

10.00am, Thursday, 30 June 2016

## Unaudited Annual Accounts 2015/16

Item number	8.3
Report number	
Executive/routine	
Wards	

### Executive summary

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The report presents the Council's 2015/16 Unaudited Annual Accounts 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 2016. 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

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Coalition pledges	<a href="#">P30</a>
Council outcomes	<a href="#">CO25</a>
Single Outcome Agreement	<a href="#">SO1</a> , <a href="#">SO2</a> , <a href="#">SO3</a> , <a href="#">SO4</a>

## Unaudited Annual Accounts 2015/16

### Recommendations

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- 1.1 It is recommended that Council note that:
  - 1.1.1 the unaudited annual accounts for 2015/16 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 2016; and
  - 1.1.3 the audited annual accounts and the auditor's report will be submitted to the Governance, Risk and Best Value Committee and the Finance and Resources Committee at the conclusion of the audit in September 2016 and thereafter to Council in October 2016.

### Background

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- 2.1 The purpose of this report is to present the unaudited annual accounts for 2015/16 for Council's consideration.
- 2.2 The Council's unaudited annual accounts, 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 annual accounts must be published on the Council website no later than 30 June 2016 and made available for inspection for a period of 15 working days immediately thereafter.

### Main report

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- 3.1 The financial position for the Council, and its wider group responsibilities, is presented in the following statements:
  - Movement in Reserves Statement (pages 15-17);
  - Comprehensive Income and Expenditure Statements for the Group (page 18) and the Council (page 19); and
  - Balance sheets for the Group (pages 20-21) and the Council (pages 22-23).
- 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 annual accounts 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 141 to 151).

## **Outturn Summary**

### Revenue

3.4 The Council's outturn position shows a net underspend against budget of £0.861m. This is attributable to the following main factors:

- There was an underspend within the General Fund of £4.427m. Within this amount, four of the five main service areas returned small underspends against their approved budgets. Health and Social Care returned an underspend of £3.446m, having received additional funding during the financial year from other areas of the Council's budget.
- Centrally funded staff release costs of £20.942m were accounted for in year. The costs included relate to staff leaving during the year under the Transformation programme and any amounts for pre-approved exits even if the leaving date is in a subsequent period, in accordance with IAS 19. The costs were funded using the service underspends, non-service specific surplus incomes and underspends along with drawing down on earmarked reserves.
- Net savings in loan charges / interest received of £1.553m, mainly as a result of the continuing Council strategy not to undertake external borrowing to finance capital investment during the year.
- Increase in the amount of Council Tax income collected, compared to budget, of £2.493m, mainly as a result of additional properties on which the tax can be levied.

3.5 The net underspend of £0.861m 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 2016. A reconciliation of the Comprehensive Income and Expenditure Statement to the underspend of £0.861m is shown in Appendix 2.

## HRA

- 3.6 The HRA was balanced after making a contribution of £2.256m 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 £10m of debt was paid off in the year to 31 March 2016.

## Capital

- 3.7 Capital expenditure, including the HRA, totalled £191.915m, compared to a revised budget of £214.107m, showing slippage of £22.192m, or 10% of budget. Within these amounts, expenditure on General Fund services slipped by £8.988m, the majority of which related to delays on the Boroughmuir High School replacement, Portobello High School replacement and Early Years improvement projects, while expenditure on the HRA slipped by £13.204m.
- 3.8 Capital income totalled £189.362m, compared to a revised budget of £143.979m. The favourable position includes the planned but unbudgeted receipt within year for the sale of the Atria totalling £91.251m. This is presented net of a transfer to the capital fund of £51.889m which is earmarked to fund Transformation costs, top up the strategic acquisition fund and to redeem debt.
- 3.9 In total £2.553m was funded through borrowing, of which £14.152m under-borrowing related to the General Fund and £16.705m funded to the HRA. The revenue costs arising from borrowing, where required, have been provided for in the 2016-17 budgets and are containable within the Council's Long-Term Financial Plan and HRA business plan.
- 3.10 The Annual Accounts will be submitted to the Governance, Risk and Best Value Committee, together with the ISA260 report from the External Auditor, and the Finance and Resources Committee for approval in September 2016 and to Council after conclusion of the audit.

## **Reserves**

- 3.11 At 31 March 2016, the General Fund reserves had risen to £128.472m, an increase of £10.948m. 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 2016. The remaining £115.447m 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 £57.477m 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 £47.302m of income which has been received in advance of planned expenditure, an increase of £8.597m.

- 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 £7.864m of balances for such projects.
- Balances held under the Devolved School Management scheme of £2.804m. 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 annual accounts have been prepared as determined under International Accounting Standard (IAS) 19, Employee Benefits. Under IAS19, the Council's net pension liability now stands at £438.940m, a decrease of £288.029m from the balance at 31 March 2015. 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**

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4.1 Council receives an unqualified audit certificate from the External Auditor by 30 September 2016.

## **Financial impact**

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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**

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

## **Equalities impact**

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

## **Sustainability impact**

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

## Consultation and engagement

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- 9.1 The unaudited annual accounts will be published on the Council's website from 30 June 2016 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

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None

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## Links

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<b>Coalition pledges</b>	P30 – Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 – The Council has efficient and effective services that deliver on agreed objectives
<b>Single Outcome Agreement</b>	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
<b>Appendices</b>	1. Unaudited annual accounts 2015/16 2. Summary reconciliation of the Comprehensive Income and Expenditure Statement to the reported underspend 3. Revenue balances



**2015/2016  
UNAUDITED ANNUAL  
ACCOUNTS**

# **The City of Edinburgh Council**

## **Annual Accounts**

Year to 31 March 2016

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# MANAGEMENT COMMENTARY

## Basis of Accounts

The Unaudited Annual Accounts present the financial position and performance of the Council, together with the financial position of the wider Council Group for the year to 31 March 2016.

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice.

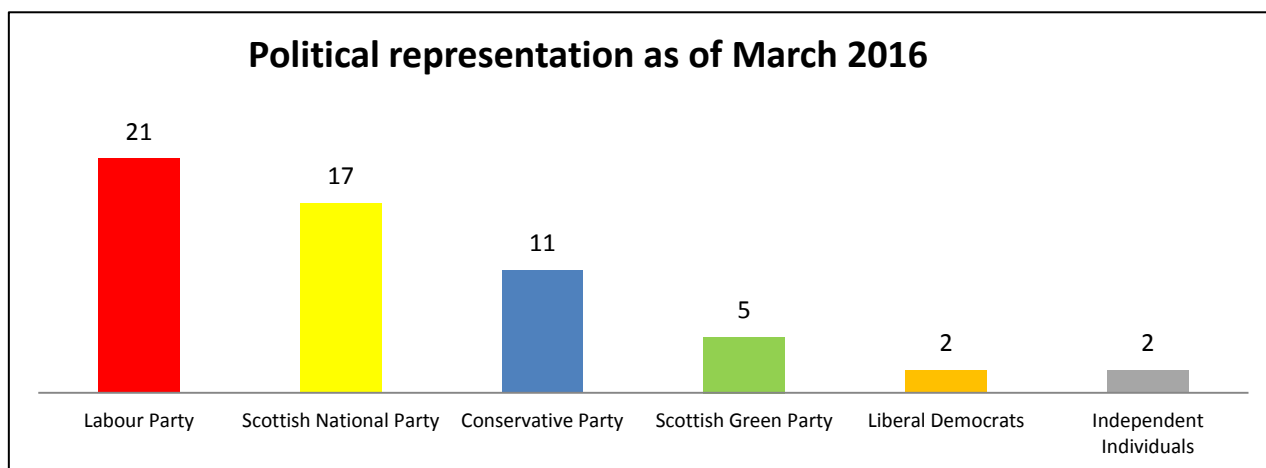
## Statutory Background

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** publication.

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

Political representation as of March 2016 was as follows:



The Labour and Scottish National Party groups together form the Capital Coalition for the City of Edinburgh, which is made up of 38 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 141 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 consideration of new developments, emerging priorities and actions.

A new Council strategic planning and performance framework was agreed in June 2015. This framework was developed to provide both a simple and clear articulation of the Council's vision and purposes and a concise set of shared strategic themes and principles around which all Council services can be built. Following these principles, the framework adopted a single vision for the city, shared with all Council partners, to ensure that Edinburgh is a thriving, sustainable capital city in which all forms of deprivation and inequality are reduced.

The **Council Business Plan for 2016/20** builds on the new strategic direction for the Council, providing a clear vision for the city and the type of organisation the Council needs to be in order to help deliver that 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 for all our citizens
- Ensure economic vitality for Edinburgh, powering sustainable growth and jobs for a wide city region and
- Build excellent places, maintaining Edinburgh as an attractive place to live, work, visit and invest.

Across all of these themes, the plan sets out a further common commitment to provide best value and to deliver lean and agile Council services. In doing so, the plan incorporates budget savings plans and actions agreed as part of the budget setting process and the Council's 2016-20 Revenue and Capital Budget Framework, as well as activity undertaken and agreed as part of the Council Transformation Programme.

The business plan describes six future Council service principles to guide the development of all Council services over the next four years.

### Focused on Customers

We are a Council in which services are designed around the needs of our customers, protecting the needs of our city's most vulnerable citizens

### An Integrated Council

We are a Council of joined up services working together effectively with our partners

### Empowered Communities

We are a Council which engages with our communities and enables community-led service design and delivery

### A Sustainable Capital City

We are a low carbon, resource efficient Council, supporting resilient and sustainable communities in the rich natural setting of our city

### Value for Money

We are a Council which makes best use of its resources, assets and facilities

### High Performing Workforce

We are a Council where services are delivered by an engaged and empowered, high performing workforce

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. The plan also incorporates all actions to re-shape services within the reduced financial resources we have available.

# 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 then 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.

The Corporate Leadership Team's (CLT) **prioritised risks** as at January 2016 are outlined below. The report reflects the current highest priority risks of the Council along with the key controls in place to mitigate them;

Risk	Risk Description	Key Mitigating Controls
<b>1. Maintenance of Capital Assets</b>	Risk that the Council does not have sufficient resources to structure and maintain a capital portfolio that is fit for purpose and safe.	<ul style="list-style-type: none"> <li>Property Management report to CLT</li> <li>Condition surveys performed routinely</li> <li>Property Rationalisation work-stream</li> </ul>
<b>2. Cyber Security and Data Privacy</b>	Risk that the Council's ICT infrastructure is overly exposed to cyber-attacks by external parties or former employees who may still have access to Council systems resulting in loss of data and significant reputational damage.	<ul style="list-style-type: none"> <li>Laptop and media encryption</li> <li>Data awareness campaign</li> <li>Service automation controls in place</li> <li>Leavers process includes removal of access to IT</li> <li>Implemented recommendations from Internal Audit</li> </ul>
<b>3. Integrated Care Programme</b>	Risk over the affordability and delivery of the Adult Social Care, particularly due to demographic changes, impacting the outcomes and care for the people of Edinburgh.	<ul style="list-style-type: none"> <li>Integration Scheme</li> <li>Strategic Commissioning Plan</li> <li>Establishment of Shadow Board</li> <li>Establishment of Leadership Group</li> </ul>
<b>4. ICT Infrastructure</b>	Risk that the ICT infrastructure is not fit for purpose and doesn't meet the present or future needs of the Council through the transition phase to the new ICT provider.	<ul style="list-style-type: none"> <li>Consultation with staff to design correctly</li> <li>Output specifications clearly identified</li> <li>Engagement with staff and service providers</li> <li>Change controls built into new contract</li> <li>Single provider has been selected</li> </ul>
<b>5. Transformational Change Agenda</b>	Risk that the Council's transformational change agenda is not implemented effectively with support from Elected Members and Trade Unions resulting in the Council failing to meet service delivery outcomes impacting cost reductions and staff morale.	<ul style="list-style-type: none"> <li>Transformational governance with full-time resource</li> <li>External assurance and skills utilised</li> <li>CLT monitoring and reporting on projects</li> <li>Governance of major projects status reports</li> <li>Ongoing consultations with Trade Unions</li> <li>Maintain profile on Service Area risk registers</li> </ul>
<b>6. Savings Targets</b>	Risk that the Council does not generate sufficient savings to meet budgets in the short and longer term resulting in under delivery of key services.	<ul style="list-style-type: none"> <li>Services budgets include a cost pressure contingency</li> <li>Savings information reported monthly to CLT</li> <li>External assistance to drive benefits realisation</li> <li>Monthly budget monitoring and challenge meetings</li> </ul>
<b>7. Planning for Increased Demand</b>	Risk of a lack of strategic planning in relation to increasing demand for critical services, taking into account the growth in the City's population as well as changing demographics, leading to a shortfall in funding and a lower quality of service.	<ul style="list-style-type: none"> <li>Demographic funding built into long term financial plans</li> <li>Provision for demographics</li> <li>Strategic workforce planning Board reporting to CLT</li> <li>Continuing agenda item for CLT's consideration</li> <li>Improved information to deliver stronger business case</li> </ul>
<b>8. Public Protection</b>	Risk that the public in general and service users in particular experience harm and/or negative outcomes through either a lack of adequate resource or process failure.	<ul style="list-style-type: none"> <li>Established multi-agency public protection procedures</li> <li>Agreed infrastructure of multi-agency governance through protection committees and Edinburgh's Chief Officers' Group - Public Protection</li> <li>Detailed audit and practice evaluation programmes</li> </ul>
<b>9. Workforce Planning</b>	The organisational model to deliver critical services is not optimised to allow the Council to build a flexible, motivated and high performing workforce, resulting in inefficient service delivery and budget overspend.	<ul style="list-style-type: none"> <li>Workforce Strategy to support design of a flexible, motivated and high performing workforce with the right capabilities, capacity and culture</li> <li>Line by line funded establishment</li> <li>Transformation workforce workstream</li> </ul>
<b>10. Service Provider Degradation</b>	Risk of ICT disruption for the remainder of the existing outsourced provider contract impacts 'business as usual' and the ability to deliver all requirements.	<ul style="list-style-type: none"> <li>Daily conference calls with provider to escalate issues</li> <li>Increased management of key systems in-house</li> <li>Additional support from other 3rd parties as required</li> <li>Monthly update of ICT providers performance to CLT</li> </ul>
<b>11. Delivering Council Commitments</b>	Risk that the Council does not appropriately prioritise resource to meet its statutory, legal and other stated delivery commitments resulting in potential harm to service users and significant reputational damage.	<ul style="list-style-type: none"> <li>Service Areas' clearly defined Service delivery plans</li> <li>KPI's to assess progress against objectives</li> <li>Prioritisation of resources through strategic workforce planning initiatives</li> <li>Annual Internal Audit reviews to track performance</li> </ul>
<b>12. Health and Safety Management</b>	Risk that Health and Safety policy and culture are not clearly understood and embedded in a consistent manner within the organisation, leading to a lack of accountability and responsibility which could result in avoidable harm.	<ul style="list-style-type: none"> <li>Health and Safety assurance reviews</li> <li>New management structure for Health and Safety</li> <li>Service Area Health and Safety reporting and oversight</li> <li>Effective engagement with staff and Trade Unions</li> <li>Risk and Assurance quarterly reporting</li> <li>Implement Health and Safety governance structure</li> </ul>

# MANAGEMENT COMMENTARY

## Performance Overview

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 Team 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 2015/16 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.

**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. A further update was subsequently reported to Council on 10 March 2016. The principal findings of this review were:

- Considerable progress has been made in addressing the Council's increasingly challenging financial position. The Council has a clear strategy for changing the way it delivers services, reducing its workforce and achieving substantial financial savings.
- Elected members and senior managers now have a shared understanding of the challenges facing the Council and the action that needs to be taken.
- The Council's various improvement projects have been consolidated into a single transformation programme. The programme is now being used to redesign services and change the way the Council operates.
- A workforce strategy has been developed, supported by more detailed plans, setting out the size and shape of its future workforce needs.

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 2015/16 data will not be available in sufficient time for inclusion in the unaudited or audited annual accounts. An overview of the Council's 2014/15 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

## Financial Ratios

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

<b>Council Tax</b>	<b>2015/16</b>	<b>2014/15</b>	<b>Notes on Ratios</b>
In-year collection rate	96.10%	95.40%	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	25.02%	24.78%	This shows the proportion of total funding that is derived from Council Tax.
<b>Debt and Borrowing - Prudence</b>			<b>Notes on Ratios</b>
Capital Financing Requirement	£1,633.0m	£1,726.0m	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	£1,622.9m	£1,677.2m	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.
<b>Debt and Borrowing - Affordability</b>			<b>Notes on Ratios</b>
Financing costs to net revenue stream - General Fund	11.80%	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	33.23%	34.43%	
Impact of capital investment on Council Tax	-0.61%	0.96%	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	0.45%	-0.10%	

# 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 summarised in the Movement in Reserves Statement (pages 15 to 17).

The outturn position for the General Fund, excluding accounting practice adjustments, compared to budget is summarised below.

	<b>Budget 2015/16 £000</b>	<b>Actual 2015/16 £000</b>	<b>(Under) / Over Spend £000</b>
General Fund services	846,022	841,595	(4,427)
Centrally funded release costs	11,000	20,942	9,942
Dividend income (net)	(5,000)	(4,925)	75
Loans charges / interest on revenue balances	115,082	113,529	(1,553)
Net contribution (from) / to earmarked balances	(10,174)	(10,174)	0
<b>Total expenditure to be funded</b>	<b>956,930</b>	<b>960,967</b>	<b>4,037</b>
Council Tax	(238,113)	(240,645)	(2,532)
Council Tax Reduction Scheme	26,621	24,255	(2,366)
Total - Council Tax income account	(211,492)	(216,390)	(4,898)
General revenue funding	(354,576)	(354,576)	0
Distribution from non-domestic rate pool	(390,862)	(390,862)	0
<b>Funding</b>	<b>(956,930)</b>	<b>(961,828)</b>	<b>(4,898)</b>
<b>Transfer to Council Priorities Fund</b>	<b>0</b>	<b>(861)</b>	<b>(861)</b>

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

While a balanced overall position against the Council's budget was again delivered in 2015/16, significant pressures were nonetheless apparent, particularly in Health and Social Care. These pressures were addressed through identification of corresponding savings across other service and corporate areas. Formal incorporation within the budget framework of additional investment in both Health and Social Care and Corporate Property gives the potential for these to be addressed on a sustainable basis. Crucial to this sustainability, however, is the delivery of an unprecedented level of savings in 2016/17 and these will be subject to on-going monthly monitoring and discussion at Corporate Leadership Team and regular scrutiny by elected members, particularly via the planned series of Budget Challenge meetings.

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

- An underspend within General Fund services of £4.427m, primarily due to the five service areas returning underspends against their revised budgets and favourable movements in non service specific payments and provisions during the year.
- Centrally funded release costs variance of £9.942m, as a result of £20.942m costs incurred as part of the Transformation Programme, see page 10. Funded from underspends elsewhere within the General Fund.
- A reduction of £1.553m 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

### Budget performance - General Fund - continued

- Additional Council Tax receipts, compared to budget, of £2.532m, mainly as a result of additional properties on which tax can be levied, and a reduction in exemptions. A further saving of £2.366m compared to budget was achieved on the Council Tax Reduction Scheme.
- The Council transferred a net sum of £10.174m from earmarked reserves during 2015/16. The Council's reserves are covered on page 9 of the management commentary and in more detail in note 10.1.
- The surplus of £0.861m returned in 2015/16 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, net of Council Tax Reduction Scheme (CTRS)	216,390
General revenue funding	354,576
Distribution from non-domestic rates pool	390,862
Total	<u>961,828</u>

### Reconciliation to Amounts Reported for Resource Allocation Decisions

Note 32 to the Annual Accounts 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	421,836	(22,833)	399,003	399,469
Corporate Governance	116,165	(36,355)	79,810	79,950
Economic Development	17,811	(5,949)	11,862	11,877
Health and Social Care	285,025	(77,535)	207,490	210,937
Lothian and Borders Valuation Joint Board	3,744	0	3,744	3,744
Services for Communities	383,430	(249,139)	134,291	134,395
Net cost of housing benefits / CTRS	225,171	(201,072)	24,099	26,559
Other non-departmental specific income	5,725	(174)	5,551	5,712
	<u>1,458,907</u>	<u>(593,057)</u>	<u>865,850</u>	<u>872,643</u>
General Fund services (as shown on page 7)			841,595	846,022
Council Tax Reduction Scheme (as shown on page 7)			<u>24,255</u>	<u>26,621</u>
			<u>865,850</u>	<u>872,643</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.

	2014/15 £000	2015/16 £000
Relevant Community Safety expenditure included in Environmental Services	3,461	3,455

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Reserves

#### General Fund

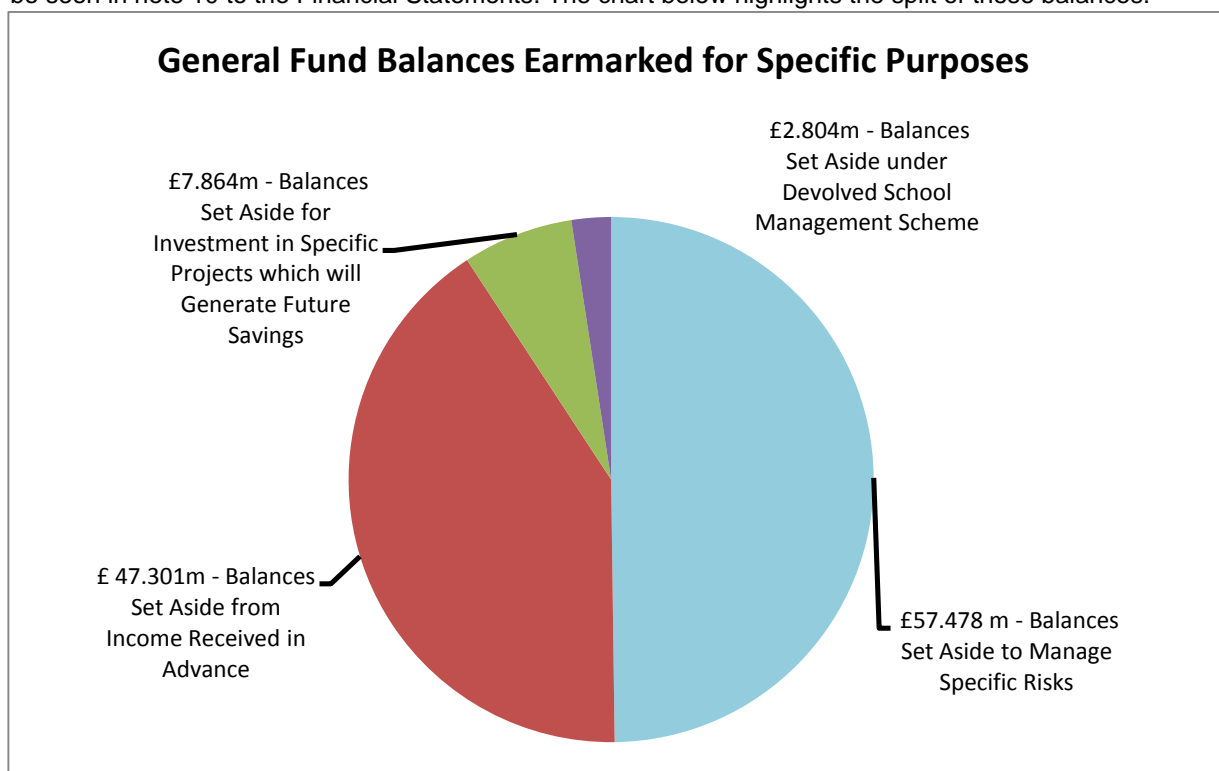
The Council's General Fund reserves comprise two elements:

- 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 of 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 January 2016, as part of the 2016-2017 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 2015/16.

In addition, the Council has a further £115.447m of balances earmarked for specific purposes. Details can be seen in note 10 to the Financial Statements. The chart below highlights the split of these balances.



These 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 staff release costs and the insurance fund.
- Balances set aside from income received in advance are primarily from grant income, due to timing differences between the receipt of the grant income and the planned expenditure thereof.
- 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.
- 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.

In summary, the level of reserves at 31 March 2016, 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.

#### Other Reserves

The Council holds other useable reserves; these are the Capital Grants Unapplied Account with a balance of £2.657m, the Capital Fund with a balance of £68.793m and the Renewal and Repairs Fund with a balance of £38.194m.



# MANAGEMENT COMMENTARY

## Financial Performance - continued

### On-Going and Future Developments

#### Transformation Programme

The Council continues to operate in a challenging environment with increases in demand for services within ongoing financial constraints. In response, the Council has developed a Transformation Programme aimed at building a lean and agile organisation, centred on customers, services and communities. On 25 June 2015, Council approved a report on the Transformation Programme which set out the future operating model for the Council.

**At present**, four organisational reviews have now completed (Tier 3, ICT, HR and Communications) with these structures now operational and savings targets met. A further 10 reviews are now in the matching and assignment stage. As reviews reach the end of consultation, the Transformation team is working closely with Lead Officers, Finance Managers and HR Business Partners to gather data on any revisions to the proposed structures and any associated financial implications, to ensure that savings targets are being met, with this reported to CLT on a monthly basis. As at 27 May 2016, staff accounting for a total of 554.9 FTE have left or are confirmed to be leaving the Council. These confirmed reductions will achieve recurring savings of £20.8 million. The one off VR/VERA and pension strain cost for those cases is £20.7 million and the overall payback period is 13.8 months, which is in line with planning assumptions.

Good progress is also being made with the roll out of 153 new digital transactions as part of the Channel Shift Programme. The programme is on track for the “go live” of the first two batches of transactions by the end of June, which are mainly related to Environment (roads, parks and waste) and Licensing.

#### Budget framework

On 21 January 2016, the Council approved a firm balanced budget for 2016/17 and indicative balanced budgets for the following two years, subject to confirmation of actual grant funding allocations. With the intention of supporting the areas concerned return to a sustainable financial footing, the approved budget framework includes additional service investment in both Health and Social Care and Corporate Property, funded by means of a range of transformation programme and service prioritisation-based savings within these functions and across the Council as a whole. The combined impact of this service investment, cost pressures arising from legislative change, continuing increases in demographic-led demand, inflationary uplifts and a cash-terms reduction in grant funding means that over £70m of savings require to be delivered in 2016/17 alone. Given this position and building on the improved scrutiny of the delivery of approved savings proposals and management of risks and pressures put in place for 2015/16, the first “budget challenge” meetings involving Directors and key elected members have been held, with a further round taking place in June. These meetings are being supplemented by monthly Corporate Leadership Team consideration and discussion.

Following the Commission on Local Tax Reform report, the Scottish Government has announced changes to Council Tax to be implemented from the 2017/18 financial year. The council tax band multipliers for properties in bands E, F G and H relative to Band D properties will increase, with the freeze lifted allowing a maximum increase of 3% per year, which is in-line with the Council's long-term financial plan assumptions. In the medium- to longer-term, the Scottish Government has also signalled the potential for councils to be assigned an element of income tax receipts generated in their respective areas as an incentive to encourage economic growth.

### 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 and was laid before the Scottish Parliament in the summer of 2015.

Formal delegation of functions and resources to the Edinburgh Integration Joint board (EIJB) commenced on the 1st April 2016, following approval of the Strategic Plan by the EIJB.

The Council's Internal Audit function audited the arrangements for Integration in Spring 2015 and the audit was signed off in July.

#### Governance

The Edinburgh Integrated Joint Board is now formally in place.

A Tripartite agreement setting out the principles under which the Edinburgh Health and Social Care Partnership comprising the Edinburgh Integrated Joint Board (EIJB), NHS Lothian (NHS) and the City of Edinburgh Council (the Council) will operate was agreed in March 2016. It outlines support of the Integration Scheme, describes the sharing of duties, powers and responsibilities and risks and ensures compliance with statutory regulations and guidance.

The leadership arrangements in place up to the formal establishment of the Integrated Joint Board have been replaced by the Edinburgh Health and Social Care Partnership Interface Group. This group will ensure open dialogue between the parties and has a remit to; discuss financial matters, resolve any delivery issues, discuss operational matters in relation to directions and as the first point of discussion with regard to formal disputes.

The Chief Officer took up post on 2nd November 2015 and prior to this the Interim Chief Finance Officer was appointed in August 2015.

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Health and Social Work Integration - continued

#### Resource

The Edinburgh Integrated Joint Board holds a combined budget of around £577 million of which approximately £185 million is derived from the 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 are to be delegated to the Integrated Joint Board for governance, planning and resourcing purposes. The Strategic Plan through directions 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.

### 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 and neighbourhoods; 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. Following this, consultation was carried out with tenants to identify their top investment priorities for 2015/16. Based on the outcome of this consultation, capital investment focused investment to reduce household energy costs and build more affordable homes.

The 2015/16 Capital Programme prioritised investment in energy efficiency measures to alleviate fuel poverty and contribute to the Council and national carbon saving targets. All Council homes need to meet the Energy Efficiency Standard for Social Housing (EESHS) by 2020. The Programme worked towards this target by accelerating the installation of new heating systems. The Capital Programme also focused delivery on an external fabric programme to improve energy efficiency in blocks across the city, through a combination of insulation and external render upgrades.

In addition to this, tenants have benefited from further modernisation investment to common areas including lift car upgrades, stair windows, door entry systems and external fabric improvements.

The majority of the delivery of the 2015/16 capital investment programme is through a new Housing Asset Management framework. The new framework has had a positive impact on value for money and quality to customers, achieving savings of up to 20% on certain elements of the programme. The new framework also gives the Council more flexibility and includes performance measures enabling robust contract management.

Significant progress has also been made in delivering new homes through the 21st Century Homes programme. In 2015/16 the programme was expanded to include an additional 400 homes. The current programme is set to deliver over 1,800 new homes, with at least 1,000 of these being let as affordable homes. The programme has been a catalyst for wider regeneration and has brought the Council recognition as a successful house builder, which has been evidenced through awards.

The capital programme supports investment in current homes and neighbourhoods 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.

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 satisfaction with the overall housing service is very high with many areas of satisfaction being top quartile or above average compared to other local authorities. The results show that the Council continues to be in the top three local authorities for satisfaction with the service, the local neighbourhood and quality of homes. There has also been a 14% increase in the number of tenants who think their rent provides value for money, placing the Council above average and amongst the top performing local authorities in this area.

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Housing Revenue Account - continued

At the end of 2015/16, the HRA was balanced after making a contribution of £2.256m to the Renewal and Repairs 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 £10.0m of debt was paid off in-year.

Throughout 2015/16 the Council extensively consulted tenants on their priorities for future investment and rent levels to inform the rent strategy from 2016/17 onwards. Many Council tenants are experiencing real and significant financial hardship and there are not sufficient homes being built in the housing market which meet current need and demand and the challenge of a growing population. In response to this a five year investment strategy has been developed which aims to significantly increase the number of affordable homes in the city from 3,000 to 8,000 over the next ten years and invest in services that will reduce tenants' cost of living.

### 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:

	<b>Revised Budget 2015/16 £000</b>	<b>Actual 2015/16 £000</b>	<b>(Slippage) / Acceleration £000</b>
Capital expenditure			
General Fund services	165,277	156,289	(8,988)
Housing Revenue Account	48,830	35,626	(13,204)
<b>Total capital expenditure</b>	<b>214,107</b>	<b>191,915</b>	<b>(22,192)</b>
Capital receipts and other contributions			
- General Fund services	(36,564)	(80,938)	(44,374)
- Housing Revenue Account	(13,782)	(10,762)	3,020
Government and other grants			
- General Fund services	(89,853)	(89,503)	350
- Housing Revenue Account	(3,780)	(8,159)	(4,379)
<b>Total capital income</b>	<b>(143,979)</b>	<b>(189,362)</b>	<b>(45,383)</b>
Balance to be funded through borrowing			
- General Fund services	38,860	(14,152)	(53,012)
- Housing Revenue Account	31,268	16,705	(14,563)
<b>Total advances from loans fund</b>	<b>70,128</b>	<b>2,553</b>	<b>(67,575)</b>

Expenditure on General Fund services slipped in total by £8.988m. The majority of slippage related to delays on the Boroughmuir High School replacement, Portobello High School replacement and Early Years improvement projects, caused by factors largely out with the Council's control. Expenditure on the Housing Revenue Account slipped by £13.204m.

Capital receipts and other contributions for General Fund Services includes settlement of a planned but unbudgeted within year receipt for the sale of the Atria totalling £91.251m. This is presented net of a transfer to the capital fund totalling £51.889m which is earmarked to fund Council transformation costs, a top up to the Strategic Investment Fund and to redeem debt.

The Council received £57.461m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

# MANAGEMENT COMMENTARY

## Financial Performance - continued

### Capital Expenditure - continued

Capital expenditure for the year totalled £191.915m. Major capital projects undertaken during the year included:

- Educational properties - £57.452m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £35.626m;
- Social housing through the housing development fund - £31.663m;
- Roads, carriageways and other infrastructure - £25.324m;
- Health and Social Care establishments - £6.531m;
- Recreational venues (including libraries, parks and open spaces) - £3.683m; and
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £1.498m.

### Group Accounts

The Council's arm's-length companies have 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.

Net assets for 2015/16 include a combined group pension liability of £426.753m (2014/15 £749.701m), 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 2016. 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.

# STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL 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 was the Head of Finance up until 5 January 2016, thereafter the Acting Executive Director of Resources.
- to manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- to approve the Annual Accounts for signature.

## The Section 95 Officer's responsibilities

The Section 95 Officer is responsible for the preparation of the Authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Section 95 Officer 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 Section 95 Officer has also:

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

## Annual Accounts

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2016.

HUGH DUNN, CPFA  
Acting Executive Director of Resources

10 June 2016

## 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.

	<b>General Fund Balance £000</b>	<b>Housing Revenue Account Balance £000</b>	<b>Renewal and Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>
<b>2015/16</b>				
Balance at 31 March 2015	117,524	0	35,833	0
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	(12,904)	15,568	0	0
Other Comprehensive Income and Expenditure	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	(12,904)	15,568	0	0
Adjustments between accounting basis and funding basis under regulations (Note 9)	12,489	(13,312)	0	(116,763)
<b>Net (increase) / decrease before transfers to statutory reserves</b>	(415)	2,256	0	(116,763)
Transfer (to) / from other statutory reserves (Note 10.3)	11,363	(2,256)	2,361	116,763
Increase / (decrease) in year	10,948	0	2,361	0
<b>Balance at 31 March 2016</b>	<b>128,472</b>	<b>0</b>	<b>38,194</b>	<b>0</b>
	<b>Capital Grants Unapplied Account £000</b>	<b>Capital Fund £000</b>	<b>Council's Total Usable Reserves £000</b>	<b>Group Usable Reserves £000</b>
<b>2015/16</b>				
Balance at 31 March 2015	4,349	31,721	189,427	10,172
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	0	0	2,664	3,665
Other Comprehensive Income and Expenditure	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	0	0	2,664	3,665
Adjustments between accounting basis and funding basis under regulations (Note 9)	(1,692)	0	(119,278)	0
<b>Net (increase) / decrease before transfers to statutory reserves</b>	(1,692)	0	(116,614)	3,665
Transfer (to) / from other statutory reserves (Note 10.3)	0	37,072	165,303	26,783
Increase / (decrease) in year	(1,692)	37,072	48,689	30,448
<b>Balance at 31 March 2016</b>	<b>2,657</b>	<b>68,793</b>	<b>238,116</b>	<b>40,620</b>

## MOVEMENT IN RESERVES STATEMENT

	<b>Total Usable Reserves £000</b>	<b>Council's Unusable Reserves £000</b>	<b>Group Unusable Reserves £000</b>	<b>Total Reserves £000</b>
<b>2015/16</b>				
Balance at 31 March 2015	<u>199,599</u>	<u>1,449,087</u>	<u>99,107</u>	<u>1,747,793</u>
Movement in reserves during 2015/16				
Surplus or (deficit) on the provision of services	6,329	0	0	6,329
Other Comprehensive Income and Expenditure	<u>0</u>	<u>329,667</u>	<u>38,969</u>	<u>368,636</u>
<b>Total Comprehensive Income and Expenditure</b>	6,329	329,667	38,969	374,965
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>(119,278)</u>	<u>119,278</u>	<u>0</u>	<u>0</u>
<b>Net (increase) / decrease before transfers to statutory reserves</b>	(112,949)	448,945	38,969	374,965
Transfer (to) / from other statutory reserves (Note 10.3)	<u>192,086</u>	<u>(165,303)</u>	<u>(26,783)</u>	<u>0</u>
Increase / (decrease) in year	<u>79,137</u>	<u>283,642</u>	<u>12,186</u>	<u>374,965</u>
<b>Balance at 31 March 2016</b>	<u><b>278,736</b></u>	<u><b>1,732,729</b></u>	<u><b>111,293</b></u>	<u><b>2,122,758</b></u>

	<b>General Fund Balance £000</b>	<b>Housing Revenue Account Balance £000</b>	<b>Renewal and Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>
<b>(re-stated)</b>				
<b>2014/15 Comparative Data</b>				
Balance at 31 March 2014	<u>123,310</u>	<u>0</u>	<u>22,504</u>	<u>0</u>
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	(5,004)	17,937	0	0
Other Comprehensive Income and Expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,479</u>
<b>Total Comprehensive Income and Expenditure</b>	(5,004)	17,937	0	21,479
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>7,629</u>	<u>(14,973)</u>	<u>0</u>	<u>(21,479)</u>
<b>Net (increase) / decrease before transfers to statutory reserves</b>	2,625	2,964	0	0
Transfer (to) / from other statutory reserves (Note 10.3)	<u>(8,411)</u>	<u>(2,964)</u>	<u>13,329</u>	<u>0</u>
Increase / (decrease) in year	<u>(5,786)</u>	<u>0</u>	<u>13,329</u>	<u>0</u>
<b>Balance at 31 March 2015</b>	<u><b>117,524</b></u>	<u><b>0</b></u>	<u><b>35,833</b></u>	<u><b>0</b></u>

## MOVEMENT IN RESERVES STATEMENT

<b>(re-stated)</b> <b>2014/15 Comparative Data</b>	<b>Capital Grants Unapplied Account £000</b>	<b>Capital Fund £000</b>	<b>Council's Total Usable Reserves £000</b>	<b>Restated Group Usable Reserves £000</b>
Balance at 31 March 2014	<u>1,994</u>	<u>22,379</u>	<u>170,187</u>	<u>23,450</u>
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	0	0	12,933	6,458
Other Comprehensive Income and Expenditure	<u>0</u>	<u>11,298</u>	<u>32,777</u>	<u>(27,719)</u>
<b>Total Comprehensive Income and Expenditure</b>	<u>0</u>	<u>11,298</u>	<u>45,710</u>	<u>(21,261)</u>
Adjustments between accounting basis and funding basis under regulations (Note 9)	<u>2,355</u>	<u>0</u>	<u>(26,468)</u>	<u>307</u>
<b>Net (increase) / decrease before transfers to statutory reserves</b>	<u>2,355</u>	<u>11,298</u>	<u>19,242</u>	<u>(20,954)</u>
Transfer (to) / from other statutory reserves (Note 10.3)	<u>0</u>	<u>(1,956)</u>	<u>(2)</u>	<u>7,676</u>
Increase / (decrease) in year	<u>2,355</u>	<u>9,342</u>	<u>19,240</u>	<u>(13,278)</u>
<b>Balance at 31 March 2015</b>	<u><b>4,349</b></u>	<u><b>31,721</b></u>	<u><b>189,427</b></u>	<u><b>10,172</b></u>

<b>(re-stated)</b> <b>2014/15 Comparative Data</b>	<b>Total Usable Reserves £000</b>	<b>Council's Unusable Reserves £000</b>	<b>Group Unusable Reserves £000</b>	<b>Total Reserves £000</b>
Balance at 31 March 2014	<u>193,637</u>	<u>1,607,797</u>	<u>108,949</u>	<u>1,910,383</u>
Movement in reserves during 2014/15				
Surplus or (deficit) on the provision of services	19,391	0	0	19,391
Other Comprehensive Income and Expenditure	<u>5,058</u>	<u>(185,180)</u>	<u>(1,859)</u>	<u>(181,981)</u>
<b>Total Comprehensive Income and Expenditure</b>	<u>24,449</u>	<u>(185,180)</u>	<u>(1,859)</u>	<u>(162,590)</u>
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>
<b>Net (increase) / decrease before transfers to statutory reserves</b>	<u>(1,712)</u>	<u>(158,712)</u>	<u>(2,166)</u>	<u>(162,590)</u>
Transfer (to) / from other statutory reserves (Note 10.3)	<u>7,674</u>	<u>2</u>	<u>(7,676)</u>	<u>0</u>
Increase / (decrease) in year	<u>5,962</u>	<u>(158,710)</u>	<u>(9,842)</u>	<u>(162,590)</u>
<b>Balance at 31 March 2015</b>	<u><b>199,599</b></u>	<u><b>1,449,087</b></u>	<u><b>99,107</b></u>	<u><b>1,747,793</b></u>



## 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 2016

(re-stated) 2014/15			Gross Expend.	Income	Net Expend.
£000		Notes	£000	£000	£000
	<b>SERVICES</b>				
340,451	Education Services		381,296	(25,505)	355,791
0	Contribution to Health Integration Joint Board		56	(45)	11
323,248	Social Work		400,017	(78,750)	321,267
(33,291)	Housing Revenue Account		83,864	(110,584)	(26,720)
30,314	Other Housing Services		299,979	(268,416)	31,563
49,113	Cultural and Related Services		59,850	(17,712)	42,138
72,290	Environmental Services		107,211	(28,548)	78,663
63,523	Roads and Transport		259,913	(192,978)	66,935
27,259	Planning and Development		59,682	(33,708)	25,974
13,540	Corporate and Democratic Core		13,470	(964)	12,506
18,600	Non-Distributed Costs		20,049	0	20,049
7,584	Services to the Public		24,528	(16,945)	7,583
10,040	Other Income and Expenditure		84,996	(69,938)	15,058
1,858	Associates and Joint Ventures Accounted for on an Equity Basis		21,463	(18,712)	2,751
924,529	<b>COST OF SERVICES</b>		<u>1,816,374</u>	<u>(862,805)</u>	953,569
(4,807)	Other Operating Income	11.			(37,109)
92,003	Financing and Investment Income and Exp.	12.			106,863
(1,031,116)	Taxation and Non-Specific Grant Income	13.			(1,029,652)
(19,391)	<b>SURPLUS ON PROVISION OF SERVICES</b>				(6,329)
(19,070)	Deficit / (Surplus) on Revaluation of Non- Current Assets			2,294	
(204,649)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(37,286)	
361,397	Changes in Financial and Demographic Assumptions / Other Experience			(285,852)	
44,303	Other Unrealised (Gains) / Losses			<u>(47,792)</u>	
181,981	Other Comprehensive Income and Expend.				(368,636)
<u>162,590</u>	<b>TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE</b>				<u>(374,965)</u>

# 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 2016

(re-stated) 2014/15			Gross Expend.	Income	Net Expend.
£000	SERVICES	Notes	£000	£000	£000
340,451	Education Services		381,296	(25,505)	355,791
0	Contribution to Health Integration Joint Board		56	(45)	11
323,248	Social Work		400,017	(78,750)	321,267
(33,291)	Housing Revenue Account		83,864	(110,584)	(26,720)
30,314	Other Housing Services		299,979	(268,416)	31,563
50,870	Cultural and Related Services		55,508	(11,133)	44,375
72,290	Environmental Services		107,211	(28,548)	78,663
70,815	Roads and Transport		124,219	(49,882)	74,337
32,695	Planning and Development		55,626	(27,241)	28,385
13,540	Corporate and Democratic Core		13,470	(964)	12,506
18,600	Non-Distributed Costs		20,049	0	20,049
7,584	Services to the Public		24,528	(16,945)	7,583
5,133	Other Income and Expenditure		80,171	(69,396)	10,775
932,249	<b>COST OF SERVICES</b>		<u>1,645,994</u>	<u>(687,409)</u>	958,585
(4,716)	Other Operating Income	11.			(37,258)
92,328	Financing and Investment Income and Exp.	12.			108,331
(1,032,794)	Taxation and Non-Specific Grant Income	13.			(1,032,322)
(12,933)	<b>SURPLUS ON PROVISION OF SERVICES</b>				(2,664)
(19,070)	Deficit / (Surplus) on Revaluation of Non-Current Assets			2,294	
(204,649)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(37,286)	
361,397	Changes in Financial and Demographic Assumptions / Other Experience			(285,852)	
14,725	Other Unrealised Losses			(8,823)	
152,403	Other Comprehensive Income and Expend.				(329,667)
139,470	<b>TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE</b>				<u>(332,331)</u>

## RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
139,470	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(332,331)
829	Subsidiary and associate transactions included in the Council's CIES	(761)
15,161	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	(37,673)
7,130	Associates	(4,200)
162,590	Group total Comprehensive (Income) / Expenditure for the year	<u>(374,965)</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 assets of the Group (assets less liabilities) are matched by the reserves held by 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.

<b>(re-stated)</b>				
<b>31 March</b>			<b>31 March 2016</b>	
<b>2015</b>			<b>£000</b>	<b>£000</b>
<b>£000</b>		<b>Notes</b>		
4,954	Intangible Assets	16.		3,665
1,029,558	Council Dwellings		1,030,623	
1,732,117	Other Land and Buildings		1,615,966	
178,127	Vehicles, Plant, Furniture and Equipment		177,743	
912,496	Infrastructure Assets		872,920	
12,192	Community Assets		12,964	
12,624	Surplus Assets		2,420	
50,330	Assets under Construction		89,688	
<b>3,927,444</b>	<b>Property, Plant and Equipment</b>	14.		3,802,324
16,304	Investment Properties	15.		17,450
31,075	Heritage Assets	17.		31,116
21,179	Assets Held for Sale	22.		43,746
794	Available for Sale Financial Assets			733
297	Deferred Tax			202
0	Other Long-Term Assets (Pension)			17,936
11,553	Long-Term Investments			11,516
33,771	Investments in Associates and Joint Ventures			32,315
115,039	Long-Term Debtors	20.		91,707
<b>4,162,410</b>	<b>Long-Term Assets</b>			<b>4,052,710</b>
0	Short-Term Investments		13,022	
8,503	Assets Held for Sale	22.	5,721	
0	Available for Sale Financial Assets	18.	64,311	
12,057	Inventories	19.	17,661	
83,370	Short-Term Debtors	20.	95,830	
95,504	Cash and Cash Equivalents	21.	118,712	
<b>199,434</b>	<b>Current Assets</b>			315,257
(77,787)	Short-Term Borrowing		(87,321)	
(180,107)	Short-Term Creditors	23.	(174,601)	
(1,340)	Capital Grants Received in Advance		0	
(19,770)	Provisions	24.	(13,004)	
<b>(279,004)</b>	<b>Current Liabilities</b>			<b>(274,926)</b>

# GROUP BALANCE SHEET

(re-stated)  
31 March  
2015

31 March 2016

£000	Notes	£000	£000
(1,351,473) Long-Term Borrowing		(1,298,248)	
(232,435) Other Long-Term Liabilities		(219,947)	
(3,467) Deferred Tax		(9,072)	
(8,723) Liabilities in Associates and Joint Ventures		(3,066)	
<u>(738,949) Other Long-Term Liabilities (Pensions)</u>		<u>(439,950)</u>	
<u>(2,335,047) Long-Term Liabilities</u>			<u>(1,970,283)</u>
<u><b>1,747,793 Net Assets</b></u>			<u><b>2,122,758</b></u>
905,886 Revaluation Reserve		861,308	
1,340,067 Capital Adjustment Account		1,372,435	
(49,159) Financial Instruments Adjustment Account		(47,214)	
0 Available for Sale Financial Assets Reserve		2	
(726,969) Pensions Reserve		(438,940)	
(20,738) Employee Statutory Adjustment Account		(14,862)	
<u>99,107 Group Unusable Reserves</u>		<u>111,293</u>	
<u><b>1,548,194 Unusable Reserves</b></u>	26.		1,844,022
4,349 Capital Grants Unapplied Account		2,657	
31,721 Capital Fund		68,793	
35,833 Renewal and Repairs Fund		38,194	
117,524 General Fund		128,472	
<u>10,172 Group Usable Reserves</u>		<u>40,620</u>	
<u><b>199,599 Usable Reserves</b></u>	10.		<u>278,736</u>
<u><b>1,747,793 Total Reserves</b></u>			<u><b>2,122,758</b></u>

The unaudited accounts were issued on 24 June 2016.

HUGH DUNN, CPFA  
Acting Executive Director of Resources  
10 June 2016

## 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 fund 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'.

<b>(re-stated)</b>			
<b>31 March</b>			<b>31 March 2016</b>
<b>2015</b>		<b>Notes</b>	<b>£000      £000</b>
<b>£000</b>			
4,954	Intangible Assets	16.	3,665
1,029,558	Council Dwellings		1,030,623
1,704,462	Other Land and Buildings		1,583,123
104,027	Vehicles, Plant, Furniture and Equipment		105,961
911,161	Infrastructure Assets		871,874
12,192	Community Assets		12,964
12,624	Surplus Assets		2,420
50,330	Assets under Construction		89,688
<b>3,824,354</b>	<b>Property, Plant and Equipment</b>	14.	3,696,653
16,104	Investment Properties	15.	17,250
31,075	Heritage Assets	17.	31,116
21,179	Assets Held for Sale	22.	43,746
23,510	Long-Term Investments		23,474
118,539	Long-Term Debtors	20.	96,333
<b>4,039,715</b>	<b>Long-Term Assets</b>		<b>3,912,237</b>
0	Short-Term Investments		13,022
8,503	Assets Held for Sale	22.	5,721
0	Available for Sale Financial Assets	18.	64,311
2,749	Inventories	19.	2,699
70,181	Short-Term Debtors	20.	85,700
81,948	Cash and Cash Equivalents	21.	97,991
<b>163,381</b>	<b>Current Assets</b>		269,444
(79,287)	Short-Term Borrowing		(87,321)
(151,446)	Short-Term Creditors	23.	(148,017)
(1,340)	Capital Grants Received in Advance		0
(17,994)	Provisions	24.	(11,532)
<b>(250,067)</b>	<b>Current Liabilities</b>		(246,870)

# BALANCE SHEET

(re-stated) 31 March 2015		31 March 2016		
£000		Notes	£000	£000
(1,360,607)	Long-Term Borrowing	18.	(1,308,889)	
(226,939)	Other Long-Term Liabilities	18.	(216,137)	
<u>(726,969)</u>	Other Long-Term Liabilities (Pensions)	43.3	<u>(438,940)</u>	
<u>(2,314,515)</u>	<b>Long-Term Liabilities</b>			<u>(1,963,966)</u>
<u><b>1,638,514</b></u>	<b>Net Assets</b>			<u><b>1,970,845</b></u>
905,886	Revaluation Reserve		861,308	
1,340,067	Capital Adjustment Account		1,372,435	
(49,159)	Financial Instruments Adjustment Account		(47,214)	
0	Available for Sale Financial Assets Reserve		2	
(726,969)	Pensions Reserve		(438,940)	
<u>(20,738)</u>	Employee Statutory Adjustment Account		<u>(14,862)</u>	
<u>1,449,087</u>	<b>Unusable Reserves</b>	26.		1,732,729
4,349	Capital Grants Unapplied Account		2,657	
31,721	Capital Fund		68,793	
35,833	Renewal and Repairs Fund		38,194	
<u>117,524</u>	General Fund		<u>128,472</u>	
<u>189,427</u>	<b>Usable Reserves</b>	10.		238,116
<u><b>1,638,514</b></u>	<b>Total Reserves</b>			<u><b>1,970,845</b></u>

The unaudited accounts were issued on 24 June 2016.

HUGH DUNN, CPFA  
Acting Executive Director of Resources  
10 June 2016

## 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 Group 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 2016

(re-stated)

2014/15 £000		Notes	£000	£000
	<b>Operating Activities</b>			
(216,370)	Taxation		(215,976)	
(1,074,651)	Grants		(1,056,916)	
(90,791)	Housing rents		(93,037)	
(543,907)	Sales of goods and rendering of services		(558,179)	
<u>(10,978)</u>	Interest and investment income received	27.	<u>(7,061)</u>	
(1,936,697)	Cash inflows from operating activities			(1,931,169)
647,531	Cash paid to and on behalf of employees		579,077	
202,498	Housing benefits paid out		200,635	
750,202	Cash paid to suppliers of goods and services		847,039	
3,546	Taxation paid		2,245	
<u>95,936</u>	Interest paid	27.	<u>97,540</u>	
<u>1,699,713</u>	Cash outflows from operating activities			<u>1,726,536</u>
(236,984)	Net cash flows from operating activities			(204,633)
	<b>Investing Activities</b>			
183,102	Net cash flows from investing activities	28.		133,573
	<b>Financing Activities</b>			
<u>(4,155)</u>	Net cash flows from financing activities	29.		<u>47,852</u>
<u>(58,037)</u>	Net decrease / (increase) in cash and cash equivalents			<u>(23,208)</u>
<u>(37,467)</u>	Cash and cash equivalents at 1 April			<u>(95,504)</u>
<u>(95,504)</u>	Cash and cash equivalents at 31 March	21.		<u>(118,712)</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 2016

2014/15 £000		Notes	£000	£000
	<b>Operating Activities</b>			
(216,284)	Taxation		(216,461)	
(1,074,651)	Grants		(1,056,916)	
(90,791)	Housing rents		(93,037)	
(387,101)	Sales of goods and rendering of services		(394,200)	
<u>(10,748)</u>	Interest and investment income received	27.	<u>(6,849)</u>	
(1,779,575)	Cash inflows from operating activities			(1,767,463)
571,736	Cash paid to and on behalf of employees		582,155	
202,498	Housing benefits paid out		200,635	
694,796	Cash paid to suppliers of goods and services		699,262	
<u>95,470</u>	Interest paid	27.	<u>97,072</u>	
<u>1,564,500</u>	Cash outflows from operating activities			<u>1,579,124</u>
(215,075)	Net cash flows from operating activities			(188,339)
	<b>Investing Activities</b>			
159,224	Net cash flows from investing activities	28.		126,115
	<b>Financing Activities</b>			
<u>(5,930)</u>	Net cash flows from financing activities	29.		<u>46,181</u>
<u>(61,781)</u>	Net decrease / (increase) in cash and cash equivalents			<u>(16,043)</u>
<u>(20,167)</u>	Cash and cash equivalents at 1 April			<u>(81,948)</u>
<u>(81,948)</u>	Cash and cash equivalents at 31 March	21.		<u>(97,991)</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

The Annual Accounts for the year ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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 discount 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. For soft loans to subsidiary bodies, the writedown is accounted for as an additional investment in the subsidiary in the Council's Group Accounts.

# 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 IAS39 Financial Instruments: Measurement.

The Council's investments in Transport for Edinburgh, CEC Holdings Limited and CEC Recovery Limited (formerly tie Limited) have been assessed as outwith the scope of IAS39.

Unless otherwise stated, the accounts of these companies may be obtained on application to the Corporate Finance Senior Manager, 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 (the price that would be received for the asset in its highest and best use).

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.

- **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.

- **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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.12 Leases - continued

- **Operating Leases - continued**

- **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.

### 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 8.968% (PPP1 scheme), 5.895% (PPP2 scheme) and 8.236% (James Gillespies High School - JGHS) 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 Fair Value measurement - surplus assets and investment properties

Surplus assets, investment properties and relevant financial instruments are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In measuring the fair value, the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use is taken into account.

Appropriate valuation techniques have been applied, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as:

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

### 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

### 1.18 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 their 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.
- Surplus assets - fair value is the price that would be paid for an asset in its highest and best use

- **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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.18 Property, Plant and Equipment - continued

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.

- **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 (Projects).

- **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.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies - continued

### 1.18 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.

### 1.19 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

### 1.19 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.
- Available for sale financial assets - provides a mechanism to recognise the unrealised gains and losses on the revaluation of financial assets (such as investment bonds).
- 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.

### 1.20 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.

### 1.21 Value Added Tax

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

### 1.22 Group Account Consolidation

IFRS 10, 'Consolidated Financial Statements', was issued in August 2011 and replaces the guidance on control and consolidation in IAS 27, 'Consolidated and Separate Financial Statements', and in SIC 12, 'Consolidation - Special Purpose Entities', along with other related code changes.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under IFRS 10 than under IAS 27. No differences were found.

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.
- 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 2016/17 Code:

- Amendments to IAS 19 Employee benefits (Defined benefit plans - employee contributions)
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendment to IFRS 11 Joint Arrangements
- Amendments to IAS 16 Property, Plant and Equipment and IAS 39 Intangible Assets
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure initiative)
- Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis
- Changes to the format of the Fund Account and the Net Assets Statement
- Change of accounting policy for the Highways Network Asset

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 financial statements.

Overall, the majority of these new or amended standards are not expected to have a significant impact on the financial statements. The adoption of amendments to IAS 1 and changes to the format of the Fund Account and the Net Assets Statement represent a change in accounting policy which may require the restatement of the Balance Sheet at the beginning of the preceding period in the 2016/17 financial statements, if the changes are material. The adoption of changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves and the new Expenditure and Funding Analysis represent a change of accounting policy that will require the publication of a restated Balance Sheet at the beginning of the preceding period in the 2016/17 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) and the Design, Build, Finance and Maintain (DBFM) for James Gillespies High School, for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership (PPP1), Axiom Education Limited (PPP2) and Hub South East Scotland (JGHS).

The accounting policies for public private partnerships have been applied to these arrangements and the schools (valued at net book value of £561.529m at 31 March 2016) 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 £9.347m 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 £0.560m per annum.
Provisions	The Council has made a provision of £0.568m 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 £0.057m 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 £32.217m. A review of significant balances suggested that an impairment of doubtful debts of £4.984m (15.5%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a 5% increase in the rate of the impairment of doubtful debts would require an additional £1.611m to be set 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 £4.049m 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 96.82% of Council Tax will be collected. An impairment for doubtful debts of £7.956m has been provided for in respect of sums due in the year. 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 £2.502m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £6.779m. A review of significant balances suggested that an impairment of doubtful debts of £5.399m (79.6%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There has been a significant increase in arrears and the impairment set aside, which should help protect against additional welfare reforms such as Universal Credit and the reduction in the benefits cap announced in the UK government's budget which will potentially impact on the level of rent arrears.
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%.	<p>If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £19.372m.</p> <p>If the discount factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £19.372m.</p>

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 £20.942m of general fund underspends, income surpluses and reserves to fund staff release costs arising during the year. The effect of this is included within the Comprehensive Income and Expenditure Statement.

### 6. Events After the Balance Sheet Date

A revaluation of the Lauriston Castle collection commenced in January 2016. It is likely there will be a significant increase in value of these assets, which will be reflected in the City of Edinburgh Charitable Trusts statements. Figures were not available for inclusion in the unaudited accounts.

17 schools within the PPP1 contract were closed in April 2016 due to findings of property surveys undertaken as a consequence of a wall collapse at Oxbgangs Primary School. It is anticipated that remedial work undertaken and the costs of transferring pupils to other locations will be at no cost to the Council.

## 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%	
• LPFE Limited	100.00%	
• Edinburgh Integration Joint Board	50.00%	Board representation

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

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.1 Subsidiary Companies

#### • Capital City Partnership

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

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:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Net assets	1,149	858
Net (profit) / loss before taxation	180	(41)
Retained profit carried forward	567	243

#### • 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 unaudited results of the company are as follows:	<b>31.12.15</b>	<b>31.12.14</b>
	<b>£000</b>	<b>£000</b>
Net assets	16,292	17,920
Net (profit) / loss before taxation	(99)	(415)
Retained loss carried forward	(51,209)	(51,716)

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 2016 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 unaudited results of the company are as follows.

	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Net assets	0	0
Net deficit before taxation	0	0
Retained loss carried forward	(1)	(1)

#### • LPFE Limited

The company was incorporated on 11 February 2015 and commenced trading on 1 May 2015.

The principal activity of the company is the provision of staff to the City of Edinburgh Council and LPFI Limited in support of the administration of Pension Funds. All pension funds are part of the Local Government Pension Scheme in Scotland.

The first unaudited results of the company are as follows:	14 months to
	<b>31.03.16</b>
	<b>£000</b>
Net assets	(142)
Net (profit) / loss before taxation	142
Retained loss carried forward	(142)

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.1 Subsidiary Companies - continued

#### • 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 unaudited results of the company are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Net assets	272	262
Net (profit) / loss before taxation	(13)	41
Retained profit carried forward	272	259

#### • 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 are as follows:

	<b>31.12.15</b>	<b>31.12.14</b>
	<b>£000</b>	<b>£000</b>
<b>Transport for Edinburgh Limited (Consolidated Group)</b>		
Net assets	99,395	61,825
Net (profit) / loss before taxation	(8,936)	(9,579)
Retained earnings	18,320	(11,136)
Dividend paid	4,925	5,000

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

### 7.2 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 unaudited results of the company are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Net assets / (liabilities)	657	(6,440)
Net operating (profit) / loss	1,524	(968)
Earnings / (Losses) carried forward	657	(6,440)

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% (2014/15 33.33%) Board Representation, is as follows:

	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Incoming resources	(9,826)	(10,092)
Net (profit) / loss	(2,365)	868
Net assets / (liabilities)	219	(2,146)
Total usable reserves	219	(2,146)

#### • 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:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Net assets	3,734	4,179
Net operational outgoing resources	597	197
Fund balances carried forward	3,734	4,179

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% (2014/15 33.33%) Board representation, is as follows:

	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Incoming resources	(3,653)	(3,645)
Net outgoing resources	148	89
Net assets	1,245	1,393
Total usable reserves	1,245	1,393

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.2 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% (2014/15 61.22%) funding percentage is as follows:

	<b>31.03.16</b>	<b>Restated 31.03.15</b>
	<b>£000</b>	<b>£000</b>
Funding - requisitions	(3,746)	(3,742)
Other income	<u>(1,312)</u>	<u>(1,398)</u>
Total income	<u>(5,058)</u>	<u>(5,140)</u>
Deficit for the year	<u>382</u>	<u>200</u>
Net liabilities	<u>(3,066)</u>	<u>(6,576)</u>
Usable reserves		0
Unusable reserves	<u>(3,066)</u>	<u>(6,576)</u>
Total reserves	<u>(3,066)</u>	<u>(6,576)</u>

- **Edinburgh Integration Joint Board**

The Edinburgh Integration Joint Board (EIJB) was established by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. The Annual Accounts of EIJB are for the period from 27 June 2015 to 31 March 2016.

The Board comprises 10 voting members, made up of five elected members appointed by the City of Edinburgh Council and five NHS non-executive directors appointed by NHS Lothian, along with a number of non voting members.

The expenditure incurred by the EIJB is covered in full by income received from the partner bodies, NHS Lothian and the City of Edinburgh Council. EIJB will therefore commission services from the parent bodies based on the approved strategic plan.

	10 months to
The first unaudited results of the company are as follows:	<b>31.03.16</b>
	<b>£000</b>
Gross expenditure	107
Gross income	(107)
Current assets	57
Current liabilities	(57)

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Subsidiaries and Associates - continued

### 7.3 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

### 7.4 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.

### 7.5 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 £151.913m (2014/15 £109.279m re-stated) 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 2016 was £4.183m (31 March 2015 £4.153m).

The Expenditure Trust received interest of £0.03m.

£0.479m 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. Payments were also made to the EICC Limited for construction services (£0.072m) and for funding support (£0.600m).

### ● 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 2016 was £2.398m (31 March 2015 £3.551m).

Funds in the Income Trust have reduced by £1.153m during the year, relating to the transfer, noted above, to the International Conference Centre Expenditure Trust and management fees of £0.013m. The Income Trust received interest of £0.011m.

## 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

2015/16	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	154,075	23,285	0
Movements in the market value of investment properties	(1,146)	0	0
Amortisation and impairment of intangible assets	1,289	0	0
Capital grants and contributions applied	(63,094)	(7,439)	0
Capital funded from revenue	(215)	0	0
Revenue expenditure funded from capital under statute	38,846	0	0
<b>Insertion of items not debited or credited to the CIES</b>			
Statutory provision for the financing of capital investment	(70,297)	(27,328)	0
Capital expenditure charged against General Fund and HRA balances	(38,846)	0	0
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	(35,011)	(2,247)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(116,763)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,440)	(488)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	104,720	2,676	0
Employer's pension contributions and direct payments to pensioners payable in the year	(70,594)	(1,693)	0
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,798)	(78)	0
<b>Total Adjustments</b>	<b>12,489</b>	<b>(13,312)</b>	<b>(116,763)</b>

# NOTES TO THE FINANCIAL STATEMENTS

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

2015/16	Usable Reserves		
	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
Charges for depreciation and impairment of non-current assets	0	0	(177,360)
Movements in the market value of investment properties	0	0	1,146
Amortisation of intangible assets	0	0	(1,289)
Capital grants and contributions applied	1,593	0	68,940
Capital funded from revenue	0	0	215
Revenue expenditure funded from capital under statute	0	0	(38,846)
<b>Insertion of items not debited or credited to the CIES</b>	0	0	
Statutory provision for the financing of capital investment	0	0	97,625
Capital expenditure charged against General Fund and HRA balances	0	0	38,846
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,285)	0	3,285
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	37,258
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	116,763
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	1,928
<b>Adjustments primarily involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(107,396)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	72,287
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	0	0	5,876
<b>Total Adjustments</b>	<b>(1,692)</b>	<b>0</b>	<b>119,278</b>

# NOTES TO THE FINANCIAL STATEMENTS

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

2014/15 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>			
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)</b>			
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 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
<b>Insertion of items not debited or credited to the CIES</b>			
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
<b>Adjustments primarily involving the Capital Grant Unapplied Account</b>			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>			
Net loss / (gain) 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)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,434)	(460)	0
<b>Adjustments primarily involving the Pensions Reserve</b>			
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
<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>			
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
<b>Total Adjustments</b>	<b>7,629</b>	<b>(14,973)</b>	<b>(21,479)</b>

# NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves		
	Capital Grants Unapplied Account £000	Capital Fund £000	Movement in Unusable Reserves £000
2014/15 Comparative Data			
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) / gain 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

## 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 2014/15 which has been restated.

	Balance at 01.04.15 £000	Net Transfers Out 2015/16 £000	Net Transfers In 2015/16 £000	Balance at 31.03.16 £000
<b>Group Reserves</b>				
<b>Subsidiaries</b>				
CEC Holdings Limited				
Revenue reserves	(51,715)	0	557	(51,158)
Capital grants unapplied account	3,213	(484)	0	2,729
Transport for Edinburgh Limited				
Revenue reserves	48,523	0	29,726	78,249
<b>Total Usable Reserves - Subsidiaries</b>	<b>21</b>	<b>(484)</b>	<b>30,283</b>	<b>29,820</b>
<b>Associates and Joint Ventures</b>				
Common Good Fund				
Earmarked revenue reserve	2,836	(539)	0	2,297
Edinburgh Leisure				
Earmarked revenue reserve	576	(402)	0	174
Revenue reserves	(2,722)	0	2,766	44
International Conference Centre Trusts				
Income Trust	3,551	(1,153)	0	2,398
Expenditure Trust	4,153	0	30	4,183
Festival City Theatres Trust				
Earmarked capital reserve	1,457	(255)	0	1,202
Revenue reserves	(64)	0	107	43
Lothian Valuation Joint Board				
Revenue reserves	364	0	95	459
<b>Total Usable Reserves - Associates and Joint Ventures</b>	<b>10,151</b>	<b>(2,349)</b>	<b>2,998</b>	<b>10,800</b>
<b>Total Usable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>10,172</b>	<b>(2,833)</b>	<b>33,281</b>	<b>40,620</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

#### 10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.14 £000	Re-stated Net Transfers Out 2014/15 £000	Net Transfers In 2014/15 £000	Balance at 31.03.15 £000
<b>Group Reserves</b>				
<b>Subsidiaries</b>				
CEC Holdings Limited				
Revenue reserves	(54,951)		3,236	(51,715)
Capital grants unapplied account	3,632	(419)	0	3,213
Transport for Edinburgh				
Revenue reserves	61,852	(13,329)	0	48,523
<b>Total Usable Reserves - Subsidiaries</b>	<b>10,533</b>	<b>(13,748)</b>	<b>3,236</b>	<b>21</b>
<b>Associates and Joint Ventures</b>				
Common Good Fund				
Earmarked revenue reserves	1,651	0	1,185	2,836
Edinburgh Leisure				
Earmarked revenue reserve	419	0	157	576
Revenue reserves	(1,697)	(1,025)	0	(2,722)
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)
Lothian Valuation Joint Board				
Revenue reserves	258	0	106	364
<b>Total Usable Reserves - Associates and Joint Ventures</b>	<b>12,917</b>	<b>(5,639)</b>	<b>2,873</b>	<b>10,151</b>
<b>Total Usable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>23,450</b>	<b>(19,387)</b>	<b>6,109</b>	<b>10,172</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

#### 10.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.15 £000	Inter-Fund Transfer 2015/16 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31.03.16 £000
<b>Council's Usable Reserves</b>					
<b>General Fund</b>					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under Devolved School Management (DSM)	1,054	0	(1,054)	2,804	2,804
Balances set aside for specific inv.	13,889	(3,000)	(2,661)	4,337	12,565
Contingency funding, workforce mgmt.	17,901	0	0	174	18,075
Council Priorities Fund	3,365	0	(3,022)	861	1,204
Dilapidations Fund	8,759	3,000	(402)	737	12,094
Energy Efficiency Fund	799	0	0	47	846
Insurance Funds	12,557	0	(250)	1,232	13,539
Licensing Income	1,402	0	(347)	339	1,394
Recycling balances	1,372	0	0	0	1,372
Revenue grants and contributions received in advance of planned expenditure	14,077	0	(3,912)	5,078	15,243
Council Tax Discount Fund	18,636	0	0	2,960	21,596
Spend to Save Fund and similar projects	7,469	0	(4,729)	4,277	7,017
Other earmarked balances	219	0	0	21	240
Strategic Acquisition Fund	3,000	0	(42)	4,500	7,458
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	(2,256)	2,256	0
<b>Total General Fund</b>	<b>117,524</b>	<b>0</b>	<b>(18,675)</b>	<b>29,623</b>	<b>128,472</b>
<b>Housing Revenue Account Balance</b>	<b>0</b>	<b>0</b>	<b>(2,256)</b>	<b>2,256</b>	<b>0</b>
<b>Renewal and Repairs Fund</b>	<b>35,833</b>	<b>0</b>	<b>0</b>	<b>2,361</b>	<b>38,194</b>
<b>Capital Fund</b>	<b>31,721</b>	<b>0</b>	<b>(18,198)</b>	<b>55,270</b>	<b>68,793</b>
<b>Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>(116,763)</b>	<b>116,763</b>	<b>0</b>
<b>Capital Grants Unapplied Account</b>	<b>4,349</b>	<b>0</b>	<b>(3,285)</b>	<b>1,593</b>	<b>2,657</b>
<b>Total Usable Reserves - Council</b>	<b>189,427</b>	<b>0</b>	<b>(159,177)</b>	<b>207,866</b>	<b>238,116</b>
<b>Total Usable Reserves - Group</b>	<b>199,599</b>	<b>0</b>	<b>(162,010)</b>	<b>241,147</b>	<b>278,736</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Usable Reserves - continued

#### 10.1 Transfers to and from Usable Reserves - continued

	(re-stated) Balance at 01.04.14 £000	Inter-Fund Transfer 2014/15 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	(re-stated) Balance at 31.03.15 £000
<b>General Fund</b>					
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	10,895	0	(8,258)	728	3,365
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	(2,964)	2,964	0
<b>Total General Fund</b>	<b>123,310</b>	<b>0</b>	<b>(34,334)</b>	<b>28,548</b>	<b>117,524</b>
<b>Housing Revenue Account Balance</b>	<b>0</b>	<b>0</b>	<b>(2,964)</b>	<b>2,964</b>	<b>0</b>
<b>Renewal and Repairs Fund</b>	<b>22,504</b>	<b>0</b>	<b>0</b>	<b>13,329</b>	<b>35,833</b>
<b>Capital Fund</b>	<b>22,379</b>	<b>0</b>	<b>(2,048)</b>	<b>11,390</b>	<b>31,721</b>
<b>Capital Receipts Reserve</b>	<b>0</b>	<b>0</b>	<b>21,479</b>	<b>(21,479)</b>	<b>0</b>
<b>Capital Grants Unapplied Account</b>	<b>1,994</b>	<b>0</b>	<b>(943)</b>	<b>3,298</b>	<b>4,349</b>
<b>Total Usable Reserves - Council</b>	<b>170,187</b>	<b>0</b>	<b>(18,810)</b>	<b>38,050</b>	<b>189,427</b>
<b>Total Usable Reserves - Group</b>	<b>193,637</b>	<b>0</b>	<b>(38,197)</b>	<b>44,159</b>	<b>199,599</b>

#### 10.2 Devolved School Management

A net credit balance of £2.804m (2014/15 £1.054m) 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

2015/16

	<b>General Fund £000</b>	<b>HRA Balance £000</b>	<b>Renewal / Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>
Transfers out	(18,675)	(2,256)	0	(116,763)
Transfers in	29,623	2,256	2,361	116,763
Total movements in fund	10,948	0	2,361	0
Recognised in Comprehensive Income and Expenditure Statement	(415)	2,256	0	(116,763)
Transfers to other earmarked reserves	11,363	(2,256)	2,361	116,763
Total movements in fund	10,948	0	2,361	0
	<b>Capital Grants Unapplied £000</b>	<b>Capital Fund £000</b>	<b>Group Usable Reserves £000</b>	<b>Total £000</b>
Transfers out	(3,285)	(18,198)	(2,833)	(162,010)
Transfers in	1,593	55,270	33,281	241,147
Total movements in fund	(1,692)	37,072	30,448	79,137
Recognised in Comprehensive Income and Expenditure Statement	(1,692)	0	3,665	(112,949)
Transfers to other earmarked reserves	0	37,072	26,783	192,086
Total movements in fund	(1,692)	37,072	30,448	79,137

2014/15 Comparative Data  
(re-stated)

	<b>General Fund £000</b>	<b>HRA Balance £000</b>	<b>Renewal / Repairs Fund £000</b>	<b>Capital Receipts Reserve £000</b>
Transfers out	(34,334)	(2,964)	0	21,479
Transfers in	28,548	2,964	13,329	(21,479)
Total movements in fund	(5,786)	0	13,329	0
Recognised in Comprehensive Income and Expenditure Statement	2,625	2,964	0	0
Transfers to other earmarked reserves	(8,411)	(2,964)	13,329	0
Total movements in fund	(5,786)	0	13,329	0

## 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

2014/15 Comparative Data (re-stated)	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(943)	(2,048)	(19,387)	<b>(38,197)</b>
Transfers in	3,298	11,390	6,109	<b>44,159</b>
Total movements in fund	<u>2,355</u>	<u>9,342</u>	<u>(13,278)</u>	<u><b>5,962</b></u>
Recognised in Comprehensive Income and Expenditure Statement	2,355	11,298	(20,954)	<b>(1,712)</b>
Transfers to other earmarked reserves	0	(1,956)	7,676	<b>7,674</b>
Total movements in fund	<u>2,355</u>	<u>9,342</u>	<u>(13,278)</u>	<u><b>5,962</b></u>

### 11. Other Operating Expenditure

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
(Gains) / losses on the disposal of non-current assets	(37,109)	(37,258)	(4,807)	(4,716)
	<u>(37,109)</u>	<u>(37,258)</u>	<u>(4,807)</u>	<u>(4,716)</u>

### 12. Financing and Investment Income and Expenditure

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	95,552	95,138	94,064	93,657
Interest cost on defined benefit obligation	105,663	92,013	118,313	103,245
Interest receivable and similar income	(8,082)	(7,972)	(10,609)	(10,441)
Interest income on plan assets	(81,732)	(68,568)	(95,508)	(79,991)
Net income in relation to investment properties and changes in their fair value	(2,512)	(2,512)	(14,208)	(14,208)
Net (surplus) / deficit from trading activities	<u>(2,026)</u>	<u>232</u>	<u>(49)</u>	<u>66</u>
	<u>106,863</u>	<u>108,331</u>	<u>92,003</u>	<u>92,328</u>

### 13. Taxation and Non-Specific Grant Income

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(216,351)	(216,351)	(212,976)	(212,976)
Non-domestic rates	(390,862)	(390,862)	(364,108)	(364,108)
Non-ring fenced government grants	(354,576)	(354,576)	(386,311)	(386,311)
Capital grants and contributions	(70,533)	(70,533)	(69,399)	(69,399)
Taxation expenses	<u>2,670</u>	<u>0</u>	<u>1,678</u>	<u>0</u>
	<u>(1,029,652)</u>	<u>(1,032,322)</u>	<u>(1,031,116)</u>	<u>(1,032,794)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Property, Plant and Equipment

### 14.1 Depreciation

No depreciation is provided in the year of an 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 30 years, to reflect estimated useful life 3 years to 15 years, Group Companies

### 14.2 Capital Commitments

At 31 March 2016, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £78.159m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2015 were £64.920m.

	£000	Expected Completion Date
Portobello New High School	11,830	Oct-16
Boroughmuir New High School	19,170	Oct-16
Kirkliston Primary School extension	1,620	Aug-17
Liberton HS New Gym	1,130	Aug-16
Rising school rolls 4 School extensions	3,140	Aug-16
Rising school rolls 3 School extensions retention	800	Aug-16
Free School Meals kitchen retention	2,630	Aug-16
Kitchen and Bathrooms	3,889	1-2 years
External Fabric - high rise	1,040	1-2 years
Water of Leith Phase 2 (Flood defence works)	13,154	3 years
New Autism Day and Respite Centre retention	70	Apr-15
Royston Care Home	3,978	Sep-16
Calton Hill Restoration project	200	1 year
ICT capital investment / ICT transformational change investment	15,508	1 year
	<u>78,159</u>	

In November 2015, the group entered into an agreement to purchase 30 Open Top Tour vehicles and a V6e commentary system for £6,100,000. These are expected to be delivered during mid 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.3 Movements on Balances - Group Accounts

##### Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
<b>Cost or Valuation</b>				
At 1 April 2015	1,047,151	1,841,517	300,619	1,350,760
Additions	31,257	34,385	20,673	25,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,931)	(24,783)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(3,539)	(42,827)	0	0
Derecognition - disposals	(6,870)	(65,455)	(8,421)	0
Derecognition - other	0	0	(455)	0
Assets reclassified (to) / from held for sale	(52)	(20,069)	0	0
Other movements in cost or valuation	0	4,867	0	0
At 31 March 2016	<u>1,066,016</u>	<u>1,727,635</u>	<u>312,416</u>	<u>1,376,084</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2015	(17,593)	(109,400)	(122,492)	(438,264)
Depreciation charge	(18,457)	(47,366)	(19,964)	(64,900)
Depreciation charge written out to Revaluation Reserve	211	26,224	0	0
Depreciation written out to the Surplus on the Provision of Services	216	11,667	0	0
Derecognition - disposals	228	6,547	7,377	0
Derecognition - other	0	0	455	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(49)	0
Other movements in cost or valuation	2	659	0	0
At 31 March 2016	<u>(35,393)</u>	<u>(111,669)</u>	<u>(134,673)</u>	<u>(503,164)</u>
<b>Net book value</b>				
At 31 March 2016	<u>1,030,623</u>	<u>1,615,966</u>	<u>177,743</u>	<u>872,920</u>
At 31 March 2015	<u>1,029,558</u>	<u>1,732,117</u>	<u>178,127</u>	<u>912,496</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.3 Movements on Balances - Group Accounts Movements in 2015/16

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
<b>Cost or Valuation</b>				
At 1 April 2015	12,192	12,634	50,330	<b>4,615,203</b>
Additions	1,328	137	44,485	<b>157,589</b>
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	<b>(24,161)</b>
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(556)	(142)	0	<b>(47,064)</b>
Derecognition - disposals	0	(2,917)	0	<b>(83,663)</b>
Derecognition - other	0	0	0	<b>(455)</b>
Assets reclassified (to) / from held for sale	0	(10,105)	0	<b>(30,226)</b>
Other movements in cost or valuation	0	260	(5,127)	<b>0</b>
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u><b>4,587,223</b></u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2015	0	(10)	0	<b>(687,759)</b>
Depreciation charge	0	(41)	0	<b>(150,728)</b>
Depreciation charge written out to Revaluation Reserve	0	0	0	<b>26,435</b>
Depreciation written out to the Surplus on the Provision of Services	0	0	0	<b>11,883</b>
Derecognition - disposals	0	16	0	<b>14,168</b>
Derecognition - other	0	0	0	<b>455</b>
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	<b>(49)</b>
Other movements in cost or valuation	0	35	0	<b>696</b>
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u><b>(784,899)</b></u>
<b>Net book value</b>				
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u><b>3,802,324</b></u>
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u><b>3,927,444</b></u>



## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.4 Movements on Balances - Group Accounts 2014/15 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
<b>Cost or Valuation</b>				
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	1,047,151	1,841,517	300,619	1,350,760
<b>Accumulated Depreciation and Impairment</b>				
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	(17,593)	(109,400)	(122,492)	(438,264)
<b>Net book value</b>				
At 31 March 2015	1,029,558	1,732,117	178,127	912,496
At 31 March 2014	1,017,351	1,763,693	103,377	941,347

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.4 Movements on Balances - Group Accounts 2014/15 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
<b>Cost or Valuation</b>				
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	12,192	12,634	50,330	4,615,203
<b>Accumulated Depreciation and Impairment</b>				
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	0	(10)	0	(687,759)
<b>Net book value</b>				
At 31 March 2015	12,192	12,624	50,330	3,927,444
At 31 March 2014	11,347	17,150	79,740	3,934,005

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Property, Plant and Equipment - continued

### 14.5 Movements on Balances - City of Edinburgh Council Movements in 2015/16

	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>
<b>Cost or Valuation</b>				
At 1 April 2015	1,047,151	1,783,676	167,200	1,344,090
Additions	31,257	34,385	12,964	25,324
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,931)	(30,869)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(3,539)	(42,827)	0	0
Derecognition - disposals	(6,870)	(65,455)	(193)	0
Derecognition - other	0	0	(455)	0
Assets reclassified (to) / from held for sale	(52)	(20,069)	0	0
Other movements in cost or valuation	0	4,867	0	0
At 31 March 2016	<u>1,066,016</u>	<u>1,663,708</u>	<u>179,516</u>	<u>1,369,414</u>
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2015	(17,593)	(79,214)	(63,173)	(432,929)
Depreciation charge	(18,457)	(47,091)	(10,788)	(64,611)
Depreciation charge written out to Revaluation Reserve	211	26,847	0	0
Depreciation written out to the Surplus on the Provision of Services	216	11,667	0	0
Derecognition - disposals	228	6,547	0	0
Derecognition - other	0	0	455	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	(49)	0
Other movements in cost or valuation	2	659	0	0
At 31 March 2016	<u>(35,393)</u>	<u>(80,585)</u>	<u>(73,555)</u>	<u>(497,540)</u>
<b>Net book value</b>				
At 31 March 2016	<u>1,030,623</u>	<u>1,583,123</u>	<u>105,961</u>	<u>871,874</u>
At 31 March 2015	<u>1,029,558</u>	<u>1,704,462</u>	<u>104,027</u>	<u>911,161</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.5 Movements on Balances - City of Edinburgh Council Movements in 2015/16

<b>Cost or Valuation</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property Plant and Equipment £000</b>	<b>PPP Assets £000</b>
At 1 April 2015	12,192	12,634	50,330	<b>4,417,273</b>	572,541
Additions	1,328	137	44,485	<b>149,880</b>	9,432
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	<b>(30,247)</b>	3,062
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(556)	(142)	0	<b>(47,064)</b>	(1,254)
Derecognition - disposals	0	(2,917)	0	<b>(75,435)</b>	0
Derecognition - other	0	0	0	<b>(455)</b>	0
Assets reclassified (to) / from held for sale	0	(10,105)	0	<b>(30,226)</b>	0
Other movements in cost or valuation	0	260	(5,127)	<b>0</b>	0
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u><b>4,383,726</b></u>	<u>583,781</u>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2015	0	(10)	0	<b>(592,919)</b>	(15,231)
Depreciation charge		(41)	0	<b>(140,988)</b>	(13,085)
Depreciation charge written out to Revaluation Reserve	0	0	0	<b>27,058</b>	5,498
Depreciation written out to the Surplus on the Provision of Services	0	0	0	<b>11,883</b>	566
Derecognition - disposals	0	16	0	<b>6,791</b>	0
Derecognition - other	0	0	0	<b>455</b>	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	<b>(49)</b>	0
Other movements in cost or valuation	0	35	0	<b>696</b>	0
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u><b>(687,073)</b></u>	<u>(22,252)</u>
<b>Net book value</b>					
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u><b>3,696,653</b></u>	<u>561,529</u>
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u><b>3,824,354</b></u>	<u>557,310</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 2014/15 Comparative Data

<b>Cost or Valuation</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>
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>
<b>Accumulated Depreciation and Impairment</b>				
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>
<b>Net book value</b>				
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

#### 14.6 Movements on Balances - City of Edinburgh Council 2014/15 Comparative Data

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

# 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. Where the Council has a planned replacement programme asset life is reviewed accordingly.
- 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.

<b>Council assets</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>
Carried at historical cost	55,506	49,545	110,867	1,369,414
Valued at fair value as at:				
31 March 2016	1,061	308,324	0	0
31 March 2015	1,425	272,141	67,674	0
31 March 2014	1,007,681	435,188	125	0
31 March 2013	343	470,428	850	0
31 March 2012	0	128,082	0	0
<b>Total cost or valuation</b>	<b>1,066,016</b>	<b>1,663,708</b>	<b>179,516</b>	<b>1,369,414</b>

<b>Council assets</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
Carried at historical cost	12,964	0	89,688	1,687,984
Valued at fair value as at:				
31 March 2016	0	2,420	0	311,805
31 March 2015	0	0	0	341,240
31 March 2014	0	0	0	1,442,994
31 March 2013	0	0	0	471,621
31 March 2012	0	0	0	128,082
<b>Total cost or valuation</b>	<b>12,964</b>	<b>2,420</b>	<b>89,688</b>	<b>4,383,726</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Property, Plant and Equipment - continued

#### 14.8 Surplus Assets and Investment Properties - Fair Value Disclosure

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as at 31 March 2016
	£000	£000	£000	£000
Surplus assets	0	2,420	0	2,420
Investment properties - advertising hoardings	0	17,250	0	17,250
<b>Total cost or valuation</b>	<b>0</b>	<b>19,670</b>	<b>0</b>	<b>19,670</b>

- There were no transfers between levels during the year.
- The fair value for surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in similar locations. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's surplus assets, the assumption has been made that these would be disposed for highest and best use consideration.
- The fair value for investment properties has been based on the market approach using current rent receivable with a capitalisation rate applied. The rate reflects the return that an investor would expect from the capital employed. There is evidence of lettings from the Council's property information systems which have been used to determine valuation parameters and the level of observable inputs is significant, leading to the investment properties being categorised at level 2 in the fair value hierarchy. In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

### 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

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Rental income from investment properties	(1,401)	(1,401)	(387)	(387)
Direct operating expenses arising from investment property	35	35	68	68
	<b>(1,366)</b>	<b>(1,366)</b>	<b>(319)</b>	<b>(319)</b>

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.



## NOTES TO THE FINANCIAL STATEMENTS

### 15. Investment Properties - continued

#### 15.2 Movement in Fair Value

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

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	16,304	16,104	2,415	2,215
Additions:				
- Subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	1,146	1,146	13,889	13,889
Transfers				
- (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>17,450</u>	<u>17,250</u>	<u>16,304</u>	<u>16,104</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 £1.289m in 2015/16 (2014/15 £0.710m) was charged to the following services.

	2015/16 £000	2014/15 £000
Education services	45	56
Cultural and related services	0	0
Social Work	23	12
Services to the Public	1,221	642
Total amortisation	<u>1,289</u>	<u>710</u>

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

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April				
Gross carrying amount	8,557	8,557	6,185	6,185
Less: Accumulated amortisation	<u>(3,603)</u>	<u>(3,603)</u>	<u>(2,893)</u>	<u>(2,893)</u>
Net carrying amount at 1 April	4,954	4,954	3,292	3,292
Additions during the year				
- Purchased intangible assets	0	0	2,372	2,372
Impairment during the year	0	0	0	0
Amortisation for the period	<u>(1,289)</u>	<u>(1,289)</u>	<u>(710)</u>	<u>(710)</u>
Net carrying amount at 31 March	<u>3,665</u>	<u>3,665</u>	<u>4,954</u>	<u>4,954</u>
Comprising:				
Gross carrying amounts	8,557	8,557	8,557	8,557
Accumulated amortisation	<u>(4,892)</u>	<u>(4,892)</u>	<u>(3,603)</u>	<u>(3,603)</u>
Net carrying amount at 31 March	<u>3,665</u>	<u>3,665</u>	<u>4,954</u>	<u>4,954</u>

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

	Carrying Amount		Remaining
	2015/16 £000	2014/15 £000	Amortisation Period 31.03.16
Master data management software	666	887	3 years
Web-based solution software, including web forms	715	953	3 years
Integration engine software	608	846	3 years
Customer relationship management solutions	1,266	1,687	3 years
Security management software	213	285	3 years

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Heritage Assets

#### 17.1 Reconciliation of the Carrying Value of Heritage Assets Movements in 2015/16

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
<b>Cost or Valuation</b>			
At 1 April 2015	613	2,047	6,797
Additions	40	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	1	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2016	<u>654</u>	<u>2,047</u>	<u>6,797</u>
<b>Accumulated Impairment</b>			
At 1 April 2015	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net book value</b>			
At 31 March 2016	<u>654</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2015	<u>613</u>	<u>2,047</u>	<u>6,797</u>

	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
<b>Cost or Valuation</b>			
At 1 April 2015	1,975	19,643	31,075
Additions	0	0	40
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	1
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	0
At 31 March 2016	<u>1,975</u>	<u>19,643</u>	<u>31,116</u>
<b>Accumulated Impairment</b>			
At 1 April 2015	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net book value</b>			
At 31 March 2016	<u>1,975</u>	<u>19,643</u>	<u>31,116</u>
At 31 March 2015	<u>1,975</u>	<u>19,643</u>	<u>31,075</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Heritage Assets - continued

#### 17.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2014/15 Comparative Data

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

### 17.2 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

	<b>Long-Term</b>		<b>Current</b>	
	<b>31.03.16</b>	<b>31.03.15</b>	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investments</b>				
Loans and receivables	0	0	128,378	99,286
Available for sale	0	0	64,311	0
Unquoted equity investment at cost	23,474	23,510	0	0
<b>Total investments</b>	<b>23,474</b>	<b>23,510</b>	<b>192,689</b>	<b>99,286</b>
<b>Debtors</b>				
Loans and receivables	5,538	4,374	29,978	37,522
<b>Total debtors</b>	<b>5,538</b>	<b>4,374</b>	<b>29,978</b>	<b>37,522</b>
<b>Borrowings</b>				
Financial liabilities (principal amount)	(1,299,901)	(1,351,533)	(69,843)	(64,341)
Accrued interest	0	0	(17,513)	(17,856)
Cost of amortisation	(8,988)	(9,074)	35	13
<b>Total borrowings</b>	<b>(1,308,889)</b>	<b>(1,360,607)</b>	<b>(87,321)</b>	<b>(82,184)</b>

The Council's policy of investing in Treasury Bills with the intention of holding to maturity remains unchanged, despite the reclassification of Financial Instruments per Note 18.4

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Financial Instruments - continued

#### 18.1 Categories of Financial Instruments - continued

	<b>Long-Term</b>	
	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
<b>Other Long-Term Liabilities</b>		
PPP and finance lease liabilities	(215,787)	(226,589)
Deferred liability	(350)	(350)
Total other long-term liabilities	<u>(216,137)</u>	<u>(226,939)</u>

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

	<b>Current</b>	
	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
<b>Creditors</b>		
Financial liabilities at amortised cost	(15,277)	(18,597)
PPP and finance leases due within 1 year	<u>(10,813)</u>	<u>(10,736)</u>
Total creditors	<u>(26,090)</u>	<u>(29,333)</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

	<b>Financial Liabilities: Measured at Amortised Cost £000</b>	<b>Financial Assets: Loans and Receivables £000</b>	<b>Available for Sale £000</b>	<b>Unquoted Equity at Amortised Cost £000</b>	<b>Total £000</b>
Interest expense	75,596	0	0	0	75,596
Total expense in Surplus on the Provision of Services	75,596	0	0	0	75,596
Interest income	0	(687)	(326)	0	(1,013)
Dividend Income	0	0	0	(4,925)	(4,925)
Total Interest and investment income	0	(687)	(326)	(4,925)	(5,938)
Net gain for the year	<u>75,596</u>	<u>(687)</u>	<u>(326)</u>	<u>(4,925)</u>	<u>69,658</u>

In addition to the above interest expense, £1.849m (2014/15 £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 £0.305m (2014/15 £0.279m) of loans fund expenses charged to the Council.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Financial Instruments - continued

#### 18.3 Fair Value of Assets and Liabilities

The Council has adopted IFRS 13 for the calculation of fair values. Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For Treasury Bills and shares in Money Market Funds, the fair value is taken from the market price. Financial assets classified as loans and receivables and all financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2016, using the following methods and assumptions:

- Loans, including PWLB loans, borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans has been increased by the value of the embedded options.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of soft loan assets has been calculated using the cash flows implied by the appropriate market interest rate which has been deemed to be the appropriate PWLB rate plus a credit spread of between 2% and 5% depending on the party to whom the advance has been made.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values are calculated as follows:

		31.03.16		31.03.15	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,086,887)	(1,365,967)	(1,128,116)	(1,562,608)
Salix	2	(2,004)	(2,042)	(1,813)	(1,813)
Market debt	2	(289,443)	(497,978)	(293,496)	(508,695)
Temporary borrowing	n/a	(17,877)	(17,877)	(16,469)	(16,469)
Other bodies	n/a	0	0	(2,876)	(2,876)
Other long-term liabilities	n/a	(350)	(350)	(350)	(350)
Trade creditors	n/a	(15,277)	(15,277)	(18,597)	(18,597)
Finance Leases	3	(226,600)	(311,832)	(237,325)	(237,325)
Financial liabilities		<u>(1,638,438)</u>	<u>(2,211,323)</u>	<u>(1,699,042)</u>	<u>(2,348,733)</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. The relative reduction in fair value of the PWLB loans is due primarily to the requirement of IFRS13 to estimate the fair value of a financial liability using the price that would be paid to transfer it to another participant of equal credit standing rather than the PWLB Repayment Rate that had been used previously.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Financial Instruments - continued

#### 18.3 Fair Value of Assets and Liabilities - continued

		31.03.16		31.03.15	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Investments held at Fair Value</b>					
Treasury Bills	1	38,455	38,455	2,490	2,490
Money Market Funds	1	25,856	25,856	28,287	28,287
		<u>64,311</u>	<u>64,311</u>	<u>30,777</u>	<u>30,777</u>
<b>Investment held at Amortised Cost</b>					
Bank Call Accounts	n/a	41,028	41,028	60,633	60,633
Building Society Deposits	2	0	0	2,491	2,491
Local Authority Loans	2	87,350	87,357	0	0
Certificate of Deposit	2	0	0	2,509	2,509
Other Bodies	n/a	0	0	2,876	2,876
Unquoted Equity investment at cost	n/a	23,474	23,474	23,511	23,511
		<u>151,852</u>	<u>151,859</u>	<u>92,020</u>	<u>92,020</u>
<b>Debtors</b>					
Loan Stock	n/a	4,626	4,626	3,500	3,500
Soft Loans	3	912	912	874	874
Other trade debtors	n/a	29,978	29,978	37,522	37,522
		<u>35,516</u>	<u>35,516</u>	<u>41,896</u>	<u>41,896</u>
<b>Total Investments</b>		<u>251,679</u>	<u>251,686</u>	<u>164,693</u>	<u>164,693</u>

#### 18.4 Available for Sale Financial Assets

As part of the introduction of IFRS13 in the 2015/16 financial year, a review of the classification of Financial Instruments has been undertaken and as a result, investment in Treasury Bills and Money Market Funds have been reclassified as Available for Sale per the table below.

		31.03.16		31.03.15	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Investments held at Fair Value</b>					
Treasury Bills	1	38,455	38,455	2,490	2,490
Money Market Funds	1	25,856	25,856	28,287	28,287
		<u>64,311</u>	<u>64,311</u>	<u>30,777</u>	<u>30,777</u>

The unrealised gain on the available for sale financial assets (Treasury Bills) was £1,857, which has been transferred to the Available for Sale Financial Assets Reserve in 2015/16 per Note 26.5.



## NOTES TO THE FINANCIAL STATEMENTS

### 19. Inventories

#### Movements in 2015/16 and 2014/15

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
<b>Fuel Stocks</b>				
Balance at 1 April	500	114	591	165
Purchases	22,162	2,162	26,043	2,771
Recognised as an expense in the year	(22,271)	(2,161)	(26,134)	(2,822)
Balance at 31 March	391	115	500	114
<b>Gift Stock and Community Equipment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	1,165	1,165	831	831
Purchases	2,611	2,611	2,906	2,906
Held by a third party	34	34	33	33
Recognised as an expense in the year	(2,387)	(2,387)	(2,605)	(2,605)
Balance at 31 March	1,423	1,423	1,165	1,165
<b>Construction and Other Raw Materials</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	1,391	1,155	1,424	1,242
Purchases	17,324	3,413	23,433	8,081
Recognised as an expense in the year	(17,542)	(3,733)	(23,466)	(8,168)
Balance at 31 March	1,173	835	1,391	1,155
<b>Items held for sale</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	91	91	89	89
Purchases	376	376	329	329
Recognised as an expense in the year	(358)	(358)	(326)	(326)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	108	108	91	91
<b>Work in Progress</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	8,686	0	14,081	6
Purchases	5,662	0	0	0
Recognised as an expense in the year	0	0	(5,395)	(6)
Balance at 31 March	14,348	0	8,686	0
<b>Clothing and Equipment</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	90	90	79	79
Purchases	240	240	273	273
Recognised as an expense in the year	(235)	(235)	(262)	(262)
Balance at 31 March	95	95	90	90
<b>Catering Stocks</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	134	134	125	125
Purchases	2,847	2,847	2,630	2,630
Recognised as an expense in the year	(2,858)	(2,858)	(2,621)	(2,621)
Balance at 31 March	123	123	134	134

## NOTES TO THE FINANCIAL STATEMENTS

### 19. Inventories - continued

	2015/16		2014/15	
	Group	Council	Group	Council
	£000	£000	£000	£000
Total				
Balance at 1 April	12,057	2,749	17,220	2,537
Purchases	51,222	11,649	55,614	16,990
Held by a third party	34	34	33	33
Recognised as an expense in the year	(45,651)	(11,732)	(60,809)	(16,810)
Stock written off	(1)	(1)	(1)	(1)
Balance at 31 March	<u>17,661</u>	<u>2,699</u>	<u>12,057</u>	<u>2,749</u>

### 20. Debtors

#### 20.1 Long-term Debtors

	2015/16		(re-stated) 2014/15	
	Group	Council	Group	Council
	£000	£000	£000	£000
Central government bodies	25,016	25,016	34,865	34,865
Other local authorities	0	0	1,142	1,142
NHS bodies	0	0	97	97
Other entities and individuals	<u>179,101</u>	<u>183,727</u>	<u>192,497</u>	<u>195,997</u>
Total long-term debtors before provision for impairment	204,117	208,743	228,601	232,101
Less: Provision for impairment	<u>(112,410)</u>	<u>(112,410)</u>	<u>(113,562)</u>	<u>(113,562)</u>
Total net long-term debtors	<u>91,707</u>	<u>96,333</u>	<u>115,039</u>	<u>118,539</u>

#### 20.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2015/16		(re-stated) 2014/15	
	Group	Council	Group	Council
	£000	£000	£000	£000
Capital advances				
Police Scotland	16,151	16,151	18,262	18,262
Fire Scotland	2,052	2,052	3,192	3,192
Council Tax	90,417	90,417	91,519	91,519
Non-Domestic Rates	1,700	1,700	1,757	1,757
CEC Holdings	0	4,626	0	3,500
NHT Loans (see note 34.3)	47,162	47,162	45,665	45,665
House rents	5,252	5,252	3,793	3,793
Car loan scheme	131	131	146	146
Shared equity scheme (see note 34.2)	485	485	484	484
Scheme of assistance (see note 34.2)	901	901	810	810
Other debtors	<u>39,866</u>	<u>39,866</u>	<u>62,973</u>	<u>62,973</u>
	<u>204,117</u>	<u>208,743</u>	<u>228,601</u>	<u>232,101</u>

Long-term debtors include £16.151m (2014/15 £18.262m) and £2.052m (2014/15 £3.192m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Debtors - continued

#### 20.3 Current Debtors

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	25,867	23,364	30,932	28,645
Other local authorities	1,473	1,078	3,682	2,836
NHS bodies	1,642	1,641	1,645	1,645
Public corporations and trading funds	33	33	86	86
Other entities and individuals	162,293	155,062	137,690	127,634
Total current debtors before provision for impairment	191,308	181,178	174,035	160,846
Less: Provision for impairment	(95,478)	(95,478)	(90,665)	(90,665)
Total net current debtors	95,830	85,700	83,370	70,181

#### 20.4 Provision for Impairment

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
<b>Long-term provision for impairment</b>				
Council tax	(87,765)	(87,765)	(87,720)	(87,720)
Non-Domestic rates	(1,357)	(1,357)	(1,362)	(1,362)
Sundry debtors	(23,288)	(23,288)	(24,480)	(24,480)
Total long-term provision for impairment	(112,410)	(112,410)	(113,562)	(113,562)
<b>Current provision for impairment</b>				
Council tax	(84,367)	(84,367)	(80,090)	(80,090)
Non-Domestic rates	(60)	(60)	(190)	(190)
Sundry debtors	(11,051)	(11,051)	(10,385)	(10,385)
Total current provision for impairment	(95,478)	(95,478)	(90,665)	(90,665)

### 21. Cash and Cash Equivalents

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

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Cash held	385	385	385	385
Bank current accounts	2,972	(17,749)	(4,167)	(17,723)
Short-term deposits:				
With banks or building societies	41,028	41,028	65,007	65,007
With other local authorities	74,327	74,327	0	0
With money market fund	0	0	29,131	29,131
With treasury bills	0	0	2,565	2,565
Other	0	0	2,583	2,583
	118,712	97,991	95,504	81,948

Treasury bills and money market funds have now been included in the short-term deposits with banks or building societies to reflect IFRS 13 reclassification as Available for Sale.

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Assets Held for Sale

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
<b>22.1 Non-Current Assets</b>				
Balance at 1 April	21,179	21,179	17,379	17,379
Additions	174	174	95	95
Revaluation gains/(losses) recognised in the revaluation reserve	893	893	8,200	8,200
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	(537)	(537)
Assets reclassified as held for sale: Property, Plant and Equipment	29,528	29,528	5,585	5,585
Assets sold	(2,517)	(2,517)	(2,697)	(2,697)
Transfers from non-current to current	(5,511)	(5,511)	(6,846)	(6,846)
Balance at 31 March	<u>43,746</u>	<u>43,746</u>	<u>21,179</u>	<u>21,179</u>

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
<b>22.2 Current Assets</b>				
Balance at 1 April	8,503	8,503	2,889	2,889
Additions	49	49	22	22
Revaluation gains/(losses) recognised in the revaluation reserve	0	0	149	149
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	0	0	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	3	3	1,190	1,190
Assets sold	(8,345)	(8,345)	(2,593)	(2,593)
Transfers from non-current to current	5,511	5,511	6,846	6,846
Balance at 31 March	<u>5,721</u>	<u>5,721</u>	<u>8,503</u>	<u>8,503</u>

### 23. Creditors

	2015/16		re-stated 2014/15	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	(25,979)	(21,823)	(31,804)	(28,514)
Other local authorities	(8,278)	(7,136)	(15,305)	(14,296)
NHS bodies	(639)	(639)	(660)	(660)
Public corporations and trading funds	(11,500)	(11,500)	(2,426)	(2,426)
Other entities and individuals	(128,205)	(106,919)	(129,912)	(105,550)
	<u>(174,601)</u>	<u>(148,017)</u>	<u>(180,107)</u>	<u>(151,446)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 24. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £13.004m (2014/15 £19.770m).

Of this amount, £11.532m (2014/15 £17.994m) 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.

	<b>Trams £000</b>	<b>Equal Pay Claims £000</b>	<b>Council Tax Discounts £000</b>
Balance at 1 April 2015	(3,629)	(2,644)	(1,512)
Additional provisions made during the year	(726)	0	(204)
Amounts used during the year	1,443	1,450	0
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	626	0
Balance at 31 March 2016	<u>(2,912)</u>	<u>(568)</u>	<u>(1,716)</u>
	<b>Housing Benefit Subsidy £000</b>	<b>Insurance Claims £000</b>	<b>Other Provisions £000</b>
Balance at 1 April 2015	(170)	(177)	(9,862)
Additional provisions made during the year	0	(501)	(1,833)
Amounts used during the year	0	207	5,480
Transferred to debtor impairments	0	0	0
Unused amounts reversed during the year	0	0	520
Balance at 31 March 2016	<u>(170)</u>	<u>(471)</u>	<u>(5,695)</u>
	<b>Total Council Provisions £000</b>	<b>Group Provisions £000</b>	<b>Total Provisions £000</b>
Balance at 1 April 2015	(17,994)	(1,776)	(19,770)
Additional provisions made during the year	(3,264)	(746)	(4,010)
Amounts used during the year	8,580	1,050	9,630
Transferred from other long-term liabilities	0	0	0
Unused amounts reversed during the year	1,146	0	1,146
Balance at 31 March 2016	<u>(11,532)</u>	<u>(1,472)</u>	<u>(13,004)</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 15 to 17) and Note 10.

### 26. Unusable Reserves

#### 26.1 Summary of Unusable Reserves

	Re-stated Balance as at:	
	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	861,308	905,886
Capital Adjustment Account	1,372,435	1,340,067
Financial Instruments Adjustment Account	(47,214)	(49,159)
Available for Sale Financial Assets Reserve	2	0
Pensions Reserve	(438,940)	(726,969)
Employee Statutory Adjustment Account	(14,862)	(20,738)
Total Council Unusable Reserves	1,732,729	1,449,087
Subsidiaries, Associates and Joint Ventures	111,293	99,107
Total Group Unusable Reserves	<u>1,844,022</u>	<u>1,548,194</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.

	2015/16 £000	re-stated 2014/15 £000
Balance at 1 April	n/a	918,790
Prior year re-statement		
Long-term debtor related to construction of asset	n/a	(5,712)
Balance at 1 April	<u>905,886</u>	<u>913,078</u>
Upward revaluation of assets	49,068	49,478
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(51,362)	(30,408)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	(2,294)	19,070
Difference between fair value depreciation and historical cost depreciation	(18,860)	(19,321)
Accumulated gains on assets sold	<u>(23,424)</u>	<u>(6,941)</u>
Amount written off to the capital adjustment account	(42,284)	(26,262)
Balance at 31 March	<u>861,308</u>	<u>905,886</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.

	2015/16 £000	re-stated 2014/15 £000
Balance at 1 April	n/a	1,306,580
Prior year re-statement		
Scheme of assistance / shared equity scheme	n/a	1,246
Creditor related to construction of asset	n/a	(203)
Balance at 1 April	1,340,067	1,307,623
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(138,284)	(135,488)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(36,323)	(13,577)
Amortisation of intangible assets	(1,289)	(710)
Capital funded from revenue	215	5,674
Revenue exp. funded from capital under statute	(38,846)	(32,641)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(37,258)	4,716
	(251,785)	(172,026)
Adjusting amounts written out of the revaluation reserve	42,284	26,262
Net written out amount of the costs of non-current assets consumed in the year	(209,501)	(145,764)
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	116,763	21,479
Capital grants and contributions credited to the CIES that have been applied to capital financing	68,940	66,101
Application of grants from the capital grants unapplied account / capital fund	3,285	943
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	101,473	90,653
Capital expenditure charged against the General Fund and HRA balances	38,846	32,641
	329,307	211,817
Movements in the market value of investment properties credited to the CIES	1,146	13,889
Other unrealised losses debited to the CIES	(88,584)	(47,498)
Balance at 31 March	1,372,435	1,340,067

## 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.

	2015/16 £000	2014/15 £000
Balance at 1 April	(49,159)	(51,049)
Proportion of premiums incurred in previous financial years to be charged against the General Fund and HRA balances in accordance with statutory requirements	1,849	1,877
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	79	18
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,928	1,895
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition	17	(5)
Balance at 31 March	<u>(47,214)</u>	<u>(49,159)</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 Available for Sale Financial Assets Reserve

The available for sale financial assets reserve provides a balancing mechanism for gains and losses arising on movements in fair value of financial assets (such as Treasury Bills and Money Market Funds).

	2015/16 £000	2014/15 £000
Balance at 1 April	0	0
Unrealised gains / (losses) on revaluation of assets	2	0
Balance at 31 March	<u>2</u>	<u>0</u>

#### 26.6 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 26. Unusable Reserves - continued

#### 26.6 Pensions Reserve - continued

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.

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Balance at 1 April	(726,969)	(535,498)
Actuarial gains or losses on pension assets and liabilities	323,138	(156,748)
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	(107,396)	(96,082)
Employer's pension contributions and direct payments to pensioners payable in the year	72,287	61,359
	<hr/>	<hr/>
Balance at 31 March	<u>(438,940)</u>	<u>(726,969)</u>

#### 26.7 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 2015/16 is £5.875m lower than the previous year. This is mainly attributable to the timing of the Easter break and resulting impact on teachers' accrued leave and policy changes to the amount of unused leave that can be carried forward from year to year.

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Balance at 1 April	(20,738)	(26,357)
Settlement or cancellation of accrual made at the end of the preceding year	20,738	26,357
Amount accrued at the end of the current year	<u>(14,862)</u>	<u>(20,738)</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	5,876	5,619
	<hr/>	<hr/>
Balance at 31 March	<u>(14,862)</u>	<u>(20,738)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 26. Unusable Reserves - continued

#### 26.8 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2016 £000	31 March 2015 £000
<b>Subsidiaries</b>		
CEC Holdings Limited		
Capital adjustment account	64,465	64,465
Capital contribution	13,058	12,267
Transport for Edinburgh		
Revaluation reserve	11,309	6,337
Non Controlling Interest	8,527	5,598
Other Unusable Reserves	(4,514)	(4,457)
<b>Total Unusable Reserves - Subsidiaries</b>	<b>92,845</b>	<b>84,210</b>
<b>Associates and Joint Ventures</b>		
Common Good		
Capital adjustment account	(22)	(22)
Revaluation reserve	21,995	21,860
Lothian Valuation Joint Board		
Capital adjustment account	352	385
Employee statutory adjustment account	(57)	(59)
Pension reserve	(3,820)	(7,267)
<b>Total Unusable Reserves - Associates and Joint Ventures</b>	<b>18,448</b>	<b>14,897</b>
<b>Total Usable Reserves - Subsidiaries, Associates and Joint Ventures</b>	<b>111,293</b>	<b>99,107</b>

### 27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Interest received	(2,136)	(1,924)	(7,978)	(7,748)
Interest paid	97,540	97,072	95,936	95,470
Investment income received	(4,925)	(4,925)	(3,000)	(3,000)
Net cash flows from interest and investment income	<u>90,479</u>	<u>90,223</u>	<u>84,958</u>	<u>84,722</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 28. Cash Flow Statement - Investing Activities

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Purchase of property, plant and equipment, investment property and intangible assets	142,105	134,408	157,496	142,282
Other payments for investing activities	44,348	43,854	60,064	51,133
Proceeds from the sale of property, plant and equip., inv. property and intangible assets	(118,862)	(118,175)	(16,766)	(16,499)
Net proceeds from short- and long-term investments	77,377	77,423	(4,410)	(4,410)
Other receipts from investing activities	<u>(11,395)</u>	<u>(11,395)</u>	<u>(13,282)</u>	<u>(13,282)</u>
Net cash flows from investing activities	<u>133,573</u>	<u>126,115</u>	<u>183,102</u>	<u>159,224</u>

### 29. Cash Flow Statement - Financing Activities

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Cash receipts of short- and long-term borrowing	(2,548)	(1,757)	(48,189)	(47,342)
Other payments for / (receipts) from financing activities	(7,797)	(7,797)	1,263	1,263
Cash payments for the reduction of the outstanding liabilities relating to finance leases	13,187	10,725	12,317	9,695
Repayments of short- and long-term borrowing	<u>45,010</u>	<u>45,010</u>	<u>30,454</u>	<u>30,454</u>
Net cash flows from investing activities	<u>47,852</u>	<u>46,181</u>	<u>(4,155)</u>	<u>(5,930)</u>

### 30. Analysis of Change in Financing Activities

	Balance 01.04.15 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.16 £000
<b>Group</b>				
Debt due within 1 Year	(77,787)	(9,868)	334	(87,321)
Debt due after 1 Year	<u>(1,351,473)</u>	<u>53,129</u>	<u>96</u>	<u>(1,298,248)</u>
Total debt due	(1,429,260)	43,261	430	(1,385,569)
Other liquid resources	83,935	(8,596)	1,126	76,465
Finance leases	<u>(240,460)</u>	<u>13,187</u>	<u>0</u>	<u>(227,273)</u>
<b>Total</b>	<u><b>(1,585,785)</b></u>	<u><b>47,852</b></u>	<u><b>1,556</b></u>	<u><b>(1,536,377)</b></u>
<b>Council</b>				
Debt due within 1 Year	(79,287)	(8,368)	334	(87,321)
Debt due after 1 Year	<u>(1,360,607)</u>	<u>51,622</u>	<u>96</u>	<u>(1,308,889)</u>
Total debt due	(1,439,894)	43,254	430	(1,396,210)
Other liquid resources	101,351	(7,797)	1,126	94,680
Finance leases	<u>(237,324)</u>	<u>10,724</u>	<u>0</u>	<u>(226,600)</u>
<b>Total</b>	<u><b>(1,575,867)</b></u>	<u><b>46,181</b></u>	<u><b>1,556</b></u>	<u><b>(1,528,130)</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

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

	Balance 01.04.15 £000	Cash Trans. £000	Non Cash Trans. £000	Balance 31.03.16 £000
<b>Group</b>				
<b>Financing</b>				
Temporary loans	(16,469)	(1,405)	(3)	(17,877)
PWLB	(1,128,116)	40,841	388	(1,086,887)
Market loans	(293,496)	4,000	53	(289,443)
Other Borrowing	8,821	(175)	(8)	8,638
<b>Net financing</b>	<b>(1,429,260)</b>	<b>43,261</b>	<b>430</b>	<b>(1,385,569)</b>

	£000	£000	£000	£000
<b>Council</b>				
<b>Financing</b>				
Temporary loans	(16,469)	(1,405)	(3)	(17,877)
PWLB	(1,128,116)	40,841	388	(1,086,887)
Market loans	(293,496)	4,000	53	(289,443)
Other Borrowing	(1,813)	(182)	(8)	(2,003)
<b>Net financing</b>	<b>(1,439,894)</b>	<b>43,254</b>	<b>430</b>	<b>(1,396,210)</b>

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

2015/16	Children and Families £000	Economic Devt. £000	Corporate Governance £000
Fees, charges and other service income	(7,912)	(692)	(20,518)
Government grants and other contributions	(14,921)	(5,257)	(15,837)
Total Income	(22,833)	(5,949)	(36,355)
Employee expenses	263,163	4,296	42,031
Other service expenses	158,673	13,515	74,134
Total Expenditure	421,836	17,811	116,165
Net Expenditure / (Income)	399,003	11,862	79,810

	Health and Social Care £000	Housing Revenue Account £000	Valuation Joint Boards £000	Services for Communities £000
Fees, charges and other service income	(20,190)	(107,172)	0	(207,957)
Government grants and other contributions	(57,345)	(2,901)	0	(41,182)
Total Income	(77,535)	(110,073)	0	(249,139)
Employee expenses	104,128	13,754	0	127,570
Other service expenses	180,897	85,365	3,744	255,035
Support service recharges	0	8,698	0	825
Total Expenditure	285,025	107,817	3,744	383,430
Net Expenditure / (Income)	207,490	(2,256)	3,744	134,291

	Net Cost of Benefits £000	Centrally Funded Release Costs £000	Other Group Members £000	Total £000
Fees, charges and other service income	0	0	(131,086)	(495,527)
Net income from associates	0	0	(18,712)	(18,712)
Government grants and other contributions	(201,072)	0	(27,159)	(365,674)
Total Income	(201,072)	0	(176,957)	(879,913)
Employee expenses	0	20,942	89,478	665,362
Other service expenses	225,171	0	72,736	1,069,270
Support service recharges	0	0	0	9,523
Depreciation, amortisation and impairment	0	0	9,727	9,727
Total Expenditure	225,171	20,942	171,941	1,753,882
Net Expenditure / (Income)	24,099	20,942	(5,016)	873,969

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.1 Departmental Income and Expenditure - continued

<b>(re-stated) 2014/15 Comparative Data</b>	<b>Children and Families £000</b>	<b>Economic Devt. £000</b>	<b>Corporate Governance £000</b>
Fees, charges and other service income	(8,692)	(719)	(23,424)
Government grants and other contributions	(15,183)	(4,417)	(16,401)
<b>Total Income</b>	<b>(23,875)</b>	<b>(5,136)</b>	<b>(39,825)</b>
Employee expenses	260,755	4,516	44,158
Other service expenses	154,513	13,073	76,745
<b>Total Expenditure</b>	<b>415,268</b>	<b>17,589</b>	<b>120,903</b>
<b>Net Expenditure / (Income)</b>	<b>391,393</b>	<b>12,453</b>	<b>81,078</b>

	<b>Health and Social Care £000</b>	<b>Housing Revenue Account £000</b>	<b>Joint Boards £000</b>	<b>Services for Communities £000</b>
Fees, charges and other service income	(20,736)	(105,025)	0	(213,368)
Government grants and other contributions	(54,302)	(1,586)	0	(34,984)
<b>Total Income</b>	<b>(75,038)</b>	<b>(106,611)</b>	<b>0</b>	<b>(248,352)</b>
Employee expenses	103,675	10,968	0	126,824
Other service expenses	181,600	85,470	3,745	258,064
Support service recharges	0	7,209	0	780
<b>Total Expenditure</b>	<b>285,275</b>	<b>103,647</b>	<b>3,745</b>	<b>385,668</b>
<b>Net Expenditure / (Income)</b>	<b>210,237</b>	<b>(2,964)</b>	<b>3,745</b>	<b>137,316</b>

	<b>Net Cost of Benefits £000</b>	<b>Equal Pay £000</b>	<b>Other Group Members £000</b>	<b>Total £000</b>
Fees, charges and other service income	0	0	(132,710)	(504,674)
Net income from associates	0	0	(21,412)	(21,412)
Government grants and other contributions	(202,248)	0	(26,851)	(355,972)
<b>Total Income</b>	<b>(202,248)</b>	<b>0</b>	<b>(180,973)</b>	<b>(882,058)</b>
Employee expenses	0	(707)	83,591	633,780
Other service expenses	229,642	0	80,522	1,083,374
Support service recharges	0	0	0	7,989
Depreciation, amortisation and impairment	0	0	9,140	9,140
<b>Total Expenditure</b>	<b>229,642</b>	<b>(707)</b>	<b>173,253</b>	<b>1,734,283</b>
<b>Net Expenditure / (Income)</b>	<b>27,394</b>	<b>(707)</b>	<b>(7,720)</b>	<b>852,225</b>

## 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

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
Net expenditure in departmental analysis	873,969	878,985	852,225	859,945
Net expenditure of services and support services not included in the dept. analysis	(8,702)	(8,702)	33,053	33,053
Amounts in the Comprehensive Income and Expenditure Statement (CIES) not reported to management in departmental analysis	160,821	160,821	100,676	100,676
Amounts included in departmental analysis not included in CIES	(72,287)	(72,287)	(61,359)	(61,359)
Amounts included in the departmental analysis included below Cost of Services in the CIES	(232)	(232)	(66)	(66)
Cost of Services in CIES	<u>953,569</u>	<u>958,585</u>	<u>924,529</u>	<u>932,249</u>

#### 32.3 Reconciliation to Subjective Analysis

Group 2015/16	Dept. Analysis £000	Services not in Analysis £000	Not Reported to Mgmt. £000
Fees, charges and other service income	(495,527)	7,939	1,561
Net income from associates and joint ventures	(18,712)	0	0
Interest and investment income	0	0	0
Income from Council Tax	0	0	0
Government grants and other contributions	<u>(365,674)</u>	<u>6,627</u>	<u>0</u>
Total Income	<u>(879,913)</u>	<u>14,566</u>	<u>1,561</u>
Employee expenses	665,362	87,008	(17,828)
Other service expenses	1,069,270	(110,276)	(1,561)
Support service recharges	9,523	0	0
Depreciation, amortisation and impairment	<u>9,727</u>	<u>0</u>	<u>178,649</u>
Total Expenditure	<u>1,753,882</u>	<u>(23,268)</u>	<u>159,260</u>
Net Expenditure / (Income)	<u>873,969</u>	<u>(8,702)</u>	<u>160,821</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

<b>Group 2015/16</b>	<b>Not Included in CIES £000</b>	<b>Reported Below Cost of Services £000</b>	<b>Allocation of Recharges £000</b>
Fees, charges and other service income	0	980	0
Net 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
<b>Total Income</b>	<b>0</b>	<b>980</b>	<b>0</b>
Employee expenses	(72,287)	(587)	4,588
Other service expenses	0	(625)	4,935
Support service recharges	0	0	(9,523)
Depreciation, amortisation and impairment	0	0	0
<b>Total Expenditure</b>	<b>(72,287)</b>	<b>(1,212)</b>	<b>0</b>
<b>Net Expenditure / (Income)</b>	<b>(72,287)</b>	<b>(232)</b>	<b>0</b>

<b>Group 2015/16</b>	<b>Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges and other service income	(485,047)	(3,527)	(488,574)
Net income from associates and joint ventures	(18,712)	0	(18,712)
Interest and investment income	0	(89,814)	(89,814)
Income from Council Tax	0	(216,351)	(216,351)
Government grants and other contributions	(359,047)	(815,971)	(1,175,018)
<b>Total Income</b>	<b>(862,806)</b>	<b>(1,125,663)</b>	<b>(1,988,469)</b>
Employee expenses	666,256	587	666,843
Other service expenses	961,743	1,072	962,815
Support service recharges	0	0	0
Depreciation, amortisation and impairment	188,376	0	188,376
Interest payments	0	201,215	201,215
Gain on disposal of assets	0	(37,109)	(37,109)
<b>Total Expenditure</b>	<b>1,816,375</b>	<b>165,765</b>	<b>1,982,140</b>
<b>Net Expenditure / (Income)</b>	<b>953,569</b>	<b>(959,898)</b>	<b>(6,329)</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

<b>Council 2015/16</b>	<b>Dept. Analysis £000</b>	<b>Services not in Analysis £000</b>	<b>Not Reported to Mgmt. £000</b>
Fees, charges and other service income	(364,441)	7,939	0
Net 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	(338,515)	6,627	0
<b>Total Income</b>	<b>(702,956)</b>	<b>14,566</b>	<b>0</b>
Employee expenses	575,884	87,008	(17,828)
Other service expenses	996,534	(110,276)	0
Support service recharges	9,523	0	0
Depreciation, amortisation and impairment	0	0	178,649
<b>Total Expenditure</b>	<b>1,581,941</b>	<b>(23,268)</b>	<b>160,821</b>
<b>Net Expenditure / (Income)</b>	<b>878,985</b>	<b>(8,702)</b>	<b>160,821</b>

<b>Council 2015/16</b>	<b>Not Included in CIES £000</b>	<b>Reported Below Cost of Services £000</b>	<b>Allocation of Recharges £000</b>
Fees, charges and other service income	0	980	0
Net 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
<b>Total Income</b>	<b>0</b>	<b>980</b>	<b>0</b>
Employee expenses	(72,287)	(587)	4,588
Other service expenses	0	(625)	4,935
Support service recharges	0	0	(9,523)
Depreciation, amortisation and impairment	0	0	0
<b>Total Expenditure</b>	<b>(72,287)</b>	<b>(1,212)</b>	<b>0</b>
<b>Net Expenditure / (Income)</b>	<b>(72,287)</b>	<b>(232)</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

<b>Council 2015/16</b>	<b>Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges and other service income	(355,522)	(3,527)	(359,049)
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	(76,540)	(76,540)
Income from Council Tax	0	(216,351)	(216,351)
Government grants and other contributions	(331,888)	(815,971)	(1,147,859)
<b>Total Income</b>	<b>(687,410)</b>	<b>(1,112,389)</b>	<b>(1,799,799)</b>
Employee expenses	576,778	587	577,365
Other service expenses	890,568	660	891,228
Support service recharges	0	0	0
Depreciation, amortisation and impairment	178,649	0	178,649
Interest payments	0	187,151	187,151
Gain on disposal of assets	0	(37,258)	(37,258)
<b>Total Expenditure</b>	<b>1,645,995</b>	<b>151,140</b>	<b>1,797,135</b>
<b>Net Expenditure / (Income)</b>	<b>958,585</b>	<b>(961,249)</b>	<b>(2,664)</b>

<b>(re-stated) Group 2014/15 Comparative Data</b>	<b>Dept. Analysis £000</b>	<b>Services not in Analysis £000</b>	<b>Not Reported to Mgmt. £000</b>
Fees, charges and other service income	(504,674)	11,619	2,391
Net income from associates and joint ventures	(21,412)	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
<b>Total Income</b>	<b>(882,058)</b>	<b>21,109</b>	<b>2,391</b>
Employee expenses	633,780	116,082	(51,856)
Other service expenses	1,083,374	(104,138)	(2,391)
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	9,140	0	152,532
<b>Total Expenditure</b>	<b>1,734,283</b>	<b>11,944</b>	<b>98,285</b>
<b>Net Expenditure / (Income)</b>	<b>852,225</b>	<b>33,053</b>	<b>100,676</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

<b>(re-stated) Group 2014/15 Comparative Data</b>	<b>Not Included in CIES £000</b>	<b>Reported Below Cost of Services £000</b>	<b>Allocation of Recharges £000</b>
Fees, charges and other service income	0	1,297	0
Net 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
<b>Total Income</b>	<b>0</b>	<b>1,297</b>	<b>0</b>
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
<b>Total Expenditure</b>	<b>(61,359)</b>	<b>(1,363)</b>	<b>0</b>
<b>Net Expenditure / (Income)</b>	<b>(61,359)</b>	<b>(66)</b>	<b>0</b>

<b>Group 2014/15 Comparative Data</b>	<b>Cost of Services £000</b>	<b>Corporate Amounts £000</b>	<b>Total £000</b>
Fees, charges and other service income	(489,367)	(15,505)	(504,872)
Net income from associates and joint ventures	(21,412)	0	(21,412)
Interest and investment income	0	(106,117)	(106,117)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(346,482)	(819,818)	(1,166,300)
<b>Total Income</b>	<b>(857,261)</b>	<b>(1,154,416)</b>	<b>(2,011,677)</b>
Employee expenses	639,298	701	639,999
Other service expenses	980,820	2,225	983,045
Support service recharges	0	0	0
Depreciation, amortisation and impairment	161,672	0	161,672
Interest payments	0	212,377	212,377
Gain on disposal of assets	0	(4,807)	(4,807)
<b>Total Expenditure</b>	<b>1,781,790</b>	<b>210,496</b>	<b>1,992,286</b>
<b>Net Expenditure / (Income)</b>	<b>924,529</b>	<b>(943,920)</b>	<b>(19,391)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

<b>(re-stated) Council 2014/15 Comparative Data</b>	<b>Dept. Analysis £000</b>	<b>Services not in Analysis £000</b>	<b>Not Reported to Mgmt. £000</b>
Fees, charges and other service income	(371,964)	11,619	0
Net 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
<b>Total Income</b>	<b>(701,085)</b>	<b>21,109</b>	<b>0</b>
Employee expenses	550,189	116,082	(51,856)
Other service expenses	1,002,852	(104,138)	0
Support service recharges	7,989	0	0
Depreciation, amortisation and impairment	0	0	152,532
<b>Total Expenditure</b>	<b>1,561,030</b>	<b>11,944</b>	<b>100,676</b>
<b>Net Expenditure / (Income)</b>	<b>859,945</b>	<b>33,053</b>	<b>100,676</b>
<b>Council 2014/15 Comparative Data</b>	<b>Not Included in CIES £000</b>	<b>Reported Below Cost of Services £000</b>	<b>Allocation of Recharges £000</b>
Fees, charges and other service income	0	1,297	0
Net 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
<b>Total Income</b>	<b>0</b>	<b>1,297</b>	<b>0</b>
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
<b>Total Expenditure</b>	<b>(61,359)</b>	<b>(1,363)</b>	<b>0</b>
<b>Net Expenditure / (Income)</b>	<b>(61,359)</b>	<b>(66)</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 32. Amounts Reported for Resource Allocation Decisions - continued

#### 32.3 Reconciliation to Subjective Analysis - continued

(re-stated)

Council

2014/15 Comparative Data

	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(359,048)	(15,573)	(374,621)
Net income from associates and joint ventures	0	0	0
Interest and investment income	0	(90,432)	(90,432)
Income from Council Tax	0	(212,976)	(212,976)
Government grants and other contributions	(319,631)	(819,818)	(1,139,449)
Total Income	(678,679)	(1,138,799)	(1,817,478)
Employee expenses	555,707	701	556,408
Other service expenses	902,689	730	903,419
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	1,610,928	193,617	1,804,545
Net Expenditure / (Income)	932,249	(945,182)	(12,933)

### 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.

	2015/16 £000	2014/15 £000	2013/14 £000	Cumulative £000
Turnover	980	1,297	1,355	n/a
(Deficit) / Surplus	(232)	(66)	(45)	(343)

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 on internal hospitality, an increase in other staffing and equipment costs. Reductions in vending equipment are planned to ensure cost reduction going forward, along with a new pricing policy aimed at increasing income from staff facilities and internal hospitality.

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.

	2015/16 £000	2014/15 £000	2013/14 £000	Cumulative £000
Turnover	16,723	17,155	17,319	n/a
Surplus / (deficit)	(242)	2,279	2,997	5,034

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

In 2015/16, a citywide scheme was introduced to improve the appearance of the capital's streets. Businesses were no longer permitted to permanently store their waste containers in public and were required to present their waste during timed collection windows. As a consequence, there was an increase in staff and vehicle costs to support this initiative.

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 at less than market interest rates (soft loans).

	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartan Community Football Academy	Spartan Community Football Academy
Opening Balance	824	0	51	50
New Loans	0	1,000	0	0
Increase in the Discounted Amount	37	20	4	4
Fair Value Adjustment	0	(196)	0	0
Loan Repayment	0	0	(3)	(3)
Balance Carried Forward	<u>861</u>	<u>824</u>	<u>52</u>	<u>51</u>
Nominal Value Carried Forward	<u>1,000</u>	<u>1,000</u>	<u>105</u>	<u>108</u>

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

The Transport for Edinburgh loan relates to two £500,000 loans to Transport for Edinburgh Ltd. to provide a loan facility to Tramco for its general working capital purposes and funding its business and activities.

The Spartans loan relates to the lease of an area of ground lying immediately to the west of Ainslie Park Leisure Centre, Pilton Drive, Edinburgh. The original outstanding payment was £120,000, with £3,000 to be paid on or before 31 March each year for ten consecutive years from 31 March 2012 and £9,000 to be paid for ten consecutive years on or before 31 March from 31 March 2022.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. Financial Support and Guarantees - continued

#### 34.2 Shared Equity Scheme / Scheme of Assistance

In 2010/11, the Council approved a shared equity scheme to help buyers purchase homes from PARC. 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 2014/15 was charged to PARC and thereafter to the purchasers. Purchasers have the option to pay interest annually or accumulate charges on the same terms as the original equity. Sums due to the Council, including accrued interest, where owners have opted to defer interest, are included in long-term debtors.

The assisted purchase scheme was an initiative administered on behalf of the Council to allow home owners to enter into a lifetime mortgage agreement to finance repairs to their properties. Forty loans were made between 2007 and 2012, with an original loan principal value of £0.762m. These sums are included in long-term debtors.

The loans are repayable on sale of the property or on the death of the home owner. The amount repayable is a minimum of the original loan principal and a maximum of the original loan as a percentage of the property value on signing the agreement, as applied to the value on redeeming the loan.

#### 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 scheme is underwritten by the Scottish Government, by way of a guarantee against the borrowing and associated interest costs. The Council works with the Scottish Government and SFT to procure private developers to build homes for mid-market rent and enter into joint ventures with the Council, by way of Limited Liability Partnerships through the NHT initiative.

Phase 1 of investment in NHT saw 422 new homes delivered, by June 2014, across four sites, at a cost of £45.67m.

Phase 2 of NHT was approved in June 2014, for the delivery of up to 96 new affordable housing units. Investment totalling £11.92m will be required with £1.498m of expenditure incurred in 2015/16 and the remaining balance of £10.422m forecast for 2016/17.

A third phase of NHT has been approved and will deliver up to 413 mid-market rent homes across three separate sites by December 2019. The estimated cost of phase 3 is £48.122m.

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

Developer	Development Site	Total No. of Units	2015/16 £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	0	15,551
Miller Homes	Telford North	89	0	10,299
FP Newhaven Ltd	Sandpiper Road	12	1,498	0
			<u>1,498</u>	<u>45,665</u>

These sums are included within long-term debtors, as detailed in note 20.2.

## NOTES TO THE FINANCIAL STATEMENTS

### 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:

	2015/16 £000	2014/15 £000
<b>Expenditure</b>		
Payments to other local authorities in respect of:		
Area waste project	71	279
Educational services for children	2,176	1,842
Care services for children	1,653	1,491
Scottish Cities Alliance Investment Fund (see note 48.)	900	1,337
Others		
Police officers	2,560	2,600
Police Scotland - cab inspection	120	299
Scottish Cities Alliance Investment Fund (see note 48.)	180	0
<b>Total Expenditure</b>	<b>7,660</b>	<b>7,848</b>
<b>Income</b>		
Receipts in respect of library services:		
Health Boards	(19)	(19)
Scottish Prison Service	(16)	(16)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(1,377)	(1,026)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,680)
Midlothian Council	(62)	(61)
Receipts from other local authorities in respect of:		
Criminal justice services	(975)	(1,055)
Educating pupils	(634)	(741)
Pentland Hills Regional Park management	(78)	(78)
Care services for children	(958)	(867)
Risk Factory	(35)	(39)
Social work undertakings	(3,995)	(4,302)
<b>Total Income</b>	<b>(9,829)</b>	<b>(9,884)</b>

### 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 £0.691m (2014/15 £0.691m). The Council has re-charged £0.047m of the audit fee to Lothian Pension Funds in respect of its audit (2014/15 £0.048m), and £0.004m (2014/15 £nil ) to The City of Edinburgh Council Charitable Trusts.

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 2015/16 (2014/15 £0.002m) for the audit of 2014/15 financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 37. Grant Income

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

	2015/16		2014/15	
	£000	£000	£000	£000
<b>Revenue Funding</b>				
<b>Credited to taxation and non-specific grant income</b>				
General revenue funding	(354,576)		(386,311)	
Non-domestic rates	<u>(390,862)</u>		<u>(364,108)</u>	
		(745,438)		(750,419)
<b>Credited to services</b>				
Government grants	(19,611)		(20,594)	
Department for Work and Pensions				
- Housing benefits	(202,668)		(202,325)	
- Other funding	(4,537)		(4,515)	
N.H.S. Lothian	(41,348)		(37,093)	
Other Local Authorities	(3,447)		(3,929)	
Scottish Water	(1,758)		0	
International Conference Centre Inc. Trust	(621)		(1,627)	
Edinburgh Leisure	(684)		(679)	
Scottish Prison Service	(489)		(489)	
Lottery funding	(21)		(25)	
SportScotland	<u>(881)</u>		<u>(1,012)</u>	
		<u>(276,065)</u>		<u>(272,288)</u>
<b>Total</b>		<u><u>(1,021,503)</u></u>		<u><u>(1,022,707)</u></u>
<b>Capital Funding</b>				
Scottish Government		(63,499)		(63,942)
Transport Scotland		(42)		(42)
Other grants and contributions, including contributions from developers and individuals		(3,507)		(3,366)
Port of Leith Housing Association		(985)		(105)
Kirkliston Consortium		(1,979)		(951)
Henderson Global		533		28
Cruden Homes		(507)		(242)
Historic Scotland		(431)		(173)
Forth Estuary Transport Authority		0		(235)
Royal Bank of Scotland		0		(56)
Museum Galleries Scotland		0		(56)
Midlothian Council		(4)		(9)
Scottish Borders Council		(112)		0
Edinburgh Tram Ltd.		0		(17)
Edinburgh Tourist Board		<u>0</u>		<u>(233)</u>
<b>Total</b>		<u><u>(70,533)</u></u>		<u><u>(69,399)</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

	2015/16 £000	2014/15 £000
• <b>Revenue Expenditure</b>		
Capital City Partnership	4,056	4,249
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh, and PARC)	152	220
Changeworks Recycling	0	7
Edinburgh Festival Theatres	800	771
Edinburgh Leisure Limited		
Revenue funding	8,419	9,590
Other expenditure	52	303
Edinburgh Trams Ltd	688	2,851
Edinburgh World Heritage Trust	58	49
Integration Joint Board	54	0
Lothian Buses Limited		
Supported bus services	891	840
Other expenditure	1,457	3,954
NHS Bodies	2,294	2,398
Other Local Authorities	2,995	2,638
Scottish Government	163	171
Scottish and Southern Energy	111	264
Subsidiaries / Voluntary Organisations		
Criminal Justice Bodies	678	747
Dean and Cauvin Charitable Trust	817	837
Edinburgh International Festival Society	2,409	2,506
Festivals Edinburgh Ltd	178	175
Handicab	448	448
Health Projects	151	156
Lifecare Edinburgh	342	539
Marketing Edinburgh	953	977
Royal Lyceum Theatre Co Ltd	369	382
<b>Total Revenue Expenditure</b>	<b>28,535</b>	<b>35,072</b>
• <b>Revenue Income</b>		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(221)	(196)
Edinburgh Festival Theatres	(149)	(59)
Professional services, rents, other grants and funding		
CEC Holdings Limited (including EICC Limited)	(18)	(1)
Edinburgh Leisure	(17)	(6)
Lothian Valuation Joint Board	(8)	(5)
Other Local Authorities	(1,095)	(2,971)
Scottish Government	(404)	(588)
Scottish Court Service	0	70
Lothian Health Board		
Change Fund	(5,881)	(2,065)
Resource transfers	(21,499)	(21,077)
Other Grants and Fees	(91)	(384)
<b>Total Revenue Income</b>	<b>(29,383)</b>	<b>(27,282)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 38. Related Parties - continued

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

	2015/16 £000	2014/15 £000
<ul style="list-style-type: none"> <li><b>Joint Board Requisitions</b></li> </ul>		
Lothian Valuation Joint Board	3,744	3,745
<b>Total Joint Board Requisitions</b>	<b>3,744</b>	<b>3,745</b>
<ul style="list-style-type: none"> <li><b>Central Support Income</b></li> </ul>		
Forth Estuary Transport Authority	(30)	(109)
Lothian Valuation Joint Board	(61)	(65)
Pension Funds	(279)	(322)
<b>Total Central Support Income</b>	<b>(370)</b>	<b>(496)</b>
<ul style="list-style-type: none"> <li><b>Interest on Revenue Balances</b></li> </ul>		
Forth Estuary Transport Authority	0	(11)
Lothian Valuation Joint Board	3	3
Pension Funds	33	22
SESTRAN	0	(1)
<b>Total Interest on Revenue Balances</b>	<b>36</b>	<b>13</b>
<ul style="list-style-type: none"> <li><b>Loans Charges Recovered</b></li> </ul>		
Lothian and Borders Fire and Rescue Board	(1,306)	(1,503)
Lothian and Borders Police Board	(3,060)	(3,130)
<b>Total Loans Charges</b>	<b>(4,366)</b>	<b>(4,633)</b>

#### 38.2 Subsidiaries and Other Organisations - Capital Expenditure

<ul style="list-style-type: none"> <li><b>Capital Expenditure</b></li> </ul>		
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh and PARC)	2,021	1,334
Edinburgh Leisure	165	165
Hubco	15,773	4,468
Other Local Authorities	1,163	2,320
Scottish Government	5,565	261
Sport Scotland	0	151
<b>Total Capital Expenditure</b>	<b>24,687</b>	<b>8,699</b>

# 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 2016:

	2015/16 £000	2014/15 £000
CEC Holdings Limited (including all subsidiaries)	(542)	(169)
Edinburgh Military Tattoo	52	0
Forth Estuary Transport Authority	0	509
Hubco	(310)	(770)
Integration Joint Board	(3)	0
Lothian and Borders Criminal Justice Authority	227	2,599
Scottish Fire and Rescue Service	676	1,228
Police Scotland	37	48
Lothian Valuation Joint Board	(1,302)	(1,233)
Lothian Buses	14	0
NHS Bodies	1,411	540
Pension Funds	(1,981)	(6,361)
Scottish Government	14,006	7,079
Scottish Water	70	70
SESTRAN	613	1,090
SUSTRANS	872	710
Transport Scotland	0	422
	<b>13,840</b>	<b>5,762</b>
<b>• Other Indebtedness</b>		
HM Revenue and Customs - VAT	8,089	8,879
HM Revenue and Customs - PAYE and NI	(9,035)	(9,397)
	<b>(946)</b>	<b>(518)</b>
<b>• Investments held on behalf of, and repayable to:</b>		
CEC Holdings	0	(120)
Common Good	0	(2,756)
	<b>0</b>	<b>(2,876)</b>

In 2014/15, cash investments managed on behalf of CEC Holdings and the Common Good Fund as part of the Council's Treasury Cash Fund arrangements, were shown in the Council's accounts as both investments and creditors. Separate Treasury Cash Fund investment management agreements are now held for both entities, the cash investments are therefore no longer shown on the Council's balance sheet as either investments or creditors.

The Common Good Fund position is detailed in the Common Good Fund Balance Sheet (page 133).

## 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.

	<b>2015/16</b>		<b>2014/15</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening capital financing requirement		1,726,030		1,728,465
<b>Capital Investment</b>				
Property, plant and equipment	149,880		149,626	
Heritage Assets	40		44	
Assets held for sale	223		117	
Intangible assets	0		2,372	
Capital Receipts transferred to Capital Fund	55,141		11,298	
National Housing Trust - Consent to borrow (see note 34.3)	1,498		9,696	
Revenue expenditure funded from capital under statute	38,846		32,641	
Adjustments to PPP schools during the year	<u>(9,195)</u>		<u>12,610</u>	
		236,433		218,404
<b>Sources of Finance</b>				
Capital receipts	(116,763)		(21,479)	
Capital Funded from Current Revenue	(215)		(5,674)	
Government grants and other contributions	(116,901)		(99,372)	
Loans fund / finance lease repayments	<u>(95,763)</u>		<u>(94,314)</u>	
		<u>(329,642)</u>		<u>(220,839)</u>
<b>Closing capital financing requirement</b>		<u><u>1,632,821</u></u>		<u><u>1,726,030</u></u>
<b>Explanation of movements in year</b>				
(Decrease) / increase in underlying need to borrow		(83,209)		(37,331)
Voluntary debt repayment - HRA		(10,000)		(6,123)
Assets acquired under finance leases		0		7,172
Assets acquired under PFI/PPP contracts		0		33,847
<b>(Decrease) / Increase in capital financing requirement</b>		<u><u>(93,209)</u></u>		<u><u>(2,435)</u></u>

## NOTES TO THE FINANCIAL STATEMENTS

### 40. Leases

#### 40.1 Assets Leased in - Finance Leases

The Council has classified one building and its IT equipment as finance leases. The assets classified under these leases are included in property, plant and equipment in the Balance Sheet:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	12,658	9,523	13,768	8,011
Additions during the year	0	0	7,172	7,172
Reclassification to operating lease during the year	0	0	(2,840)	(2,840)
Repayments during the year	(5,278)	(2,816)	(5,442)	(2,820)
Value at 31 March	7,380	6,707	12,658	9,523
Other land and buildings	63	63	126	126
Vehicles, plant, equipment and furniture	7,317	6,644	12,532	9,397
Value at 31 March	7,380	6,707	12,658	9,523

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:

	2015/16		2014/15	
	Group £000	Council £000	Group £000	Council £000
Finance lease liabilities:				
Current	3,310	2,797	5,275	2,816
Non-current	4,070	3,910	7,383	6,707
Finance costs payable	531	531	751	751
Minimum lease payments	7,911	7,238	13,409	10,274

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

#### Minimum Finance Lease Repayments

	at 31.03.16		at 31.03.15	
	Group £000	Council £000	Group £000	Council £000
Not later than one year	3,528	3,015	5,495	3,036
Later than one year and not later than five years	4,383	4,223	7,914	7,238
Later than five years	0	0	0	0
	7,911	7,238	13,409	10,274

	£000	£000	£000	£000
Finance Lease Liabilities				
Not later than one year	3,310	2,797	5,275	2,816
Later than one year and not later than five years	4,070	3,910	7,383	6,707
Later than five years	0	0	0	0
	7,380	6,707	12,658	9,523

## NOTES TO THE FINANCIAL STATEMENTS

### 40. Leases - continued

#### 40.2 Assets Leased in - Operating Leases

The Group leases in property, vehicles and copying equipment 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.

In 2015/16, the Council revised its car leasing scheme which it now operates in association with an external provider. The amounts recognised as an expense during the year include £0.047m of contributions paid by employees towards cost of car leasing (2014/15 £0.277m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.030m is recoverable from employees (2014/15 £0.362m):

	2015/16		(re-stated) 2014/15	
	Group £000	Council £000	Group £000	Council £000
<b>Future Repayment Period</b>				
Not later than one year	2,467	2,074	2,484	2,081
Later than one year and not later than five years	5,402	4,350	7,026	5,823
Later than five years	6,755	5,286	7,842	6,164
	<b>14,624</b>	<b>11,710</b>	<b>17,352</b>	<b>14,068</b>
<b>Value at 31 March</b>				
Other land and buildings	13,613	11,598	15,532	13,355
Vehicles, plant, equipment and furniture	1,011	112	1,820	713
	<b>14,624</b>	<b>11,710</b>	<b>17,352</b>	<b>14,068</b>
<b>Recognised as an expense during the year</b>	<b>2,470</b>	<b>2,094</b>	<b>2,875</b>	<b>2,454</b>

#### 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:

	2015/16 £000	2014/15 £000
Not later than one year	14,625	14,116
Later than one year and not later than five years	41,975	41,346
Later than five years	151,887	157,676
	<b>208,487</b>	<b>213,138</b>

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) being completed 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:

	<b>Payment for Services £000</b>	<b>Reimburse. of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2016/17	16,818	8,016	18,629	43,463
Payable within two to five years	76,156	32,552	72,497	181,205
Payable within six to ten years	117,530	41,212	81,867	240,609
Payable within eleven to fifteen years	134,421	51,495	71,495	257,411
Payable within sixteen to twenty years	113,926	54,881	52,800	221,607
Payable within twenty one to twenty five years	45,038	30,824	18,634	94,496
Payable within twenty six to thirty years	185	913	112	1,210
	<u>504,074</u>	<u>219,893</u>	<u>316,034</u>	<u>1,040,001</u>

Payments due under the following schemes have been inflated by 1.11% per annum for the PPP1 scheme, 1.67% per annum for the PPP2 scheme and 2.5% per annum for the James Gillespies High School scheme, 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:

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Balance at 1 April	227,802	200,831
PPP unitary charge restatement adjustment	0	64
Additions during the year	0	33,847
Repayments during the year	<u>(7,909)</u>	<u>(6,940)</u>
Balance at 31 March	<u>219,893</u>	<u>227,802</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 41. Public Private Partnerships and Similar Contracts - continued

#### 41.2 Provision of Information Technology services

In 2015 the Council entered into a seven year contract for the provision of information technology services. This contract became operational on 1 April 2016.

Under the agreement the Council is committed to paying the following sums in cash terms (assuming an inflationary uplift at the level shown). The repayments during the first year of the contract include up to £15m of one off costs.

Future Repayment Period	£000	Inflationary Uplift
2016/17	37,139	2.0%
2017/18 - 2020/21	88,488	2.0%
2021/22 - 2022/23	38,039	2.0%
	<b>163,666</b>	

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: (renegotiated annually)

Future Repayment Period	£000
2016/17	5,761
2017/18 - 2019/20	14,401
	<b>20,162</b>

#### 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
2016/17	3,538
2017/18 - 2020/21	12,631
	<b>16,169</b>

#### 41.5 Food Waste Contract

In 2015 the Council entered into a twenty year contract with Alauna Renewable Energy to supply food waste treatment at Millerhill from 1 April 2016.

Future Repayment Period	£000	Inflationary Uplift
2016/17	309	2.50%
2017/18 - 2020/21	2,156	2.50%
2021/22 - 2025/26	2,896	2.50%
2026/27 - 2030/31	3,136	2.50%
2031/32 - 2035/36	3,406	2.50%
	<b>11,903</b>	

#### 41.6 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 £19.443m.

## 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.

	2015/16		2014/15	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	19,715		18,335	
As a percentage of teachers' pensionable pay		17.20		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 2014/15	19,296		21,123	

At 31 March 2016, creditors include £2.733m (2014/15 £2.487m) in respect of teachers' superannuation. The increase in the percentage of teachers' pensionable pay came into effect in September 2015.

### 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 2015/16 the Council paid an employer's contribution of £55.446m (2014/15 £54.843m) into the Lothian Pension Fund, representing 21.3% (2014/15 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

	2015/16		2014/15	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	82,023		72,084	
Past service costs	2,087		744	
Effect of Settlements	<u>(159)</u>		<u>0</u>	
		83,951		72,828
<i>Financing and investment income:</i>				
Net interest expense		<u>23,445</u>		<u>23,254</u>
<b>Total post employee benefit charged to the surplus on the provision of services</b>		107,396		96,082
<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.	(37,286)		(204,649)	
Actuarial (gains) and losses arising on changes in financial assumptions	(253,389)		284,632	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		103,126	
Other experience	<u>(32,463)</u>		<u>(26,361)</u>	
		<u>(323,138)</u>		<u>156,748</u>
<b>Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement</b>		<u>(215,742)</u>		<u>252,830</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>288,029</u>		<u>(191,471)</u>
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employer's contributions payable to the scheme		66,297		55,002
Contributions in respect of unfunded benefits		<u>5,990</u>		<u>6,357</u>
		<u>72,287</u>		<u>61,359</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:

	2015/16 £000	2014/15 £000
Fair value of employer assets	2,247,877	2,144,897
Present value of funded liabilities	(2,605,380)	(2,782,482)
Present value of unfunded liabilities	<u>(81,437)</u>	<u>(89,384)</u>
Net liability arising from defined benefit obligation	<u>(438,940)</u>	<u>(726,969)</u>

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

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	2,144,897	1,862,816
Effect of settlements	(1,917)	0
Interest income	68,568	79,991
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	37,286	204,649
Contributions from employer	66,297	55,002
Contributions from employees into the scheme	16,502	16,416
Contributions in respect of unfunded benefits	5,990	6,357
Benefits paid	(83,756)	(73,977)
Unfunded benefits paid	<u>(5,990)</u>	<u>(6,357)</u>
Closing fair value of scheme assets	<u>2,247,877</u>	<u>2,144,897</u>

### Reconciliation of Present Value of the Scheme Liabilities

	2015/16 £000	2014/15 £000
Present value of funded liabilities	(2,782,482)	(2,311,390)
Present value of unfunded liabilities	<u>(89,384)</u>	<u>(86,924)</u>
Opening balance at 1 April	(2,871,866)	(2,398,314)
Current service cost	(82,023)	(72,084)
Interest cost	(92,013)	(103,245)
Contributions from employees into the scheme	(16,502)	(16,416)
Re-measurement gain / (loss):		
Change in financial assumptions	253,389	(284,632)
Change in demographic assumptions	0	(103,126)
Other experience	32,463	26,361
Past service cost	(2,087)	(744)
Effects of settlements	2,076	0
Benefits paid	83,756	73,977
Unfunded benefits paid	<u>5,990</u>	<u>6,357</u>
Closing balance at 31 March	<u>(2,686,817)</u>	<u>(2,871,866)</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.

	2015/16 £000	%	2014/15 £000	%
Consumer *	342,338	15	300,827	14
Manufacturing *	265,121	12	252,298	12
Energy and Utilities *	178,558	8	214,314	10
Financial Institutions *	190,391	8	176,717	8
Health and Care *	149,425	7	146,156	7
Information technology *	134,677	6	134,141	6
Other *	128,664	6	96,065	4
Sub-total Equity Securities	1,389,174		1,320,518	
Debt Securities:				
Corporate Bonds (investment grade) *	0	0	0	0
Corporate Bonds (non-investment grade) *	0	0	0	0
UK Government *	144,656	6	124,200	6
Other *	56,864	3	52,894	3
Sub-total Debt Securities	201,520		177,094	
Private Equity				
All *	25,228	1	0	0
All	73,078	3	248,710	12
Sub-total Private Equity	98,306		248,710	
Real Estate:				
UK Property	192,281	9	140,297	7
Overseas Property	0	0	21,751	1
Sub-total Real Estate	192,281		162,048	
Investment Funds and Unit Trusts:				
Equities *	0	0	23,272	1
Equities	0	0	0	0
Bonds *	6,032	0	6,161	0
Bonds	12,180	1	0	0
Commodities *	6,235	0	6,854	0
Infrastructure *	12,509	1	12,898	1
Infrastructure	136,998	6	0	0
Other *	0	0	6,933	0
Other	53,855	2	7,662	0
Sub-total Investment Funds and Unit Trusts	227,809		63,780	
Derivatives:				
Foreign Exchange *	(130)	0	3,289	0
Other *	0	0	0	0
Sub-total Derivatives	(130)		3,289	
Cash and Cash Equivalents				
All *	138,917	6	169,458	8
Sub-total Cash and Cash Equivalents	138,917		169,458	
Total Fair Value of Employer Assets	2,247,877	100	2,144,897	100

**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 2016 were those from the beginning of the year (i.e. 31 March 2015) and have not been changed during the year. The main assumptions in the calculations are:

##### Investment returns

Actual return for period from 1 April 2015 to 31 December 2015	1.30%
Estimated return for period from 1 April 2015 to 31 March 2016	4.90%

##### Average future life expectancies at age 65:

		31.03.16	31.03.15
Current pensioners	male	22.1 years	22.1 years
Current pensioners	female	23.7 years	23.7 years
Future pensioners	male	24.2 years	24.2 years
Future pensioners	female	26.3 years	26.3 years

Period ended	Weighted Average Duration			31.03.15
	Short 31.03.16	Medium 31.03.16	Long 31.03.16	
Pension increase rate	2.1%	2.2%	2.2%	2.4%
Retail Price Index (Salary increase rate 31.3.15)	3.1%	3.2%	3.2%	4.3%
Discount rate	3.4%	3.5%	3.6%	3.2%

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 2016 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 2016	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	271,586
1 year increase in member life expectancy	3%	80,604
0.5% increase in the Salary Increase Rate	3%	89,601
0.5% increase in the Pension Increase Rate	7%	176,900

#### 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 increase of 0.5% or a maximum decrease 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		Weighted Average Duration
	£000	%	
Active members	1,434,118	55.1	23.1
Deferred members	297,842	11.4	22.4
Pensioner members	873,420	33.5	11.9
Total	2,605,380	100.0	18.3

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 2016 comprises approximately £62.141m (2014/15 £68.26m) in respect of LGPS unfunded pensions and £19.296m (2014/15 £21.123m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2016, 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.

	2015/16 Pension Reserve £000	2014/15 Pension Reserve £000
<b>Unusable Reserves</b>		
Council	(438,940)	(726,969)
Lothian Valuation Joint Board	(3,820)	(7,267)
	<u>(442,760)</u>	<u>(734,236)</u>
<b>Usable Reserves</b>		
CEC Holdings	(1,010)	(1,483)
Festival City Theatres Trust	(75)	(122)
Edinburgh Leisure	(844)	(3,363)
Transport for Edinburgh Ltd	17,936	(10,497)
	<u>16,007</u>	<u>(15,465)</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 2017

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	70,548	70,548	(26.8%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	70,548	70,548	(26.8%)
Interest income on plan assets	78,519	0	78,519	29.9%
Interest cost on defined benefit obligation	0	(94,032)	(94,032)	(35.8%)
Total Net Interest Cost	78,519	(94,032)	(15,513)	(5.9%)
Total included in Profit or Loss	78,519	(23,484)	55,035	(32.7%)

The Council's estimated contribution to Lothian Pension Fund for 2016/17 is £55.906m.

#### 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 £7.994m, including accrued payments (2014/15 £2.705m).

#### 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 Chief Executive Officer, Lothian Pension Fund, 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 2016. 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 10 March 2016 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2016/17 has been set at £1.818bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2016/17 has been set at £1.718bn. This is the expected upper level of borrowing and other short and 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 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 31 March 2016, the Council had £13.0m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 41.4% were loans to other local authorities, a further 21.4% were UK Government Treasury Bills, 14.4% was held in two AAA rated Money Market Funds, leaving only 22.8% with banks. All of the monies held on deposit with banks at 31 March 2016 was in call or near call accounts.

The Council's cash holding under its treasury management arrangements at 31 March 2016 was £192.5 million (31 March 2015: £96.4m). This was held with the following institutions:

Summary	Standard and Poors Rating	Principal Outstanding 31.03.16 £000	Carry Value 31.03.16 £000	Fair Value 31.03.16 £000	Carry Value 31.03.15 £000
Money Market Funds					
Deutsche Bank AG, London	AAA	25,661	25,672	25,672	14,152
Goldman Sachs	AAA	181	183	183	14,135
Bank Call Accounts					
Bank of Scotland	A	12,603	12,608	12,608	9,108
Royal Bank of Scotland	BBB+	2,042	2,042	2,042	1,278
Santander UK	A	16	16	16	8,839
Barclays Bank	A-	13,025	13,048	13,048	9,238
Svenska Handelsbanken	AA-	13,284	13,295	13,295	14,373
Clydesdale Bank	AA-	0	0	0	3,736
HSBC Bank Plc	AA-	19	19	19	14,061
Floating Rate Note					
Rabobank	A+	0	0	0	2,509
Building Society Fixed Term Deposits					
Nationwide Building Society	A	0	0	0	2,491
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	87,295	87,350	89,357	0
UK Government Treasury Bills	AAA	38,364	38,455	38,455	2,490
		<u>192,490</u>	<u>192,688</u>	<u>194,695</u>	<u>96,410</u>

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2016 would have been 'AAA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating, but of the £87.35m above, £5.93m is with a local authority which had an 'Aa2' credit rating from Moodys.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £41.0m 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 2016 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 2016 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2016 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2016. 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 £2.769m (2014/15 £1.767m), trade debtors past due date can be analysed by age as follows:

	2015/16 £000	2014/15 £000
Less than two months	13,163	18,283
Two to four months	1,055	2,008
Four to six months	786	2,066
Six months to one year	4,088	2,849
More than one year	10,886	11,093
Total	29,978	36,299

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:

	2015/16 £000	2014/15 £000
Less than one year	(80,656)	(75,077)
Between one and two years	(66,155)	(65,227)
Between two and five years	(188,770)	(188,310)
Between five and ten years	(264,343)	(260,587)
More than ten years	<u>(996,419)</u>	<u>(1,063,998)</u>
Financial Liabilities	<u>(1,596,343)</u>	<u>(1,653,199)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £15.277m (2014/15 £18.597m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £17.513m (2014/15 £17.854m) nor net equivalent interest rate (EIR) adjustments of £8.954m (2014/15 £9.041m) to the carrying amounts of market debt shown in the financial liabilities are included.

The only investment which the Council has with a maturity of greater than one year is £4.6m 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.

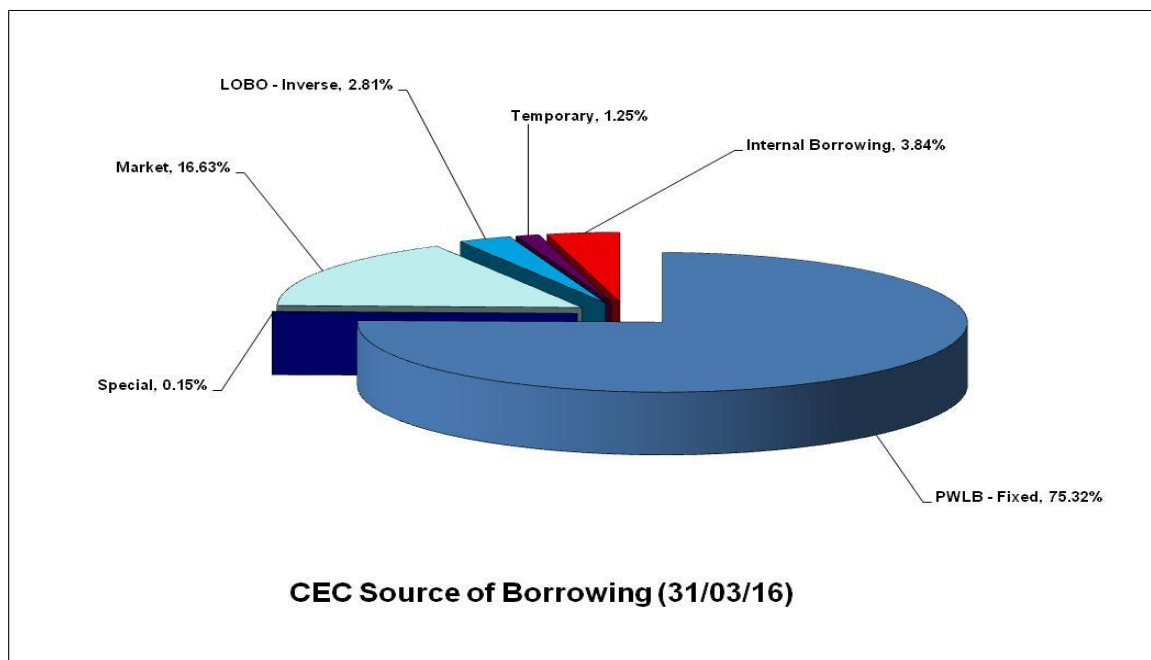
The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. 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 of £23.474m (2014/15 £23.511m) 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, Queensferry Ambition and Edinburgh's West End.

	2015/16 £000	2014/15 £000
Monies to be recovered from ratepayers at 1 April	190	29
BID Levy Income	3,637	2,389
Less: Payments made / due to schemes	(3,478)	(2,228)
Monies still to be recovered from ratepayers at 31 March	349	190

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 few years, the Council has rationalised the number of charitable trusts down from over a hundred to seven. 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.

The financial results of the fund are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Income	(27)	(25)
Expenditure	7	1
Assets	6,173	6,198
Liabilities	0	0

- **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.

The financial results of the fund are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Income	(1)	(1)
Expenditure	1	1
Assets	7,039	7,041
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.

The financial results of the fund are as follows:	<b>31.03.16</b>	<b>31.03.15</b>
	<b>£000</b>	<b>£000</b>
Income	(21)	(21)
Expenditure	17	5
Assets	852	886
Liabilities	0	0

#### 47.2 The funds are:

	<b>Scottish Charity Registration Number</b>	<b>Market Value 31.03.16 £000</b>	<b>Market Value 31.03.15 £000</b>
<b>Scottish Registered Charities</b>			
Lauriston Castle	SC020737	7,039	7,041
Jean F. Watson	SC018971	6,173	6,198
Edinburgh Education Trust	SC042754	852	886
Nelson Halls	SC018946	214	224
Boyd Anderson	SC025067	118	120
Usher Hall Appeal	SC030180	68	70
Royal Scots Memorial Trust	SC018945	30	33
Total market value		<u>14,494</u>	<u>14,572</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 47. The City of Edinburgh Council Charitable Funds - continued

### 47.3 Financial Position of the Scottish Registered Charity Funds

2014/15 Income and Expenditure Account £000	2015/16 £000
<b>Income</b>	
(64) Investment income	(54)
0 Other non-investment income	(2)
<u>(64)</u>	<u>(56)</u>
<b>Expenditure</b>	
10 Prizes, awards and other expenses	24
9 Governance Costs	13
<u>19</u>	<u>37</u>
<u>(45)</u> Surplus for the year	<u>(19)</u>
<b>2014/15 Balance Sheet £000</b>	<b>2015/16 £000</b>
<b>Long-Term Assets</b>	
1,940 Investments	1,843
5,232 Artworks - Jean Watson Trust	5,232
7,020 Heritable property	7,020
<u>14,192</u> <b>Total Long-Term Assets</b>	<u>14,095</u>
<b>Current Assets</b>	
413 Cash and bank	420
<u>413</u>	<u>420</u>
<b>Current Liabilities</b>	
(33) Creditors	(21)
<u>(33)</u>	<u>(21)</u>
<u>14,572</u> <b>Total Assets less Liabilities</b>	<u>14,494</u>
<b>Funds</b>	
4,301 Capital at 1 April	3,194
45 Surplus for the year	19
140 Realised and unrealised gains on investments	0
0 Realised and unrealised losses on investments	(97)
(1,292) Surplus Fire Fund Transfer to EVOT	0
<u>3,194</u>	<u>3,116</u>
<u>11,378</u> Revaluation reserve	<u>11,378</u>
<u>14,572</u> <b>Funds at 31 March</b>	<u>14,494</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

2014/15 Income and Expenditure Account		2015/16
£000	Income	£000
0	Investment income	0
0		0
Expenditure		
1	Administrative expenses	1
1		1
1	(Surplus) / Deficit for the year	1
<b>Re-stated</b>		
2014/15 Balance Sheet		2015/16
£000	Current Assets	£000
48	Cash and bank	45
48		45
Current Liabilities		
(3)	Balance with City of Edinburgh Council	(1)
(3)		(1)
45	<b>Total Assets less Liabilities</b>	44
46	<b>Capital at 1 April</b>	45
(1)	Deficit for the year	(1)
0	Compensation fund paid	0
45	<b>Capital at 31 March</b>	44

### 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, £0.9m was paid out to the respective lead authorities of the projects concerned.

	2015/16		2014/15	
	£000	£000	£000	£000
Balance as at 1 April		4,819		6,045
Contribution from Scottish Government		90		90
Investment income		17		21
Less: Payments made:				
Aberdeen City Council	(4)		(64)	
City of Edinburgh Council	(4)		(749)	
Dundee City Council	0		(140)	
Glasgow City Council	(409)		(367)	
Highland Council	(37)		(15)	
Perth and Kinross Council	(102)		(2)	
Stirling Council	(344)		0	
		(900)		(1,337)
Contribution to SCDI				
2014/15	(90)		0	
2015/16	(90)		0	
		(180)		0
Balance as at 31 March		<b>3,846</b>		<b>4,819</b>

As of April 2016, the Alliance had approved total project funding allocations of £4.66m (£3.96m April 2015), covering a range of initiatives spanning the areas of Infrastructure, Investment Promotion, Low Carbon and Smart Cities.



## 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 2014/15, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

- **Re-categorisation of long-term debtors**

Monies advanced to assist buyers purchase homes from PARC under the shared equity scheme had been netted against the capital adjustment account. A prior year adjustment has been made to record these as long-term debtors.

Monies advanced to home owners to assist with property repairs, previously administered on behalf of the Council, have now been recorded in long-term debtors.

- **Re-statement of housing rent**

A prior year adjustment has been made to record an understatement of HRA rental income. This has now been recorded as debtors and adjusted in the transfer to the Renewal and Repairs reserve.

- **Re-classification of creditor**

Monies advanced as a contribution towards the construction of the Atria. A prior year adjustment has been made to record this as a creditor.

### Group Account Changes

- **Lothian Valuation Joint Board - Re-categorisation of Creditor balance**

The Board previously carried forward unspent requisitions in the form of a creditor balance which was contrary to the Valuation Joint Boards (Scotland) Order 1995. Within the Group accounts these are included in Liabilities in Associates and Joint Ventures.

Unspent requisition balances have now been recorded in the form of a usable reserve.

### 49.2 Impact on Financial Statements

Movement in Reserves Statement	2014/15 Statements £000	L-T Debtors £000	Housing Rent £000	Creditor £000	Lothian Valuation Board £000	2014/15 Re-stated £000
<u>Balance at 31 March 2014</u>						
General Fund Balance	123,309	1	0	0	0	123,310
Renewal and Repairs Fund	21,936	0	568	0	0	22,504
Capital Fund	25,835	0	0	(3,456)	0	22,379
Council's Total Usable Reserves	173,074	1	568	(3,456)	0	170,187
Group Usable Reserves	23,192	0	0	0	258	23,450
Total Usable Reserves	196,266	1	568	(3,456)	258	193,637
Council's Unusable Reserves	1,612,466	1,246	0	(5,915)	0	1,607,797
Total Reserves	1,917,681	1,246	568	(9,370)	258	1,910,383
<u>Surplus on (deficit) on provision of service</u>						
General Fund Balance	(4,301)	47	0	(750)	0	(5,004)
HRA Balance	17,476	0	461	0	0	17,937
Council's Total Usable Reserves	13,175	47	461	(750)	0	12,933
Group Usable Reserves	6,350	0	0	0	108	6,458
Total Usable Reserves	19,525	47	461	(750)	108	19,391
Total Reserves	19,525	47	461	(750)	108	19,391
<u>Transfers (to) / from other statutory reserves</u>						
General Fund Balance	(9,161)	0	0	750	0	(8,411)
HRA Balance	(2,503)	0	(461)	0	0	(2,964)
Renewal and Repairs Fund	12,868	0	461	0	0	13,329
Capital Fund	(1,206)	0	0	(750)	0	(1,956)

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

#### 49.2 Impact on Financial Statements - continued

<b>Movement in Reserves Statement - continued</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>2014/15 Re-stated £000</b>
<u>Balance at 31 March 2015</u>					
General Fund	117,476	48	0	0	117,524
Renewal and Repairs Fund	34,804	0	1,029	0	35,833
Capital Fund	35,927	0	0	(4,206)	31,721
Council's Total Usable Reserves	192,556	48	1,029	(4,206)	189,427
Council's Unusable Reserves	1,453,756	1,246	0	(5,915)	1,449,087
<b>Group Comprehensive Income and Expenditure Statement</b>		<b>2014/15 Statements £000</b>	<b>Council Adjustment (see below) £000</b>	<b>Lothian Valuation Board £000</b>	<b>2014/15 Re-stated £000</b>
Housing Revenue Account		(32,830)	(461)	0	(33,291)
Associates and Joint Ventures Accounted for on an Equity Basis		1,966	0	(108)	1,858
Cost of Services		925,098	(461)	(108)	924,529
Financing and investment income		91,300	703	0	92,003
Surplus on provision of service		(19,525)	242	(108)	(19,391)
Total Comprehensive Expenditure		162,456	242	(108)	162,590
<b>Council Comprehensive Income and Expenditure Statement</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>2014/15 Re-stated £000</b>
Housing Revenue Account	(32,830)	0	(461)	0	(33,291)
Cost of Services	932,710	0	(461)	0	932,249
Financing and investment income	91,625	(47)	0	750	92,328
Surplus on provision of service	(13,175)	(47)	(461)	750	(12,933)
Total Comprehensive Expenditure	139,228	(47)	(461)	750	139,470

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

#### 49.2 Impact on Financial Statements - continued

<b>Group Balance Sheet Statement</b>	<b>2014/15 Statements £000</b>	<b>Council Adjustment (see below) £000</b>	<b>Lothian Valuation Board £000</b>	<b>2014/15 Re-stated £000</b>
Long-term assets				
- Long-term debtors	113,146	1,893	0	115,039
Current assets				
- Short-term debtors	82,940	430	0	83,370
Current liabilities				
- Short-term creditors	(169,986)	(10,121)	0	(180,107)
Long-term liabilities				
- Liabilities in Associates / Joint Ventures	(9,087)	0	364	(8,723)
Net assets	1,755,227	(7,798)	364	1,747,793
Revaluation Reserve	911,395	(5,509)	0	905,886
Capital Adjustment Account	1,339,227	840	0	1,340,067
Unusable Reserves	1,552,863	(4,669)	0	1,548,194
Capital Fund	35,927	(4,206)	0	31,721
Renewal and Repairs Fund	34,804	1,029	0	35,833
General Fund	117,476	48	0	117,524
Group Usable Reserves	9,808	0	364	10,172
Usable Reserves	202,364	(3,129)	364	199,599
Total reserves	1,755,227	(7,798)	364	1,747,793

<b>Council Balance Sheet Statement</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>Creditor £000</b>	<b>2014/15 Re-stated £000</b>
Long-term assets					
- Long-term debtors	116,646	1,294	599	0	118,539
Current assets					
- Short-term debtors	69,751	0	430	0	70,181
Current liabilities					
- Short-term creditors	(141,325)	0	0	(10,121)	(151,446)
Net assets	1,646,312	1,294	1,029	(10,121)	1,638,514
Revaluation Reserve	911,395	0	0	(5,509)	905,886
Capital Adjustment Account	1,339,227	1,246	0	(406)	1,340,067
Unusable Reserves	1,453,756	1,246	0	(5,915)	1,449,087
Capital Fund	35,927	0	0	(4,206)	31,721
Renewal and Repairs Fund	34,804	0	1,029	0	35,833
General Fund	117,476	48	0	0	117,524
Usable Reserves	192,556	48	1,029	(4,206)	189,427
Total reserves	1,646,312	1,294	1,029	(10,121)	1,638,514

## NOTES TO THE FINANCIAL STATEMENTS

### 49. Prior Period Adjustments - continued

#### 49.2 Impact on Financial Statements - continued

<b>Group Cash Flow Statement</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>L-T Creditor £000</b>	<b>2014/15 Re-stated £000</b>
<b>Operating activities</b>					
- Interest and investment income received	(11,680)	(47)	0	749	(10,978)
Cash inflows form operating activities	(1,937,399)	(47)	0	749	(1,936,697)
- Cash paid to suppliers of goods and services	750,951	0	0	(749)	750,202
Cash outflows from operating activities	1,700,462	0	0	(749)	1,699,713
Net cash flows from operating activities	(236,937)	(47)	0	0	(236,984)
<b>Investing activities</b>					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	183,055	47	0	0	183,102

<b>Council Cash Flow Statement</b>	<b>2014/15 Statements £000</b>	<b>L-T Debtors £000</b>	<b>Housing Rent £000</b>	<b>L-T Creditor £000</b>	<b>2014/15 Re-stated £000</b>
<b>Operating activities</b>					
- Interest and investment income received	(11,450)	(47)	0	749	(10,748)
Cash inflows form operating activities	(1,780,277)	(47)	0	749	(1,779,575)
- Cash paid to suppliers of goods and services	695,545	0	0	(749)	694,796
Cash outflows from operating activities	1,565,249	0	0	(749)	1,564,500
Net cash flows from operating activities	(215,028)	(47)	0	0	(215,075)
<b>Investing activities</b>					
- Other receipts from investing activities	(13,329)	47	0	0	(13,282)
Net cash flows form investing activities	159,177	47	0	0	159,224

# HOUSING REVENUE ACCOUNT

## INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2016

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.

<b>(re-stated)</b>			
<b>2014/15</b>		<b>2015/16</b>	
<b>£000</b>	<b>EXPENDITURE</b>	<b>£000</b>	<b>£000</b>
27,256	Repairs and maintenance	27,765	
21,453	Supervision and management	26,132	
18,266	Depreciation and impairment of non-current assets	23,285	
5,719	Other expenditure	5,609	
1,325	Impairment of debtors	1,073	
<u>74,019</u>			83,864
	<b>INCOME</b>		
(91,301)	Dwelling rents	(93,015)	
(377)	Non-Dwelling rents (gross)	(467)	
<u>(15,632)</u>	Other income	<u>(17,102)</u>	
<u>(107,310)</u>			<u>(110,584)</u>
(33,291)	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(26,720)
319	HRA share of corporate and democratic core		274
72	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		1,005
<u>(32,900)</u>	Net expenditure / (income) for HRA Services		<u>(25,441)</u>
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
307	(Gain) / loss on sale of HRA fixed assets	(2,247)	
18,936	Interest payable and similar charges	19,021	
2,434	Interest cost on defined benefit obligation ( <i>pension-related</i> )	2,494	
(81)	Interest and investment income	(98)	
(1,886)	Interest income on plan assets ( <i>pension-related</i> )	(1,858)	
<u>(4,747)</u>	Capital grants and contributions	<u>(7,439)</u>	
<u>14,963</u>			<u>9,873</u>
<u><u>(17,937)</u></u>	Surplus for the year on HRA services		<u><u>(15,568)</u></u>

# HOUSING REVENUE ACCOUNT

## MOVEMENT ON THE HRA STATEMENT

<b>(re-stated)</b> <b>2014/15</b> <b>£000</b>		<b>2015/16</b> <b>£000</b>
0	Balance on the HRA at the end of the previous year	0
17,937	Surplus for the year on the HRA Income and Exp Account	15,568
(14,973)	Adjustments between accounting basis and funding basis under statute	(13,312)
<u>2,964</u>	<b>Net increase before transfers to reserves</b>	<u>2,256</u>
(2,964)	Contribution to renewal and repairs fund, via the General Fund	(2,256)
<u>0</u>	<b>Balance on the HRA at the end of the current year</b>	<u>0</u>

## Adjustments Between Accounting Basis and Funding Basis Under Regulations

<b>£000</b>		<b>£000</b>
	<b>Adjustments primarily involving the Capital Adjustment Account</b>	
	<b>Reversal of items debited or credited to the Income and Expenditure Statement</b>	
18,266	Charges for depreciation and impairment of non-current assets	23,285
(4,747)	Capital grants and contributions applied	(7,439)
	<b>Insertion of items not debited or credited to the Income and Expenditure Statement</b>	
(23,123)	Statutory provision for the financing of capital investment	(27,328)
(5,649)	Capital funded from revenue	0
	<b>Adjustments primarily involving the Capital Receipts Reserve</b>	
307	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,247)
	<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>	
(460)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(488)
	<b>Adjustments primarily involving the Pensions Reserve</b>	
1,081	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,676
(426)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,693)
	<b>Adjustments primarily involving the Employee Statutory Adjustment Account</b>	
(222)	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	(78)
<u>(14,973)</u>		<u>(13,312)</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 2016 are as follows:

Types of Houses	2016		2015	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
<b>Main provision Council dwellings</b>				
1 Apartment	302	3,726.00	302	3,653.00
2 Apartment	5,459	4,177.00	5,473	4,100.00
3 Apartment	10,145	4,842.00	10,184	4,752.00
4 Apartment	3,426	5,579.00	3,458	5,473.00
5 Apartment	516	6,015.00	521	5,891.00
6 Apartment	9	6,043.00	9	5,924.00
7 Apartment	4	5,854.00	4	5,739.00
8 Apartment	1	5,854.00	1	5,739.00
<b>Mid-market rent dwellings</b>				
2 Apartment	21	5,447.00	6	5,337.00
3 Apartment	75	6,706.00	39	6,878.00
4 Apartment	22	8,430.00	7	7,924.00
	<u>19,980</u>		<u>20,004</u>	

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

2. The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £6.779m (£5.402m 2014/15) against which a provision amounting to £5.399m (£4.326m 2014/15), has been created in respect of non collectable debts.
3. Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.
4. The total value of uncollectable void rents for main provision properties was £0.464m (2014/15 £0.545m). 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 2016

2014/15 £000		2015/16 £000      £000	
(297,767)	Gross council tax levied and contributions in lieu		(300,827)
48,938	Less: - Exemptions and other discounts	49,860	
8,333	- Provision for bad debts	7,956	
25,785	- Council Tax Reduction Scheme	24,255	
2,107	- Other reductions	2,689	
<u>85,163</u>			<u>84,760</u>
(212,604)			(216,067)
<u>(307)</u>	Previous years' adjustments		<u>(324)</u>
<u><b>(212,911)</b></u>	<b>Total transferred to General Fund</b>		<u><b>(216,391)</b></u>

### Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.1% (2014/15 95.4%).

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 2015/16

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	23,248	79	(3,209)	(3,452)	16,666	6/9	11,111	£779.33
B £27,001 - £35,000	47,011	68	(3,728)	(6,904)	36,447	7/9	28,348	£909.22
C £35,001 - £45,000	43,969	(23)	(3,247)	(5,439)	35,260	8/9	31,342	£1,039.11
D £45,001 - £58,000	37,823	61	(2,845)	(4,123)	30,916	9/9	30,916	£1,169.00
E £58,001 - £80,000	40,177	(24)	(3,383)	(3,682)	33,088	11/9	40,441	£1,428.78
F £80,001 - £106,000	24,402	(38)	(1,343)	(1,955)	21,066	13/9	30,429	£1,688.56
G £106,001 - £212,000	20,893	(93)	(531)	(1,244)	19,025	15/9	31,708	£1,948.33
H Over £212,000	3,910	(30)	(146)	(191)	3,543	18/9	7,086	£2,338.00
Total							211,381	
Add: Contributions in Lieu							499	
Less: Provision for Non-Payment							<u>(6,738)</u>	
<b>Council Tax Base</b>							<u><b>205,142</b></u>	



## 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 2016

2014/15		2015/16	
£000		£000	£000
(439,173)	Gross rates levied and contributions in lieu		(444,260)
82,712	Less: - Reliefs and other deductions	85,276	
4,588	- Uncollectable debt written off and provision for impairment	4,752	
<u>87,300</u>			<u>90,028</u>
(351,873)			(354,232)
7,684	Previous years' adjustments		13,161
<u>(344,189)</u>	<b>Net Non-Domestic Rates Income</b>		<u>(341,071)</u>
Allocated to:			
(344,628)	Contribution to National Non-Domestic Rates Pool		(341,540)
439	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		469
<u>(344,189)</u>			<u>(341,071)</u>

### Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2015		Rateable Value
		£000
	Shops, offices and other commercial subjects	14,174 647,392
	Industrial and freight transport	2,731 73,733
	Telecommunications	9 25
	Public service subjects	354 49,186
	Miscellaneous	2,734 141,443
		<u>20,002 911,779</u>

### Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £341.540m (2014/15 £344.628m) is the non-domestic rates contributed by the Council through pooling arrangements for government grant purposes. The amount distributed to the Council under these arrangements was £390.862m (2014/15 £364.108m).

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 48.0p per £ in 2015/16 (2014/15 47.1p per £).

Properties with a rateable value greater than £35,000 (2014/15 £35,000) had their rate charges calculated using the poundage of 49.3p per £ (2014/15 48.2p 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 2015/16, the Council acquired Custom House, 69 Commercial Street, Leith for £671,540 to use the building as a museum for the benefit of Leith and the wider city. In addition to the acquisition of Custom House, the Council generated two capital receipts for the Common Good. Cathedral Lane was sold with a receipt of £108,000 and land at Granton Road was sold with a receipt of £51,480, both of which were credited to the Common Good Fund. There has been no reduction in the value of the existing Common Good assets in year.

The sale of East Market Street garage as part of package of properties was completed in 2014/15. The Common Good account was credited with a receipt of £1.182m. The receipt, net of costs associated with the disposal, was transferred to the Common Good fund and will be utilised to fund a planned property maintenance programme on Common Good assets as agreed at the January 2016 Finance and Resources Committee. The resulting balance of the Common Good Fund is £2.297m as at 31 March 2016. (£1.654m 2014/15).

## COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Property Maintenance Fund £000	FFF Earmarked Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
<b>2015/16 Movements</b>						
Balance at 31 March 2015	1,654	0	1,182	(22)	21,860	24,674
Movement in reserves during 2015/16						
(Deficit) / Surplus on the provision of service	(539)	0	0	0	0	(539)
Revaluation Reserve	0	0	0	0	135	135
<b>Total Comprehensive Income and Expenditure</b>	(539)	0	0	0	135	(404)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0	0
<b>Net increase / decrease before transfers to earmarked reserves</b>	(539)	0	0	0	135	(404)
Transfer (to) / from reserves	(818)	2,000	(1,182)	0	0	0
Increase / (decrease) in year	(1,357)	2,000	(1,182)	0	135	(404)
<b>Balance at 31 March 2016</b>	297	2,000	0	(22)	21,995	24,270

## 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
<b>2014/15 Comparative Data</b>					
Balance at 31 March 2014	<u>1,650</u>	<u>0</u>	<u>(20)</u>	<u>23,928</u>	<u>25,558</u>
Movement in reserves during 2014/15					
Surplus on the provision of services	1,186	0	0	0	1,186
Revaluation Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>(885)</u>	<u>(885)</u>
<b>Total Comprehensive Income and Expenditure</b>	1,186	0	0	(885)	301
Adjustments between accounting basis and funding basis under regulations:	0	0	(2)	(1,183)	(1,185)
<b>Net increase / decrease before transfers to earmarked reserves</b>	1,186	0	(2)	(2,068)	(884)
Transfer (to) / from reserves	<u>(1,182)</u>	<u>1,182</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase / (decrease) in year	<u>4</u>	<u>1,182</u>	<u>(2)</u>	<u>(2,068)</u>	<u>(884)</u>
<b>Balance at 31 March 2015</b>	<u>1,654</u>	<u>1,182</u>	<u>(22)</u>	<u>21,860</u>	<u>24,674</u>

## COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2014/15 £000	2015/16 £000	£000
44 Common Good Fund	38	
0 Expenditure on Acquisition of Fixed Assets	672	
<u>(1,218)</u> Income from Sale of Fixed Assets	<u>(160)</u>	
<b>(1,174) COST OF SERVICES</b>	550	
Financing and Investment Income		
(2) Income from redemption of investment bonds	0	
<u>(10)</u> Interest and investment income	<u>(11)</u>	
<b>(1,186) DEFICIT / (SURPLUS) ON PROVISION OF SERVICES</b>		539
885 (Surplus) / Deficit on revaluation of non-current assets	(135)	
<u>0</u> Other unrealised gains	<u>0</u>	
885 Other Comprehensive Income and Expenditure		<u>(135)</u>
<b><u>(301) TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</u></b>		<u>404</u>

## COMMON GOOD FUND - BALANCE SHEET

31 March 2015 £000		31 March 2016 £000      £000	
21,757	Community Assets	21,892	
21,757	<b>Property, Plant and Equipment</b>		21,892
103	Heritage Assets	103	
0	Long-term Investments	0	
103	<b>Long-term Assets</b>		103
2,756	Short-Term Investments	322	
58	Cash and Cash Equivalents	1,953	
2,814	<b>Current Assets</b>		2,275
<b>24,674</b>	<b>Net Assets</b>		<b>24,270</b>
21,860	Revaluation Reserve	21,995	
(22)	Capital Adjustment Account	(22)	
21,838	<b>Unusable Reserves</b>		21,973
1,654	Common Good Fund	297	
1,182	Earmarked Reserve	2,000	
2,836	<b>Usable Reserves</b>		2,297
<b>24,674</b>	<b>Total Reserves</b>		<b>24,270</b>

The unaudited accounts were issued on 24 June 2016.

HUGH DUNN, CPFA  
Acting Executive Director of Resources  
10 June 2016

# 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
<b>Cost or Valuation</b>			
At 1 April 2015	21,757	21,757	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	135	135	0
At 31 March 2016	21,892	21,892	103
<b>Accumulated Depreciation</b>			
At 1 April 2015	0	0	0
At 31 March 2016	0	0	0
<b>Net Book Value</b>			
At 31 March 2016	21,892	21,892	103
At 31 March 2015	21,757	21,757	103
<b>Cost or Valuation</b>			
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	21,757	21,757	103
<b>Accumulated Depreciation</b>			
At 1 April 2014	0	0	0
At 31 March 2015	0	0	0
At 31 March 2015	21,757	21,757	103
At 31 March 2014	23,824	23,824	104

### 1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2016 include:

Monuments and statues	20
Parks and open spaces and other properties	31
Shops, industrial units and other commercial lettings	18

## 2. Usable Reserves

Movements in the Common Good's usable reserves are detailed in the Movement in Reserves Statement (on page 134).

## 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.

	<b>2015/16</b>		<b>2014/15</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April		21,860		23,928
Upward revaluation of assets	135		412	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0		(1,297)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		135		(885)
Derecognition of asset disposals				(1,183)
Balance at 31 March		<u>21,995</u>		<u>21,860</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.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 April	(22)	(20)
Adjustment for revaluation of Government investment bonds	<u>0</u>	<u>(2)</u>
Balance at 31 March	<u>(22)</u>	<u>(22)</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 outlines 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 39 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 Governance and Democratic Services manager reviewed the arrangements and is satisfied that the Code continues to be adequate and effective. Internal Audit has also reviewed the annual assurance questionnaire process in relation to Arms-Length Companies and has found that this provides the Chief Executive with a level of assurance on the adequacy of the governance arrangements. The Council's Corporate governance framework meets the principles of effective governance.

The key elements of the 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 2016-2020. The plan forms part of a single planning and performance framework that connects the strategic vision of the Council and its partners to the detailed operational plans which guide the delivery of our frontline services, and the Community Plan for the delivery of services in our communities. Audit Scotland has reported its view that "the Council has a clear strategy for changing the way that it delivers services, reducing its workforce, and achieving substantial financial savings."
- 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. There are nine strategic partnerships and twelve Neighbourhood Partnerships, which all form part of the Edinburgh Partnership and help deliver the community plan and neighbourhood plans.
- 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.

# ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

- Empowered communities. The Council has created four localities and is using these to restructure and deliver a range of frontline services. This will ensure integrated local services and improved outcomes for citizens. This locality model operates in co-terminosity with our partners (such as police and fire services) enabling closer working and integration of services around our citizens. This is underpinned by formal local community planning arrangements to support and engage with community planning groups and Community Councils, joint working locality teams and Locality Community Plans.
- The Council's long term financial plan sets out how pressures arising from demographic change, inflation and legislative reform, coupled with reducing real-terms resource levels, will need to be addressed on a sustainable basis whilst still meeting the needs of our customers. This is aligned to a re-design of our service structures to make them more efficient and a transformation of the way that services are provided. Audit Scotland noted in February 2016 that "the Council has made substantial progress in developing its longer-term savings plans" and a four year budget framework and business plan which sets out how it is proposed to deliver a balanced budget until 2018/19 has been agreed by Council. Audit Scotland also confirmed that "there is growing evidence that these savings are being achieved."
- Our programme of transformation focuses efforts on achieving priority outcomes by reducing internal business costs, applying channel shift to reduce the cost of simple transactions and enabling customers and staff to do more through self service.
- A performance management framework, incorporating internal and public performance reporting, which focuses on continuous improvement of our services, applying reliable improvement methods to ensure that services are consistently well designed based on the best evidence and are delivered on a right first time basis. Audit Scotland has specifically complimented progress in stating that "the introduction of regular performance 'dashboard' reports is a step forward in summarising complex issues, such as workforce reductions and savings plans, and highlighting areas of concern." They further noted that "Members are provided with regular progress reports and updates on the various strands of the Council's transformation programme and savings plans."
- The Council is embedding a culture of commercial excellence to ensure that our services always deliver Best Value. Focused work is underway to further improve standards in buying practices and processes across the Council and in mainstreaming a consistent and commercial approach to maximising income from our assets and services.
- The submission of reports, findings and recommendations from Audit Scotland, the external auditor, other inspectorates and internal audit, to the Corporate Leadership Team, 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 and 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.



# ANNUAL GOVERNANCE STATEMENT

The key elements of the framework are set out below - continued

- The Council's Governance and Democratic Services Manager, reporting to the Head of Strategy and Insight, 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 Team 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 Governance and Democratic Services 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.
- 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. Under the mandatory policy awareness programme it is an annual requirement that officers confirm their awareness and understanding of these key policies.
- 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 Governance and Democratic Services Manager has reviewed the effectiveness of the Code and will report the result to the Governance, Risk and Best Value Committee later in 2016.

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 and Risk (Interim) but had free access to the Chief Executive, all Executive Directors and Elected Members along with reporting directly to the Governance, Risk and Best Value Committee.

# ANNUAL GOVERNANCE STATEMENT

The Chief Internal Auditor and Council's Head of Strategy and Insight (Interim) have provided an assurance statement on the effectiveness of the system of internal control, which was informed by:

- The work of the Corporate Leadership Team which develops and maintains the governance environment;
- The certified annual assurance statements provided by all Executive 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 Governance and Democratic Services 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 Chief Finance Officer 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 2016. It is the Chief Finance Officer's opinion that reasonable assurance can be placed upon its effectiveness.

Each Executive 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. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Council. Indeed, Internal Audit have reported that "The Council is on a journey of improvement with regard to the governance, risk management and internal control framework of the Council." Improvements are, however, required to enhance the adequacy and effectiveness of governance, risk management and control. In particular, these reviews have identified the following actions, which have been incorporated with the Council's Business Plan and service plans, to continue to develop in the following activities:-

By the Council:

- To continue to mitigate risks – faced by all councils – regarding uncertainties around future funding and service demands; (Service lead - Resources)
- To continue to mitigate risks inherent in the Council's major projects portfolio and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the projects; (Service lead - Chief Executive)
- To continue to mitigate risks inherent in the Council's transformation programme and ensure that the Council retains the necessary skills and management capacity to secure Best Value through successfully implementing the programme; (Service lead - Resources)
- To deliver savings and improve service delivery through our Asset Management Strategy; (Service lead - Resources)
- To address recommendations within the internal audit reports issued in 2015/16 with a specific focus on addressing unresolved recommendations; (Service lead - All)

## ANNUAL GOVERNANCE STATEMENT

- To implement action plans agreed with external inspection agencies; (Service lead - All)
- To continue to mitigate risks surrounding the delivery of the integrated care programme in respect of Adult Social Care; (Service lead - Chief Officer Edinburgh Health and Social Care Partnership/All) and
- To implement of all other actions identified by Executive Directors in statements of assurance. (Service lead - All)

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 improved economic conditions.

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 141 to 151 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's recommendations were first implemented for councillors elected in the local government elections in May 2007. SLARC was stood down as a committee in February 2013, but the principles of its work continue in force.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2015/16, the remuneration for the Leader of the City of Edinburgh Council was £50,180. 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 2015/16 this was £37,635. 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 £652,340. 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.

	<b>Number of Posts</b>	<b>% of amount payable to Leader of the Council</b>
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/148 set the amount of salary for the Chief Executive of the City of Edinburgh Council for the period April 2015 to March 2017. Circular CO/148 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 was a joint appointment and the terms and conditions, including pay for the post, are those set by NHS Lothian, who employed the post holder directly. The Integration Joint Board Chief Officer is a joint appointment and the terms and conditions, including pay for the post, are set by the Council, who employ the post holder directly. The appropriate costs are then recharged to NHS Lothian and the Integration Joint Board.

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 142 and 143. 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. 2015/16	Total Remun. 2014/15
	£	£	£	£	£
<b>Council's Leader, Civic Head and Senior Councillors</b>					
A. Burns, Leader of the Council	50,180	0	256	50,436	49,897
D. Wilson, Lord Provost	37,635	0	827	38,462	37,882
S. Cardownie, Depute Leader of the Council ( <i>until 12.03.15</i> ), <i>Depute Convener (from 28.05.15)</i>	23,786	44	417	24,247	35,163
S. Howat, Depute Leader of the Council ( <i>from 12.03.15 until 09.03.16</i> ) and Vice Convener Planning ( <i>until 12.03.15</i> )	36,398	0	732	37,130	23,873
F. Ross, Convener of Economy ( <i>until 09.03.16</i> ) Depute Leader ( <i>from 10.03.16</i> )	32,914	0	626	33,540	25,235
D. Brock, Depute Convener ( <i>until 18.05.15</i> )	4,843	0	17	4,860	34,127
R. Lewis, Convener of Culture and Sport	32,617	0	248	32,865	34,560
P. Godzik, Convener Education, Children and Families	32,617	0	638	33,255	32,561
A. Rankin, Convener Finance and Resources	32,617	23	807	33,447	33,004
R. Henderson, Convener Health, Social Care and Housing	32,617	0	726	33,343	33,002
I. Perry, Convener Planning	32,617	0	214	32,831	32,481
G. Barrie, Convener Regulatory ( <i>until 09.03.16</i> ) Convener Economy ( <i>from 10.03.16</i> )	32,617	0	151	32,768	33,002

# REMUNERATION REPORT

## Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
<b>Council's Leader, Civic Head and Senior Councillors</b>					
L. Hinds, Convener Transport and Environment	32,617	0	758	33,375	33,557
E. Milligan, Convener Licensing Board	30,108	179	0	30,287	30,482
M. Child, Convener Communities and Neighbourhoods	22,581	0	96	22,677	22,452
J. Balfour, Convener Governance, Risk and Best Value	25,090	0	351	25,441	25,282
M. Bridgman, Convener Police and Fire Scrutiny <i>(until 09.03.16)</i> Convener Regulatory <i>(from 10.03.16)</i>	20,814	706	136	21,656	20,567
W. Henderson, Convener Police and Fire Scrutiny <i>(from 10.03.16)</i>	16,924	0	96	17,020	n/a
<u>Vice-Conveners</u>					
N. Austin-Hart, Vice Convener of Culture and Sport	22,581	0	0	22,581	22,357
G. Munro, Vice Convener of Economy	22,581	0	752	23,333	23,065
C. Fullerton, Vice Convener Education, Children and Families	22,581	0	111	22,692	22,501
B. Cook, Vice Convener Finance and Resources	22,581	0	0	22,581	22,357
C. Day, Vice Convener Health, Social Care and Housing	22,581	0	47	22,628	22,851
A. Blacklock, Vice Convener Regulatory	22,581	0	805	23,386	23,115
A. McVey, Vice Convener Transport and Environment	22,581	0	726	23,307	23,065
D. Dixon, Vice Convener Planning <i>(from 12.03.15 until 09.03.16)</i>	22,235	135	101	22,471	17,386
A. Lunn, Vice Convener Planning <i>(from 10.03.16)</i>	17,072	0	724	17,796	n/a
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader	25,090	0	0	25,090	24,940
S. Burgess, Green Group Leader	25,090	0	936	26,026	25,774
<b>Councillors</b>					
N Work, Convener Lothian Valuation Joint Board <i>(Note 1)</i>	20,909	103	1,696	22,708	21,670

### Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2015/16 was £4,183 (2014/15 £4,142). Expenses relate to Councillor role.

### 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):

	2015/16 £	2014/15 £
Salaries	1,271,704	1,266,880
Expenses		
Claimed by councillors	1,723	2,486
Paid directly by the Council	27,072	28,732
Total	<u>1,300,499</u>	<u>1,298,098</u>

## REMUNERATION REPORT

Remuneration paid to Senior Officers	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2015/16 £	Total Remun. 2014/15 £
<b>Council's Senior Officers</b>				
A. Kerr, Chief Executive ( <i>from 27.07.15</i> ) ( <i>full year equivalent</i> )	111,652	0	111,652 164,168	n/a
S. Bruce, Chief Executive ( <i>until 31.08.15</i> ) ( <i>full year equivalent</i> )	67,392	0	67,392 161,741	161,741
A. Maclean, Deputy Chief Executive ( <i>until 05.01.16</i> ) ( <i>full year equivalent</i> )	110,881	0	110,881 147,427	134,760
G. Tee, Director Children and Families ( <i>until 31.12.15</i> ) ( <i>full year equivalent</i> )	145,816	0	145,816 147,427	143,505
A. Gaw, Acting Director of Communities and Families ( <i>from 05.01.16</i> ) ( <i>full year equivalent</i> )	35,272	0	35,272 148,901	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer ( <i>from 26.10.15</i> ) ( <i>full year equivalent</i> )	31,903	0	31,903 74,451	n/a
P. Gabbittas, Director Health and Social Care ( <i>until 31.07.15</i> ) ( <i>full year equivalent</i> )	24,587	0	24,587 82,928	65,202
P. Lawrence, Executive Director of Place ( <i>from 30.11.15</i> ) ( <i>full year equivalent</i> )	49,552	0	49,552 148,901	n/a
J. Bury, Acting Director Services for Communities ( <i>from 08.05.14 until 18.10.15</i> ) ( <i>full year equivalent</i> )	67,380	0	67,380 134,760	120,994 134,760
G. Ward, Director of Economic Development ( <i>until 30.11.15</i> ) ( <i>full year equivalent</i> )	79,390	0	79,390 127,758	99,747
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer	101,243	0	101,243	99,747
H. Dunn, Head of Finance ( <i>until 05.01.16</i> ) and Acting Executive Director of Resources ( <i>from 06.01.16</i> )	116,241	0	116,241	105,003
M. Boyle, Head of Older People and Disability Service ( <i>until 31.01.16</i> )	90,436	122,076	212,512	n/a
G. Crosby, Senior Manager Disabilities ( <i>until 31.01.16</i> )	74,293	91,870	166,163	n/a
P. Campbell, Senior Manager Older People ( <i>until 31.01.16</i> )	77,371	87,199	164,570	n/a
M. Turley, Director Services for Communities ( <i>until 30.06.14</i> ) ( <i>full year equivalent</i> )	n/a	n/a	n/a	69,118
			n/a	134,760
<b>Total</b>	<b>1,183,409</b>	<b>301,145</b>	<b>1,484,554</b>	<b>999,817</b>

### Notes:

- Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. A Kerr received £408 for Returning Officer Duties in 2015/16.
- A. Kerr was appointed Chief Executive in July 2015. Salaries shown for A. Kerr and S. Bruce relate to the responsibilities as shown.  
  
H. Dunn was appointed Acting Executive Director of Resources in January 2016. Salaries shown for H. Dunn and A. Maclean relate to the responsibilities as shown.  
  
J. Bury was appointed Acting Director of Services for Communities in May 2014, with P. Lawrence appointed Executive Director of Place in November 2015. Salaries shown for J. Bury and P. Lawrence relate to the responsibilities as shown.  
  
A. Gaw was appointed Acting Director of Communities and Families in January 2016. Salaries shown for A. Gaw and G. Tee relate to the responsibilities as shown.  
  
R. McCulloch-Graham was appointed Integration Joint Board Chief Officer in October 2015. Salaries shown for R. McCulloch-Graham and P. Gabbittas relate to the responsibilities as shown.
- P. Gabbittas was employed by NHS Lothian and 50% of his salary costs were recharged to the Council. The above figures therefore show the Council's share. R. McCulloch-Graham was employed by the Council with 50% of his salary costs reflected above.
- Pay in lieu of notice is included within Salary, Fees and Allowances where applicable.

## 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 2015 and 2014 respectively.

Council's Subsidiary Companies	Salary, Fees and Allowances £	Bonus £	Other Benefits £	Compensation for Loss of Office £	Total Remun. 2015/16 £	Restated Total Remun. 2014/15 £
E. Adair, Operations and Finance Director, EDI Group	103,458	0	2,286	0	105,744	104,129
H. Rissmann, Chief Executive, EICC ( <i>until 31.03.15</i> ) ( <i>full year equivalent</i> )	51,665	0	0	0	51,665	158,034
M. Dallas, Chief Executive, EICC ( <i>from 01.10.14</i> ) ( <i>full year equivalent</i> )	131,950	26,520	0	0	170,191 158,470	32,500
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd ( <i>Note 2</i> )	116,600	0	0	0	116,600	130,000 116,600
J. Rafferty, Chief Executive, Capital City Partnership	72,795	0	0	0	72,795	71,720
<u>LPFE Limited</u>						
C. Scott, Chief Executive Officer	78,384	0	0	0	78,384	n/a
<u>Lothian Buses Ltd.</u>						
I. Craig, Managing Director	197,997	0	13,209	0	211,206	199,526
W. Campbell, Operations Director	114,831	0	1,245	0	116,076	155,224
W. Devlin, Engineering Director ( <i>Note 3</i> )	154,804	46,441	2,262	0	203,507	202,614
N. Strachan, Finance Director ( <i>Note 3</i> )	154,804	46,441	681	0	201,926	201,158
G. Hughes, HR Director ( <i>Note 3</i> )	n/a	n/a	n/a	n/a	n/a	198,309
<u>Edinburgh Trams Ltd.</u>						
T. Norris, Director and General Manager ( <i>until 26.06.15</i> ) ( <i>full year equivalent</i> )	39,838	0	3,636	0	43,474	91,835
					80,705	
	<u>1,217,126</u>	<u>119,402</u>	<u>23,319</u>	<u>0</u>	<u>1,359,847</u>	<u>1,531,649</u>

#### Notes:

- Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. Others benefits paid relate to 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 2015/16, of which £6,600 is VAT (2014/15 £116,600, £6,600).
- W Devlin and N Strachan were paid a bonus for 2014 in 2016, hence the restatement of the figures for that financial year. G Hughes was paid an exit package of £85,779 in February 2015.
- The only director to be remunerated by Edinburgh Trams was T. Norris. Following his departure, I. Craig was the most senior officer in Edinburgh Trams up to and beyond the reporting date. His costs for the period are included within Lothian Buses.



# 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.

	2015/16	2014/15		2015/16	2014/15
£50,000 - £54,999	192	203	£135,000 - £139,999	1	0
£55,000 - £59,999	139	94	£140,000 - £144,999	1	1
£60,000 - £64,999	58	31	£145,000 - £149,999	1	0
£65,000 - £69,999	46	32	£150,000 - £154,999	0	0
£70,000 - £74,999	29	37	£155,000 - £159,999	0	0
£75,000 - £79,999	32	4	£160,000 - £164,999	1	1
£80,000 - £84,999	12	2	£165,000 - £169,999	1	0
£85,000 - £89,999	7	3	£170,000 - £174,999	0	0
£90,000 - £94,999	3	1	£175,000 - £179,999	0	0
£95,000 - £99,999	4	15	£180,000 - £184,999	0	0
£100,000 - £104,999	9	1	£185,000 - £189,999	0	0
£105,000 - £109,999	3	1	£190,000 - £194,999	0	0
£110,000 - £114,999	3	0	£195,000 - £199,999	0	0
£115,000 - £119,999	2	0	£200,000 - £204,999	0	0
£120,000 - £124,999	2	0	£205,000 - £209,999	0	0
£125,000 - £129,999	1	0	£210,000 - £214,999	1	0
£130,000 - £134,999	0	2			
<b>Total No. of Employees</b>				<b>548</b>	<b>428</b>

### 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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £000	2014/15 £000
£0 - £20,000								
- Council	0	0	203	32	203	32	2,150	267
- Group companies	0	2	0	0	0	2	0	6
£20,001 - £40,000								
- Council	0	0	203	29	203	29	5,795	915
- Group companies	0	0	0	0	0	0	0	0
£40,001 - £60,000								
- Council	0	0	69	9	69	9	3,390	419
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	31	3	31	3	2,225	210
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	33	2	33	2	2,939	181
- Group companies	0	0	0	1	0	1	0	86
£100,001 - £150,000								
- Council	0	0	34	6	34	6	3,952	702
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	3	0	3	0	511	0
- Group companies	0	0	0	0	0	0	0	0
£200,001 - £250,000								
- Council	0	0	1	0	1	0	203	0
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	2	0	2	0	554	0
- Group companies	0	0	0	0	0	0	0	0
	<b>0</b>	<b>2</b>	<b>579</b>	<b>82</b>	<b>579</b>	<b>84</b>	<b>21,719</b>	<b>2,786</b>

# 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 the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age for both councillors and employees is linked to the state pension age (but with a minimum of age 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 2015/16 were as follows:

	<b>Contribution rate</b>
<b>Whole Time Pay</b>	
On earnings up to and including £20,500 (2015 £20,235)	5.50%
On earnings above £20,500 and up to £25,000 (2015 £20,235 to £24,853)	7.25%
On earnings above £25,000 and up to £34,400 (2015 £24,853 to £34,096)	8.50%
On earnings above £34,400 and up to £45,800 (2015 £34,096 to £45,393)	9.50%
On earnings above £45,800 (2015 £45,393)	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 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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 2016 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 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
<b>Council's Leader and Civic Head</b>					
A. Burns, Leader of the Council	10,739	10,582	Pension	6	2
			Lump Sum	3	1
D. Wilson, Lord Provost	8,054	7,937	Pension	4	1
			Lump Sum	2	0
<b><u>Senior Councillors</u></b>					
R. Lewis	6,980	6,879	Pension	2	0
			Lump Sum	0	0
F. Ross	7,044	6,879	Pension	2	1
			Lump Sum	0	0
S. Howat	7,789	4,933	Pension	2	1
			Lump Sum	0	0
P. Godzik	6,980	6,879	Pension	4	1
			Lump Sum	2	0
A. Rankin	6,980	6,879	Pension	3	1
			Lump Sum	0	0
R. Henderson	6,980	6,879	Pension	4	1
			Lump Sum	2	0
I. Perry	6,980	6,879	Pension	4	1
			Lump Sum	2	0
G. Barrie	6,980	6,879	Pension	4	1
			Lump Sum	2	0
L. Hinds	6,980	6,879	Pension	6	2
			Lump Sum	6	0
E. Milligan	6,443	6,463	Pension	4	1
			Lump Sum	2	0
M. Child	4,832	4,762	Pension	8	1
			Lump Sum	15	1
M. Bridgman	4,454	4,280	Pension	4	0
			Lump Sum	1	0
W. Henderson	3,622	n/a	Pension	1	n/a
			Lump Sum	0	n/a

# 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 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
N. Austin Hart	4,832	4,762	Pension	3	1
			Lump Sum	1	0
G. Munro	4,832	4,763	Pension	3	0
			Lump Sum	2	0
D. Dixon	4,758	3,594	Pension	1	0
			Lump Sum	0	0
A. Blacklock	4,832	4,762	Pension	3	1
			Lump Sum	2	0
A. McVey	4,832	4,762	Pension	2	0
			Lump Sum	0	0
A. Lunn	3,653	n/a	Pension	0	n/a
			Lump Sum	0	n/a
C. Rose	5,369	5,291	Pension	3	1
			Lump Sum	1	0
<u>Councillors</u>					
N. Work ( <i>including role as Convener of Lothian Valuation Joint Board</i> )	4,475	4,410	Pension	3	0
			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 2016 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		
	For year to 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
A. Kerr, Chief Executive ( <i>from 27.07.15</i> ) ( <i>including returning officer role</i> )	23,981	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
S. Bruce, Chief Executive ( <i>until 31.08.15</i> ) ( <i>including returning officer role</i> )	14,422	34,450	Pension	81	1
			Lump Sum	191	0
A. Maclean, Depute Chief Executive ( <i>until 05.01.16</i> )	23,517	28,704	Pension	16	1
			Lump Sum	0	0
G. Tee, Director Children and Families ( <i>until 31.12.15</i> )	83,567	30,567	Pension	78	3
			Lump Sum	184	3
A. Gaw, Acting Director of Communities and Families ( <i>from 05.01.16</i> )	24,031	n/a	Pension	49	n/a
			Lump Sum	106	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer ( <i>from 26.10.15</i> )	6,827	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Gabbittas, Director Health and Social Care ( <i>Council proportion</i> ) ( <i>until 31.07.15</i> )	3,664	8,859	Pension	10	n/a
			Lump Sum	29	n/a
P. Lawrence, Executive Director of Place ( <i>from 30.11.15</i> )	10,604	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Bury, Acting Director Services for Communities ( <i>from 08.05.14 until 18.10.15</i> )	14,419	25,772	Pension	63	5
			Lump Sum	155	16
G. Ward, Director Economic Development ( <i>until 30.11.15</i> )	16,979	21,141	Pension	27	2
			Lump Sum	51	2
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer	21,666	21,246	Pension	39	2
			Lump Sum	81	1
H. Dunn, Head of Finance ( <i>until 05.01.16</i> ) and Acting Executive Director of Resources ( <i>from 06.01.16</i> )	24,876	22,366	Pension	47	3
			Lump Sum	101	0
M. Boyle, Head of Older People and Disability Service ( <i>until 31.01.16</i> )	55,481	n/a	Pension	48	n/a
			Lump Sum	108	n/a
G. Crosby, Senior Manager Disabilities ( <i>until 31.01.16</i> )	13,960	n/a	Pension	34	n/a
			Lump Sum	76	n/a
P. Campbell, Senior Manager Older People ( <i>until 31.01.16</i> )	45,989	n/a	Pension	31	n/a
			Lump Sum	67	n/a
M. Turley, Director Services for Communities ( <i>until 30.06.14</i> )	n/a	99,521	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<b>Total</b>	<b>383,983</b>	<b>292,626</b>			

## Notes:

All senior employees shown in the previous table above, with the exception of P. Gabbittas are members of the Local Government Pension Scheme. P. Gabbittas was 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 2016, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 147. The contribution rate for P. Gabbittas was 14.7% (2014/15 14.7%).

There are no accrued pension benefits included in the table above if the employee has been a member of the pension scheme for less than 2 years.

The in-year pension contributions include pension strain costs where applicable.

# 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 2016 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 31.03.16 £	For year to 31.03.15 £		As at 31.03.16 £000	Difference from 31.03.15 £000
E. Adair, Operations and Finance Director, EDI Group	20,237	19,753	Pension	25	2
			Lump Sum	41	1
H. Rissmann, Chief Executive, EICC (until 31.03.15)	5,203	20,813	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Dallas, Chief Executive, EICC (from 01.10.14)	16,836	3,737	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	40,075	38,201	Pension	27	3
			Lump Sum	19	0
W. Campbell, Operations Director	33,128	31,579	Pension	36	3
			Lump Sum	55	0
W. Devlin, Engineering Director	33,128	31,579	Pension	46	4
			Lump Sum	83	0
N. Strachan, Finance Director	33,128	31,579	Pension	41	3
			Lump Sum	70	0
G. Hughes, HR Director	n/a	10,353	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
T. Norris, Director and General Manager (until 26.06.15)	3,614	7,400	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
J. Rafferty, Chief Executive	14,073	16,280	Pension	30	1
			Lump Sum	66	1
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	16,069	n/a	Pension	13	n/a
			Lump Sum	10	n/a
Total	<u>199,422</u>	<u>211,274</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 2015 and 31 December 2014 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  
4th Floor  
102 West Port  
EDINBURGH  
EH3 9DN

# RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

(as shown on page 19 of the Unaudited Financial Statements)

	£000	2015/16 £000	£000
Total Comprehensive (Income) and Expenditure			(332,331)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		2,294	
Gains and losses relating to pension liability		(323,138)	
Other unrealised losses		(8,823)	
			<u>(329,667)</u>
Surplus on provision of services, per CIES			(2,664)
<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	(178,649)		
Net loss on sale of fixed assets	37,258		
Revenue expenditure funded from capital under statute	38,846		
Finance costs - statutory adjustments	1,928		
Net charges made for retirement benefits in accordance with IAS 19	<u>(107,396)</u>		
		(208,013)	
<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)	85,038		
Lease repayments (including element relating to PPP contracts)	12,587		
Capital expenditure charged to the General Fund balance	(38,846)		
Capital expenditure funded from revenue	215		
Change in fair value of Investment Properties	1,146		
Capital grants and contributions credited to the CIES	70,533		
Net transfer for holiday pay accrual	5,876		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	<u>72,287</u>		
		208,836	
<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	2,256		
Net Transfer from earmarked reserves	<u>(11,363)</u>		
		<u>(9,107)</u>	
			<u>(8,284)</u>
General Fund Surplus reported in Financial Statements			(10,948)



	2015/16	
£000	£000	£000
Consolidation Adjustments		
Funds (drawn down from) / contributed to earmarked balances:		
- Balances set aside for specific investment	(1,324)	
- Contingency funding	174	
- Council Priorities Fund (excluding transfer of year-end surplus)	(3,022)	
- Council Tax Discount Fund	2,960	
- Devolved School Management	1,750	
- Dilapidation fund	3,335	
- Energy efficiency	47	
- Insurance fund	982	
- Licensing income	(8)	
- Lothian Buses	(296)	
- Other minor funds	21	
- Pre-paid PPP monies	130	
- Savings set aside for IT projects	(348)	
- Spend to save	(104)	
- Strategic Acquisition Fund	4,458	
- Unspent grants	1,332	
		10,087
General Fund Surplus		(861)

**REVENUE BALANCES**

	Balance at 31-Mar-15 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31-Mar-16 £000
<b>Balances Set Aside to Manage Financial Risks</b>				
Balances set aside for specific inv.	13,889	(5,661)	4,337	12,565
Contingency funding, incl workforce	17,901	0	174	18,075
Council Priorities Fund	3,365	(3,022)	861	1,204
Dilapidations fund	8,759	(402)	3,737	12,094
Insurance funds	12,557	(250)	1,232	13,539
	<u>56,471</u>	<u>(9,335)</u>	<u>10,341</u>	<u>57,477</u>
<b>Balances Set Aside from Income Received in Advance</b>				
Licensing income	1,401	(347)	339	1,393
Lothian Buses	6,000	(296)	0	5,704
Other minor funds	219	0	21	240
Pre-paid PPP monies	1,599	0	130	1,729
Recycling monies	1,372	0	0	1,372
Police and Fire reserves	1,996	0	0	1,996
Council Tax Discount Fund	18,636	0	2,960	21,596
Unspent grants	4,482	(3,616)	4,948	5,814
Strategic Acquisition Fund	3,000	(42)	4,500	7,458
	<u>38,705</u>	<u>(4,301)</u>	<u>12,898</u>	<u>47,302</u>
<b>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</b>				
Savings set aside for IT projects	3,481	(4,611)	4,263	3,133
Energy efficiency	800	0	47	847
Spend to save	3,988	(118)	14	3,884
	<u>8,269</u>	<u>(4,729)</u>	<u>4,324</u>	<u>7,864</u>
<b>Balances Set Aside under Devolved School Management Scheme</b>				
Devolved School Management	1,054	(1,054)	2,804	2,804
	<u>1,054</u>	<u>(1,054)</u>	<u>2,804</u>	<u>2,804</u>
<b>Unallocated General Reserve</b>				
	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
<b>Total General Reserve</b>	<u><b>117,524</b></u>	<u><b>(19,419)</b></u>	<u><b>30,367</b></u>	<u><b>128,472</b></u>