u>17,313</u>	<u>0</u>	<u>(8,812)</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Usable Reserves - continued

10.3 Reconciliation of transfers to and from earmarked reserves in Movement of Reserves Statement to Transfers to and from Usable Reserves - continued

2013/14 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(5,036)	(1,911)	(6,133)	(77,669)
Transfers in	0	8,873	20,638	102,601
Total movements in fund	<u>(5,036)</u>	<u>6,962</u>	<u>14,505</u>	<u>24,932</u>
Recognised in Comprehensive Income and Expenditure Statement	(5,037)	8,805	22,651	33,077
Minority interest and other consol. adjusts.	0	0	0	0
Transfers to other earmarked reserves	1	(1,843)	(8,146)	(8,145)
Total movements in fund	<u>(5,036)</u>	<u>6,962</u>	<u>14,505</u>	<u>24,932</u>

11. Other Operating Expenditure

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
(Gains) / losses on the disposal of non-current assets	(4,807)	(4,716)	4,221	3,652
	<u>(4,807)</u>	<u>(4,716)</u>	<u>4,221</u>	<u>3,652</u>

12. Financing and Investment Income and Expenditure

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	94,064	93,657	95,122	94,649
Interest cost on defined benefit obligation	118,313	103,245	112,865	99,411
Interest receivable and similar income	(11,312)	(11,144)	(5,118)	(4,936)
Interest income on plan assets	(95,508)	(79,991)	(91,933)	(79,047)
Income / expend. in relation to investment properties and changes in their fair value	(14,208)	(14,208)	64	(212)
Net (surplus) / deficit from trading activities	(49)	66	(242)	45
	<u>91,300</u>	<u>91,625</u>	<u>110,758</u>	<u>109,910</u>

13. Taxation and Non-Specific Grant Income

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(212,976)	(212,976)	(207,925)	(207,925)
Non-domestic rates	(364,108)	(364,108)	(334,630)	(334,630)
Non-ring fenced government grants	(386,311)	(386,311)	(402,364)	(402,364)
Capital grants and contributions	(69,399)	(69,399)	(85,324)	(85,324)
Taxation expenses	2,023	0	1,908	0
	<u>(1,030,771)</u>	<u>(1,032,794)</u>	<u>(1,028,335)</u>	<u>(1,030,243)</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment

14.1 Depreciation

No depreciation is provided in the year of the asset's purchase. Assets in the course of construction are not depreciated until they are brought into use. Where depreciation is provided for, assets are depreciated using the straight line method over the following periods:

Council dwellings	50 years
Buildings	50 years (assets not subject to component accounting)
Buildings - structural	50 years
Buildings - non-traditional roofing	35 years
Buildings - finishes	25 years
Buildings - mechanical and electrical	20 years
Buildings - fittings and furnishings	15 years
PPP Schools	40 years (PPP1 schools) and 35 years (PPP2 schools)
Infrastructure assets	20 years
Vehicles, plant, furniture and equipment	5 years to 10 years, to reflect estimated useful life 3 years to 15 years, Group Companies

14.2 Capital Commitments

At 31 March 2015, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £70.955m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2014 were £25.432m.

	£000	Expected Completion Date
Portobello New High School	28,300	Aug-16
Boroughmuir New High School	25,800	Oct-16
HRA - Kitchens and Bathrooms Term Contracts	6,250	1 year
HRA - External Fabric Improvement Term Contract	4,500	1 year
Kirkliston Primary School extension	3,000	Aug-16
Water of Leith Phase 2 (Mains diversion) - Scottish Gas Networks	1,080	1 year
NEP term contract	700	1 year
Zero Waste - Site Construction	690	1-2years
New Autism Day and Respite Centre retention	400	Apr-15
Other capital commitments	235	1 year
	70,955	

In November 2014, Lothian Buses Limited entered into an agreement to purchase 20 hybrid vehicles for £4.80m. These are expected to be delivered during mid 2015.

CEC Holdings Limited has contractual commitments of £0.0m (2013/14 £0.640m).

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,854,171	215,260	1,316,428
Additions	33,769	31,861	29,195	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,241)	(2,878)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	<u>1,047,151</u>	<u>1,841,517</u>	<u>300,619</u>	<u>1,350,760</u>
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(90,478)	(111,883)	(375,081)
Depreciation charge	(17,746)	(47,658)	(17,731)	(63,183)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,181	2,593	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	<u>(17,593)</u>	<u>(109,400)</u>	<u>(122,492)</u>	<u>(438,264)</u>
Net book value				
At 31 March 2015	<u>1,029,558</u>	<u>1,732,117</u>	<u>178,127</u>	<u>912,496</u>
At 31 March 2014	<u>1,017,351</u>	<u>1,763,693</u>	<u>103,377</u>	<u>941,347</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.3 Movements on Balances - Group Accounts Movements in 2014/15

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2014	11,347	17,243	79,740	4,511,749
Additions	1,164	89	34,694	165,104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	(10,826)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	(18,834)
Derecognition - disposals	0	(850)	0	(16,494)
Derecognition - other	0	0	0	(8,632)
Assets reclassified (to) / from held for sale	0	(1,048)	0	(6,864)
Other movements in cost or valuation	0	0	(64,104)	0
At 31 March 2015	<u>12,192</u>	<u>12,634</u>	<u>50,330</u>	<u>4,615,203</u>
Accumulated Depreciation and Impairment				
At 1 April 2014	0	(93)	0	(577,744)
Depreciation charge	0	(66)	0	(146,384)
Depreciation charge written out to Revaluation Reserve	0	0	0	20,902
Depreciation written out to the Surplus on the Provision of Services	0	114	0	5,948
Derecognition - disposals	0	0	0	4,901
Derecognition - other	0	0	0	5,793
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(1,264)
Other movements in cost or valuation	0	35	0	89
At 31 March 2015	<u>0</u>	<u>(10)</u>	<u>0</u>	<u>(687,759)</u>
Net book value				
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u>3,927,444</u>
At 31 March 2014	<u>11,347</u>	<u>17,150</u>	<u>79,740</u>	<u>3,934,005</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts 2013/14 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2013	1,107,677	1,821,734	204,314	1,225,857
Additions	39,115	31,979	19,578	90,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(60,972)	17,302	98	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(62,981)	(31,548)	0	0
Derecognition - disposals	(5,298)	(10,537)	(5,239)	0
Derecognition - other	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	19	(698)	0	0
Other movements in cost or valuation	0	25,939	1	0
At 31 March 2014	<u>1,017,560</u>	<u>1,854,171</u>	<u>215,260</u>	<u>1,316,428</u>
Accumulated Depreciation and Impairment				
At 1 April 2013	(62,533)	(93,459)	(100,530)	(316,173)
Depreciation charge	(18,186)	(44,974)	(18,489)	(58,668)
Depreciation charge written out to Revaluation Reserve	50,601	43,337	13	0
Depreciation written out to the Surplus on the Provision of Services	29,538	4,078	0	0
Derecognition - disposals	371	501	4,319	0
Derecognition - other	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(688)	(240)
Other movements in cost or valuation	0	39	0	0
At 31 March 2014	<u>(209)</u>	<u>(90,478)</u>	<u>(111,883)</u>	<u>(375,081)</u>
Net book value				
At 31 March 2014	<u>1,017,351</u>	<u>1,763,693</u>	<u>103,377</u>	<u>941,347</u>
At 31 March 2013	<u>1,045,144</u>	<u>1,728,275</u>	<u>103,784</u>	<u>909,684</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.4 Movements on Balances - Group Accounts 2013/14 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2013	11,263	19,814	95,306	4,485,965
Additions	1,079	131	10,871	193,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,391)	0	(44,963)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(1,492)	(1,621)	0	(97,642)
Derecognition - disposals	0	0	0	(21,074)
Derecognition - other	0	0	0	(3,492)
Assets reclassified (to) / from held for sale	0	310	0	(369)
Other movements in cost or valuation	497	0	(26,437)	0
At 31 March 2014	<u>11,347</u>	<u>17,243</u>	<u>79,740</u>	<u>4,511,749</u>
Accumulated Depreciation and Impairment				
At 1 April 2013	0	(31)	0	(572,726)
Depreciation charge	0	(99)	0	(140,416)
Depreciation charge written out to Revaluation Reserve	0	0	0	93,951
Depreciation written out to the Surplus on the Provision of Services	0	37	0	33,653
Derecognition - disposals	0	0	0	5,191
Derecognition - other	0	0	0	3,492
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(928)
Other movements in cost or valuation	0	0	0	39
At 31 March 2014	<u>0</u>	<u>(93)</u>	<u>0</u>	<u>(577,744)</u>
Net book value				
At 31 March 2014	<u><u>11,347</u></u>	<u><u>17,150</u></u>	<u><u>79,740</u></u>	<u><u>3,934,005</u></u>
At 31 March 2013	<u><u>11,263</u></u>	<u><u>19,783</u></u>	<u><u>95,306</u></u>	<u><u>3,913,239</u></u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2014	1,017,560	1,796,454	94,409	1,309,758
Additions	33,769	31,623	13,955	34,332
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,299	(16,956)	3,725	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	48	(16,657)	0	0
Derecognition - disposals	(7,525)	(5,127)	(206)	0
Derecognition - other	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(5,816)	0	0
Other movements in cost or valuation	0	155	63,949	0
At 31 March 2015	<u>1,047,151</u>	<u>1,783,676</u>	<u>167,200</u>	<u>1,344,090</u>
Accumulated Depreciation and Impairment				
At 1 April 2014	(209)	(60,650)	(58,654)	(370,035)
Depreciation charge	(17,746)	(47,186)	(9,089)	(62,894)
Depreciation charge written out to Revaluation Reserve	231	20,671	0	0
Depreciation written out to the Surplus on the Provision of Services	4	5,830	0	0
Derecognition - disposals	127	2,067	41	0
Derecognition - other	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(1,264)	0
Other movements in cost or valuation	0	54	0	0
At 31 March 2015	<u>(17,593)</u>	<u>(79,214)</u>	<u>(63,173)</u>	<u>(432,929)</u>
Net book value				
At 31 March 2015	<u>1,029,558</u>	<u>1,704,462</u>	<u>104,027</u>	<u>911,161</u>
At 31 March 2014	<u>1,017,351</u>	<u>1,735,804</u>	<u>35,755</u>	<u>939,723</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.5 Movements on Balances - City of Edinburgh Council Movements in 2014/15

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
At 1 April 2014	11,347	17,243	79,740	4,326,511	558,965
Additions	1,164	89	34,694	149,626	23,151
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(894)	0	(10,826)	(9,629)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(319)	(1,906)	0	(18,834)	0
Derecognition - disposals	0	(850)	0	(13,708)	0
Derecognition - other	0	0	0	(8,632)	0
Assets reclassified (to) / from held for sale	0	(1,048)	0	(6,864)	0
Other movements in cost or valuation	0	0	(64,104)	0	54
At 31 March 2015	<u>12,192</u>	<u>12,634</u>	<u>50,330</u>	<u>4,417,273</u>	<u>572,541</u>
Accumulated Depreciation and Impairment					
At 1 April 2014	0	(93)	0	(489,641)	(12,055)
Depreciation charge	0	(66)	0	(136,981)	(12,887)
Depreciation charge written out to Revaluation Reserve	0	0	0	20,902	9,711
Depreciation written out to the Surplus on the Provision of Services	0	114	0	5,948	0
Derecognition - disposals	0	0	0	2,235	0
Derecognition - other	0	0	0	5,793	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(1,264)	0
Other movements in cost or valuation	0	35	0	89	0
At 31 March 2015	<u>0</u>	<u>(10)</u>	<u>0</u>	<u>(592,919)</u>	<u>(15,231)</u>
Net book value					
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u>3,824,354</u>	<u>557,310</u>
At 31 March 2014	<u>11,347</u>	<u>17,150</u>	<u>79,740</u>	<u>3,836,870</u>	<u>546,910</u>

The disclosure for PPP assets is for information only. The costs and depreciation are included in 'Other Land and Buildings' and 'Assets Under Construction'.

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued 14.6 Movements on Balances - City of Edinburgh Council 2013/14 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 2013	1,107,677	1,768,939	85,844	1,219,187
Additions	39,115	31,835	12,191	90,571
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(60,972)	17,302	98	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(62,981)	(31,548)	0	0
Derecognition - disposals	(5,298)	(10,537)	(231)	0
Derecognition - other	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	19	(698)	0	0
Other movements in cost or valuation	0	21,161	(1)	0
At 31 March 2014	<u>1,017,560</u>	<u>1,796,454</u>	<u>94,409</u>	<u>1,309,758</u>
Accumulated Depreciation and Impairment				
At 1 April 2013	(62,533)	(64,029)	(51,475)	(311,416)
Depreciation charge	(18,186)	(44,576)	(10,041)	(58,379)
Depreciation charge written out to Revaluation Reserve	50,601	43,337	13	0
Depreciation written out to the Surplus on the Provision of Services	29,538	4,078	0	0
Derecognition - disposals	371	501	45	0
Derecognition - other	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(688)	(240)
Other movements in cost or valuation	0	39	0	0
At 31 March 2014	<u>(209)</u>	<u>(60,650)</u>	<u>(58,654)</u>	<u>(370,035)</u>
Net book value				
At 31 March 2014	<u>1,017,351</u>	<u>1,735,804</u>	<u>35,755</u>	<u>939,723</u>
At 31 March 2013	<u>1,045,144</u>	<u>1,704,910</u>	<u>34,369</u>	<u>907,771</u>

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.6 Movements on Balances - City of Edinburgh Council 2013/14 Comparative Data

	Community Assets £000	Surplus Assets £000	Total Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
Cost or Valuation					
At 1 April 2013	11,263	19,814	90,818	4,303,542	551,161
Additions	1,079	131	10,579	185,501	146
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	(1,391)	0	(44,963)	17,759
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(1,492)	(1,621)	0	(97,642)	(10,101)
Derecognition - disposals	0	0	0	(16,066)	0
Derecognition - other	0	0	0	(3,492)	0
Assets reclassified (to) / from held for sale	0	310	0	(369)	0
Other movements in cost or valuation	497	0	(21,657)	0	0
At 31 March 2014	11,347	17,243	79,740	4,326,511	558,965
Accumulated Depreciation and Impairment					
At 1 April 2013	0	(31)	0	(489,484)	(43,097)
Depreciation charge	0	(99)	0	(131,281)	(11,334)
Depreciation charge written out to Revaluation Reserve	0	0	0	93,951	40,575
Depreciation written out to the Surplus on the Provision of Services	0	37	0	33,653	1,801
Derecognition - disposals	0	0	0	917	0
Derecognition - other	0	0	0	3,492	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(928)	0
Other movements in cost or valuation	0	0	0	39	0
At 31 March 2014	0	(93)	0	(489,641)	(12,055)
Net book value					
At 31 March 2014	11,347	17,150	79,740	3,836,870	546,910
At 31 March 2013	11,263	19,783	90,818	3,814,058	508,064

The disclosure for PPP assets is for information only. The costs and depreciation are included in 'Other Land and Buildings'.

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment - continued

14.7 Council Dwellings, Other Land and Buildings and Investment Properties

The Council carries out a rolling programme of revaluations that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out under the direction of the Council's Estate Manager (Projects), S. Sladdin RICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Fixtures and fittings are included in the valuation of the buildings where appropriate.

The significant assumptions applied in estimating fair value are:

- Unless otherwise stated, all properties with a greater than de minimis value were assumed to be in a reasonable state of repair and have a life expectancy of more than fifty years.
- The valuations were prepared using information from the Council's internal records, together with the valuation roll produced by Lothian Valuation Joint Board.
- Not all properties were inspected.

The following statement shows the progress of the Council's five-year rolling programme for the revaluation of property, plant and equipment.

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	29,119	59,968	98,551	1,344,090
Valued at fair value as at:				
31 March 2015	1,425	271,816	67,674	0
31 March 2014	1,013,882	450,255	125	0
31 March 2013	392	683,147	850	0
31 March 2012	0	238,880	0	0
31 March 2011	2,333	79,610	0	0
Total cost or valuation	1,047,151	1,783,676	167,200	1,344,090

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	12,192	51	50,330	1,594,301
Valued at fair value as at:				
31 March 2015	0	1,175	0	342,090
31 March 2014	0	0	0	1,464,262
31 March 2013	0	5,008	0	689,397
31 March 2012	0	0	0	238,880
31 March 2011	0	6,400	0	88,343
Total cost or valuation	12,192	12,634	50,330	4,417,273

NOTES TO THE FINANCIAL STATEMENTS

15. Investment Properties

15.1 Income and Expenses on Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Rental income from investment properties	(387)	(387)	(212)	(212)
Direct operating expenses arising from investment property	68	68	0	0
	<u>(319)</u>	<u>(319)</u>	<u>(212)</u>	<u>(212)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal.

15.2 Movement in Fair Value

The following table summarises the movement in the fair value of investment properties over the year.

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	2,415	2,215	2,640	2,215
Additions:				
- Subsequent expenditure	0	0	51	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	13,889	13,889	(276)	0
Transfers	0	0	0	0
- (to) / from Inventories	0	0	0	0
- (to) / from Property, Plant and Equipment	0	0	0	0
- (to) / from Assets Held for Sale	0	0	0	0
Value at 31 March	<u>16,304</u>	<u>16,104</u>	<u>2,415</u>	<u>2,215</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Intangible Assets

Intangible assets mainly represent purchased software licences.

Software is given a finite useful life based on the period of the licence purchased.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.710m in 2014/15 (2013/14 £0.257m) was charged to the following services.

	2014/15	2013/14
	£000	£000
Education services	56	44
Cultural and related services	0	32
Social Work	12	168
Services to the Public	642	13
Total amortisation	<u>710</u>	<u>257</u>

The movement on intangible asset balances during the year is as follows:

	2014/15		2013/14	
	Group	Council	Group	Council
	£000	£000	£000	£000
Balance at 1 April				
Gross carrying amount	6,185	6,185	3,049	3,049
Less: Accumulated amortisation	<u>(2,893)</u>	<u>(2,893)</u>	<u>(2,636)</u>	<u>(2,636)</u>
Net carrying amount at 1 April	3,292	3,292	413	413
Additions during the year				
- Purchased intangible assets	2,372	2,372	3,167	3,167
Impairment during the year	0	0	(31)	(31)
Amortisation for the period	<u>(710)</u>	<u>(710)</u>	<u>(257)</u>	<u>(257)</u>
Net carrying amount at 31 March	<u>4,954</u>	<u>4,954</u>	<u>3,292</u>	<u>3,292</u>
Comprising:				
Gross carrying amounts	8,557	8,557	6,185	6,185
Accumulated amortisation	<u>(3,603)</u>	<u>(3,603)</u>	<u>(2,893)</u>	<u>(2,893)</u>
Net carrying amount at 31 March	<u>4,954</u>	<u>4,954</u>	<u>3,292</u>	<u>3,292</u>

The following items of capitalised software are individually material within intangible assets.

	Carrying Amount		Remaining
	2014/15	2013/14	Amortisation
	£000	£000	Period
			31.03.15
Master data management software	887	717	4 years
Web-based solution software, including web forms	953	683	4 years
Integration engine software	846	633	4 years
Customer relationship management solutions	1,687	631	4 years
Security management software	285	357	4 years

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets

17.1 Reconciliation of the Carrying Value of Heritage Assets Movements in 2014/15

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2014	576	2,047	6,797
Additions	44	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(7)	0	0
At 31 March 2015	<u>613</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
At 1 April 2014	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2015	<u>613</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2014	<u>576</u>	<u>2,047</u>	<u>6,797</u>
	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2014	1,675	19,296	30,391
Additions	0	0	44
Revaluation increases / (decreases) recognised in the Revaluation Reverse	300	347	647
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(7)
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>
Accumulated Impairment			
At 1 April 2014	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>
At 31 March 2014	<u>1,675</u>	<u>19,296</u>	<u>30,391</u>

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets - continued

17.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2013/14 Comparative Data

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2013	423	2,047	6,797
Additions	153	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2014	576	2,047	6,797
Accumulated Impairment			
At 1 April 2013	0	0	0
At 31 March 2014	0	0	0
Net book value			
At 31 March 2014	576	2,047	6,797
At 31 March 2013	423	2,047	6,797
	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2013	1,675	19,296	30,238
Additions	0	0	153
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2014	1,675	19,296	30,391
Accumulated Impairment			
At 1 April 2013	0	0	0
At 31 March 2014	0	0	0
Net book value			
At 31 March 2014	1,675	19,296	30,391
At 31 March 2013	1,675	19,296	30,238

NOTES TO THE FINANCIAL STATEMENTS

17. Heritage Assets - continued

17.2 Details of Heritage Assets

- Monuments and Statues are valued on an historic basis and valuations are carried out under the direction of the Council's Estate Manager (Projects).
- Civic Regalia and artefacts include items such as the Lord Provost's Badge and Chain of Office and the Rosebery Jewel. The value of these assets is based on an insurance purposes valuation carried out in 1998.
- Archival collections include historical records which relate to the history of Edinburgh and its surrounding areas. The value of these assets is based on a current insurance purposes valuation based on restoration costs only. This valuation has not changed since 2008/09.
- Libraries special collections include items such as rare book collections and pictures in Calotype. The value of these assets is based on an insurance purposes valuation carried out in 2007 with a minor proportions valuation being updated in 2014.
- Museums and Gallery collections include various collections held at a number of museums across Edinburgh. They include items held within the Social History, Applied Art, Writers Museum, Childhood, City Art Centre and Picture Loan Scheme. The value of these assets is based on insurance purposes valuations carried out in 2003 along with a minor proportions valuation being updated in 2014. A small minority of the assets are based on insurance purposes valuations carried out in 1996.
- The valuations for heritage assets have all been carried out internally and although they are from earlier periods, they are considered the most appropriate and relevant. Carrying out valuations for the majority of collections held is very costly and time consuming so it is not practicable to obtain recent valuations at a cost which is commensurate with the benefits to users of the financial statements. The carrying amounts of these heritage assets will be reviewed with sufficient regularity in the future to ensure they are brought up to date and remain appropriate.
- It has not been practical or possible to split out all heritage assets belonging to common good, charities or trusts. Therefore, the Council's balance sheet may hold this element of heritage assets that belong to other entities.
- The Council has three private vehicle registration plates which meet the definition of intangible heritage assets. These have not been recognised on the balance sheet due to lack of information on cost or current value. They are limited registration numbers that rarely become available for sale and therefore no relevant or appropriate current value can be placed on these.

18. Financial Instruments

18.1 Categories of Financial Instruments

The following categories of financial instrument are carried on the Council's Balance Sheet

	Long-Term		Current	
	31.03.15	31.03.14	31.03.15	31.03.14
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	99,286	40,077
Unquoted equity investment at cost	23,335	23,335	0	0
Total investments	23,335	23,335	99,286	40,077
Debtors				
Loans and receivables	4,374	3,500	37,522	29,892
Total debtors	4,374	3,500	37,522	29,892
Borrowings				
Financial liabilities (principal amount)	(1,351,533)	(1,394,588)	(64,341)	(41,495)
Accrued interest	0	0	(17,856)	(18,293)
Cost of amortisation	(9,074)	(9,196)	33	0
Total borrowings	<u>(1,360,607)</u>	<u>(1,403,784)</u>	<u>(82,164)</u>	<u>(59,788)</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.1 Categories of Financial Instruments - continued

	Long-Term	
	31.03.15	31.03.14
	£000	£000
Other Long-Term Liabilities		
PPP and finance lease liabilities	(226,589)	(200,021)
Deferred liability	(350)	(350)
Total other long-term liabilities	<u>(226,939)</u>	<u>(200,371)</u>

Further detail on the finance lease and PPP liabilities can be seen in notes 40 and 41.

	Current	
	31.03.15	31.03.14
	£000	£000
Creditors		
Financial liabilities at amortised cost	(18,597)	(11,141)
PPP and finance leases due within 1 year	(10,736)	(8,821)
Total creditors	<u>(29,333)</u>	<u>(19,962)</u>

Lothian Regional Council entered into an agreement for the disposal of Norton Park Annex to the Tudor Trust. The terms of the disposal included the creation of a Title Company with share capital of 100 ordinary shares, held by the Tudor Trust, and 350,000 £1 preference shares held by City of Edinburgh Council. The preference shares carry rights that, in the event of the company being wound up or the property sold, the Council will receive the first £0.35m of the sale proceeds. This is reflected in the Balance Sheet as 'Other Long-term Liabilities' of £0.35m, as shown above and as a long-term investment.

18.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Total £000
Interest expense	76,522	33	76,555
Impairment losses	0	(238)	(238)
Total expense in Surplus on the Provision of Services	<u>76,522</u>	<u>(205)</u>	<u>76,317</u>
Interest income	0	684	684
Net gain for the year	<u>76,522</u>	<u>479</u>	<u>77,001</u>

In addition to the above interest expense, £1.887m (2013/14 £1.877m) was charged to the loans pool from the financial instruments adjustment account during the year, but not reflected in the Comprehensive Income and Expenditure Statement. It also excludes £0.279m (2013/14 £0.317m) of loans fund expenses charged to the Council.

18.3 Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWL) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments - continued

18.3 Fair Value of Assets and Liabilities - continued

- for loans and receivables, the prevailing benchmark market rates have been used to provide the fair value.
- no early repayment of impairment is recognised.
- where no instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value.
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31.03.15		31.03.14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	(1,128,116)	(1,562,608)	(1,156,294)	(1,414,394)
European Investment Bank	(1,813)	(1,813)	0	0
Market debt	(293,496)	(495,419)	(293,515)	(315,636)
Temporary borrowing	(16,469)	(16,469)	(11,969)	(11,969)
Other bodies	(2,876)	(2,876)	(1,793)	(1,793)
Other long-term liabilities	(350)	(350)	(350)	(350)
Trade creditors	(18,597)	(18,597)	(11,141)	(11,141)
Finance Leases	(237,325)	(237,325)	(208,842)	(208,842)
Financial liabilities	<u>(1,699,042)</u>	<u>(2,335,457)</u>	<u>(1,683,904)</u>	<u>(1,964,125)</u>

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31.03.15		31.03.14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments				
Loans and receivables	99,286	99,286	40,077	40,077
Unquoted equity investment at cost	23,335	23,335	23,335	23,335
Debtors				
Loans and receivables	4,374	4,374	3,500	3,500
Other trade debtors	37,522	37,522	29,892	29,892
Total Investments	<u>164,517</u>	<u>164,517</u>	<u>96,804</u>	<u>96,804</u>

19. Inventories

19.1 Group - Movements in 2014/15

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	591	831	1,424	89
Purchases	26,043	2,906	23,433	329
Held by a third party	0	33	0	0
Recognised as an expense in the year	(26,134)	(2,605)	(23,466)	(326)
Stock written off	0	0	0	(1)
Balance at 31 March	<u>500</u>	<u>1,165</u>	<u>1,391</u>	<u>91</u>

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories - continued

19.1 Group - Movements in 2014/15 - continued

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	14,081	79	125	17,220
Purchases	(2)	271	2,630	55,610
Held by a third party	0	0	0	33
Recognised as an expense in the year	(5,393)	(260)	(2,621)	(60,805)
Stock written off	0	0	0	(1)
Balance at 31 March	<u>8,686</u>	<u>90</u>	<u>134</u>	<u>12,057</u>

19.2 Group - Comparative Movements in 2013/14

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	389	742	1,494	79
Purchases	27,174	2,031	24,371	321
Held by a third party	0	27	0	0
Recognised as an expense in the year	(26,972)	(1,969)	(24,441)	(310)
Stock written off	0	0	0	(1)
Balance at 31 March	<u>591</u>	<u>831</u>	<u>1,424</u>	<u>89</u>

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	9,933	74	113	12,824
Purchases	4,173	199	2,570	60,839
Held by a third party	0	0	0	27
Recognised as an expense in the year	(25)	(194)	(2,558)	(56,469)
Stock written off	0	0	0	(1)
Balance at 31 March	<u>14,081</u>	<u>79</u>	<u>125</u>	<u>17,220</u>

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories - continued

19.3 Council - Movements in 2014/15

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	165	831	1,242	89
Purchases	2,771	2,906	8,081	329
Held by a third party	0	33	0	0
Recognised as an expense in the year	(2,822)	(2,605)	(8,168)	(326)
Stock written off	0	0	0	(1)
Balance at 31 March	<u>114</u>	<u>1,165</u>	<u>1,155</u>	<u>91</u>

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	6	79	125	2,537
Purchases	(2)	271	2,630	16,986
Held by a third party	0	0	0	33
Recognised as an expense in the year	(4)	(260)	(2,621)	(16,806)
Stock written off	0	0	0	(1)
Balance at 31 March	<u>0</u>	<u>90</u>	<u>134</u>	<u>2,749</u>

19.4 Council - Comparative Movements in 2013/14

	Fuel Stocks £000	Items Provided at Nil or Nominal Charge £000	Construction and Other Raw Materials £000	Items Held for Sale £000
Balance at 1 April	170	742	1,200	79
Purchases	2,997	2,031	8,013	321
Held by a third party	0	27	0	0
Recognised as an expense in the year	(3,002)	(1,969)	(7,971)	(310)
Stock written off	0	0	0	(1)
Balance at 31 March	<u>165</u>	<u>831</u>	<u>1,242</u>	<u>89</u>

NOTES TO THE FINANCIAL STATEMENTS

19. Inventories - continued

19.4 Council - Comparative Movements in 2013/14

	Work in Progress £000	Clothing and Equipment £000	Catering Stocks £000	Total £000
Balance at 1 April	8	74	113	2,386
Purchases	23	199	2,570	16,154
Held by Third Party	0	0	0	27
Recognised as an expense in the year	(25)	(194)	(2,558)	(16,029)
Stock written off	0	0	0	(1)
Balance at 31 March	6	79	125	2,537

20. Debtors

20.1 Long-term Debtors

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	34,865	34,865	35,629	35,629
Other local authorities	1,142	1,142	0	0
NHS bodies	97	97	0	0
Public corporations and trading funds	0	0	0	0
Other entities and individuals	190,604	194,104	239,230	242,730
Total long-term debtors before provision for impairment	226,708	230,208	274,859	278,359
Less: Provision for impairment	(113,562)	(113,562)	(179,093)	(179,093)
Total net long-term debtors	113,146	116,646	95,766	99,266

20.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Capital advances				
Police Scotland	18,262	18,262	20,351	20,351
Fire Scotland	3,192	3,192	4,467	4,467
Council Tax	91,519	91,519	86,448	86,448
Community Charge	0	0	72,458	72,458
Non-Domestic Rates	1,757	1,757	1,590	1,590
CEC Holdings	0	3,500	0	3,500
Edinburgh Marketing loan	0	0	9	9
NHT Loans (see note 34.3)	45,665	45,665	35,969	35,969
House rents	3,194	3,194	3,528	3,528
Car loan scheme	146	146	150	150
Other debtors	62,973	62,973	49,889	49,889
	226,708	230,208	274,859	278,359

Long-term debtors include £18.262m (2013/14 £20.351m) and £3.192m (2013/14 £4.467m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

The Community Charge Debt (Scotland) Act 2015 was passed on 19 February 2015, bringing to an end the collection of Community Charge in Scotland. The Council has written off the Community Charge debtor in full during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors - continued

20.3 Current Debtors

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	27,582	25,294	51,465	49,860
Other local authorities	3,682	2,836	6,845	6,250
NHS bodies	1,645	1,645	989	989
Public corporations and trading funds	86	86	2,493	2,493
Other entities and individuals	140,137	130,427	153,649	145,843
Total current debtors before provision for impairment	173,132	160,288	215,441	205,435
Less: Provision for impairment	(90,665)	(90,665)	(91,841)	(91,833)
Total net current debtors	82,467	69,623	123,600	113,602

20.4 Provision for Impairment

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Community charge	0	0	(72,459)	(72,459)
Council tax	(87,720)	(87,720)	(82,863)	(82,863)
Non-Domestic rates	(1,362)	(1,362)	(1,208)	(1,208)
Sundry debtors	(24,480)	(24,480)	(22,563)	(22,563)
Total long-term provision for impairment	(113,562)	(113,562)	(179,093)	(179,093)
Current provision for impairment	£000	£000	£000	£000
Community charge	0	0	(30)	(30)
Council tax	(80,090)	(80,090)	(79,410)	(79,410)
Non-Domestic rates	(190)	(190)	(342)	(342)
Sundry debtors	(10,385)	(10,385)	(12,059)	(12,051)
Total current provision for impairment	(90,665)	(90,665)	(91,841)	(91,833)

21. Cash and Cash Equivalents

The balance of cash and cash equivalents comprises the following elements. Investments maturing within three months of the balance sheet are deemed to be cash and cash equivalents.

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Cash held	385	385	389	389
Bank current accounts	(4,167)	(17,723)	1,588	(15,712)
Short-term deposits:				
With banks or building societies	65,007	65,007	25,432	25,432
With other local authorities	0	0	0	0
With money market fund	29,131	29,131	8,234	8,234
With treasury bills	2,565	2,565	1,824	1,824
Other	2,583	2,583	0	0
	95,504	81,948	37,467	20,167

NOTES TO THE FINANCIAL STATEMENTS

22. Assets Held for Sale

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
22.1 Non-Current Assets				
Balance at 1 April	17,379	17,379	19,551	19,551
Additions	95	95	78	78
Revaluation gains/(losses) recognised in the revaluation reserve	8,200	8,200	450	450
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(537)	(537)	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	5,585	5,585	180	180
Assets sold	(2,697)	(2,697)	(2,571)	(2,571)
Transfers from non-current to current	(6,846)	(6,846)	(309)	(309)
Balance at 31 March	<u>21,179</u>	<u>21,179</u>	<u>17,379</u>	<u>17,379</u>

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
22.2 Current Assets				
Balance at 1 April	2,889	2,889	5,273	5,273
Additions	22	22	24	24
Revaluation gains/(losses) recognised in the revaluation reserve	149	149	(226)	(226)
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(2)	(2)
Assets reclassified as held for sale: Property, Plant and Equipment	1,190	1,190	150	150
Assets sold	(2,593)	(2,593)	(2,639)	(2,639)
Transfers from non-current to current	6,846	6,846	309	309
Balance at 31 March	<u>8,503</u>	<u>8,503</u>	<u>2,889</u>	<u>2,889</u>

23. Creditors

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	(21,683)	(18,393)	(25,157)	(20,518)
Other local authorities	(15,305)	(14,296)	(11,419)	(12,544)
NHS bodies	(660)	(660)	(620)	(614)
Public corporations and trading funds	(2,426)	(2,426)	(3,528)	(3,528)
Other entities and individuals	(129,771)	(105,410)	(133,051)	(114,409)
	<u>(169,845)</u>	<u>(141,185)</u>	<u>(173,775)</u>	<u>(151,613)</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £19.769m (2013/14 £19.577m).

Of this amount, £17.993m (2013/14 £16.752m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, as summarised below. based on the Council's assessment of the costs.

	Trams £000	Equal Pay Claims £000	Council Tax Discounts £000
Balance at 1 April 2014	(4,418)	(4,679)	(1,766)
Additional provisions made during the year	(119)	0	0
Amounts used during the year	314	1,336	0
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	594	698	254
Balance at 31 March 2015	<u>(3,629)</u>	<u>(2,645)</u>	<u>(1,512)</u>
	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2014	(170)	(120)	(5,599)
Additional provisions made during the year	0	(173)	(5,005)
Amounts used during the year	170	116	558
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	0	16
Balance at 31 March 2015	<u>0</u>	<u>(177)</u>	<u>(10,030)</u>
	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2014	(16,752)	(2,825)	(19,577)
Additional provisions made during the year	(5,297)	0	(5,297)
Amounts used during the year	2,494	1,049	3,543
Transferred from other long-term liabilities	0	0	0
Unused amounts reversed during the year	1,562	0	1,562
Balance at 31 March 2015	<u>(17,993)</u>	<u>(1,776)</u>	<u>(19,769)</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 14 to 16) and Note 10.

26. Unusable Reserves

26.1 Summary of Unusable Reserves

Balance as at:

	31 March 2015 £000	31 March 2014 £000
Revaluation Reserve	911,395	918,790
Capital Adjustment Account	1,339,227	1,306,580
Financial Instruments Adjustment Account	(49,159)	(51,049)
Pensions Reserve	(726,969)	(535,498)
Employee Statutory Adjustment Account	<u>(20,738)</u>	<u>(26,357)</u>
Total Council Unusable Reserves	1,453,756	1,612,466
Subsidiaries, Associates and Joint Ventures	<u>99,107</u>	<u>108,949</u>
Total Group Unusable Reserves	<u><u>1,552,863</u></u>	<u><u>1,721,415</u></u>

26.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. 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; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2014/15 £000	2013/14 £000
Balance at 1 April	918,790	901,436
Upward revaluation of assets	49,478	98,837
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(30,408)	(49,625)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	19,070	49,212
Difference between fair value depreciation and historical cost depreciation	(19,524)	(19,541)
Accumulated gains on assets sold	<u>(6,941)</u>	<u>(12,317)</u>
Amount written off to the capital adjustment account	(26,465)	(31,858)
Balance at 31 March	<u><u>911,395</u></u>	<u><u>918,790</u></u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.3 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for 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 Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council to finance the costs for acquisition, construction and enhancement of non-current assets. The account also holds accumulated gains and losses on investment properties and evaluation gains accumulated on property, plant and equipment prior to 1 April 2007.

Note 9 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2014/15 £000	2013/14 £000
Balance at 1 April	1,306,580	1,301,035
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(135,488)	(129,145)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(13,577)	(63,992)
Amortisation of intangible assets	(710)	(288)
Capital funded from revenue	5,674	3,957
Revenue exp. funded from capital under statute	(32,641)	(30,365)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	4,716	(3,652)
	<u>(172,026)</u>	<u>(223,485)</u>
Adjusting amounts written out of the revaluation reserve	26,465	31,858
	<u>(145,561)</u>	<u>(191,627)</u>
Net written out amount of the costs of non-current assets consumed in the year		
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	21,479	16,707
Capital grants and contributions credited to the CIES that have been applied to capital financing	66,101	85,324
Application of grants from the capital grants unapplied account / capital fund	943	5,037
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	90,653	86,891
Capital expenditure charged against the General Fund and HRA balances	32,641	30,365
	<u>211,817</u>	<u>224,324</u>
Movements in the market value of investment properties credited to the CIES	13,889	0
Other unrealised losses debited to the CIES	<u>(47,498)</u>	<u>(27,152)</u>
Balance at 31 March	<u><u>1,339,227</u></u>	<u><u>1,306,580</u></u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.4 Financial Instruments Adjustment Account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund and Housing Revenue Account. This account also holds the equivalent interest rate adjustment on lender option / borrower option loans.

	2014/15	2013/14
	£000	£000
Balance at 1 April	(51,049)	(52,716)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,877	1,876
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	18	(216)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,895	1,660
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition	(5)	7
Balance at 31 March	<u>(49,159)</u>	<u>(51,049)</u>

The Council operates a loans pool on behalf of the General Fund and Housing Revenue Account. With the transfer of responsibility for Police and Fire services to the new national bodies, all movements are now reflected on the Council's Balance Sheet. An element of the cost, however, is recovered through the pooled interest rate and therefore there is no financial impact on the Council.

26.5 Pensions Reserve

The pensions reserve provides a balancing mechanism arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the Comprehensive Income and Expenditure Statement 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.

Statutory arrangements, however, require benefits to be financed as the Council makes its contributions to Lothian Pension Fund or pays any pensions for which it is directly responsible.

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

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.5 Pensions Reserve - continued

	2014/15	2013/14
	£000	£000
Balance at 1 April	(535,498)	(450,585)
Actuarial gains or losses on pension assets and liabilities	(156,748)	(60,621)
Reversal of items relating to retirement benefits debited or credited to the Surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement	(96,082)	(84,447)
Employer's pension contributions and direct payments to pensioners payable in the year	61,359	60,155
	<u> </u>	<u> </u>
Balance at 31 March	<u><u>(726,969)</u></u>	<u><u>(535,498)</u></u>

26.6 Employee Statutory Adjustment Account

The employee statutory adjustment account provides a balancing mechanism arising from the different arrangements that would otherwise impact on the General Fund and HRA balances from accruing for compensated absences earned but not taken in the year (annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund and HRA balances is mitigated by transfers to or from this account.

The amount accrued at the end of the 2014/15 is £5.619m lower than the previous year. This is mainly attributable to policy changes to the amount of unused leave that can be carried forward from year to year.

		2014/15	2013/14
		£000	£000
Balance at 1 April		(26,357)	(16,760)
Settlement or cancellation of accrual made at the end of the preceding year	26,357	16,760	
Amount accrued at the end of the current year	<u>(20,738)</u>	<u>(26,357)</u>	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		5,619	(9,597)
		<u> </u>	<u> </u>
Balance at 31 March		<u><u>(20,738)</u></u>	<u><u>(26,357)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2015 £000	31 March 2014 £000
Subsidiaries		
CEC Holdings Limited		
Capital adjustment account	64,465	64,465
Capital contribution	12,267	11,419
Transport for Edinburgh		
Revaluation reserve	6,337	6,477
Non Controlling Interest	5,598	7,325
Other Unusable Reserves	(4,457)	0
Total Unusable Reserves - Subsidiaries	84,210	89,686
Associates and Joint Ventures		
Common Good		
Capital adjustment account	(22)	(20)
Revaluation reserve	21,860	23,928
Lothian Valuation Joint Board		
Capital adjustment account	385	351
Employee statutory adjustment account	(59)	(54)
Pension reserve	(7,267)	(4,942)
Total Unusable Reserves - Associates and Joint Ventures	14,897	19,263
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	99,107	108,949

27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Interest received	(3,243)	(3,013)	(1,871)	(1,651)
Interest paid	96,112	95,646	96,806	96,313
Dividends received	(8,437)	(8,437)	(3,000)	(3,000)

NOTES TO THE FINANCIAL STATEMENTS

28. Cash Flow Statement - Investing Activities

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Purchase of property, plant and equipment, investment property and intangible assets	157,496	142,282	225,602	218,468
Other payments for investing activities	60,064	51,133	48,943	42,261
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(16,766)	(16,499)	(17,566)	(16,495)
Net proceeds from short- and long-term investments	(4,586)	(4,586)	(2,292)	(2,292)
Other receipts from investing activities	(13,330)	(13,329)	(13,396)	(13,322)
Net cash flows from investing activities	<u>182,878</u>	<u>159,001</u>	<u>241,291</u>	<u>228,620</u>

29. Cash Flow Statement - Financing Activities

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Cash receipts of short- and long-term borrowing	(48,189)	(47,342)	(13,245)	(11,563)
Other payments for / (receipts) from financing activities	1,263	1,263	1,576	1,576
Cash payments for the reduction of the outstanding liabilities relating to finance leases	12,317	9,695	14,102	9,923
Repayments of short- and long-term borrowing	30,454	30,454	29,057	29,057
Net cash flows from investing activities	<u>(4,155)</u>	<u>(5,930)</u>	<u>31,490</u>	<u>28,993</u>

30. Analysis of Change in Financing Activities

	Balance 01.04.14 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.15 £000
Group				
Debt due within 1 Year	(57,994)	(20,372)	579	(77,787)
Debt due after 1 Year	<u>(1,393,140)</u>	<u>41,654</u>	<u>13</u>	<u>(1,351,473)</u>
Total debt due	(1,451,134)	21,282	592	(1,429,260)
Other liquid resources	83,510	425	0	83,935
Finance leases	<u>(214,599)</u>	<u>(25,862)</u>	<u>1</u>	<u>(240,460)</u>
Total	<u>(1,582,223)</u>	<u>(4,155)</u>	<u>593</u>	<u>(1,585,785)</u>
Council				
Debt due within 1 Year	(57,994)	(21,872)	579	(79,287)
Debt due after 1 Year	<u>(1,403,784)</u>	<u>43,164</u>	<u>13</u>	<u>(1,360,607)</u>
Total debt due	(1,461,778)	21,292	592	(1,439,894)
Other liquid resources	100,088	1,263	0	101,351
Finance leases	<u>(208,841)</u>	<u>(28,485)</u>	<u>1</u>	<u>(237,325)</u>
Total	<u>(1,570,531)</u>	<u>(5,930)</u>	<u>593</u>	<u>(1,575,868)</u>

NOTES TO THE FINANCIAL STATEMENTS

31. Reconciliation of Movements in Cash Receipts and Repayments of Short- and Long-Term Borrowing

	Balance 01.04.14 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.15 £000
Group Financing				
Temporary loans	(11,969)	(4,495)	(5)	(16,469)
PWLB	(1,156,294)	27,743	435	(1,128,116)
Market loans	(293,515)	0	19	(293,496)
Other Borrowing	10,644	(1,966)	143	8,821
Net financing	<u>(1,451,134)</u>	<u>21,282</u>	<u>592</u>	<u>(1,429,260)</u>
Council Financing	£000	£000	£000	£000
Temporary loans	(11,969)	(4,495)	(5)	(16,469)
PWLB	(1,156,294)	27,743	435	(1,128,116)
Market loans	(293,515)	0	19	(293,496)
Other Borrowing	0	(1,956)	143	(1,813)
Net financing	<u>(1,461,778)</u>	<u>21,292</u>	<u>592</u>	<u>(1,439,894)</u>

Accrued interest is included in the carrying value of investments and loans.

32. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service shown in the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocations are taken by the Council on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made to departments in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of balances on the revaluation reserves are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on the payment of employer's contributions to Lothian Pension Fund rather than the current service cost of benefits earned during the year.
- expenditure on support services is budgeted for within the relevant departments that provide the support services and not charged directly to services receiving the support services.

The income and expenditure for the Council's main service areas is shown separately on the following pages. Income and expenditure for the subsidiary, associate and joint venture companies is shown in total.

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.1 Departmental Income and Expenditure

2014/15	Children and Families £000	Economic Dev't. £000	Corporate Governance £000
Fees, charges and other service income	(8,692)	(719)	(23,424)
Government grants and other contributions	(15,183)	(4,417)	(16,401)
Total Income	(23,875)	(5,136)	(39,825)
Employee expenses	260,755	4,516	44,158
Other service expenses	154,513	13,073	76,731
Total Expenditure	415,268	17,589	120,889
Net Expenditure / (Income)	391,393	12,453	81,064

	Health and Social Care £000	Housing Revenue Account £000	Valuation Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,736)	(104,564)	0	(213,368)
Government grants and other contributions	(54,302)	(1,586)	0	(34,984)
Total Income	(75,038)	(106,150)	0	(248,352)
Employee expenses	103,675	10,968	0	126,823
Other service expenses	181,600	85,470	3,745	258,064
Support service recharges	0	7,209	0	780
Total Expenditure	285,275	103,647	3,745	385,667
Net Expenditure / (Income)	210,237	(2,503)	3,745	137,315

	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(130,319)	(501,822)
Income from associates	0	0	(21,059)	(21,059)
Government grants and other contributions	(202,248)	0	(26,851)	(355,972)
Total Income	(202,248)	0	(178,229)	(878,853)
Employee expenses	0	(707)	83,591	633,779
Other service expenses	229,642	0	78,193	1,081,031
Expenditure on associates	0	0	0	0
Support service recharges	0	0	0	7,989
Depreciation, amortisation and impairment	0	0	8,952	8,952
Total Expenditure	229,642	(707)	170,736	1,731,751
Net Expenditure / (Income)	27,394	(707)	(7,493)	852,898

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.1 Departmental Income and Expenditure - continued

2013/14 Comparative Data	Children and Families £000	Economic Devt. £000	Corporate Governance £000
Fees, charges and other service income	(8,227)	(228)	(23,152)
Government grants and other contributions	(11,462)	(3,093)	(11,710)
Total Income	(19,689)	(3,321)	(34,862)
Employee expenses	258,766	4,156	45,091
Other service expenses	155,957	11,807	68,292
Total Expenditure	414,723	15,963	113,383
Net Expenditure / (Income)	395,034	12,642	78,521

	Health and Social Care £000	Housing Revenue Account £000	Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(18,714)	(99,541)	0	(205,817)
Government grants and other contributions	(53,767)	(1,138)	0	(39,987)
Total Income	(72,481)	(100,679)	0	(245,804)
Employee expenses	98,170	10,411	0	131,781
Other service expenses	174,181	78,589	3,745	241,912
Support service recharges	0	7,381	0	1,914
Total Expenditure	272,351	96,381	3,745	375,607
Net Expenditure / (Income)	199,870	(4,298)	3,745	129,803

	Net Cost of Benefits £000	Equal Pay £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(112,452)	(468,131)
Income from associates	0	0	(19,339)	(19,339)
Government grants and other contributions	(199,568)	0	(24,579)	(345,304)
Total Income	(199,568)	0	(156,370)	(832,774)
Employee expenses	0	(4,598)	77,374	621,151
Other service expenses	228,380	0	40,812	1,003,675
Expenditure on associates	0	0	21,063	21,063
Support service recharges	0	0	0	9,295
Depreciation, amortisation and impairment	0	0	9,323	9,323
Total Expenditure	228,380	(4,598)	148,572	1,664,507
Net Expenditure / (Income)	28,812	(4,598)	(7,798)	831,733

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.2 Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements for the Group and the Council

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Net expenditure in departmental analysis	852,898	860,391	831,733	839,531
Net expenditure of services and support services not included in the dept. analysis	33,230	33,230	19,110	19,110
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in departmental analysis	100,676	100,676	164,683	164,715
Amounts included in departmental analysis not included in CIES	(61,359)	(61,359)	(60,155)	(60,155)
Amounts included in the departmental analysis included below Cost of Services in the CIES	(66)	(66)	(45)	(45)
Cost of Services in CIES	<u>925,379</u>	<u>932,872</u>	<u>955,326</u>	<u>963,156</u>

32.3 Reconciliation to Subjective Analysis

Group 2014/15	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(501,822)	11,619	0
Income from associates and joint ventures	(21,059)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(355,972)	9,490	0
Total Income	<u>(878,853)</u>	<u>21,109</u>	<u>0</u>
Employee expenses	633,779	116,082	(51,856)
Other service expenses	1,081,031	(103,961)	0
Expenditure on associates and joint ventures	0	0	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	8,952	0	152,532
Total Expenditure	<u>1,731,751</u>	<u>12,121</u>	<u>100,676</u>
Net Expenditure / (Income)	<u>852,898</u>	<u>33,230</u>	<u>100,676</u>

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Group 2014/15	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

Group 2014/15	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(488,906)	(15,505)	(504,411)
Income from associates and joint ventures	(21,059)	0	(21,059)
Interest and investment income	0	(106,820)	(106,820)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(346,482)	(819,818)	(1,166,300)
Total Income	(856,447)	(1,155,119)	(2,011,566)
Employee expenses	639,297	701	639,998
Other service expenses	981,045	2,570	983,615
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	0
Depreciation, amortisation and impairment	161,484	0	161,484
Interest payments	0	212,377	212,377
Gain on disposal of assets	0	(4,807)	(4,807)
Total Expenditure	1,781,826	210,841	1,992,667
Net Expenditure / (Income)	925,379	(944,278)	(18,899)

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2014/15	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(371,503)	11,619	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(329,121)	9,490	0
Total Income	(700,624)	21,109	0
Employee expenses	550,188	116,082	(51,856)
Other service expenses	1,002,838	(103,961)	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	0	0	152,532
Total Expenditure	1,561,015	12,121	100,676
Net Expenditure / (Income)	860,391	33,230	100,676

Council 2014/15	Not Included in CIES £000	Reported Below Cost of Services £000	Allocation of Recharges £000
Fees, charges and other service income	0	1,297	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,297	0
Employee expenses	(61,359)	(701)	3,352
Other service expenses	0	(662)	4,637
Support service recharges	0	0	(7,989)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(61,359)	(1,363)	0
Net Expenditure / (Income)	(61,359)	(66)	0

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2014/15	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(358,587)	(15,505)	(374,092)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(91,135)	(91,135)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(319,631)	(819,818)	(1,139,449)
Total Income	(678,218)	(1,139,434)	(1,817,652)
Employee expenses	555,706	701	556,407
Other service expenses	902,852	662	903,514
Support service recharges	0	0	0
Depreciation, amortisation and impairment	152,532	0	152,532
Interest payments	0	196,902	196,902
Gain on disposal of assets	0	(4,716)	(4,716)
Total Expenditure	1,611,090	193,549	1,804,639
Net Expenditure / (Income)	932,872	(945,885)	(13,013)

Group 2013/14 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(468,131)	9,388	2,679
Income from associates and joint ventures	(19,339)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(345,304)	16,305	0
Total Income	(832,774)	25,693	2,679
Employee expenses	621,151	102,462	(31,776)
Other service expenses	1,003,675	(109,045)	(2,711)
Expenditure on associates and joint ventures	21,063	0	0
Support service recharges	9,295	0	0
Depreciation, amortisation and impairment	9,323	0	196,491
Total Expenditure	1,664,507	(6,583)	162,004
Net Expenditure / (Income)	831,733	19,110	164,683

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Group	Not	Reported	Allocation
2013/14 Comparative Data	Included	Below	of
	in CIES	Cost of	Recharges
	£000	Services	£000
Fees, charges and other service income	0	1,355	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,355	0
Employee expenses	(60,155)	(742)	3,769
Other service expenses	0	(658)	5,526
Expenditure on associates and joint ventures	0	0	0
Support service recharges	0	0	(9,295)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(60,155)	(1,400)	0
Net Expenditure / (Income)	(60,155)	(45)	0

Group	Cost of	Corporate	Total
2013/14 Comparative Data	Services	Amounts	£000
	£000	£000	
Fees, charges and other service income	(454,709)	(1,567)	(456,276)
Income from associates and joint ventures	(19,339)	0	(19,339)
Interest and investment income	0	(97,051)	(97,051)
Income from Council Tax	0	(207,925)	(207,925)
Government grants and other contributions	(328,999)	(822,318)	(1,151,317)
Total Income	(803,047)	(1,128,861)	(1,931,908)
Employee expenses	634,709	742	635,451
Other service expenses	896,787	2,555	899,342
Expenditure on associates and joint ventures	21,063	0	21,063
Support service recharges	0	0	0
Depreciation, amortisation and impairment	205,814	0	205,814
Interest payments	0	207,987	207,987
Gain on disposal of assets	0	4,221	4,221
Total Expenditure	1,758,373	215,505	1,973,878
Net Expenditure / (Income)	955,326	(913,356)	41,970

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2013/14 Comparative Data	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(355,679)	9,388	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	(320,725)	16,305	0
Total Income	(676,404)	25,693	0
Employee expenses	543,777	102,462	(31,776)
Other service expenses	962,863	(109,045)	0
Support service recharges	9,295	0	0
Depreciation, amortisation and impairment	0	0	196,491
Total Expenditure	1,515,935	(6,583)	164,715
Net Expenditure / (Income)	839,531	19,110	164,715
		Reported	Allocation
Council 2013/14 Comparative Data	Not Included in CIES £000	Below Cost of Services £000	of Recharges £000
Fees, charges and other service income	0	1,355	0
Income from associates and joint ventures	0	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	0	0	0
Total Income	0	1,355	0
Employee expenses	(60,155)	(742)	3,769
Other service expenses	0	(658)	5,526
Support service recharges	0	0	(9,295)
Depreciation, amortisation and impairment	0	0	0
Total Expenditure	(60,155)	(1,400)	0
Net Expenditure / (Income)	(60,155)	(45)	0

NOTES TO THE FINANCIAL STATEMENTS

32. Amounts Reported for Resource Allocation Decisions - continued

32.3 Reconciliation to Subjective Analysis - continued

Council 2013/14 Comparative Data	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(344,936)	(1,567)	(346,503)
Income from associates and joint ventures	0	0	0
Interest and investment income	0	(83,983)	(83,983)
Income from Council Tax	0	(207,925)	(207,925)
Government grants and other contributions	(304,420)	(822,318)	(1,126,738)
Total Income	(649,356)	(1,115,793)	(1,765,149)
Employee expenses	557,335	742	558,077
Other service expenses	858,686	658	859,344
Support service recharges	0	0	0
Depreciation, amortisation and impairment	196,491	0	196,491
Interest payments	0	194,060	194,060
Gain on disposal of assets	0	3,652	3,652
Total Expenditure	1,612,512	199,112	1,811,624
Net Expenditure / (Income)	963,156	(916,681)	46,475

33. Trading Operations

The following services continue to meet the definition of significant trading operations under the terms of the Local Government in Scotland Act 2003, as amended.

33.1 Edinburgh Catering Services - Other Catering

Edinburgh Catering Services - Other Catering is a quality accredited trading operation providing a catering service to staff and the public across seven Council buildings which includes civic hospitality in Waverley Court and the City Chambers.

Civic hospitality which includes external customers accounts for approximately 45% of the business turnover within this contract.

	2014/15 £000	2013/14 £000	2012/13 £000	Cumulative £000
Turnover	1,297	1,355	1,210	n/a
(Deficit) / Surplus	(66)	(45)	17	(94)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period, due to a downturn in turnover of both in-house catering and external hospitality. Reduced opening hours and menu rationalisation, along with investment in cheaper and more efficient equipment are planned to ensure cost reduction going forward.

The results of Edinburgh Catering Services - Other Catering are included within 'Financing and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

33. Trading Operations - continued

33.2 Refuse Collection, including Trade Waste

This trading operation provides refuse collection services for over 239,000 households, with the majority of these properties being served by a containerised waste collection system. Trade waste provides a collection and disposal service to producers of commercial waste throughout the city. In addition the service provides uplifts of bulky household refuse.

	2014/15 £000	2013/14 £000	2012/13 £000	Cumulative £000
Turnover	17,155	17,319	17,048	n/a
Surplus / (deficit)	2,279	2,997	878	6,154

Refuse Collection achieved its statutory obligation to break even over the three-year period.

Refuse Collection has implemented a number of service improvements and these have contributed to the improved financial position.

The results of Refuse Collection / Trade Waste are included within 'Environmental Services' in the Comprehensive Income and Expenditure Statement.

34. Financial Support and Guarantees

34.1 Loans and guarantees

The Council has made loans to the following organisations.

	2014/15 £000	2013/14 £000
Spartan Community Football Academy	50	111
Lothian Buses Ltd	1,000	0

Adjustments have been made under the requirements of IAS 39 as required by the Code.

34.2 Shared Equity Scheme

In 2010/11, the Council approved a pilot scheme for a Council-backed shared equity scheme to help buyers purchase homes from PARC (a subsidiary of CEC Holdings Limited) and support the regeneration of Craigmillar. The Council provided assistance to sixteen purchasers, at a cost of £0.484m. No further assistance has been provided since 2012/13.

The monies are required to be repaid to the Council either on sale of the property or after twenty years, whichever occurs earlier.

Interest for the period up to the first five years is charged to PARC and thereafter to the purchasers.

34.3 National Housing Trust

The National Housing Trust (NHT) is a housing initiative developed by the Scottish Government, in partnership with the Scottish Futures Trust (SFT) and local authorities. The aim is to deliver new homes for mid-market rent while at the same time stimulating the housing market.

The Scottish Government has granted the Council permission to borrow up to £55m for phase 1 to purchase homes from developers. The scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs.

The Council worked with the Scottish Government and the SFT to procure private developers to build up to 600 homes for mid market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships (LLPs), through the NHT initiative. Four contracts were awarded and all sites are complete, as of June 2014. A total of 422 new homes have been delivered at a cost of £45.67m.

Phase 2 of NHT home building was approved by Council in June 2014. Approval was granted to award the contract to Forth Ports Ltd for the delivery of up to 96 new affordable housing units. Investment totalling £11.92m will be required from the Council with the project starting in January 2016. Expenditure of £2.98m is forecast for 2015/16 with the remaining balance of £8.94m forecast for 2016/17.

A third phase of NHT has been approved and will deliver an additional 413 mid market rent (MMR) homes across four separate sites. Permission has been granted to borrow an additional £55m in support of this phase.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial Support and Guarantees - continued

34.3 National Housing Trust - continued

The Council has advanced the following sums under the NHT scheme:

Developer	Development Site	Total No. of Flats	2014/15 £000	Prior Years £000
Places for People	Lochend North	126	0	13,323
Places for People	Lighthouse Court	62	0	6,492
Teague Homes Limited	Salamander Place / Leith Links	145	9,696	5,855
Miller Homes	Telford North	89	0	10,299
			<u>9,696</u>	<u>35,969</u>

These sums are included within Long-term Debtors, as detailed in note 20.1.

35. Agency Income and Expenditure

The Council has entered into agency agreements with other local public bodies to provide and receive services, the income and expenditure for which is included in the Comprehensive Income and Expenditure Statement. The main activities were:

	2014/15 £000	2013/14 £000
Expenditure		
Payments to other local authorities in respect of:		
Area waste project	279	607
Educational services for children	1,842	2,297
Care services for children	1,491	535
Others		
Police officers	2,600	2,616
Police Scotland - cab inspection	299	410
Scottish Cities Alliance Investment Fund (see note 48.)	1,337	889
Total Expenditure	<u>7,848</u>	<u>7,354</u>
Income		
Receipts in respect of library services:		
Health Boards	(19)	(18)
Scottish Prison Service	(16)	(16)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(1,026)	(945)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,410)
Midlothian Council	(61)	(58)
Receipts from other local authorities in respect of:		
Criminal justice services	(1,055)	(873)
Educating pupils	(741)	(668)
Pentland Hills Regional Park management	(78)	(76)
Care services for children	(867)	(755)
Risk Factory	(39)	(40)
Social work undertakings	(4,302)	(3,825)
Total Income	<u>(9,884)</u>	<u>(8,684)</u>

36. Audit Costs

The fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.677m (2013/14 £0.684m). The Council has re-charged £0.047m of the audit fee to Lothian Pension Funds in respect of its audit (2013/14 £0.047m).

In addition, the Council paid audit fees to Scott Moncrieff for the audit of CEC Recovery Limited's accounts (formerly tie Limited). The Council paid £0.002m during 2014/15 (2013/14 £0.004m) for the audit of 2013/14 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

37. Grant Income

Grants and contributions credited to the Comprehensive Income and Expenditure Statement include the following:

	2014/15		2013/14	
	£000	£000	£000	£000
Revenue Funding				
Credited to taxation and non-specific grant income				
General revenue funding	(386,311)		(402,364)	
Non-domestic rates	<u>(364,108)</u>		<u>(334,630)</u>	
		(750,419)		(736,994)
Credited to services				
Government grants	(20,594)		(18,209)	
Department for Work and Pensions				
- Housing benefits	(202,325)		(199,568)	
- Other funding	(4,515)		(5,256)	
N.H.S. Lothian	(37,093)		(33,810)	
Other Local Authorities	(3,929)		(3,689)	
International Conference Centre Inc. Trust	(1,627)		(927)	
Edinburgh Leisure	(679)		(679)	
Scottish Prison Service	(489)		(484)	
Lottery funding	(25)		7	
SportScotland	<u>(1,012)</u>		<u>(1,054)</u>	
		<u>(272,288)</u>		<u>(263,669)</u>
Total		<u><u>(1,022,707)</u></u>		<u><u>(1,000,663)</u></u>
Capital Funding				
Scottish Government		(63,942)		(42,316)
Transport Scotland		(42)		(35,994)
Other grants and contributions, including contributions from developers and individuals		(4,422)		(2,773)
Lothian Health Board		0		(964)
Henderson Global		28		(905)
N-Power		0		(581)
Cruden Homes		(242)		(651)
Lothian Buses		0		(412)
Edinburgh Military Tattoo		0		(340)
Historic Scotland		(173)		(145)
Forth Estuary Transport Authority		(235)		(139)
Royal Bank of Scotland		(56)		(56)
Waste Recycling Environmental Grant		0		(45)
International Conference Centre Income Trust		0		(3)
Museum Galleries Scotland		(56)		0
Midlothian Council		(9)		0
Edinburgh Tram Ltd.		(17)		0
Edinburgh Tourist Board		<u>(233)</u>		<u>0</u>
Total		<u><u>(69,399)</u></u>		<u><u>(85,324)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties

During the year, the Council entered into a number of transactions with related parties. The most material of these transactions, not disclosed elsewhere, are shown below.

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure

	2014/15	2013/14
	£000	£000
• Revenue Expenditure		
Capital City Partnership	4,249	4,327
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh, and PARC)	220	439
Edinburgh Festival Theatres	771	778
Edinburgh Leisure Limited		
Revenue funding	9,590	9,559
Other expenditure	303	90
Edinburgh Trams Ltd	2,851	1,595
Edinburgh World Heritage Trust	49	89
Lothian Buses Limited		
Supported bus services	840	465
Other expenditure	3,954	2,042
NHS Bodies	2,398	2,189
Other Local Authorities	2,638	2,393
Scottish Government	171	0
Scottish and Southern Energy	264	536
Subsidiaries / Voluntary Organisations		
Criminal Justice Bodies	747	799
Dean and Calvin Charitable Trust	837	843
Edinburgh International Festival Society	2,506	2,505
Essential Edinburgh	0	298
Festivals Edinburgh Ltd	175	172
Handicab	448	448
Health Projects	156	154
Lifecare Edinburgh	539	538
Marketing Edinburgh	977	1,007
Royal Lyceum Theatre Co Ltd	382	379
Total Revenue Expenditure	35,065	31,645
• Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(196)	(208)
Edinburgh Festival Theatres	(59)	(72)
Professional services, rents, other grants and funding		
CEC Holdings Limited (including EICC Limited)	(1)	(92)
Edinburgh Leisure	(6)	(679)
Other Local Authorities	(2,971)	(2,407)
Scottish Government	(588)	(563)
Scottish Court Service	70	(489)
Lothian Health Board		
Change Fund	(2,065)	(3,906)
Resource transfers	(21,077)	(20,682)
Other Grants and Fees	(384)	(386)
Total Revenue Income	(27,277)	(29,484)

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties - continued

38.1 Subsidiaries and Other Organisations - Revenue Income and Expenditure - continued

	2014/15 £000	2013/14 £000
<ul style="list-style-type: none"> ● Joint Board Requisitions 		
Lothian Valuation Joint Board	3,745	3,745
SESTRAN	0	0
Total Joint Board Requisitions	3,745	3,745
<ul style="list-style-type: none"> ● Central Support Income 		
Forth Estuary Transport Authority	(61)	(100)
Lothian Valuation Joint Board	(45)	(63)
Pension Funds	(322)	(522)
Total Central Support Income	(428)	(685)
<ul style="list-style-type: none"> ● Interest on Revenue Balances 		
Forth Estuary Transport Authority	(11)	(18)
Lothian Valuation Joint Board	3	3
Pension Funds	22	10
SESTRAN	(1)	(1)
Total Interest on Revenue Balances	13	(6)
<ul style="list-style-type: none"> ● Loans Charges Recovered 		
Further Education Colleges (pre 1996 expenditure)	0	(141)
Lothian and Borders Fire and Rescue Board	(1,503)	(1,746)
Lothian and Borders Police Board	(3,130)	(3,213)
Total Loans Charges	(4,633)	(5,100)
38.2 Subsidiaries and Other Organisations - Capital Expenditure		
<ul style="list-style-type: none"> ● Capital Expenditure 		
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh and PARC)	1,334	2,798
Edinburgh Leisure	165	168
Edinburgh Military Tattoo	0	340
Hubco	4,468	8,345
Other Local Authorities	2,320	0
Scottish Government	261	0
Sport Scotland	151	0
Transport Scotland	0	1,109
Total Capital Expenditure	8,699	12,760

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties - continued

38.3 Related Parties - Indebtedness

The following represent material amounts due to / (by) the Council, at 31 March 2015:

	2014/15	2013/14
	£000	£000
CEC Holdings Limited (including all subsidiaries)	(169)	(658)
Edinburgh Military Tattoo	0	5
Forth Estuary Transport Authority	509	5,219
Hubco	(770)	(705)
Lothian and Borders Criminal Justice Authority	2,599	2,594
Scottish Fire and Rescue Service	1,228	1,642
Police Scotland	48	(596)
Lothian Valuation Joint Board	(1,233)	(924)
Lothian Buses	0	(48)
NHS Bodies	540	414
Pension Funds	(6,361)	(8,851)
Scottish Government	7,079	8,017
Scottish Water	70	2,418
SESTRAN	1,090	335
SUSTRANS	710	573
Transport Scotland	422	17,468
	<u>5,762</u>	<u>26,903</u>
• Other Indebtedness		
HM Revenue and Customs - VAT	8,879	9,524
HM Revenue and Customs - PAYE and NI	(9,397)	(11,301)
	<u>(518)</u>	<u>(1,777)</u>
• Investments held on behalf of, and repayable to:		
CEC Holdings	(120)	(196)
Common Good	(2,756)	(1,597)
	<u>(2,876)</u>	<u>(1,793)</u>

NOTES TO THE FINANCIAL STATEMENTS

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred during the year is shown below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years through charges to revenue (loan charges), capital expenditure results in an increase in the capital financing requirement. This shows the amount of capital expenditure that has yet to be financed. The capital financing requirement is analysed below.

	2014/15		2013/14	
	£000	£000	£000	£000
Opening capital financing requirement		1,728,465		1,700,769
Capital Investment				
Property, plant and equipment	149,626		185,501	
Heritage Assets	44		153	
Assets held for sale	117		102	
Intangible assets	2,372		3,167	
Capital Receipts transferred to Capital Fund	11,298		8,805	
National Housing Trust - Consent to borrow (see note 34.3)	9,696		29,333	
Revenue expenditure funded from capital under statute	32,641		30,365	
Adjustments to PPP schools during the year (reflected in finance leases)	12,610		0	
		218,404		257,426
Sources of Finance				
Capital receipts	(21,479)		(16,707)	
Capital Funded from Current Revenue	(5,674)		(3,957)	
Government grants and other contributions	(99,372)		(120,777)	
Loans fund / finance lease repayments	(94,314)		(88,289)	
		(220,839)		(229,730)
Closing capital financing requirement		1,726,030		1,728,465
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow		(37,331)		25,650
Voluntary debt repayment - HRA		(6,123)		(6,000)
Assets acquired under finance leases		7,172		8,046
Assets acquired under PFI/PPP contracts		33,847		0
(Decrease) / Increase in capital financing requirement		(2,435)		27,696

NOTES TO THE FINANCIAL STATEMENTS

40. Leases

40.1 Assets Leased in - Finance Leases

The Council has acquired two buildings and its IT equipment under finance leases. Following in year reassessment, copying equipment is now determined to meet the definition of operating lease and has been reclassified from finance lease to operating lease classification. The assets acquired under these leases are included in property, plant and equipment in the Balance Sheet:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	13,768	8,011	12,249	3,093
Additions during the year	7,172	7,172	8,046	8,046
Reclassification to operating lease during the year	(2,840)	(2,840)	0	0
Repayments during the year	(5,442)	(2,820)	(6,527)	(3,128)
Value at 31 March	<u>12,658</u>	<u>9,523</u>	<u>13,768</u>	<u>8,011</u>
Other land and buildings	126	126	190	190
Vehicles, plant, equipment and furniture	<u>12,532</u>	<u>9,397</u>	<u>13,578</u>	<u>7,821</u>
Value at 31 March	<u><u>12,658</u></u>	<u><u>9,523</u></u>	<u><u>13,768</u></u>	<u><u>8,011</u></u>

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 and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are shown below:

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Finance lease liabilities:				
Current	5,275	2,816	4,548	1,926
Non-current	7,383	6,707	9,220	6,085
Finance costs payable	751	751	817	817
Minimum lease payments	<u>13,409</u>	<u>10,274</u>	<u>14,585</u>	<u>8,828</u>

The minimum lease payments will be payable over the following periods:

Minimum Finance Lease Repayments	at 31.03.15		at 31.03.14	
	Group £000	Council £000	Group £000	Council £000
Not later than one year	5,495	3,036	4,791	2,169
Later than one year and not later than five years	7,914	7,238	9,790	6,655
Later than five years	0	0	4	4
	<u>13,409</u>	<u>10,274</u>	<u>14,585</u>	<u>8,828</u>
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	5,275	2,816	4,548	1,926
Later than one year and not later than five years	7,383	6,707	9,220	6,085
Later than five years	0	0	0	0
	<u>12,658</u>	<u>9,523</u>	<u>13,768</u>	<u>8,011</u>

NOTES TO THE FINANCIAL STATEMENTS

40. Leases - continued

40.2 Assets Leased in - Operating Leases

The Group leases in property, vehicles and copying equipment (reclassified from finance lease to operating lease following in year reassessment) financed under the terms of operating leases. The amount charged to the Comprehensive Income and Expenditure Statement under these arrangements and the value of future payments under operating leases is shown below.

The amounts recognised as an expense during the year include £0.277m of contributions paid by employees towards cost of car leasing (2013/14 £0.399m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.362m is recoverable from employees (2013/14 £0.387m):

	2014/15		2013/14	
	Group £000	Council £000	Group £000	Council £000
Future Repayment Period				
Not later than one year	2,146	2,081	4,831	4,554
Later than one year and not later than five years	6,096	5,823	6,633	5,993
Later than five years	6,640	6,164	7,442	7,091
	14,882	14,068	18,906	17,638
Value at 31 March				
Other land and buildings	13,355	13,355	16,750	16,669
Vehicles, plant, equipment and furniture	1,730	713	2,156	969
	15,085	14,068	18,906	17,638
Recognised as an expense during the year	2,675	2,454	5,196	4,899

40.3 Assets Leased Out by the Council - Operating Leases

The Council leases out property and equipment under operating leases for a number of purposes, including:

- for economic development purposes, including regeneration and to provide suitable affordable accommodation for local businesses.
- to arm's length companies for the provision of services such as sport and leisure and theatres.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2014/15 £000	2013/14 £000
Not later than one year	14,116	12,599
Later than one year and not later than five years	41,346	34,356
Later than five years	157,676	164,926
	213,138	211,881

The Council has a number of leases that are agreed for a period of over 100 years, the majority of which relate to land.

NOTES TO THE FINANCIAL STATEMENTS

41. Public Private Partnerships and Similar Contracts

41.1 PPP - Education Projects

In 2001, the Council entered into a Public Private Partnership (PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership. This agreement was supplemented by a further agreement in April 2004, which now requires Edinburgh Schools Partnership either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to a high standard. When the agreement ends in July 2033 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In April 2007, the Council entered into a second Public Private Partnership (PPP2) for the provision of school buildings, maintenance and other facilities with Axiom Education Limited. This required Axiom Education Limited to replace six secondary schools and two primary schools and to maintain these schools to a high standard. When the agreement ends in July 2038 the schools will be handed to the Council with a guaranteed maintenance-free life of five years.

In December 2013, the Council entered in to an agreement with Hub South East Scotland for the provision of a new building for James Gillespies High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. Construction of the new facility is phased, with the initial phase (comprising the main teaching block) due for completion in April 2015, and final phases (including sports hall, social / assembly buildings) due for completion in July 2016. The concession is due to terminate in July 2041.

Under the agreements the Council is committed to paying the following sums as detailed in the contractor's final bid model:

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2015/16	15,874	7,920	18,327	42,121
Payable within two to five years	73,035	32,126	73,767	178,928
Payable within six to ten years	113,175	40,677	84,187	238,039
Payable within eleven to fifteen years	131,071	49,200	74,386	254,657
Payable within sixteen to twenty years	125,875	56,493	58,087	240,455
Payable within twenty one to twenty five years	61,670	37,452	26,747	125,869
Payable within twenty six to thirty years	808	3,934	617	5,359
	<u>521,508</u>	<u>227,802</u>	<u>336,118</u>	<u>1,085,428</u>

Payments due under the PPP1 scheme have been inflated by 1.11% per annum and those due under the PPP2 scheme have been inflated by 1.67% per annum, reflecting the terms of the separate contracts.

The amounts disclosed as reimbursement of capital expenditure are included in other long-term liabilities on the Balance Sheet.

The unitary charges paid to the service providers include amounts to compensate the providers for the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the service providers for capital expenditure incurred is as follows:

	2014/15 £000	2013/14 £000
Balance at 1 April	200,831	207,625
PPP unitary charge restatement adjustment	64	0
Additions during the year	33,847	0
Repayments during the year	<u>(6,940)</u>	<u>(6,794)</u>
Balance at 31 March	<u>227,802</u>	<u>200,831</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Public Private Partnerships and Similar Contracts - continued

41.2 Provision of Information Technology services

In 2001 the Council entered into a ten year Public Private Partnership for the provision of information technology services. This contract has now been extended for another five years.

The Council is in the process of tendering a new Information Technology contract, this is expected to be in place by 2016/17.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown):

Future Repayment		Inflationary
Period	£000	Uplift
2015/16	<u>28,222</u>	0.9%

The equipment assessed as a finance lease within this contract is included in note 40.1. The above payment includes the elements relating to the finance lease for the equipment.

The cost of information technology is included in overheads and is re-allocated to services.

41.3 Provision of Parking Enforcement

The Council has entered into a five year contract with NSL for the provision of parking enforcement. The contract commenced on 1 October 2014 and ends on 30 September 2019. There is also a five year extension clause at the end of this period.

Under the agreement the Council is committed to paying the following sums in cash terms:

Future Repayment	
Period	£000
2015/16	5,670
2016/17 - 2019/20	<u>19,845</u>
	<u>25,515</u>

41.4 Waste Disposal

The Council entered into a twenty year contract with Viridor in 2000 to supply waste to their landfill site in Dunbar. The contract requires the Council to supply an agreed tonnage to the landfill site each calendar year. Fees are subject to review twice a year, based on civil engineering indices.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an increase of 2% per annum):

Future Repayment	
Period	£000
2015/16	3,099
2016/17 - 2019/20	13,030
2020/21	<u>1,418</u>
	<u>17,547</u>

41.5 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £23.573m.

NOTES TO THE FINANCIAL STATEMENTS

42. Pension schemes accounted for as defined contribution schemes

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Public Pensions Agency. The scheme is excluded from the accounting requirements of IAS 19 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participating authorities. The accounts, therefore, only include the payments made by the Council to the scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the scheme as they are administered through the Local Government Pension Scheme and are taken into consideration in accounting for pension costs under IAS 19.

	2014/15		2013/14	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	18,335		18,002	
As a percentage of teachers' pensionable pay		14.90		14.90
Amount paid in respect of added years	0		0	
As a percentage of teachers' pensionable pay		0.00		0.00
Capitalised value of discretionary awards entered into prior to 2013/14	21,123		20,949	

At 31 March 2015, creditors include £2.487m (2013/14 £2.653m) in respect of teachers' superannuation.

43. Defined Pension Schemes

43.1 Participation in Pension Scheme

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not be payable until employees retire, the Council has a commitment to make payment for those benefits and to disclose them at the time that employees earn their future entitlement.

Employees other than teachers are eligible to join the Local Government Pension Scheme. The pension costs charged to Services in respect of these employees have been calculated under IAS 19 - Employee Benefits.

In terms of this scheme, in 2014/15 the Council paid an employer's contribution of £54.843m (2013/14 £53.537m) into the Lothian Pension Fund, representing 21.3% (2013/14 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The latest review was in March 2014.

The Fund's Actuary is unable to provide an analysis of IAS19 pension costs by individual service. The charge in the Comprehensive Income and Expenditure Statement applied against each service included in 'Cost of Services' reflects an apportionment of costs in line with the actual cash payments made by the Council to Lothian Pension Fund.

43.2 Transactions Relating to Post-Employment Benefits

The cost of pension benefits, as assessed by the Fund's Actuary and reflected within 'Cost of Services', differed from the cash payment to the Fund charged against Council Tax. The following summarises the entries reflected within the Comprehensive Income and Expenditure Statement in respect of accounting for pensions under IAS19. The amount by which pension costs calculated in accordance with IAS19 are different from the contributions due under the pension scheme regulations is included in the Movement in Reserves Statement.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.2 Transactions Relating to Post-Employment Benefits - continued

	2014/15		2013/14	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	72,084		62,924	
Past service costs	<u>744</u>		<u>1,159</u>	
		72,828		64,083
<i>Financing and investment income:</i>				
Net interest expense		<u>23,254</u>		<u>20,364</u>
Total post employee benefit charged to the surplus on the provision of services		96,082		84,447
<i>Other post-employment benefits charges to the Comprehensive Income / Expenditure Statement</i>				
Re-measurement of the net defined liability, comprising:				
Return on plan assets, excluding the amount incl. in the net interest expense above.	(204,649)		(25,871)	
Actuarial gains and (losses) arising on changes in financial assumptions	284,632		86,569	
Actuarial gains and (losses) arising on changes in demographic assumptions	103,126		0	
Other experience	<u>(26,361)</u>		<u>(77)</u>	
		<u>156,748</u>		<u>60,621</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>252,830</u>		<u>145,068</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(191,471)</u>		<u>(84,913)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		55,002		53,957
Contributions in respect of unfunded benefits		<u>6,357</u>		<u>6,198</u>
		<u>61,359</u>		<u>60,155</u>

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.3 Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2014/15	2013/14
	£000	£000
Fair value of employer assets	2,144,897	1,862,816
Present value of funded liabilities	(2,782,482)	(2,311,390)
Present value of unfunded liabilities	<u>(89,384)</u>	<u>(86,924)</u>
Net liability arising from defined benefit obligation	<u><u>(726,969)</u></u>	<u><u>(535,498)</u></u>

43.4 Reconciliation of the Movements in the Fair Value of Scheme Assets

	2014/15	2013/14
	£000	£000
Opening fair value of scheme assets	1,862,816	1,755,330
Interest income	79,991	79,047
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	204,649	25,871
Contributions from employer	55,002	53,957
Contributions from employees into the scheme	16,416	16,055
Contributions in respect of unfunded benefits	6,357	6,198
Benefits paid	(73,977)	(67,444)
Unfunded benefits paid	<u>(6,357)</u>	<u>(6,198)</u>
Closing fair value of scheme assets	<u><u>2,144,897</u></u>	<u><u>1,862,816</u></u>

Reconciliation of Present Value of the Scheme Liabilities

	2014/15	2013/14
	£000	£000
Present value of funded liabilities	(2,311,390)	(2,118,412)
Present value of unfunded liabilities	<u>(86,924)</u>	<u>(87,503)</u>
Opening balance at 1 April	(2,398,314)	(2,205,915)
Current service cost	(72,084)	(62,924)
Interest cost	(103,245)	(99,411)
Contributions from employees into the scheme	(16,416)	(16,055)
Re-measurement gain / (loss):		
Change in financial assumptions	(284,632)	(86,569)
Change in demographic assumptions	(103,126)	0
Other experience	26,361	77
Past service cost	(744)	(1,159)
Benefits paid	73,977	67,444
Unfunded benefits paid	<u>6,357</u>	<u>6,198</u>
Closing balance at 31 March	<u><u>(2,871,866)</u></u>	<u><u>(2,398,314)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.5 Fair Value of Employer Assets

The following asset values are at bid value as required under IAS19.

	2014/15 £000	%	2013/14 £000	%
Consumer *	300,827	14	282,290	15
Manufacturing *	252,298	12	254,278	14
Energy and Utilities *	214,314	10	207,286	11
Financial Institutions *	176,717	8	129,756	7
Health and Care *	146,156	7	127,092	7
Information technology *	134,141	6	121,181	7
Other *	<u>96,065</u>	4	<u>82,308</u>	4
Sub-total Equity Securities	<u>1,320,518</u>		<u>1,204,191</u>	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	60,222	3
Corporate Bonds (non-investment grade) *	0	0	9,058	1
UK Government *	124,200	6	63,394	3
Other *	<u>52,894</u>	3	<u>1,590</u>	0
Sub-total Debt Securities	<u>177,094</u>		<u>134,264</u>	
Private Equity				
All *	0	0	15,180	1
All	<u>248,710</u>	12	<u>210,795</u>	11
Sub-total Private Equity	<u>248,710</u>		<u>225,975</u>	
Real Estate:				
UK Property	140,297	7	129,788	7
Overseas Property	<u>21,751</u>	1	<u>15,092</u>	1
Sub-total Real Estate	<u>162,048</u>		<u>144,880</u>	
Investment Funds and Unit Trusts:				
Equities *	23,272	1	19,329	1
Equities	0	0	6,922	0
Bonds *	6,161	0	0	0
Bonds	0	0	7,956	1
Commodities *	6,854	0	0	0
Commodities	0	0	6,329	0
Infrastructure *	12,898	1	0	0
Other *	6,933	0	0	0
Other	<u>7,662</u>	0	<u>6,055</u>	0
Sub-total Investment Funds and Unit Trusts	<u>63,780</u>		<u>46,591</u>	
Derivatives:				
Foreign Exchange *	3,289	0	0	0
Other *	<u>0</u>	0	<u>196</u>	0
Sub-total Derivatives	<u>3,289</u>		<u>196</u>	
Cash and Cash Equivalents				
All *	<u>169,458</u>	8	<u>106,719</u>	6
Sub-total Cash and Cash Equivalents	<u>169,458</u>		<u>106,719</u>	
Total Fair Value of Employer Assets	<u><u>2,144,897</u></u>	<u>100</u>	<u><u>1,862,816</u></u>	<u>100</u>

Scheme assets marked with an asterisk (*) have quoted prices in active markets.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2015 were those from the beginning of the year (i.e. 31 March 2014) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 1 April 2014 to 31 December 2014	10.10%
Estimated return for period from 1 April 2014 to 31 March 2015	17.20%

Average future life expectancies at age 65:

		31.03.15	31.03.14
Current pensioners	male	22.1 years	20.4 years
Current pensioners	female	23.7 years	22.8 years
Future pensioners	male	24.2 years	22.6 years
Future pensioners	female	26.3 years	25.4 years

Period ended	Weighted Average Duration			31.03.14
	Short 31.03.15	Medium 31.03.15	Long 31.03.15	
Pension increase rate	2.1%	2.4%	2.5%	2.8%
Salary increase rate (see below)	4.0%	4.3%	4.4%	5.1%
Discount rate	3.1%	3.2%	3.3%	4.3%

Estimation of defined benefit obligations is sensitive to the actuarial assumptions set out above. In order to quantify the impact of a change in the financial assumptions used, the Actuary has calculated and compared the value of the scheme liabilities as at 31 March 2015 on varying bases. The approach taken by the Actuary is consistent with that adopted to derive the IAS19 figures.

For example, to quantify the uncertainty around life expectancy, the Actuary has calculated the difference in cost to the Employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of broadly 3%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption and changes in some of the assumptions may be interrelated.

Change in assumptions at 31 March 2015	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	286,599
1 year increase in member life expectancy	3%	86,156
0.5% increase in the Salary Increase Rate	3%	98,188
0.5% increase in the Pension Increase Rate	7%	181,425

43.7 Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. Thereafter, for the next actuarial valuation period of three years, rates could vary from this rate by a maximum of 0.5% or a minimum of 0.5% per annum.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.8 Information about the defined benefit obligation

	Liability Split		Duration
	£000	%	
Active members	1,482,169	53.3	23.1
Deferred members	335,701	12.1	22.4
Pensioner members	<u>964,612</u>	<u>34.6</u>	<u>11.9</u>
Total	<u>2,782,482</u>	<u>100.0</u>	<u>18.3</u>

The above figures are for funded obligations only and do not include the unfunded pensioner liabilities. The durations are effective as at the previous formal valuation as at 31 March 2014.

The unfunded pensioner liability at 31 March 2015 comprises approximately £68.261m in respect of LGPS unfunded pensions and £21.123m in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2015, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death.

43.9 Pension Reserves - Group Position

The pension reserves shown in the Group Balance Sheet relate to the Council. Pension reserves for the Valuation Joint Board are included in unusable reserves. Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, the City of Edinburgh Council has obligations to meet the liabilities arising from the joint board pension deficits as they fall due. Pension reserves for other companies in the group are included in usable reserves. The value of the pension reserves is shown separately below.

	2014/15	2013/14
	Pension Reserve (Injuries) £000	Pension Reserve (Injuries) £000
Unusable Reserves		
Council	(726,969)	(535,498)
Lothian Valuation Joint Board	<u>(7,267)</u>	<u>(4,942)</u>
	<u>(734,236)</u>	<u>(540,440)</u>
Usable Reserves		
CEC Holdings	(1,289)	(1,289)
Festival City Theatres Trust	(122)	(100)
Edinburgh Leisure	(2,169)	(2,169)
Transport for Edinburgh Ltd	<u>(10,497)</u>	<u>10,488</u>
	<u>(14,077)</u>	<u>6,930</u>

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2016

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(81,608)	(81,608)	(31.2%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(81,608)	(81,608)	(31.2%)
Interest income on plan assets	68,446	0	68,446	26.2%
Interest cost on defined benefit obligation	0	(92,020)	(92,020)	(35.2%)
Total Net Interest Cost	68,446	(92,020)	(23,574)	(9.0%)
Total included in Profit or Loss	68,446	(173,628)	(105,182)	(40.2%)

The Council's estimated contribution to Lothian Pension Fund for 2015/16 is £55.638m.

43.11 Strain on the Pension Fund

Lothian Pension Fund has the right to require the Council to make additional payments to the pension fund to reflect the extra cost to the pension fund of immediate payment of benefits to employees who retire early on efficiency, redundancy or voluntary grounds. This amounted to £2.705m, including accrued payments (2013/14 £2.936m).

43.12 Further Information

Further information on Lothian Pension Fund can be found in the Council's Pension Fund's Annual Report which is available upon application to the Investments and Pensions Service Manager, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX

44. Contingent Liabilities

44.1 Contingent Liabilities

- There may be outstanding liability claims or claims to be submitted against the Council in relation to insured and uninsured losses or incidents. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.
- The provision for equal pay claims includes an estimate of the costs for all staff with unsettled equal pay claims against the Council as at 31 March 2015. Additional equal pay liabilities may arise if further eligible claims are made. This potential additional liability will be confirmed only by further eligible claims being lodged and its amount cannot be estimated with reasonable accuracy. Consequently, no provision has been made in the financial statements in respect of this.
- Whilst the Council has made an impairment provision for statutory repairs debtors, there may also be further liability claims against the Council in relation to works carried out under statutory repair notices served by the Council. The actual cost of these claims cannot be estimated with reasonable accuracy. It is also not possible to estimate precisely when these claims could become due.
- There may be claims submitted against the Council in relation to a decision by the European Court of Justice under the Working Time Directive. The actual cost and timing of any claims cannot be estimated with reasonable accuracy and consequently no specific provision has been made in the financial statements in respect of any such claims.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments

45.1 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The Council complies with the CIPFA Prudential Code and has adopted the CIPFA Treasury Management in the Public Services Code of Practice. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures in the maturity structure of its debt;
- by selecting investment counterparties in compliance with the Council's Treasury Policy Statement.

The annual treasury management strategy which incorporates the prudential indicators was approved by the Council on 12 March 2015 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2015/16 has been set at £1.771bn. This is the maximum limit for external borrowings and other long term liabilities.
- The operational boundary for 2015/16 has been set at £1.750bn. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% of the Council's net debt respectively.

The prudential indicators are reported and approved as part of the Council's annual budget setting process. Actual performance is also reported annually to members of the Council.

45.2 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;
- 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 requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

45.3 Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are with banks, building societies, and other institutions in line with the Council's prevailing counterparty limits as set out in the Council's treasury policy statement. Investment decisions are considered daily as part of the daily cash flow management by the Council's Treasury Team who can, and do, restrict the list further in light of market conditions.

The Council's funds are managed along with those of Lothian Pension Fund, the Forth Estuary Transport Authority and some other related organisations which are pooled for investment purposes as a treasury cash fund. Management of the cash fund is on a low risk, low return basis, with security of the investments the key consideration while at the same time seeking innovative and secure cash investment opportunities. This arrangement has allowed a better management of the Council's risk in the exceptional financial and market circumstances in recent years.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

As well as lending monies to other local authorities, the Council purchases UK Government Treasury Bills and has previously purchased Bonds and Floating Rate Notes with an explicit UK Government Guarantee. At 31st March 2015, the Council had no short term investments. Of the net Cash and Cash Equivalents, 2.6% were UK Government Treasury Bills, and a further 29.6% was held in two AAA rated Money Market Funds. All of the monies held on deposit at 31 March 2015 was in call or near call accounts with banks, with the exception of £2.5m held in the form of a Certificate of Deposit from Rabobank, a £2.5m fixed deposit with an Australian Bank and £2.5m held in two fixed term deposits with a UK building society.

The Council has reviewed its investment arrangements in light of the changes to the creditor hierarchy in the event of the insolvency of a bank. The Council has amended its cash Treasury Policy Statement to allow greater investment in collateralised instruments, such as covered bonds, which provide the Council with a greater level of protection in the event of an insolvency.

Excluding loans and receivables of £2.88m which are also shown in Creditors, the Council's own cash holding under its treasury management arrangements at 31 March 2015 was £96.4 million (31 March 2014: £38.3m). This was held with the following institutions:

Summary	Standard and Poors Rating	Principal Outstanding 31.03.15 £000	Carry Value 31.03.15 £000	Fair Value 31.03.15 £000	Carry Value 31.03.14 £000
Money Market Funds					
Deutsche Bank AG, London	AAA	14,146	14,152	14,152	5,043
Goldman Sachs	AAA	14,130	14,135	14,135	2,823
Bank Call Accounts					
Bank of Scotland	A	9,105	9,108	9,108	3,483
Royal Bank of Scotland	A-	1,278	1,278	1,278	1,313
Santander UK	A	8,836	8,839	8,839	3,603
Barclays Bank	A	9,226	9,238	9,238	3,514
Svenska Handelsbanken	AA-	14,368	14,373	14,373	5,415
Clydesdale Bank	AA-	3,736	3,736	3,736	0
HSBC Bank Plc	AA-	14,057	14,061	14,061	5,224
Floating Rate Note					
Rabobank	A+	2,491	2,509	2,509	0
Building Society Fixed Term Deposits					
Nationwide Building Society	A	2,490	2,491	2,491	1,743
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see Note 1)	n/a	0	0	0	4,381
UK Government Treasury Bills	AAA	2,490	2,490	2,490	1,742
		<u>96,353</u>	<u>96,410</u>	<u>96,410</u>	<u>38,284</u>

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £65.6m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. Despite continuing concerns over the European Sovereign Debt crisis and the effects that this might have on the banking system, there was no evidence at 31 March 2015 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.3 Credit Risk - continued

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council has never had any exposure to Icelandic banks and had no investment in the sector at that time.

In line with the Investment Regulations governing local authorities introduced in 2010, the Council approved an annual investment strategy and treasury policy statement for both the Council and the Cash Fund at its March 2015 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2015 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2015. This is available on request from the Council's Treasury Section - Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

All Council invoices become due for payment on issue. Excluding pre-payments of £1.767m (2013/14 £2.634m), trade debtors past due date can be analysed by age as follows:

	2014/15 £000	2013/14 £000
Less than two months	18,283	14,108
Two to four months	2,008	1,312
Four to six months	2,066	507
Six months to one year	2,849	2,040
More than one year	11,093	11,925
Total	<u>36,299</u>	<u>29,892</u>

Collateral – During the reporting period the Council held no collateral as security.

45.4 Liquidity risk

The Council carries out short and medium term cash flow management to ensure that it will have sufficient liquidity to cover all of its payment obligations. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs. The Council also has ready access to borrowings from the money markets to cover any day to day cash flow needs. It is anticipated that some short to medium term borrowing is likely to be required within the next financial year to meet cashflow and working capital requirements. This will be managed as part of the Council's short- and medium-term cashflow monitoring as required.

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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 cash flow management procedures required by the Code of Practice.

45.5 Re-financing and Maturity Risk

The Council maintains significant debt and investment portfolios. The re-financing risk to the Council relates to managing the exposure to replacing financial instruments as they mature. As shown in the chart in 45.6, the majority of the Council's debt portfolio consists of fixed rate longer term loans, and as such, the Council has a relatively low re-financing risk on its liabilities. However, the Council has market debt which allows the lender the option to ask for a rate increase at set dates and at that point the Council may choose to repay the loan at no additional cost. This gives a potential re-financing risk which the Council monitors and manages.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.5 Re-financing and Maturity Risk - continued

The Council's approved treasury strategy addresses the main risks and the treasury team address the operational risks within approved parameters. This includes monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt. However, with the increase in borrowing rates announced in the Government's Comprehensive Spending Review in October 2010, it is now unlikely that there will be much scope for any substantial debt rescheduling.

The maturity analysis of the principal outstanding on the Council's financial liabilities is as follows:

	2014/15	2013/14
	£000	£000
Less than one year	(75,077)	(50,315)
Between one and two years	(65,227)	(58,204)
Between two and five years	(188,310)	(182,328)
Between five and ten years	(260,587)	(274,586)
More than ten years	<u>(1,063,998)</u>	<u>(1,079,491)</u>
Financial Liabilities	<u>(1,653,199)</u>	<u>(1,644,924)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £18.597m (2013/14 £11.141m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £17.854m (2013/14 £18.293m) nor net equivalent interest rate (EIR) adjustments of £9.074m (2013/14 £9.196m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investments which the Council has with a maturity of greater than one year is £3.5m in EDI loan stock.

45.6 Market risk

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 Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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 Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Movement in Reserves Statement, unless the investments have been designated as fair value through the Comprehensive Income and Expenditure Statement.

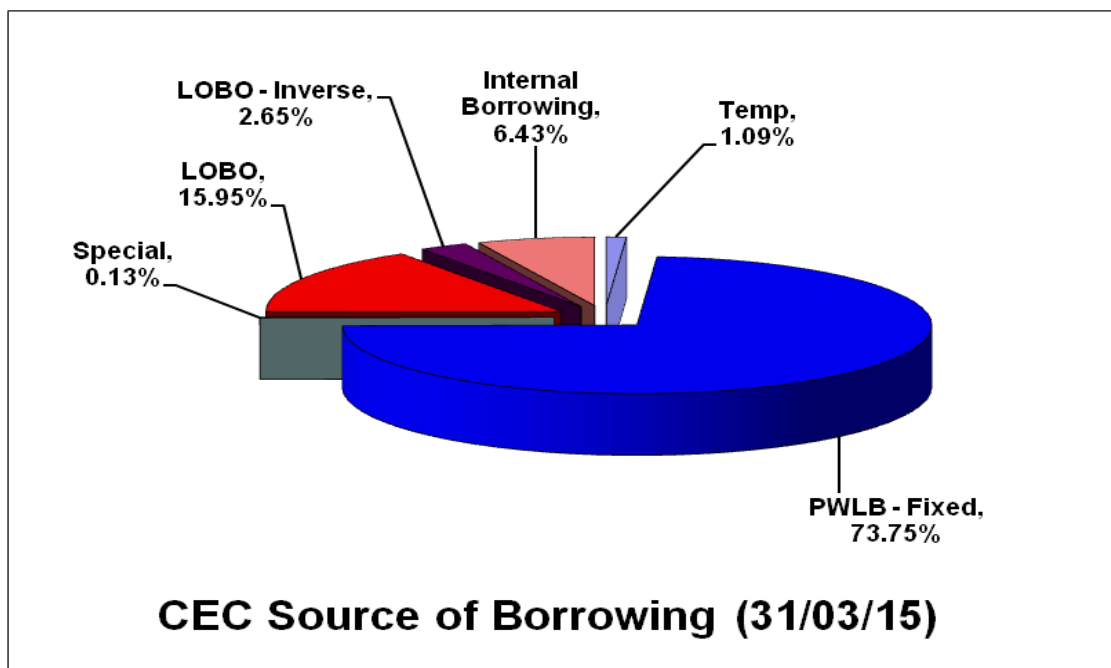
The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. 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. Any such strategy is run within the short and medium term liquidity requirements of the Council.

NOTES TO THE FINANCIAL STATEMENTS

45. Nature and Extent of Risks Arising from Financial Instruments - continued

45.6 Market risk - continued

The following chart shows the source of the Council's borrowing. Most of the Council's borrowings are from the Government by way of the Public Works Loans Board (PWLB). As interest rates are historically low, none of the PWLB borrowing was variable rate.



Price Risk

The Council does not generally invest in equity shares but does have shareholdings to a value of £23.335m (2013/14 £23.335m) in a number of Council owned Companies and joint ventures. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the prices of the shares.

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.

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.

46. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BID). The Council collects a levy from the business rate payers on behalf of the BID bodies, Essential Edinburgh, Greater Grassmarket and Queensferry Ambition.

	2014/15	2013/14
	£000	£000
Monies to be recovered from ratepayers at 1 April	29	5
BID Levy Income	2,389	1,147
Less: Payments made / due to schemes	<u>(2,228)</u>	<u>(1,123)</u>
Monies still to be recovered from ratepayers at 31 March	<u>190</u>	<u>29</u>

The monies raised through the BIDs are used to fund activities around similar key themes, including:

- area promotion - advertising, marketing and events
- clean and attractive area - cleaning teams, floral displays, street décor, cleanliness surveys
- safe and secure area - CCTV, improved lighting, transport marshals
- accessibility - pedestrian friendly environment, parking promotions, signage; and
- business initiatives - grants, skills partnerships, start up advice

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds

The City of Edinburgh Council administers a number of charitable funds. Over the last two years, the Council has rationalised the number of charitable trusts down from over a hundred to ten. In 2011/12, 28 charities were consolidated into one new charity, the Edinburgh Education Trust.

47.1 Purpose, and financial position, of the largest of the charitable funds

- **Jean F. Watson Bequest (Scottish Charity Reg. No. SC018971)**

The purpose of the fund is to purchase works of art by artists who have connections with the city.

	31.03.15	(re-stated) 31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(25)	(21)
Expenditure	1	0
Assets	6,198	4,805
Liabilities	0	0

- **Surplus Fire Fund (Scottish Charity Reg. No. SC018967)**

The purposes of the fund are to offer relief to persons that have suffered as the result of a fire and to recognise meritorious service in connection with fires. In both cases the fire must have occurred in the Edinburgh area.

A decision was made to transfer the Surplus Fire Fund (SFF) to the Edinburgh Voluntary Organisations Trust (EVOT) by the Pension and Trusts Committee on 6 December 2011. The transfer was agreed subject to a safeguard in the deed of appointment which ensures that the Surplus Fire Fund operates as a restricted fund within EVOT and that the Fire Brigades Union will have the right to send up to two representatives to meetings where Surplus Fire Fund business is considered. The transfer required new legislation to be passed which successfully progressed through the Scottish Parliament in April 2014. As a result, the transfer was successfully completed in 2014/15

	31.03.15	31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(9)	(30)
Expenditure	2	38
Assets	0	1,289
Liabilities	0	(6)

- **Lauriston Castle (Scottish Charity Reg. No. SC020737)**

The purpose of the fund is for the advancement of arts, heritage and culture linked to Lauriston Castle.

	31.03.15	31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(1)	(1)
Expenditure	1	1
Assets	7,041	7,038
Liabilities	0	0

- **Edinburgh Education Trust (Scottish Charity Reg No SC042754)**

The purposes of the Trust include the advancement of education, citizenship and community development, and the organisation of recreational activities.

	31.03.15	(re-stated) 31.03.14
	£000	£000
The financial results of the fund are as follows:		
Income	(21)	(14)
Expenditure	5	9
Assets	879	815
Liabilities	0	0

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.2 The main funds are:

Scottish Registered Charities	Scottish Charity Registration Number	Market Value	(re-stated)
		31.03.15 £000	Market Value 31.03.14 £000
Lauriston Castle	SC020737	7,041	7,038
Jean F. Watson	SC018971	6,198	4,805
Surplus Fire Fund	SC018967	n/a	1,283
Edinburgh Education Trust	SC042754	879	815
Nelson Halls	SC018946	224	209
Boyd Anderson	SC025067	121	123
Usher Hall Appeal	SC030180	70	72
Royal Scots Memorial Trust	SC018945	32	29
Total market value		<u>14,565</u>	<u>14,374</u>

These funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

47.3 Financial Position of the Scottish Registered Charity Funds

2013/14 £000	Income and Expenditure Account	Note	2014/15 £000
	Income		
(72)	Investment income		(64)
<u>0</u>	Other non-investment income		<u>0</u>
(72)			(64)
	Expenditure		
(14)	Prizes, awards and other expenses	1.	11
<u>14</u>	Administrative expenses		<u>9</u>
<u>0</u>			<u>20</u>
<u>(72)</u>	Surplus for the year		<u>(44)</u>

Notes

- The negative expenditure shown against Prizes, Awards and Other Expenses in 2013/14 relates to the reversal of accruals made in respect of awards agreed by the Boyd Anderson Trust. The potential creditors were not able to meet the conditions set for payment of the awards.

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.3 Financial Position of the Scottish Registered Charity Funds - continued

2013/14 Balance Sheet £000	2014/15 £000
Long-Term Assets	
3,008 Investments	1,933
3,928 Artworks - Jean Watson Trust	5,232
<u>7,020</u> Heritable property	<u>7,020</u>
13,956 Total Long-Term Assets	14,185
Current Assets	
<u>478</u> Cash and bank	<u>412</u>
478	412
Current Liabilities	
<u>(60)</u> Creditors	<u>(33)</u>
(60)	(33)
<u>14,374</u> Total Assets less Liabilities	<u>14,564</u>
Capital at 1 April	
4,160	14,374
72 Surplus for the year	44
69 Realised and unrealised gains on investments	133
(1) Realised and unrealised losses on investments	0
10,074 Revaluation reserve	1,304
<u>0</u> Surplus Fire Fund Transfer to EVOT	<u>(1,291)</u>
<u>14,374</u> Capital at 31 March	<u>14,564</u>

At the request of the Office of the Scottish Charity Regulator, a separate Trustee's Report and Accounts have been prepared which give further information on the Scottish registered charities in the trusteeship of the Council. A copy of this document may be obtained from the Council's Finance Division - Business Centre 2.6, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

NOTES TO THE FINANCIAL STATEMENTS

47. The City of Edinburgh Council Charitable Funds - continued

47.4 Financial Position of Other Funds

2013/14 Income and Expenditure Account		2014/15
£000	Income	£000
(1)	Investment income	0
(1)		0
Expenditure		
1	Administrative expenses	1
1		1
0	(Surplus) / Deficit for the year	1
2013/14 Balance Sheet		2014/15
£000	Current Assets	£000
48	Cash and bank	48
48		48
Current Liabilities		
(1)	Balance with City of Edinburgh Council	(2)
(1)		(2)
47	Total Assets less Liabilities	46
47	Capital at 1 April	47
0	Deficit for the year	(1)
0	Compensation fund paid	0
47	Capital at 31 March	46

48. Scottish Cities Alliance

The Scottish Cities Alliance was created in 2012 to promote collaboration between Scotland's cities and the Scottish Government to grow city economies, create jobs and deliver benefits across the country. Total Scottish Government investment funding of £7m has been provided to take forward a range of relevant initiatives. The Council undertakes, on an agency basis, the associated financial administration. During the year, £1.337m was paid out to the respective lead authorities of the projects concerned.

	2014/15		2013/14	
	£000	£000	£000	£000
Balance as at 1 April		6,045		6,909
Contribution from Scottish Government		90		0
Investment income		21		25
Less: Payments made:				
Aberdeen City Council	(64)		(42)	
City of Edinburgh Council	(749)		(340)	
Dundee City Council	(140)		(49)	
Glasgow City Council	(367)		(280)	
Highland Council	(15)		(148)	
Perth and Kinross Council	(2)		(10)	
Stirling Council	0		(20)	
		(1,337)		(889)
Balance as at 31 March		4,819		6,045

As of April 2015, the Alliance had approved total project funding allocations of £3.96m (£2.65m April 2014), covering a range of initiatives spanning the areas of sustainability, digital connectivity and city promotion.

The funding to the Scottish Council for Development and Industry will be paid on receipt of authorisation from the Scottish Government.

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments

49.1 The following prior period adjustments have been made. The changes are adopted retrospectively for the prior period 2013/14, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

Group Account Changes

- The 2013/14 Group Accounts included the results of Lothian Buses. The Council's major shareholding in Lothian Buses was transferred to Transport for Edinburgh Limited in 2014. The comparative figures have been restated to show the results of Transport for Edinburgh.
- Lothian Valuation Joint Board has restated the 2013/14 accounts for losses on disposal of non-current assets.
- CEC Holdings Ltd has restated the 2013/14 accounts to reclassify land.

49.2 Impact on Financial Statements

Movement in Reserves Statement	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
<u>Balance at 31 March 2014</u>					
Group usable reserves	1,347	5,227	2,113	0	8,687
Group unusable reserves	1,311,895	(5,457)	68	0	1,306,506
<u>Surplus on the provision of services</u>					
Group usable reserves	5,247	(2)	(735)	(5)	4,505
<u>Other comprehensive income and expenditure</u>					
Group usable reserves	17,896	2	(4)	0	17,894
Group unusable reserves	698	0	(1)	0	697
<u>Adjustments between accounting basis and funding basis under regulations</u>					
Group usable reserves	247	0	0	5	252
Group unusable reserves	(247)	0	0	(5)	(252)
<u>Transfer to / (from) other statutory reserves</u>					
Group usable reserves	142	(8,288)	0	0	(8,146)
Group unusable reserves	(142)	8,288	0	0	8,146
<u>Minority interest and other consolidation adjustments</u>					
Group usable reserves	2,475	(2,475)	0	0	0
Group unusable reserves	12	(5,836)	0	0	(5,824)
<u>Balance at 31 March 2014</u>					
Group usable reserves	22,404	(588)	1,376	0	23,192
Group unusable reserves	101,114	7,907	(67)	(5)	108,949

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Comprehensive Income and Expenditure Statement

	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Planning and Development Services	31,690	0	1,499	0	33,189
Other Operating Income and Expenditure	111	0	93	0	204
Associates and joint ventures	1,719	0	0	5	1,724
Cost of Services	953,729	0	1,592	5	955,326
Financing and Investment Income / Expenditure					
- Net (surplus) / deficit from trading activities	(148)	0	(94)	0	(242)
Taxation and Non-Specific Grant Income					
- Taxation expenses	2,669	2	(763)	0	1,908
Deficit on Provision of Services	41,228	2	735	5	41,970
Other unrealised losses	(16,961)	0	3	0	(16,958)
Total Comprehensive Expenditure	35,676	2	738	5	36,421

Group Balance Sheet

	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	Lothian Valuation Board £000	2013/14 Re-stated £000
Long-term assets					
- Long-term investments	5,125	0	2	0	5,127
Current assets					
- Assets held for sale	7,389	0	(4,500)	0	2,889
- Inventories	14,220	0	3,000	0	17,220
- Short-term debtors (net of impairment)	122,809	31	760	0	123,600
- Cash and cash equivalents	37,270	197	0	0	37,467
Current liabilities					
- Short-term creditors	(175,592)	(230)	2,047	0	(173,775)
- Provisions	(19,577)	0	0	0	(19,577)
Long-term liabilities					
- Liabilities in associates and joint ventures	(5,918)	0	0	(5)	(5,923)
Net assets	1,916,379	(2)	1,309	(5)	1,917,681
Group unusable reserves	101,114	7,907	(67)	(5)	108,949
Group usable reserves	22,404	(588)	1,376	0	23,192
Total group reserves	1,909,058	7,319	1,309	(5)	1,917,681
Minority interests	7,321	(7,321)	0	0	0
Total reserves	1,916,379	(2)	1,309	(5)	1,917,681

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group Cash Flow Statement	2013/14 Statements £000	Transport for Edinburgh £000	CEC Holdings £000	2013/14 Re-stated £000
Operating activities				
- Taxation	(213,050)		258	(212,792)
- Sales of goods and rendering of services	(512,304)	(631)	107	(512,828)
Cash inflows from operating activities	(1,878,042)	(631)	365	(1,878,308)
- Cash paid to suppliers of good and services	746,329	434	(537)	746,226
- Interest paid	96,786	0	20	96,806
Cash outflows from operating activities	1,662,675	434	(517)	1,662,592
Net Cash flows from operating activities	(215,367)	(197)	(152)	(215,716)
Investing activities				
Purchase of property, plant and equipment, investment property and intangible assets	225,525	0	77	225,602
Other payments for investing activities	48,919	0	24	48,943
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(17,617)	0	51	(17,566)
Cash equivalents at 1 April	(94,532)	0	0	(94,532)
Cash equivalents at 31 March	(37,270)	(197)	0	(37,467)

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2015

The Housing Revenue Account (HRA) Income and Expenditure Statement shows in more detail the income and expenditure on HRA services included in the Council's Comprehensive Income and Expenditure Statement.

2013/14 £000	EXPENDITURE	2014/15 £000	£000
24,713	Repairs and maintenance	27,256	
20,012	Supervision and management	21,453	
52,082	Depreciation and impairment of non-current assets	18,266	
4,406	Other expenditure	5,719	
101,213			72,694
	INCOME		
(85,504)	Dwelling rents	(90,840)	
(457)	Non-Dwelling rents (gross)	(377)	
(13,987)	Other income	(14,307)	
(99,948)			(105,524)
1,265	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(32,830)
533	HRA share of corporate and democratic core		319
137	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		72
1,935	Net expenditure / (income) for HRA Services		(32,439)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
534	Loss on sale of HRA fixed assets	307	
18,940	Interest payable and similar charges	18,936	
2,556	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,434	
(87)	Interest and investment income	(81)	
(2,032)	Interest income on plan assets (<i>pension-related</i>)	(1,886)	
(3,301)	Capital grants and contributions	(4,747)	
16,610			14,963
18,545	Deficit / (surplus) for the year on HRA services		(17,476)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2013/14 £000		2014/15 £000
0	Balance on the HRA at the end of the previous year	0
(18,545)	(Surplus) / deficit for the year on the HRA Income and Exp Account	17,476
22,843	Adjustments between accounting basis and funding basis under statute	(14,973)
<u>4,298</u>	Net increase before transfers to reserves	<u>2,503</u>
<u>(4,298)</u>	Contribution to renewal and repairs fund, via the General Fund	<u>(2,503)</u>
<u><u>0</u></u>	Balance on the HRA at the end of the current year	<u><u>0</u></u>

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
52,082	Charges for depreciation and impairment of non-current assets	18,266
(3,301)	Capital grants and contributions applied	(4,747)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(23,163)	Statutory provision for the financing of capital investment	(23,123)
(3,575)	Capital funded from revenue	(5,649)
	Adjustments primarily involving the Capital Receipts Reserve	
534	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	307
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(397)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(460)
	Adjustments primarily involving the Pensions Reserve	
1,009	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	1,081
(450)	Employer's pension contributions and direct payments to pensioners payable in the year	(426)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
104	Amount by which officer remuneration charged to the Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(222)
<u><u>22,843</u></u>		<u><u>(14,973)</u></u>

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2015 are as follows:

Types of Houses	2015		2014	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	302	3,653.00	302	3,446.00
2 Apartment	5,473	4,100.00	5,470	3,868.00
3 Apartment	10,184	4,752.00	10,245	4,483.00
4 Apartment	3,458	5,473.00	3,456	5,163.00
5 Apartment	521	5,891.00	525	5,558.00
6 Apartment	9	5,924.00	9	5,589.00
7 Apartment	4	5,739.00	4	5,414.00
8 Apartment	1	5,739.00	1	5,414.00
Mid-market rent dwellings				
2 Apartment	6	5,337.00	6	5,337.00
3 Apartment	39	6,878.00	39	6,878.00
4 Apartment	7	7,924.00	7	7,924.00
	<u>20,004</u>		<u>20,064</u>	

The stock figure represents all types of residential properties, including furnished tenancies, sheltered housing and homelessness units.

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £4.327m (£3.967m 2013/14) against which a provision amounting to £4.326m (£3.002m 2013/14), has been created in respect of non collectable debts.
- Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.
- The total value of uncollectable void rents for main provision properties was £0.545m (2013/14 £0.644m). This has been netted against rental income.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

for the year ended 31 March 2015

2013/14 £000		2014/15 £000	£000
(295,075)	Gross council tax levied and contributions in lieu		(297,767)
48,500	Less: - Exemptions and other discounts	48,938	
8,602	- Provision for bad debts	8,333	
27,021	- Council Tax Reduction Scheme	25,785	
2,866	- Other reductions	2,107	
86,989			85,163
(208,086)			(212,604)
189	Previous years' adjustments		(307)
(207,897)	Total transferred to General Fund		(212,911)

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 95.4% (2013/14 94.7%).

Each household or occupied dwelling is allocated to a Council Tax band by the Assessor. The charge per Council Tax band is calculated as a proportion of band D - these proportions are determined by legislation.

A Council Tax bill is reduced by 25% where a dwelling has only one occupant or, with certain exceptions, 10% where the property is a second home. Unoccupied properties are eligible for 10% discount for up to 12 months, from the date the property was last occupied, thereafter 100% additional charge, with certain exceptions. For Council Tax purposes, students and certain other categories of people are not regarded as occupants. Reductions in Council Tax payable are also granted for physically disabled people.

Charges in respect of water and sewerage are the responsibility of Scottish Water. The Council collects both water and sewerage charges and makes payment to the Water Authority.

Calculation of the Council Tax Base 2014/15

Band	Number of Properties	Disabled Relief	Exemptions	Discounts	Effective Properties	Ratio to Band D	Band D Equivalents	Charges per Band
A Up to £27,000	23,160	81	(3,172)	(3,273)	16,796	6/9	11,197	£779.33
B £27,001 - £35,000	46,915	69	(3,712)	(6,475)	36,797	7/9	28,620	£909.22
C £35,001 - £45,000	43,716	(30)	(3,220)	(5,070)	35,396	8/9	31,463	£1,039.11
D £45,001 - £58,000	37,534	67	(2,911)	(3,778)	30,912	9/9	30,912	£1,169.00
E £58,001 - £80,000	39,700	(30)	(3,412)	(3,311)	32,947	11/9	40,269	£1,428.78
F £80,001 - £106,000	24,003	(29)	(1,265)	(1,788)	20,921	13/9	30,219	£1,688.56
G £106,001 - £212,000	20,650	(101)	(554)	(1,142)	18,853	15/9	31,422	£1,948.33
H Over £212,000	3,847	(27)	(134)	(164)	3,522	18/9	7,044	£2,338.00
							Total	211,146
							Add: Contributions in Lieu	533
							Less: Provision for Non-Payment	(7,112)
							Council Tax Base	204,567

NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account 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.

for the year ended 31 March 2015

2013/14 £000		2014/15 £000	£000
(418,354)	Gross rates levied and contributions in lieu		(428,072)
68,484	Less: - Reliefs and other deductions	71,611	
4,859	- Uncollectable debt written off and provision for impairment	4,588	
73,343			76,199
(345,011)			(351,873)
19,901	Previous years' adjustments		7,684
(325,110)	Net Non-Domestic Rates Income		(344,189)
	Allocated to:		
(325,563)	Contribution to National Non-Domestic Rates Pool		(344,628)
453	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		439
(325,110)			(344,189)

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2014

	Number	Rateable Value £000
Shops, offices and other commercial subjects	13,905	644,941
Industrial and freight transport	2,717	75,054
Telecommunications	8	15
Public service subjects	345	47,219
Miscellaneous	2,741	142,389
	19,716	909,618

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £344.628m (2013/14 £325.563m) is the non-domestic rates contributed by the Council through the pooling arrangements for government grant purposes. The amount distributed to the Council under these pooling arrangements was £364.108m (2013/14 £334.630m).

With effect from 2011/12, authorities retain in full the income raised locally up to the baseline level assumed in the Local Government Financial Settlement. Any variation from this assumed level is then met by means of a corresponding transfer of funds to or from the Scottish Government.

Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 47.1 per £ in 2014/15 (2013/14 46.2p per £).

Properties with a rateable value greater than £35,000 (2013/14 £35,000) had their rate charges calculated using the poundage of 48.2p per £ (2013/14 47.1p per £).

From 1 April 2008, the Scottish Government introduced the Small Business Bonus Scheme. Business properties with a rateable value of £18,000 or less may have received relief as set out below:

100% Relief	below	£10,000
50% Relief	£10,001 to	£12,000
25% Relief	£12,001 to	£18,000
Upper limit for combined rateable value		£35,000

COMMON GOOD FUND

The Common Good Fund stands separate from the Council's accounts and has been described as "the ancient patrimony of the community". It was originally derived from the grants by the Sovereigns of Scotland at various times. The present fund is an amalgam of the funds of the City and Royal Burgh of Edinburgh and the Royal Burgh of South Queensferry.

A report on the (Edinburgh) Common Good prepared by the Town Clerk and City Chamberlain in 1905 set out the historical background of the fund and listed its then assets in some detail. The report also stated a "General Principle" that the Fund should be administered "for the purpose of upholding the dignity and suitable hospitality of the City; performing the duties incumbent upon a Royal Burgh maintaining the municipal establishment and managing the municipal affairs; vindicating or extending the corporate rights of the community and defending its interests; acquiring additional land or property for the corporate benefit, or improving existing corporation property, and generally for any purpose which, in the bona fide judgement of the Town Council, is for the good of the community as a whole, or in which the inhabitants at large may share, as distinct from the separate interests or benefit of any particular individual or class, however deserving or needy. The purpose must be limited to those which concern the City and its interests".

The Local Government etc. (Scotland) Act 1994 confirms this interpretation that use of the Fund shall "have regard to the interests of all the inhabitants" of the area.

During 2014/15, the Council generated two capital receipts for the Common Good. Air rights above Common Good land in the Grassmarket were sold for £35,000 which was credited to the Common Good Fund. There has been no reduction in the value of the Common Good assets.

The sale of East Market Street garage as part of package of properties was also completed in 2014/15. The Common Good account was credited with a receipt of £1,182,950. The receipt, net of costs associated with the disposal, was transferred to an earmarked reserve pending confirmation by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of the rationalisation of office accommodation.

During 2014-15 HM Treasury advised of their intention to redeem the War Stock and Conversion Stock bonds held by the Common Good Fund at face value. The redemption of the War Stock bond was completed in March 2015. The market value of the remaining bond was restated in the accounts at its face value of £340 as at 31 March 2015.

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	FFF Earmarked Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2014/15 Movements					
Balance at 31 March 2014	1,650	0	(20)	23,928	25,558
Movement in reserves during 2014/15					
Surplus on the provision of services	1,186	0	0	0	1,186
Revaluation Reserve	0	0	0	(885)	(885)
Total Comprehensive Income and Expenditure	1,186	0	0	(885)	301
Adjustments between accounting basis and funding basis under regulations:	0	0	(2)	(1,183)	(1,185)
Net increase / decrease before transfers to earmarked reserves	1,186	0	(2)	(2,068)	(884)
Transfer to / from earmarked reserves	(1,182)	1,182	0	0	0
Increase / decrease in year	4	1,182	(2)	(2,068)	(884)
Balance at 31 March 2015	1,654	1,182	(22)	21,860	24,674

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2013/14 Comparative Data				
Balance at 31 March 2013	1,615	(20)	24,085	25,680
Movement in reserves during 2013/14				
Surplus on the provision of services	35	0	0	35
Revaluation Reserve	<u>0</u>	<u>0</u>	<u>(157)</u>	<u>(157)</u>
Total Comprehensive Income and Expenditure	35	0	(157)	(122)
Adjustments between accounting basis and funding basis under regulations:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net increase / decrease before transfers to earmarked reserves	35	0	(157)	(122)
Transfer to / from earmarked reserves	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase / decrease in year	<u>35</u>	<u>0</u>	<u>(157)</u>	<u>(122)</u>
Balance at 31 March 2014	<u><u>1,650</u></u>	<u><u>(20)</u></u>	<u><u>23,928</u></u>	<u><u>25,558</u></u>

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14 £000	2014/15 £000	£000
11 Common Good Fund	44	
<u>(38) Income from Sale of Fixed Assets</u>	<u>(1,218)</u>	
(27) COST OF SERVICES	(1,174)	
Financing and Investment Income		
0 Income from redemption of investment bonds	(2)	
<u>(8) Interest and investment income</u>	<u>(10)</u>	
<u>(35) SURPLUS ON PROVISION OF SERVICES</u>		(1,186)
157 Deficit on revaluation of non-current assets	885	
<u>0 Other unrealised gains</u>	<u>0</u>	
<u>157 Other Comprehensive Income and Expenditure</u>		<u>885</u>
<u><u>122 TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</u></u>		<u><u>(301)</u></u>

COMMON GOOD FUND - BALANCE SHEET

31 March 2014 £000		31 March 2015 £000	£000
<u>23,824</u>	Community Assets	<u>21,757</u>	
<u>23,824</u>	Property, Plant and Equipment		21,757
104	Heritage Assets	103	
<u>2</u>	Long-term Investments	<u>0</u>	
<u>106</u>	Long-term Assets		103
183	Short-Term Investments	2,756	
<u>1,445</u>	Cash and Cash Equivalents	<u>58</u>	
<u>1,628</u>	Current Assets		<u>2,814</u>
<u>25,558</u>	Net Assets		<u>24,674</u>
23,928	Revaluation Reserve	21,860	
<u>(20)</u>	Capital Adjustment Account	<u>(22)</u>	
<u>23,908</u>	Unusable Reserves		21,838
1,650	Common Good Fund	1,654	
<u>0</u>	Earmarked Reserve	<u>1,182</u>	
<u>1,650</u>	Usable Reserves		<u>2,836</u>
<u>25,558</u>	Total Reserves		<u>24,674</u>

HUGH DUNN, CPFA
Head of Finance
15 June 2015

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2014	23,824	23,824	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,067)	(2,067)	(1)
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
Accumulated Depreciation			
At 1 April 2014	0	0	0
At 31 March 2015	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value			
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>103</u>
At 31 March 2014	<u>23,824</u>	<u>23,824</u>	<u>104</u>
Cost or Valuation			
At 1 April 2013	23,981	23,981	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(157)	(157)	0
At 31 March 2014	<u>23,824</u>	<u>23,824</u>	<u>104</u>
Accumulated Depreciation			
At 1 April 2013	0	0	0
At 31 March 2014	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value			
At 31 March 2014	<u>23,824</u>	<u>23,824</u>	<u>104</u>
At 31 March 2013	<u>23,981</u>	<u>23,981</u>	<u>104</u>

1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2015 include:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	17

2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 128).

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

3. Unusable Reserves

3.1 Revaluation Reserve

The revaluation reserve contains the gains made by the Common Good Fund arising from increases in the value of its property, plant and equipment. 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; or
- disposed of and the gains are realised.

The reserve contains unrealised gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before 1 April 2007 were consolidated into the capital adjustment account.

	2014/15		2013/14	
	£000	£000	£000	£000
Balance at 1 April		23,928		24,085
Upward revaluation of assets	412		0	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(1,297)		(157)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		(885)		(157)
Derecognition of asset disposals		(1,183)		0
Balance at 31 March		<u>21,860</u>		<u>23,928</u>

3.2 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for 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 Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis).

The account also holds revaluation gains accumulated on property, plant and equipment prior to 1 April 2007, the date the revaluation reserve was created to hold such gains.

	2014/15	2013/14
	£000	£000
Balance at 1 April	(20)	(20)
Adjustment for revaluation of Government investment bonds	(2)	0
Balance at 31 March	<u>(22)</u>	<u>(20)</u>

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The City of Edinburgh Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, effectively and ethically. The Council also has a statutory duty under the Local Government in Scotland Act 2003, to make arrangements to secure best value, which is defined as continuous improvement in the way its functions are carried out.

In discharging these responsibilities, Elected Members and senior officers are responsible for implementing effective arrangements for governing the Council's affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end, the Council has adopted a Local Code of Corporate Governance that is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'. This statement explains how the City of Edinburgh Council delivers good governance and reviews the effectiveness of those arrangements.

This statement explains how the Council has complied with the Local Code of Corporate Governance and how it meets the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom.

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 37 of the Accounts.

The Group's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Group is directed and controlled. It also describes the way it engages with, accounts to and leads its communities. It enables the Group to monitor the achievement of its objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk & Best Value Committee. The rest of the Group observes the principles of the code.

The Council has implemented arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Strategy and Governance manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. The framework meets the principles of effective governance.

The key elements of the Council's corporate governance framework are set out below:

- The Council's key corporate vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2015-2018.
- The Edinburgh Partnership Community Plan 2015-2018 sets out the shared objectives of the Council and its community planning partners and details their vision, strategic priorities and intended outcomes for the Edinburgh area, its citizens and service users. The Edinburgh Partnership Community Plan 2015-2018 has been agreed by the Council and community planning partners.
- Governance arrangements for the Edinburgh Partnership Community Plan include the Edinburgh Partnership Board to lead the Partnership and be responsible for its effectiveness; a Partnership Executive to act as a vehicle for wider advice, consultation, involvement and communication; and designated strategic partnerships for delivery of intervention and prevention areas.
- Formal local community planning arrangements to support and engage with community planning groups and Community Councils; ensuring that service needs and priorities of local communities are identified and can influence Council policy and services.
- The Council's long term financial plan underpins the revenue budget and strategic planning frameworks, enabling it to manage expected future costs and service demands, aligning service delivery to the Council's Transformation and Improvement Plan to address these demands and deliver best value from available resources.

ANNUAL GOVERNANCE STATEMENT

The key elements of the Council's corporate governance framework - continued

- The Corporate Programme Office provides a single and central structure with oversight of all significant Council projects.
- A performance management framework, incorporating internal and public performance reporting, enables the Council to regularly report performance in achieving its key corporate objectives.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Group, Governance, Risk and Best Value Committee and Council, where appropriate, supports effective scrutiny and service improvement activities.
- The roles and responsibilities of Elected Members and Officers are defined in Procedural Standing Orders, Committee Terms of Reference and Delegated Functions, Contract Standing Orders, Scheme of Delegation to Officers, the Member/officer protocol and Financial Regulations. These are subject to annual review.
- The Chief Executive has overall responsibility to Council, as head of paid service, for all aspects of operational management.
- The Director of Corporate Governance has overall responsibility for ensuring the continued development and improvement of systems and processes concerned with ensuring appropriate direction, accountability and control.
- The Chief Finance Officer has overall responsibility for ensuring appropriate advice is given to the Council and Group on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control.
- The Chief Internal Auditor has overall responsibility to review, appraise and report to management and the Governance, Risk and Best Value Committee on the adequacy of the Council's internal control and corporate governance arrangements and on risks relating to approved policies, programmes and projects.
- The Council's Strategy and Governance Manager has responsibility for advising the Council on corporate governance arrangements.
- The Governance, Risk and Best Value Committee provides the Council with independent assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides independent scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk based plan, and monitors performance of the internal audit service.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Community Risk Register, Council Risk Register and Service area risk registers identify risks and proposed treatment or actions. These registers are regularly reviewed, updated and reported to the Corporate Leadership Group and Governance, Risk and Best Value Committee for scrutiny and challenge.
- Resilience and business continuity plans are in place for all essential Council services. These set out arrangements for continuing to deliver essential services in the event of an emergency or other disruption.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate chief officer. Officers have personal work objectives, and receive feedback on their performance through the Council-wide performance review and development process.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'. Information on the amounts and composition of Elected Members' salaries, allowances and expenses is published on the Council's website.
- The Council's Strategy and Governance Manager ensures that induction training on roles and responsibilities, and ongoing development opportunities, are provided for Elected Members.
- Codes of Conduct that set out the standards of behaviour expected from Elected Members and officers are in place.

ANNUAL GOVERNANCE STATEMENT

The key elements of the Council's corporate governance framework - continued

- The Employee Code of Conduct, Anti Bribery Policy and Policy on Fraud Prevention set out the responsibilities of officers and Elected Members in relation to fraud and corruption, and are reinforced by the Councillors' Code of Conduct, the Code of Ethical Standards and the Financial Regulations.
- The Whistleblowing policy provides a process for disclosure in the public interest about the Council and its activities by officers, Elected Members and others.
- A Register of Members' Interests and Registers of Officers' interests are maintained and available for public inspection.

A significant element of the governance framework is the system of internal controls, which is based on an ongoing process to identify and prioritise risks to the achievement of the Group's objectives.

Review of Effectiveness

The Local Code of Governance details the Council's arrangements for monitoring each element of the framework and providing evidence of compliance. The Council's Strategy and Governance Manager has reviewed the effectiveness of the Code and will report the result to the Governance, Risk and Best Value Committee in August 2015.

The Internal Audit Section operates in accordance with CIPFA's Code of Practice for Internal Audit. The Section undertakes an annual work programme based on agreed audit strategy and formal assessments of risk that are reviewed regularly. During the year, the Chief Internal Auditor reported to the Head of Legal, Risk and Compliance but had free access to the Chief Executive, all directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee.

The Chief Internal Auditor and Council's Strategy and Governance Manager have provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- The work of the Corporate Leadership Group which develops and maintains the governance environment;
- The certified annual assurance statements provided by all directors;
- The certified assurance statements provided by the Chief Executives and Directors of Finance of the Council's group companies.
- Council officers' management activities;
- The Chief Internal Auditor's annual report and internal audit reports, risk-based, across a range of Council services;
- An annual review by the Council's Strategy and Governance Manager of the Council's compliance with the Local Code of Corporate Governance, reported to the Governance, Risk and Best Value Committee;
- Reports from the Council's external auditor; and
- reports by external, statutory inspection agencies.

In compliance with standard accounting practice, the Head of Finance has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31st March 2015. It is the Head of Finance's opinion that reasonable assurance can be placed upon its effectiveness.

Each service director has reviewed the arrangements in his / her service area and reported on their assessment of the effectiveness of control arrangements, together with any potential areas requiring improvement, to the Chief Executive. Where improvement actions are identified, an action plan will be developed and subject to regular monitoring. In reviewing the overall governance framework, the Council has also considered any relevant third party reviews and recommendations. Reliance has also been placed on each organisation's most recent audited accounts together with the Council's detailed knowledge of these organisations as a consequence of their continued involvement with these

ANNUAL GOVERNANCE STATEMENT

These reviews have identified that we need to continue to develop:

By the Council:

- mitigating risks associated with the Council's transformation process, including structural and operating model changes;
- the Best Value audit actions: transformational change, corporate working, workforce, ICT, risk and scrutiny, staff engagement and budget;
- the Council's asset management strategy;
- the processes to ensure compliance with policies and procedures;
- the processes to ensure compliance with health and safety legislation, regulations and guidance;
- the implementation of action plans agreed with external inspection agencies;
- the implementation of all other actions identified by service directors in statements of assurance; and
- the planning for and implementation of health and social care integration.

By the Group:

- long-term financial planning and links to outcomes; and
- embedding and building on recent structural changes and improvements in governance arrangements to take advantage, as appropriate, of the emerging signs of economic recovery.

The proposed improvements do not indicate any significant gaps or weaknesses in the existing governance framework.

Certification

It is our opinion that in light of the foregoing, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its Group's systems of governance. The annual review demonstrates sufficient evidence that the Code is operated effectively and the Council and its Group comply with the Local Code of Corporate Governance in all significant respects.

REMUNERATION REPORT

The Council is required under statute to provide information on the remuneration of each senior officer and each senior elected member, together with any other officer not otherwise included whose remuneration is over £150,000 per annum. In addition, the Council is required to provide information for the most senior employee within each of its subsidiary companies, together with all other employees whose remuneration exceeds £150,000 per annum.

All information disclosed in the tables on pages 136 to 146 in this remuneration report will be audited by Audit Scotland. The other sections of the remuneration report will be reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

Remuneration Arrangements Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183) as amended by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (the Lord Provost), senior councillors or councillors. The Leader of the Council and the Civic Head 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.

When determining the level of remuneration for Councillors, the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory non-departmental public body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority Councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2014/15, the remuneration for the Leader of the City of Edinburgh Council was £49,683. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum remuneration that may be paid to the Civic Head (the Lord Provost). For 2014/15 this was £37,262. The Council's policy is to pay the Lord Provost 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 (24 for the City of Edinburgh Council). The maximum yearly amount that may be paid to a Senior Councillor is 75% 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 Senior Councillors shall not exceed £645,873. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their remuneration within these maximum limits. The Council's current policy is summarised below. Posts in italics were remunerated until the dates shown.

	Number of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	65%
Convener of Licensing Board	1	60%
Convener of Governance, Risk and Best Value	1	50%
Convener of Communities and Neighbourhoods	1	45%
Convener of Police and Fire Scrutiny	1	40%
Vice-Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	45%
Opposition Group Leaders - Conservative and Green Groups	2	50%

REMUNERATION REPORT

Councillors - continued

In addition, the Council remunerated the Conveners and Vice Conveners of Joint Boards. The Council has an arrangement with the Joint Boards to reimburse the Council for the additional costs for councillors that arise from their being a Convener or Vice Convener of the Joint Boards.

Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for Chief Executives of Scottish local authorities. Circular CO/146 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2013 to March 2015. Circular CO/147 provides a revised Scheme of Salaries and Conditions of Service for Chief Officials.

There is no formal percentage relationship for salaries between the Chief Executive and other chief officers. The national salary points to be applied to Corporate Directors and Head of Service posts are determined using the Hay job evaluation method. The decision on whether there is to be an annual pay increase applied to the national salary points, and at what level, for Chief Executive and Chief Officer posts is made by the SJNC for local authority services and thereafter applied locally by the Council.

The Director of Health and Social Care is a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employ the post holder directly.

The Council's role in determining the remuneration policies for its companies is currently under review.

Remuneration Paid

The following tables provide details of the remuneration paid to the Council's Senior Councillors, Senior Employees and the remuneration paid to the Chief Executive (or the most senior manager of that body) of each of the Council's subsidiary bodies. Details on roles held by Councillors are set out on pages 137 and 138. Where a Councillor has held more than one post during the year, he/she is only included once within the following table. Salary, fees and allowances represents the total amount received during the year, regardless of whether a senior Councillor role was held for the full year.

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
Council's Leader, Civic Head and Senior Councillors					
A. Burns, Leader of the Council	49,683	0	214	49,897	49,371
D. Wilson, Lord Provost	37,262	0	620	37,882	41,715
S. Cardownie, Depute Leader of the Council (<i>until 12.03.15</i>)	36,149	0	127	36,276	37,033
S. Howat, Depute Leader of the Council (<i>from 12.03.15</i>) and Vice Convener Planning (<i>until 12.03.15</i>)	23,158	0	715	23,873	23,071
D. Brock, Depute Convener	24,841	0	394	25,235	25,658
R. Lewis, Convener of Culture and Sport	32,294	168	1,665	34,127	32,330
F. Ross, Convener of Economy	32,294	0	2,266	34,560	33,859
P. Godzik, Convener Education, Children and Families	32,294	0	267	32,561	32,710
A. Rankin, Convener Finance and Resources	32,294	0	710	33,004	32,699
R. Henderson, Convener Health, Social Care and Housing	32,294	0	708	33,002	33,283
I. Perry, Convener Planning	32,294	0	187	32,481	32,252
G. Barrie, Convener Regulatory	32,294	0	708	33,002	32,705

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
Council's Leader, Civic Head and Senior Councillors					
L. Hinds, Convener Transport and Environment	32,294	0	1,263	33,557	32,895
E. Milligan, Convener Licensing Board	29,809	655	18	30,482	30,310
M. Child, Convener Communities and Neighbourhoods	22,357	0	95	22,452	22,485
J. Balfour, Convener Governance, Risk and Best Value	24,841	0	441	25,282	25,030
M. Chapman, (<i>remunerated as Petitions Convener until 01.05.13</i>)	n/a	n/a	n/a	n/a	17,614
M. Bridgman, Convener Police and Fire Scrutiny	19,873	555	139	20,567	19,347
<u>Vice-Conveners</u>					
N. Austin-Hart, Vice Convener of Culture and Sport	22,357	0	0	22,357	22,135
G. Munro, Vice Convener of Economy	22,357	0	708	23,065	22,388
C. Fullerton, Vice Convener Education, Children and Families	22,357	0	144	22,501	22,292
B. Cook, Vice Convener Finance and Resources	22,357	0	0	22,357	22,135
C. Day, Vice Convener Health, Social Care and Housing	22,357	13	481	22,851	22,360
A. Blacklock, Vice Convener Regulatory	22,357	0	758	23,115	22,866
A. McVey, Vice Convener Transport and Environment (<i>from 14.03.14</i>)	22,357	0	708	23,065	17,413
D. Dixon, Vice Convener Planning (<i>from 12.03.15</i>)	16,872	314	200	17,386	n/a
<u>Former Vice-Conveners</u>					
J. Orr (<i>from 02.05.13 to 04.03.14</i>)	n/a	n/a	n/a	n/a	22,645
W. Henderson (<i>until 24.11.13</i>)	n/a	n/a	n/a	n/a	19,267
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader	24,841	0	99	24,940	24,596
S. Burgess, Green Group Leader	24,841	0	933	25,774	25,435
P. Edie, (<i>remunerated as Liberal Democrat Group Leader until 01.05.13</i>)	n/a	n/a	n/a	n/a	16,792
Councillors					
N Work, Convener Lothian Valuation Joint Board (<i>Note 1</i>)	20,702	0	968	21,670	20,496

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2014/15 was £4,142 (2013/14 £4,101). Expenses relate to Councillor role.

REMUNERATION REPORT

Remuneration Paid - continued Members' Salaries and Expenses

The Council paid the following amounts to members of the Council during the year (these sums include the totals shown above):

	2014/15 £	2013/14 £
Salaries	1,266,880	1,252,631
Expenses		
Claimed by councillors	2,486	2,062
Paid directly by the Council	28,732	33,925
Total	<u>1,298,098</u>	<u>1,288,618</u>

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
Council's Senior Officers				
S. Bruce, Chief Executive	161,741	0	161,741	160,207
G. Tee, Director Children and Families	143,505	0	143,505	142,083
A. Maclean, Director Corporate Governance	134,760	0	134,760	133,425
P. Gabbitas, Director Health and Social Care	65,202	0	65,202	63,431
M. Turley, Director Services for Communities (<i>until 30.06.14</i>) (<i>full year equivalent</i>)	39,118	30,000	69,118	135,570
J. Bury, Acting Director Services for Communities (<i>from 08.05.14</i>) (<i>full year equivalent</i>)	120,994	0	120,994	n/a
G. Ward, Director of Economic Development (<i>from 24.10.13</i>) (<i>full year equivalent</i>)	99,747	0	99,747	43,275
M. Miller, Chief Social Work Officer	99,747	0	99,747	98,760
H. Dunn, Head of Finance	105,003	0	105,003	103,962
Total	<u>969,817</u>	<u>30,000</u>	<u>999,817</u>	<u>880,713</u>

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. S. Bruce waived all fees in respect of 2014/15 for returning officer duties - the authorised amount was £16,423 for returning officer duties relating to the European Parliamentary Election and £16,777 for counting officer duties relating to the Scottish Independence Referendum.
2. J. Bury was appointed Acting Director in May 2014. Salaries shown for J. Bury and M. Turley relate to the responsibilities as shown.
3. P. Gabbitas is employed by NHS Lothian and 50% of his salary costs are recharged to the Council. The above figures therefore show the Council's share.

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers - continued

Council Subsidiary Companies

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2014 and 2013 respectively.

Council's Subsidiary Companies	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Compensation for Loss of Office £	Total Remun. 2014/15 £	Total Remun. 2013/14 £
E. Adair, Operations and Finance Director, EDI Group	94,513	0	0	0	94,513	102,974
H. Rissmann, Chief Executive, EICC (<i>until 31.03.15</i>)	158,034	0	0	0	158,034	156,884
M. Dallas, Chief Executive, EICC (<i>from 01.10.14</i>) (<i>full year equivalent</i>)	32,500	0	0	0	32,500	0
<u>Marketing Edinburgh Ltd.</u>					130,000	0
J Donnelly, Chief Executive (<i>Note 2</i>)	116,600	0	0	0	116,600	88,100
J. Rafferty, Chief Executive, Capital City Partnership	71,720	0	0	0	71,720	71,015
<u>Lothian Buses Ltd.</u>						
I Craig, Managing Director	186,349	0	13,177	0	199,526	269,388
W. Campbell, Operations Director	154,045	0	1,179	0	155,224	197,755
W. Devlin, Engineering Director	154,045	0	2,128	0	156,173	199,078
N. Strachan, Finance Director	154,045	0	672	0	154,717	197,793
G.Hughes, HR Director (<i>Note 3</i>)	103,530	0	9,000	85,779	198,309	143,064
<u>Edinburgh Trams Ltd.</u>						
T Norris, Director and General Manager (<i>from 01.09.13</i>) (<i>full year equivalent</i>)	74,000	20,702	6,735	0	101,437	27,133
						74,000
	<u>1,299,381</u>	<u>20,702</u>	<u>32,891</u>	<u>85,779</u>	<u>1,438,753</u>	<u>1,453,184</u>

Notes:

- Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. and car allowance and personal healthcare within Edinburgh Trams Ltd.
- Marketing Edinburgh Limited entered into two contracts with John P Donnelly Associates Limited for the services of J. Donnelly in the role of Chief Executive. The cost of these contracts is £116,600 in 2014/15, of which £6,600 is VAT (2013/14 £88,100).
- The exit package for G Hughes of £85,779 was paid in February 2015.

REMUNERATION REPORT

Remuneration Paid - continued

Number of Employees by Pay Band

The total number of Council employees receiving more than £50,000 remuneration for the year (including early retirement / voluntary release costs) is shown below.

	2014/15	2013/14		2014/15	2013/14
£50,000 - £54,999	203	170	£105,000 - £109,999	1	0
£55,000 - £59,999	94	88	£110,000 - £114,999	0	1
£60,000 - £64,999	31	30	£115,000 - £119,999	0	0
£65,000 - £69,999	32	27	£120,000 - £124,999	0	0
£70,000 - £74,999	37	30	£125,000 - £129,999	0	0
£75,000 - £79,999	4	8	£130,000 - £134,999	2	1
£80,000 - £84,999	2	5	£135,000 - £139,999	0	1
£85,000 - £89,999	3	3	£140,000 - £144,999	1	1
£90,000 - £94,999	1	1	£145,000 - £149,999	0	0
£95,000 - £99,999	15	13	£150,000 - £154,999	0	0
£100,000 - £104,999	1	4	£155,000 - £159,999	0	0
			£160,000 - £164,999	1	1
			Total No. of Employees	428	384

Exit Packages

The number of exit packages provided for by the Council and the Group during the year, together with the total cost of those packages is shown in the table below. The total cost shown includes pension strain costs and the capitalised value of compensatory added years payments.

Exit package cost band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000							£000	£000
- Council	0	0	30	42	30	42	316	480
- Group companies	2	0	0	0	2	0	6	0
£20,001 - £40,000								
- Council	0	0	31	60	31	60	973	1,722
- Group companies	0	0	0	2	0	2	0	70
£40,001 - £60,000								
- Council	0	0	10	18	10	18	411	895
- Group companies	0	0	0	1	0	1	0	40
£60,001 - £80,000								
- Council	0	0	3	14	3	14	140	1,012
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	4	9	4	9	369	828
- Group companies	0	0	1	0	1	0	86	0
£100,001 - £150,000								
- Council	0	0	4	9	4	9	452	1,035
- Group companies	0	0	0	0	0	0	0	0
	2	0	83	155	85	155	2,753	6,082

REMUNERATION REPORT

Pension Rights

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 increase 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 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.

For local government employees a final salary pension scheme is operated. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

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 is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and members' contribution rates for 2014/15 were as follows:

	Contribution rate
Whole Time Pay	
On earnings up to and including £20,235 (2014 £19,800)	5.50%
On earnings above £20,235 and up to £24,853 (2014 £19,800 to £24,200)	7.25%
On earnings above £24,853 and up to £34,096 (2014 £24,200 to £33,200)	8.50%
On earnings above £34,096 and up to £45,393 (2014 £33,200 to £44,200)	9.50%
On earnings above £45,393 (2014 £44,200)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

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 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

The pension entitlements of senior councillors for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
Council's Leader, Civic Head and Senior Councillors					
A. Burns, Leader of the Council	10,582	10,477	Pension	4	1
			Lump Sum	2	0
D. Wilson, Lord Provost	7,937	7,858	Pension	3	0
			Lump Sum	2	0
<u>Conveners</u>					
R. Lewis	6,879	6,810	Pension	2	2
			Lump Sum	0	0
F. Ross	6,879	6,810	Pension	1	1
			Lump Sum	0	0
P. Godzik	6,879	6,810	Pension	3	1
			Lump Sum	2	0
A. Rankin	6,879	6,810	Pension	2	1
			Lump Sum	0	0
R. Henderson	6,879	6,810	Pension	3	1
			Lump Sum	2	1
I. Perry	6,879	6,810	Pension	3	1
			Lump Sum	2	0
G. Barrie	6,879	6,810	Pension	2	2
			Lump Sum	0	0
L. Hinds	6,879	6,810	Pension	4	0
			Lump Sum	6	0
E. Milligan	6,463	6,286	Pension	3	1
			Lump Sum	2	0
M. Child	4,762	4,759	Pension	7	1
			Lump Sum	15	0
M. Bridgman	4,280	4,095	Pension	4	0
			Lump Sum	2	0

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
<u>Vice-Conveners</u>					
N. Austin Hart	4,762	4,714	Pension	2	0
			Lump Sum	1	0
G. Munro	4,763	4,610	Pension	2	0
			Lump Sum	1	0
D. Dixon	3,594	0	Pension	1	1
			Lump Sum	0	0
S. Howat	4,933	4,714	Pension	1	1
			Lump Sum	0	0
A. Blacklock	4,762	4,714	Pension	2	0
			Lump Sum	1	0
A. McVey	4,762	3,553	Pension	1	1
			Lump Sum	0	0
<u>Former Vice-Conveners</u>					
J. Orr	n/a	4,577	Pension	n/a	n/a
			Lump Sum	n/a	n/a
W. Henderson	n/a	3,948	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Opposition Group Leaders</u>					
C. Rose	5,291	5,238	Pension	3	1
			Lump Sum	1	0
P. Edie	n/a	3,551	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Councillors</u>					
N. Work (<i>including role as Convener of Lothian Valuation Joint Board</i>)	4,410	4,366	Pension	3	1
			Lump Sum	2	0

All senior councillors shown in the above table are members of the Local Government Pension Scheme. Not all senior councillors are members of the Local Government Pension Scheme. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current position.

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2015 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		Difference from
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	
S. Bruce, Chief Executive (<i>including returning officer role</i>)	34,450	34,110	Pension	80	4
			Lump Sum	191	2
G. Tee, Director Children and Families	30,567	30,264	Pension	75	3
			Lump Sum	181	2
A. Maclean, Director Corporate Governance	28,704	28,240	Pension	15	3
			Lump Sum	0	0
P. Gabbitas, Director Health and Social Care (<i>Council proportion</i>)	8,859	8,563	Pension	25	2
			Lump Sum	75	5
M. Turley, Director Services for Communities (<i>until 30.06.14</i>)	7,176	28,876	Pension	58	1
			Lump Sum	139	0
J. Bury, Acting Director Services for Communities (<i>from 08.05.14</i>)	25,772	17,283	Pension	58	12
			Lump Sum	139	26
G. Ward, Director Economic Development	21,141	21,036	Pension	27	2
			Lump Sum	51	2
M. Miller, Chief Social Work Officer	21,246	21,036	Pension	37	2
			Lump Sum	80	1
H. Dunn, Head of Finance	22,366	22,144	Pension	44	2
			Lump Sum	101	1
Total	200,281	211,552			

All senior employees shown in the previous table above, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas is a member of the National Health Service Superannuation Scheme (Scotland). The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government / public service and not just their current appointment. Accrued pension benefits relate to the position as at 31 March 2015, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 142. The contribution rate for P. Gabbitas is 14.7% (2013/14 13.3%).

REMUNERATION REPORT

Pension Benefits - continued

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2015 are shown below, together with the contribution made to each senior employee's pension during the year.

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.15 £	For year to 31.03.14 £		As at 31.03.15 £000	Difference from 31.03.14 £000
E. Adair, Operations and Finance Director, EDI Group	19,753	19,558	Pension Lump Sum	23 40	2 0
H. Rissmann, Chief Executive, EICC (until 31.03.15)	20,813	20,630	Pension Lump Sum	n/a n/a	n/a n/a
M Dallas, Chief Executive, EICC (from 01.10.14)	3,737	n/a	Pension Lump Sum	n/a n/a	n/a n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	38,201	36,311	Pension Lump Sum	24 19	3 1
W. Campbell, Operations Director	31,579	30,017	Pension Lump Sum	33 55	3 1
W. Devlin, Engineering Director	31,579	30,017	Pension Lump Sum	42 83	3 2
N. Strachan, Finance Director	31,579	30,017	Pension Lump Sum	38 70	3 2
G.Hughes, HR Director	10,353	10,150	Pension Lump Sum	n/a n/a	n/a n/a
<u>Edinburgh Trams Ltd.</u>					
T Norris, Director and General Manager (from 01.09.13)	7,400	2,467	Pension Lump Sum	n/a n/a	n/a n/a
<u>Capital City Partnership</u>					
J. Rafferty, Chief Executive	16,280	16,027	Pension Lump Sum	29 65	2 1
Total	<u>211,274</u>	<u>195,194</u>			

EDI Group and EICC are subsidiary companies of CEC Holdings Limited. Figures shown for these companies, Edinburgh Trams Ltd. and Lothian Buses Ltd. are for the year ended 31 December 2014 and 31 December 2013 respectively.

E. Adair and J. Rafferty are the only members of the Local Government Pension Scheme in the above table. The pension figures shown relate to the benefits that the person has accrued as consequence of their total relevant service and not just their current appointment.

INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

Audit Scotland
18 George Street
EDINBURGH
EH2 2QU

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
(as shown on page 18 of the Unaudited Financial Statements)

	£000	2014/15 £000	£000
Total Comprehensive (Income) and Expenditure			139,391
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(19,070)	
Gains and losses relating to pension liability		156,748	
Other unrealised losses		14,725	
		<u>152,403</u>	
Surplus on provision of services, per CIES			(13,012)
<u>Amounts included in the CIES but required by statute to be excluded when determining the General Fund surplus for the year</u>			
Depreciation and impairment of fixed assets	(152,532)		
Net loss on sale of fixed assets	4,716		
Revenue expenditure funded from capital under statute	32,641		
Finance costs - statutory adjustments	1,894		
Net charges made for retirement benefits in accordance with IAS 19	(96,082)		
		(209,363)	
<u>Amounts not included in the CIES but required to be included by statute when determining the General Fund surplus for the year</u>			
Statutory provision for repayment of debt (includes voluntary repayments)	81,714		
Lease repayments (including element relating to PPP contracts)	11,694		
Capital expenditure charged to the General Fund balance	(32,641)		
Capital expenditure funded from revenue	5,674		
Change in fair value of Investment Properties	13,890		
Capital grants and contributions credited to the CIES	69,399		
Net transfer for holiday pay accrual	5,620		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	61,359		
		216,709	
<u>Transfers to / or from the General Fund Balance that are required to be taken into account when determining the General Fund surplus for the year</u>			
Statutory transfer of HRA surplus to Renewal and Repairs Fund	2,503		
Net Transfer from earmarked reserves	9,159		
		11,662	
			<u>19,008</u>
General Fund Surplus reported in Financial Statements			5,996

	2014/15	
£000	£000	£000
Consolidation Adjustments		
Funds (drawn down from) / contributed to earmarked balances:		
- Balances set aside for specific investment	1,861	
- Change Fund (<i>Health and Social Care</i>)	(2,670)	
- Contingency funding	(8,931)	
- Council Priorities Fund (net of transfer of year-end surplus)	(8,259)	
- Council Tax Discount Fund	2,301	
- Devolved School Management	(219)	
- Dilapidation fund	4,605	
- Energy efficiency	(183)	
- Insurance fund	629	
- Licensing income	(418)	
- Lothian Buses	2,000	
- Other minor funds	22	
- Police and Fire reserves previously returned to constituent councils	(1,450)	
- Pre-paid PPP monies	144	
- Recycling monies	(92)	
- Savings set aside for IT projects	2,298	
- Spend to save	(1,025)	
- Strategic Acquisition Fund	3,000	
- Unspent grants	(128)	
		<u>(6,515)</u>
General Fund Surplus		<u><u>(519)</u></u>

REVENUE BALANCES

	Balance at 31-Mar-14 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31-Mar-15 £000
Balances Set Aside to Manage Financial Risks				
Balances set aside for specific inv.	12,028	(3,938)	5,799	13,889
Contingency funding - loan charges	4,000	(4,000)	0	0
Contingency funding, incl workforce	22,832	(5,676)	745	17,901
Council Priorities Fund	10,894	(8,258)	519	3,155
Dilapidations fund	4,154	(85)	4,690	8,759
Insurance funds	11,928	(1,550)	2,179	12,557
	<u>65,836</u>	<u>(23,507)</u>	<u>13,932</u>	<u>56,261</u>
Balances Set Aside from Income Received in Advance				
Change Fund	2,670	(2,670)	0	0
Licensing income	1,819	(447)	29	1,401
Lothian Buses	4,000	0	2,000	6,000
Other minor funds	197	0	22	219
Pre-paid PPP monies	1,455	0	144	1,599
Recycling monies	1,464	(92)	0	1,372
Police and Fire reserves	3,446	(1,450)	0	1,996
Council Tax Discount Fund	16,335	0	2,301	18,636
Unspent grants	4,610	(3,291)	3,163	4,482
Strategic Acquisition Fund	0	0	3,000	3,000
	<u>35,996</u>	<u>(7,950)</u>	<u>10,659</u>	<u>38,705</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Savings set aside for IT projects	1,183	(823)	3,121	3,481
Energy efficiency	983	(274)	91	800
Spend to save	5,013	(2,038)	1,013	3,988
	<u>7,179</u>	<u>(3,135)</u>	<u>4,225</u>	<u>8,269</u>
Balances Set Aside under Devolved School Management Scheme				
Devolved School Management	1,273	(1,273)	1,054	1,054
	<u>1,273</u>	<u>(1,273)</u>	<u>1,054</u>	<u>1,054</u>
Unallocated General Reserve	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
Total General Reserve	<u>123,309</u>	<u>(35,865)</u>	<u>29,870</u>	<u>117,314</u>