

10.00am, Thursday, 29 June 2017

Unaudited Annual Accounts 2016/17

Item number	8.7
Report number	
Executive/routine	
Wards	

Executive summary

The report presents the Council's 2016/17 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 2017. The report includes a summary of the outturn position and notes that a detailed report will be brought to the Finance and Resources Committee in August 2017.

Links

Coalition Pledges

Council Priorities

[CP13](#)

Single Outcome Agreement

[SO1](#), [SO2](#), [SO3](#), [SO4](#)

Unaudited Annual Accounts 2016/17

1. Recommendations

- 1.1 Members of the Council are asked to:
- 1.1.1 note the unaudited annual accounts for 2016/17 will be submitted to the external auditor by the required date;
 - 1.1.2 note that a detailed report on the outturn will be reported to the Finance and Resources Committee in August 2017; and
 - 1.1.3 note the audited annual accounts and the auditor's report will be submitted to the Governance, Risk and Best Value Committee and an appropriate Committee for approval in September 2017 and thereafter to Council in October 2017.

2. Background

- 2.1 The purpose of this report is to present the unaudited annual accounts for 2016/17 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 2017 and made available for public inspection for a period of 15 working days, from Monday 3 July 2017 to Friday 21 July 2017.

3. Main report

- 3.1 The financial position for the Council, and its wider group responsibilities, is presented in the following statements:
- Movement in Reserves Statement (pages 16-17);
 - 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 Code of Practice on Local Authority Accounting sets out the basis for presentation of the annual accounts, which has undergone significant changes in 2016/17. The Comprehensive Income and Expenditure Statements and supporting notes require to be reported on the Council's management structure, with comparative financial data restated accordingly.
- 3.3 The consolidated group accounts include the results of the following subsidiaries, associates and trusts:
- Subsidiaries – CEC Holdings Ltd and Transport for Edinburgh Ltd;
 - Associates and Joint Ventures – Edinburgh Leisure, Festival City Theatres Trust, Common Good, Lothian Valuation Joint Board and Edinburgh Integration Joint Board; and
 - Trusts – International Conference Centre Income and Expenditure Trusts.
- 3.4 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 143 to 154).

Outturn Summary

Revenue

- 3.5 The Council's outturn position shows a net underspend against budget of £1.058m. This net position is attributable to the following main factors:
- There was an overspend within General Fund services of £0.547m and £0.174m on net cost of benefits and other non-service specific costs, resulting in an overall £0.721m overspend. Additional funding of £1.140m was approved to support Health and Social Care, resulting in an adjusted General Fund underspend of £0.419m. Within this amount four of the six service areas reported underspends against their approved budgets.
 - Centrally funded staff release costs of £15.610m were accounted for in year, against a budget of £14m. 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 non-service specific surplus incomes and underspends.

- Net savings on loan charges / interest received of £1.633m, mainly as a result of the Council's strategy not to undertake external borrowing to finance capital investment during the year.

3.6 The net underspend of £1.058m has been set aside within the Council Priorities Fund. Members are asked to note that a detailed outturn report will be presented to the Finance and Resources Committee in August 2017. A reconciliation of the Comprehensive Income and Expenditure Statement to the underspend of £1.058m is shown in Appendix 2.

Housing Revenue Account

3.7 The HRA was balanced after making a contribution of £11.886m 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.

Capital

3.8 Capital expenditure, including the HRA, totalled £201.603m, compared to a revised budget of £204.026m, showing slippage of £2.423m, or 1% of budget. Within these amounts, expenditure on General Fund services slipped by £1.746m, the majority of which related to the Boroughmuir High School replacement, Early Years improvement projects and major carriageway and footway refurbishment, while acceleration in the programme of Asset Management Works largely offset the slippage in these projects. Expenditure on the HRA slipped by £0.677m.

3.9 Capital income totalled £132.916m, compared to a revised budget of £132.205m. Within this, £41.626m of general capital grant was received, which enabled the Council to direct resources to current service priorities.

Reserves

3.10 As at 31 March 2017, the General Fund reserves had risen to £141.826m, an increase of £13.430m. The level of reserves is reviewed annually by Council as part of the revenue budget process.

3.11 The increase in reserves reflects a variety of factors, including the timing of receipt of external funding compared to the timing of expenditure, statutory requirements and balancing the financial risks which may occur.

3.12 The unallocated General Fund remains at £13.025m at 31 March 2017. The remaining balance of £128.801m is earmarked for specific purposes. These earmarked reserves are held for a number of reasons:

- Balances set aside to manage financial risks and for specific investment which are likely to arise in the medium term future – examples include monies earmarked for the insurance fund and building dilapidations. The Council holds £74.864m against these future risks.

- Balances set aside, primarily from grant income, due to timing differences between the receipt of grant income and contributions and the planned expenditure thereof. The Council holds £43.788m of income which has been received in advance of planned expenditure, a decrease of £3.514m from 2015/16.
- 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 £7.461m of balances for such projects.
- Balances held under the Devolved School Management scheme of £2.688m. 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.

4. Measures of success

4.1 Council receives an unqualified audit certificate from the External Auditor by 30 September 2017.

5. Financial impact

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

6. Risk, policy, compliance and governance impact

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

7. Equalities impact

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

8. Sustainability impact

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

9. Consultation and engagement

- 9.1 The unaudited annual accounts will be published on the Council's website from 30 June 2017 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.

10. Background reading/external references

- 10.1 None.

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Links

Coalition pledges

Council Priorities

CP13 – Deliver lean and agile Council services

Single Outcome Agreement

SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all

SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health

SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential

SO4 – Edinburgh's communities are safer and have improved physical and social fabric

Appendices

Appendix 1 – Unaudited annual accounts 2016/17

Appendix 2 – Summary reconciliation of the Comprehensive Income and Expenditure Statement to the reported underspend

Appendix 3 – Revenue balances

2016/2017

UNAUDITED ANNUAL ACCOUNTS

The City of Edinburgh Council

Annual Accounts

Year to 31 March 2017

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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 2017.

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice (SeRCOP). In 2016/17, the Annual Accounts have been prepared using the management structure as a reporting basis, rather than the previously used SeRCOP. This is due to a change in the Code of Practice. Year on year comparisons are indicative of what the management structure would have represented although this is further complicated by the Council-wide transformation reviews.

Statutory Background

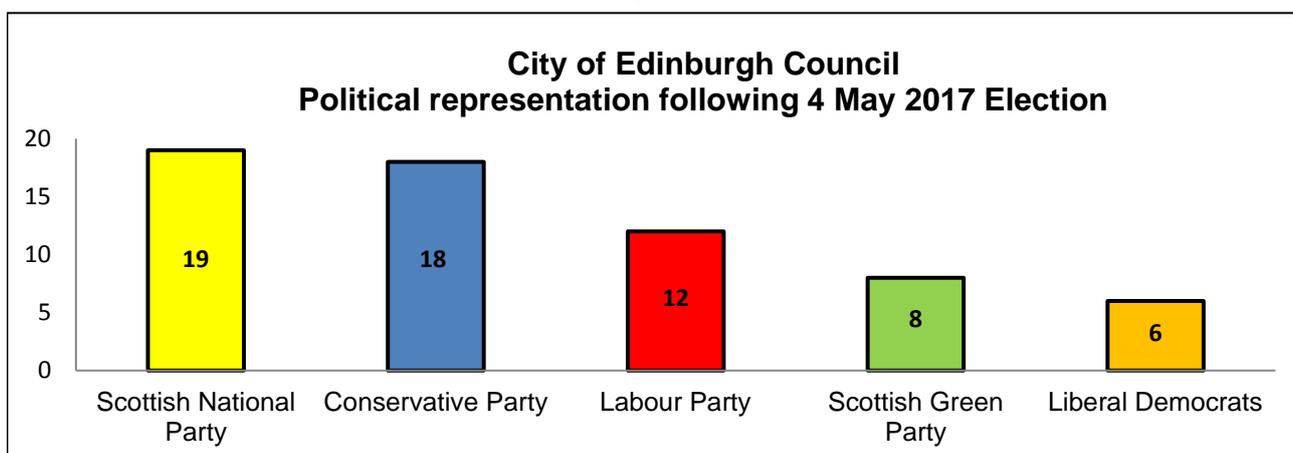
The City of Edinburgh Council was constituted under the Local Government, etc. (Scotland) Act 1994 and became the unitary local authority to Scotland's capital city in April 1996. The Council brought together most of the services delivered by the previous regional and district councils, with its primary 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 over half a million citizens across the 102 square mile Council area.

The Council has been undergoing a significant Transformation Programme which has revised the key services and their structure. The current structure is still fluid but the tables below indicate the latest position.

Communities and Families	Place	Health and Social Care
Schools and Lifelong Learning	Environment (inc. parks, cemeteries)	Edinburgh Integrated Joint Board
Children's social work	Transport (inc. parking)	Older people's services
Community education	Roads, bridges and flood prevention	Learning and Physical disabilities
Libraries and Sports	Housing and Regulatory Services	Mental Health
Early Years	Planning and building standards	Substance Misuse
Chief Executive	Resources	Safer and Stronger Communities
Strategy and Insight	Customer and Business Support	Community safety
Communications	Finance	Homelessness services
ICT	Legal and Risk	
	Human Resources	
	Property and Facilities Management	

Further comprehensive 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 63 Councillors representing 17 wards within the city, split as follows:



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, for those in office during the financial year, are disclosed in the Remuneration Report from page 143 of these financial statements.

MANAGEMENT COMMENTARY

Corporate Strategy

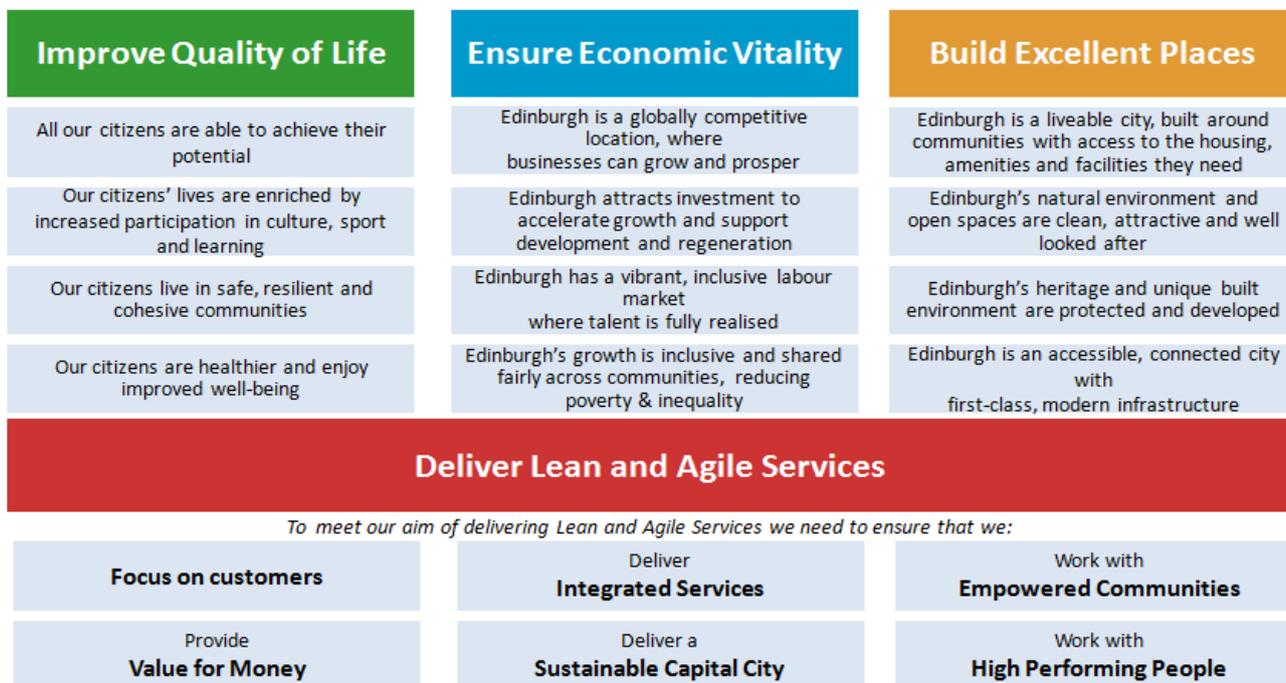
The current **Council Strategic Plan** was first developed in 2012 and outlines priorities for the period 2012-17. The plan forms the central part of the Council's planning and performance management framework and is reviewed and updated each year to take consideration of new developments, emerging priorities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

To deliver these aims, this business plan sets a number of strategic outcomes towards which our services work. These outcomes describe the direction and priorities that all Council services are built around. 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**. To do this, the plan describes six principles to guide the development of all Council services over the next four years.



Achieving all these commitments in a period of reducing budgets and increasing demand is a challenge, but one the Council is determined to meet.

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 2017 are outlined below. The report reflects the current highest priority risks of the Council along with the key controls in place to mitigate them. The directional symbols indicate the current assessment of risk profile between escalation, static or reducing.

1. Capital asset management

With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (e.g. improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued under-investment and assets that are not fit for purpose or meet health and safety consequences now and in the future.

2. ICT transformation and change programme

Key deliverables, benefits and timescales for achieving IT transformation may not be achieved in line with business expectations, requirements and contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.

3. Business continuity

A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time.

4. Increased service with less resource

Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.

5. Budget management

Material overspends on service budgets may impact upon the funding of other services

6. Cyber security and data privacy

A significant cyber breach occurs resulting in sizeable loss of data integrity, confidentiality or availability with adverse reputational impact.

7. Customer expectations

Customer dissatisfaction around delivery of customer facing services (eg waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.

8. Health and Social Care procurement

Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments and those of the H&SC partnership's strategic plan.

9. Health and Safety

Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.

10. ICT service delivery

The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery, the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.

Other Risks, Challenges and Uncertainties

Per the March 2017 Accounts Commission Report, 'Local Government in Scotland Performance and challenges 2017', all Councils in Scotland face further challenges and uncertainties. These have been noted as;

- The United Kingdom's decision to leave the European Union will have an impact on councils' work. The Council has set up a working group to plan for a number of scenarios to mitigate this risk.
- The Scottish Government is currently considering a local democracy bill. This is still at an early stage so the details and impact on the Council are not known.

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 continues to be reported each month to the Corporate Leadership Team and half-yearly to Council 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 some sixty 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 2016/17 has also been provided through a range of other channels, including the **Edinburgh People Survey**, audits and inspections. Performance against a suite of local-level, outcome-focused "quality of life" indicators is in addition monitored on a regular basis, with corresponding areas for improvement identified.

Best Value

The effectiveness of the Council's arrangements to secure best value is subject to regular assessment, both as an integral part of the annual financial statements audit and in greater depth through a Scotland-wide medium-term cycle of review. **The key findings of the most recent assessment** were reported to the Governance, Risk and Best Value Committee on 24 October 2016. In noting the continuing progress made against the recommendations contained within the December 2014 Best Value follow-up report, the assessment concluded that:

- there is a strong focus on addressing the Council's financial plans, with clear evidence of increasing levels of savings delivery, informed by robust and proactive scrutiny and challenge;
- the Council's performance arrangements continue to provide a robust and comprehensive assessment of the delivery of its priority outcomes, assisted by the adoption of an organisation-wide workforce plan informed by good practice.

Comparative Performance

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 2016/17 data will not be available in sufficient time for inclusion in the unaudited or audited annual accounts. An overview of the Council's 2015/16 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.

A wider assessment of performance in 2016/17 will be reported to Council after the summer recess.

Comprehensive detail of both **Council-wide and service-specific performance** is also available on the Council's website.

For the period covered by the accounts, progress in delivering the Capital Coalition's Pledges was furthermore reported to Council on a six-monthly basis, with the **final assessment** being considered on 15 December 2016.

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 19. 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 16 to 17).

An Expenditure and Funding Analysis has been provided to reconcile adjustments between the Council's financial performance under the funding position and the surplus on the Provision of Services in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis can be found in Note 2 and the Expenditure and Income Analysed by Nature in Note 3.

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

	Budget	Actual	(Under)
	2016/17	2016/17	/ Over
	£000	£000	Spend
			£000
General Fund services	814,789	814,370	(419)
Centrally funded release costs	14,000	15,610	1,610
Dividend and other interest received	(8,802)	(9,552)	(750)
Loans charges / interest on revenue balances	113,071	112,188	(883)
Net contribution to earmarked balances	4,285	7,285	3,000
Total expenditure to be funded	937,343	939,901	2,558
Council Tax	(244,131)	(244,796)	(665)
Council Tax Reduction Scheme	26,357	23,406	(2,951)
Total - Council Tax income account	(217,774)	(221,390)	(3,616)
General revenue funding	(344,919)	(344,919)	0
Distribution from non-domestic rate pool	(374,650)	(374,650)	0
Funding	(937,343)	(940,959)	(3,616)
Transfer to Council Priorities Fund	0	(1,058)	(1,058)

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

The approved budget for 2016/17 was underpinned by an unprecedented level of savings, many affecting key frontline service areas, as well as a need to manage demographic and other demand-led pressures, particularly in fostering, adoption, out-of-authority placements and older people's care. Despite this, thanks to close tracking of the delivery of these savings and early identification of any required mitigating actions, the provisional outturn for the year shows a slight overall underspend of £1.058m, comprised as shown in the following sections.

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

- An underspend within General Fund services of £0.419m, primarily due to underspends against the revised budgets for all services except for Place, unfavourable movements in non service specific payments and provisions during the year and favourable movements in net cost of benefits.
- Centrally funded release costs variance of £1.610m, as a result of £15.610m costs incurred as part of the Transformation Programme, see page 9, funded from underspends elsewhere within the General Fund.
- A reduction of £0.883m 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

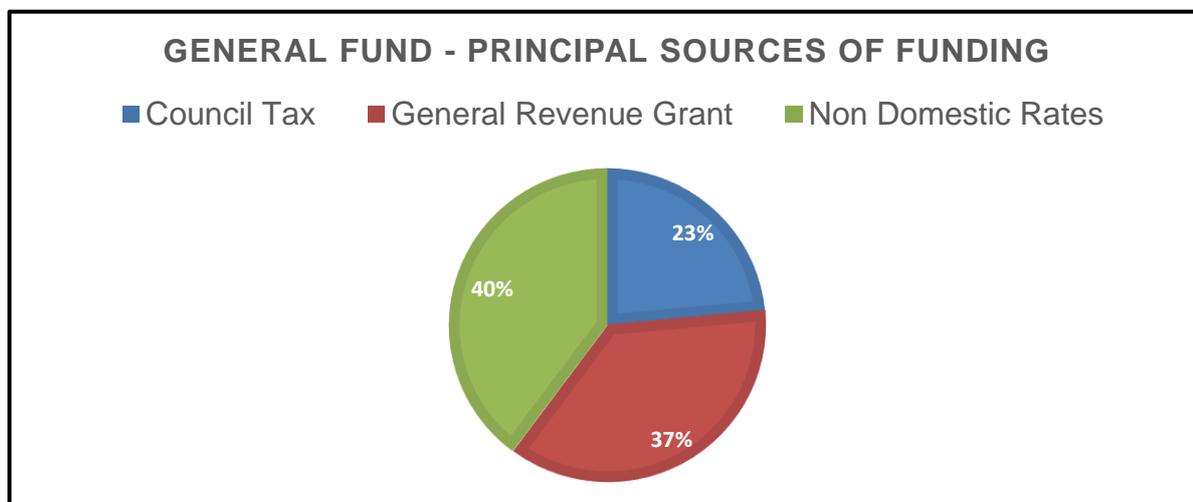
Budget performance - General Fund - continued

- Additional Council Tax receipts, compared to budget, of £0.665m, mainly as a result of additional properties on which tax can be levied, and a reduction in exemptions. A further saving of £2.951m compared to budget was achieved on the Council Tax Reduction Scheme.
- The Council transferred a net sum of £7.285m to earmarked reserves during 2016/17. The Council's reserves are covered on page 8 of the management commentary and in more detail in note 12.1.
- The surplus of £1.058m returned in 2016/17 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 12.1.

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)	221,390
General revenue funding	344,919
Distribution from non-domestic rates pool	<u>374,650</u>
Total	<u><u>940,959</u></u>



MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

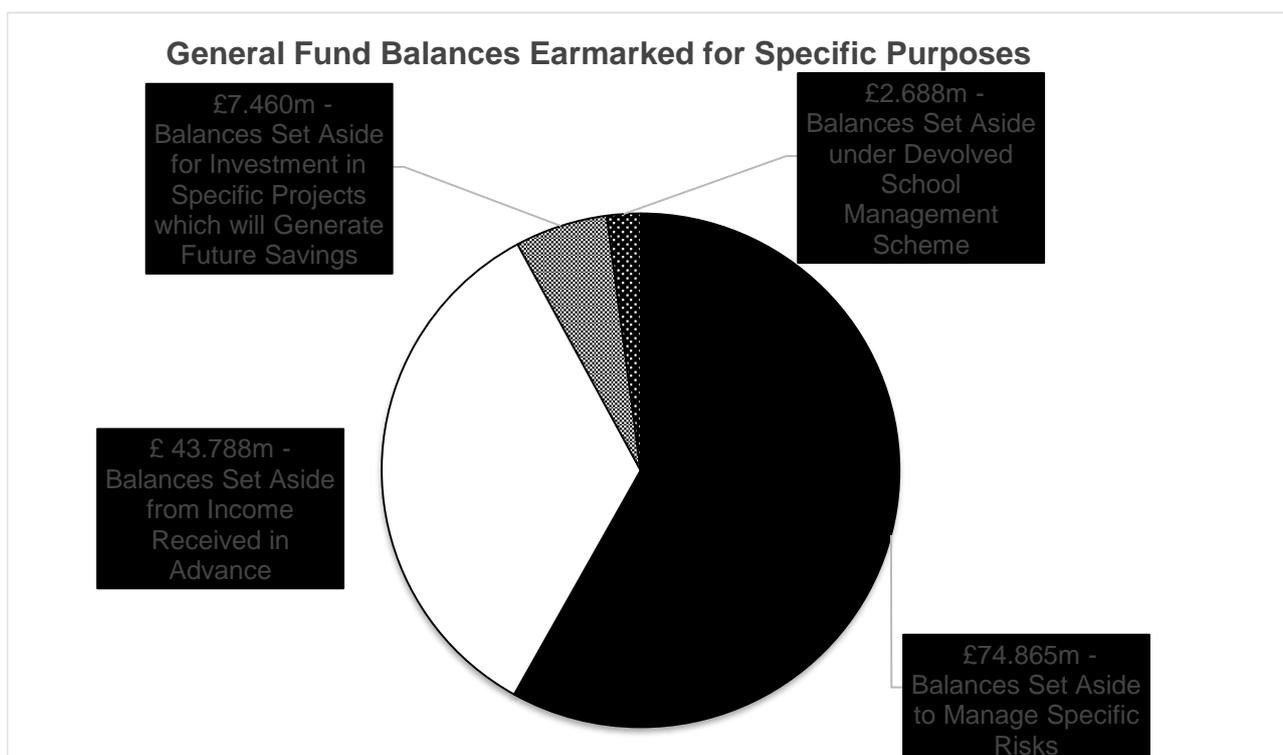
The Council's General Fund reserves comprise two elements:

- 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 2017, as part of the 2017/2018 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 or actual contributions to the unallocated General Fund for 2016/17.

In addition, the Council has a further £128.801m of balances earmarked for specific purposes. Details can be seen in note 12 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 2017, 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 usable reserves; these are the Capital Grants Unapplied Account with a balance of £0.766m, the Capital Fund with a balance of £61.178m and the Renewal and Repairs Fund with a balance of £50.141m.

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy and Loans Fund

The Annual Treasury Strategy for 2016/17 was approved on 2 February 2016 and the **2017/18 Annual Treasury Strategy** was approved on 23 February 2017. The Treasury Strategy aims to:

- ensure that the Council has sufficient and appropriate facilities available to meet its short and long-term borrowing requirements and funding needs;
- secure new funding at the lowest cost; and
- ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks.

On-Going and Future Developments

PPP1 Incident

As was noted in 2015/16's Annual Accounts, 17 schools falling within the remit of the PPP1 contract were closed in April 2016 due to the findings of property surveys following an earlier wall collapse at Oxfangs Primary School. Necessary remedial works subsequently undertaken by the contractor were deemed to have brought the properties back to an equivalent value to that prior to identification of the defects and thus no impairment was reflected in the 2015/16 financial statements.

The Council nonetheless incurred additional costs of some £3m as a result of the unavailability of the schools and two other facilities between April and August 2016. Subject to finalisation of the terms of settlement, however, it is not anticipated that there will be any direct cost to the Council arising from this incident.

At the meeting of the **Finance and Resources Committee** on 23 January 2017, members approved that any excess of contractual deductions due over costs incurred be earmarked to take forward any necessary remedial work identified through the programme of property surveys undertaken in buildings of similar construction. The extent and associated cost of these works will be reported to Committee once the programme of inspections has been completed.

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.

The programme has an associated savings target by 2018/19 of £70 million, with 99% of these savings by value currently assessed to be on track. As most Organisational Reviews have either been completed or are approaching completion, however, the programme is now moving focus onto working with the Council's Corporate Leadership Team and Directorates to identify and deliver change programmes and projects that will allow it to further transform service delivery through the new structures and realise further savings.

As at 30 May 2017, staff accounting for approximately 900 FTE have left or are confirmed to be leaving the organisation under Voluntary Early Release Arrangements (VERA) or Voluntary Redundancy (VR) arrangements. The one-off cost associated with these cases is £38.6m and the overall payback is 13.7 months, which is in line with the original planning assumptions.

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget framework

On 9 February 2017, the Council set a balanced budget for 2017/18 and an indicative balanced budget for 2018/19 as part of a longer-term framework. As in 2016/17, delivery of approved savings and prompt identification and management of underlying or emerging risks and pressures will be key to maintaining financial stability in the coming year. Looking forward, in view of recent financial settlements, economic forecasts and wider infrastructure-linked requirements, it is anticipated that a comprehensive update of the Council's budget framework to be considered by the Finance and Resources Committee in August 2017 will show a significant increase in the overall savings requirement over the period of the framework. Proposals to address this requirement will then be developed over the following months.

Local Development Plan

The Edinburgh Local Development Plan (LDP) was adopted on 24 November 2016. To support the growth of Edinburgh and to ensure the city grows in a sustainable way, new infrastructure provision and enhancements associated with new development (particularly additional school, transport and green space provision) must be delivered. The Council has identified the infrastructure actions required to help deliver the growth and these are set out in the LDP Action Programme. While an element of this capital-related infrastructure requirement, estimated at around £450m, will be met through developers' contributions, a range of other potential funding options, including borrowing by the Council, are being considered to address the shortfall. Work is also underway to quantify with greater accuracy the additional associated revenue expenditure requirement, with an update report anticipated to be considered by Committee in August 2017.

Edinburgh and South-East Scotland Region City Deal

The City Region Deal brings together local authorities and public sector partner organisations across the South-East of Scotland and serves as a mechanism for accelerating growth by pulling in significant government investment. By investing this funding in infrastructure, skills and innovation, the region's economic performance will be significantly improved, which will not only generate funds to pay back this initial investment but also draw in significant additional funding from the private sector.

The City Region Deal is also about providing greater autonomy and decision-making powers for the region to help partners deliver public services more effectively and to tackle inequality and deprivation. The project's ambition is to secure up to £1bn of funding and it is estimated that an additional £3.2bn worth of private sector investment could be leveraged if the bid is successful. While a formal announcement on the partners' submission has been deferred following the calling of a UK General Election on 8 June, the Council remains hopeful that agreement can be reached during 2017.

Welfare Reform

The Council continues to support citizens through the changes and challenges resulting from welfare reform. The Welfare Reform Core Group meets quarterly to agree the delivery of the key actions to achieve the outcomes of mitigating risks of hardship and worsening inequality, providing targeted and tailored support to vulnerable individuals and families and responding promptly and effectively to crisis needs for housing, heat and food. Changes affecting the level of temporary accommodation-related management fee eligible to be met through Housing Benefit have the potential to hasten significant additional expenditure pressures in 2017/18 and the position will be kept under review as the Council moves towards full introduction of Universal Credit in June 2018.

MANAGEMENT COMMENTARY

Financial Performance

Financial Ratios

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

Council Tax	2016/17	2015/16	Notes on Ratios
In-year collection rate	96.42%	96.10%	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	23.50%	22.50%	This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS).
Debt and Borrowing - Prudence			Notes on Ratios
Capital Financing Requirement	£1,615.8m	£1,632.8m	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	£1,565.6m	£1,622.9m	External debt levels include long-term commitments in respect of finance leases (mainly schools provided through PPP schemes) together with borrowing undertaken to finance capital expenditure. External debt levels are lower than the capital financing requirement as the Council has adopted a position of under borrowing, as set out in the Treasury Strategy.
Debt and Borrowing - Affordability			Notes on Ratios
Financing costs to net revenue stream - General Fund	11.92%	11.80%	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. The financing costs continue to fall however due to reduced overall funding within the general fund, the relative percentage is rising.
Financing costs to net revenue stream - HRA	34.48%	33.23%	
Impact of capital investment on Council Tax	-0.55%	-0.61%	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	-1.62%	0.45%	

Key Statistics

Actual expenditure within budget for 10th successive year
£39.6m of savings approved for 2017/18 financial year
No external borrowing since 2012/13 (except Salix borrowing which is interest free) - annual interest savings of £6.6m compared to 2012/13
Investment returns continue to out-perform benchmark whilst maintaining security of investments

MANAGEMENT COMMENTARY

Financial Performance - continued

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.

In January 2016, the Council approved the five year Housing Revenue Account Budget Strategy. The two aims of the strategy are to expand and accelerate the Council's affordable and low cost house-building programme and, secondly, to prioritise investment in services that reduce the cost of living for tenants.

The strategy has been informed and expanded based on extensive consultation with tenants on their priorities for future investment and rent levels. 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 the investment strategy includes the significant expansion of the Council's affordable homes programme from 3,000 to 8,000 over the next ten years. The city's main developing housing associations have since matched the Council's house-building target. This partnership has agreed to deliver 16,000 new affordable and low cost homes over the next ten years, making it one of the largest Council led house-building programmes in the UK.

Delivery in 2016/17 has been strong. The current 21st Century Homes programme has around 1,800 quality, new energy efficient homes completed, under construction or in procurement, with a further 660 homes at detailed design stage. 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.

Progress on measures to reduce tenants' cost of living has also been strong. The heating replacement programme has accelerated delivery by 40% and the kitchen and bathroom programme by 50% on 2015/16 levels. The 2016/17 Capital Programme prioritised investment in energy efficiency measures to alleviate fuel poverty and contribute to Council and national carbon saving targets. All Council homes need to meet the Energy Efficiency Standard for Social Housing (EESH) by 2020. 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. New initiatives, identified through the 2016/17 budget consultation, such as the tenants discount card and new, lower cost energy suppliers, have been introduced and will, along with the community gardens programme and energy advice services be further expanded in 2017/18.

The majority of the delivery of the 2016/17 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.

In 2016, like many other areas of the Council, the Housing Service has undergone a transformational change process, adopting a new service model. The twin objectives of increasing efficiency and delivering better integrated local services have driven this transition and the service has now adopted a patch based model. There are around 100 patches across Localities, each with its own dedicated housing officer. This model of working has been heavily shaped by feedback from customers and other local residents.

MANAGEMENT COMMENTARY

Financial Performance - continued

Housing Revenue Account - continued

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.

In line with the HRA Business Plan, at the end of 2016/17 the HRA was balanced after making a contribution of £11.886m to the Renewal and Repairs Fund. These funds are earmarked for future capital investment in new homes through 21st Century Homes.

Capital Expenditure

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

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

The outturn position for capital expenditure is summarised below:

	Revised Budget 2016/17 £000	Actual 2016/17 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	159,722	157,976	(1,746)
Housing Revenue Account	<u>44,304</u>	<u>43,627</u>	<u>(677)</u>
Total capital expenditure	<u>204,026</u>	<u>201,603</u>	<u>(2,423)</u>
Capital receipts and other contributions			
- General Fund services	(35,791)	(28,325)	7,466
- Housing Revenue Account	(16,000)	(21,247)	(5,247)
Government and other grants			
- General Fund services	(75,140)	(81,329)	(6,189)
- Housing Revenue Account	<u>(5,274)</u>	<u>(2,015)</u>	<u>3,259</u>
Total capital income	<u>(132,205)</u>	<u>(132,916)</u>	<u>(711)</u>
Balance to be funded through borrowing			
- General Fund services	48,791	48,322	(469)
- Housing Revenue Account	<u>23,030</u>	<u>20,365</u>	<u>(2,665)</u>
Total advances from loans fund	<u>71,821</u>	<u>68,687</u>	<u>(3,134)</u>

Expenditure on General Fund services slipped in total by £1.746m. The majority of slippage related to delays on the Boroughmuir High School replacement, Early Years improvement projects and major carriageway and footway refurbishment, caused by factors largely out with the Council's control, however acceleration in the programme of Asset Management Works largely offset the slippage in these projects. Expenditure on the Housing Revenue Account slipped by £0.677m.

The Council received £41.626m 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 £201.603m. Major capital projects undertaken during the year included:

- Educational properties - £41.816m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £30.534m;
- Social housing through the housing development fund - £36.871m;
- Roads, carriageways and other infrastructure - £29.096m;
- Health and Social Care establishments - £4.527m;
- New Industrial Units - £1.278m;
- Recreational venues (including libraries, parks and open spaces) - £1.010m; and
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £13.093m.

Group Accounts

EDI

The EDI Group was established in 1988 by The City of Edinburgh Council to carry out the development of Edinburgh Park, now regarded as one of the principal business parks in Europe. Since then, the company has grown steadily, developing land and property on its own or through joint ventures with developers, landowners, local authorities and other public sector bodies.

In early 2017, the Council conducted a review of its approach to the use of surplus land and its interactions with the property market. For land and buildings which are no longer being used for Council activities, the Council has concluded that the default position will be that the land or building is used to deliver affordable housing, meaning that EDI has no future pipeline of projects. As a result, the Council has concluded that in the longer term it should not have an arm's length development company. The Council has therefore now instructed the directors to begin a process of closure, although no specific timescale has been set and it is anticipated that all current contractual obligations will be fulfilled.

Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board was formally delegated the functions and resources of the Council's Health and Social Care Service and NHS Lothian's Community Health Partnership, with effect from 1 April 2016. An assessment was undertaken on the relationship of the Council with the Edinburgh Integration Joint Board and on the basis of level of control, being fifty percent Board representation and materiality levels, this Joint Venture has been consolidated into the Group accounts for the year to 31 March 2017, see note 9.3

Group

Net assets for 2016/17 include a combined group pension liability of £722.078m (2015/16 £426.753m), 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 2017. 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 is 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 2017.

HUGH DUNN, CPFA
Acting Executive Director of Resources
Section 95 Officer

12 June 2017

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2016/17				
Balance at 31 March 2016	128,396	0	38,194	0
Movement in reserves during 2016/17				
Total Comprehensive Income and Expenditure	(2,635)	17,594	0	27,922
Adjustments between accounting basis and funding basis under regulations (Note 11)	16,126	(5,708)	0	(27,922)
Net (increase) / decrease before transfers to statutory reserves	13,491	11,886	0	0
Transfer (to) / from other statutory reserves (Note 12.3)	(61)	(11,886)	11,947	0
Increase / (decrease) in year	13,430	0	11,947	0
Balance at 31 March 2017	141,826	0	50,141	0
	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2016/17				
Balance at 31 March 2016	2,657	68,793	238,040	40,418
Movement in reserves during 2016/17				
Total Comprehensive Income and Expenditure	0	(5,293)	37,588	(12,103)
Adjustments between accounting basis and funding basis under regulations (Note 11)	(1,891)	(2,322)	(21,717)	249
Net (increase) / decrease before transfers to statutory reserves	(1,891)	(7,615)	15,871	(11,854)
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	0
Increase / (decrease) in year	(1,891)	(7,615)	15,871	(11,854)
Balance at 31 March 2017	766	61,178	253,911	28,564
	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2016/17				
Balance at 31 March 2016	278,458	1,731,418	108,366	2,118,242
Movement in reserves during 2016/17				
Total Comprehensive Income and Expenditure	25,485	(242,159)	1,445	(215,229)
Adjustments between accounting basis and funding basis under regulations (Note 11)	(21,468)	21,717	(249)	0
Net (increase) / decrease before transfers to statutory reserves	4,017	(220,442)	1,196	(215,229)
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	0
Increase / (decrease) in year	4,017	(220,442)	1,196	(215,229)
Balance at 31 March 2017	282,475	1,510,976	109,562	1,903,013

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Receipts Reserve £000
2015/16 Comparative Data				
Balance at 31 March 2015	<u>117,524</u>	<u>0</u>	<u>35,833</u>	<u>0</u>
Movement in reserves during 2015/16				
Total Comprehensive Income and Expenditure	(14,291)	15,568	0	120,492
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>25,268</u>	<u>(13,312)</u>	<u>0</u>	<u>(120,492)</u>
Net (increase) / decrease before transfers to statutory reserves	10,977	2,256	0	0
Transfer (to) / from other statutory reserves (Note 12.3)	<u>(105)</u>	<u>(2,256)</u>	<u>2,361</u>	<u>0</u>
Increase / (decrease) in year	<u>10,872</u>	<u>0</u>	<u>2,361</u>	<u>0</u>
Balance at 31 March 2016	<u>128,396</u>	<u>0</u>	<u>38,194</u>	<u>0</u>

	Capital Grants Unapplied Account £000	Capital Fund £000	Council's Total Usable Reserves £000	Group Usable Reserves £000
2015/16 Comparative Data				
Balance at 31 March 2015	<u>4,349</u>	<u>31,721</u>	<u>189,427</u>	<u>9,876</u>
Movement in reserves during 2015/16				
Total Comprehensive Income and Expenditure	0	48,541	170,310	33,004
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>(1,692)</u>	<u>(11,469)</u>	<u>(121,697)</u>	<u>476</u>
Net (increase) / decrease before transfers to statutory reserves	(1,692)	37,072	48,613	33,480
Transfer (to) / from other statutory reserves (Note 12.3)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,938)</u>
Increase / (decrease) in year	<u>(1,692)</u>	<u>37,072</u>	<u>48,613</u>	<u>30,542</u>
Balance at 31 March 2016	<u>2,657</u>	<u>68,793</u>	<u>238,040</u>	<u>40,418</u>

	Total Usable Reserves £000	Council's Unusable Reserves £000	Group Unusable Reserves £000	Total Reserves £000
2015/16 Comparative Data				
Balance at 31 March 2015	<u>199,303</u>	<u>1,449,087</u>	<u>99,107</u>	<u>1,747,497</u>
Movement in reserves during 2015/16				
Total Comprehensive Income and Expenditure	203,314	160,634	6,797	370,745
Adjustments between accounting basis and funding basis under regulations (Note 11)	<u>(121,221)</u>	<u>121,697</u>	<u>(476)</u>	<u>0</u>
Net (increase) / decrease before transfers to statutory reserves	82,093	282,331	6,321	370,745
Transfer (to) / from other statutory reserves (Note 12.3)	<u>(2,938)</u>	<u>0</u>	<u>2,938</u>	<u>0</u>
Increase / (decrease) in year	<u>79,155</u>	<u>282,331</u>	<u>9,259</u>	<u>370,745</u>
Balance at 31 March 2016	<u>278,458</u>	<u>1,731,418</u>	<u>108,366</u>	<u>2,118,242</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 2017

Re-stated 2015/16 £000		Notes	Gross Expend. £000	Income £000	Net Expend. £000
	SERVICES				
416,628	Communities and Families		370,456	(18,805)	351,651
238,374	Place		308,406	(168,126)	140,280
(25,441)	Housing Revenue Account		74,306	(102,065)	(27,759)
216,635	Health and Social Care		269,634	(80,675)	188,959
85,434	Resources		189,286	(40,257)	149,029
0	Chief Executive		48,151	(6,231)	41,920
0	Safer and Stronger Communities		73,623	(48,002)	25,621
3,744	Lothian Valuation Joint Board		3,744	0	3,744
(156)	Net cost of benefits		196,866	(197,235)	(369)
20,942	Early release costs		15,610	0	15,610
2,501	Other non-service specific costs		14,225	(256)	13,969
(7,568)	Subsidiary Companies		158,684	(172,688)	(14,004)
2,750	Associates and Joint Ventures Accounted for on an Equity Basis		170,602	(170,321)	281
953,843	COST OF SERVICES		<u>1,893,593</u>	<u>(1,004,661)</u>	888,932
(35,949)	Other Operating Income	13.			(12,009)
106,779	Financing and Investment Income and Exp.	14.			93,155
(1,029,710)	Taxation and Non-Specific Grant Income	15.			(997,547)
(5,037)	SURPLUS ON PROVISION OF SERVICES				(27,469)
(3,169)	Surplus on Revaluation of Non-Current Assets			(35,301)	
16	Deficit / (Surplus) on Revaluation of Available for Sale Financial Assets			(16)	
(37,286)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(428,706)	
(285,852)	Changes in Financial and Demographic Assumptions / Other Experience			672,917	
(39,417)	Other Unrealised (Gains) / Losses			33,804	
(365,708)	Other Comprehensive Income and Expend.				242,698
(370,745)	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				215,229

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 2017

Re-stated 2015/16			Gross Expend.	Income	Net Expend.
£000	SERVICES	Notes	£000	£000	£000
416,628	Communities and Families		370,456	(18,805)	351,651
238,374	Place		308,406	(168,126)	140,280
(25,441)	Housing Revenue Account		74,306	(102,065)	(27,759)
216,635	Health and Social Care		269,634	(80,675)	188,959
85,434	Resources		189,286	(40,257)	149,029
0	Chief Executive		48,151	(6,231)	41,920
0	Safer and Stronger Communities		73,623	(48,002)	25,621
3,744	Lothian Valuation Joint Board		3,744	0	3,744
(156)	Net cost of benefits		196,866	(197,235)	(369)
20,942	Early release costs		15,610	0	15,610
2,501	Other non-service specific costs		14,225	(256)	13,969
958,661	COST OF SERVICES		<u>1,564,307</u>	<u>(661,652)</u>	902,655
(35,947)	Other Operating Income	13.			(12,061)
108,331	Financing and Investment Income and Exp.	14.			93,889
(1,032,322)	Taxation and Non-Specific Grant Income	15.			(999,442)
(1,277)	SURPLUS ON PROVISION OF SERVICES				(14,959)
2,294	Deficit / (Surplus) on Revaluation of Non-Current Assets			(35,301)	
(37,286)	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(428,706)	
(285,852)	Changes in Financial and Demographic Assumptions / Other Experience			672,917	
(8,823)	Other Unrealised (Gains) / Losses			10,620	
(329,667)	Other Comprehensive Income and Expend.				219,530
(330,944)	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				<u>204,571</u>

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(330,944)	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	204,571
(761)	Subsidiary and associate transactions included in the Council's CIES	(6,197)
(34,840)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	10,212
(4,200)	Associates and Joint Ventures	6,643
(370,745)	Group total Comprehensive (Income) / Expenditure for the year	<u>215,229</u>

In 2015/16 income and expenditure related to the Chief Executive service area was reported within Resources and Safer and Stronger Communities predominantly within Place.

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.

31 March 2016 £000		Notes	31 March 2017 £000	£000
3,665	Intangible Assets	18.		2,665
1,030,623	Council Dwellings		1,037,991	
1,613,201	Other Land and Buildings		1,716,616	
177,742	Vehicles, Plant, Furniture and Equipment		175,062	
872,920	Infrastructure Assets		835,684	
12,964	Community Assets		14,562	
2,420	Surplus Assets		2,421	
<u>89,688</u>	Assets under Construction		<u>38,927</u>	
<u>3,799,558</u>	Property, Plant and Equipment	16.		3,821,263
17,450	Investment Properties	17.		16,821
31,116	Heritage Assets	19.		31,127
43,746	Assets Held for Sale	24.		5,258
733	Available for Sale Financial Assets			726
202	Deferred Tax			351
17,936	Other Long-Term Assets (Pension)			0
11,516	Long-Term Investments			11,970
32,315	Investments in Associates and Joint Ventures			32,188
<u>94,648</u>	Long-Term Debtors	22.		<u>106,970</u>
<u>4,052,885</u>	Long-Term Assets			<u>4,029,339</u>
13,022	Short-Term Investments		26,477	
683	Assets Held for Sale	24.	35,609	
64,311	Available for Sale Financial Assets	20.	967	
17,661	Inventories	21.	16,166	
96,379	Short-Term Debtors	22.	88,481	
<u>118,712</u>	Cash and Cash Equivalents	23.	<u>159,831</u>	
<u>310,768</u>	Current Assets			327,531
(87,321)	Short-Term Borrowing		(92,691)	
(174,802)	Short-Term Creditors	25.	(171,275)	
<u>(13,004)</u>	Provisions	26.	<u>(12,863)</u>	
<u>(275,127)</u>	Current Liabilities			<u>(276,829)</u>

GROUP BALANCE SHEET

31 March 2016		31 March 2017	
£000	Notes	£000	£000
(1,298,249)	Long-Term Borrowing	(1,243,890)	
(219,947)	Other Long-Term Liabilities	(207,484)	
(9,072)	Deferred Tax	(5,490)	
(3,066)	Liabilities in Associates and Joint Ventures	(9,582)	
<u>(439,950)</u>	Other Long-Term Liabilities (Pensions)	<u>(710,582)</u>	
<u>(1,970,284)</u>	Long-Term Liabilities		<u>(2,177,028)</u>
<u>2,118,242</u>	Net Assets		<u>1,903,013</u>
856,303	Revaluation Reserve	868,814	
1,376,129	Capital Adjustment Account	1,407,459	
(47,214)	Financial Instruments Adjustment Account	(45,390)	
2	Available for Sale Financial Assets Reserve	0	
(438,940)	Pensions Reserve	(705,786)	
(14,862)	Employee Statutory Adjustment Account	(14,121)	
<u>108,366</u>	Group Unusable Reserves	<u>109,562</u>	
<u>1,839,784</u>	Unusable Reserves	28.	1,620,538
2,657	Capital Grants Unapplied Account	766	
68,793	Capital Fund	61,178	
38,194	Renewal and Repairs Fund	50,141	
128,396	General Fund	141,826	
<u>40,418</u>	Group Usable Reserves	<u>28,564</u>	
<u>278,458</u>	Usable Reserves	12.	<u>282,475</u>
<u>2,118,242</u>	Total Reserves		<u>1,903,013</u>

The unaudited accounts were issued on 23 June 2017.

HUGH DUNN, CPFA
Acting Executive Director of Resources
12 June 2017

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'.

(re-stated)			31 March 2017	
31 March				
2016				
£000		Notes	£000	£000
3,665	Intangible Assets	18.		2,665
1,030,623	Council Dwellings		1,037,991	
1,583,123	Other Land and Buildings		1,685,819	
105,961	Vehicles, Plant, Furniture and Equipment		98,891	
871,874	Infrastructure Assets		834,928	
12,964	Community Assets		14,562	
2,420	Surplus Assets		2,421	
89,688	Assets under Construction		38,927	
<u>3,696,653</u>	Property, Plant and Equipment	16.		3,713,539
17,250	Investment Properties	17.		16,471
31,116	Heritage Assets	19.		31,127
43,746	Assets Held for Sale	24.		5,258
23,474	Long-Term Investments			23,436
99,274	Long-Term Debtors	22.		<u>111,684</u>
<u>3,915,178</u>	Long-Term Assets			<u>3,904,180</u>
13,022	Short-Term Investments		25,709	
683	Assets Held for Sale	24.	35,609	
64,311	Available for Sale Financial Assets	20.	967	
2,699	Inventories	21.	3,048	
86,401	Short-Term Debtors	22.	76,121	
97,991	Cash and Cash Equivalents	23.	<u>133,142</u>	
<u>265,107</u>	Current Assets			274,596
(87,321)	Short-Term Borrowing		(92,691)	
(148,008)	Short-Term Creditors	25.	(144,404)	
<u>(11,532)</u>	Provisions	26.	<u>(10,551)</u>	
<u>(246,861)</u>	Current Liabilities			(247,646)

BALANCE SHEET

(re-stated) 31 March 2016			31 March 2017	
£000		Notes	£000	£000
(1,308,889)	Long-Term Borrowing	20.	(1,254,590)	
(216,137)	Other Long-Term Liabilities	20.	(205,867)	
<u>(438,940)</u>	Other Long-Term Liabilities (Pensions)	43.9	<u>(705,786)</u>	
<u>(1,963,966)</u>	Long-Term Liabilities			<u>(2,166,243)</u>
<u>1,969,458</u>	Net Assets			<u>1,764,887</u>
856,303	Revaluation Reserve		868,814	
1,376,129	Capital Adjustment Account		1,407,459	
(47,214)	Financial Instruments Adjustment Account		(45,390)	
2	Available for Sale Financial Assets Reserve		0	
(438,940)	Pensions Reserve		(705,786)	
<u>(14,862)</u>	Employee Statutory Adjustment Account		<u>(14,121)</u>	
<u>1,731,418</u>	Unusable Reserves	28.		1,510,976
2,657	Capital Grants Unapplied Account		766	
68,793	Capital Fund		61,178	
38,194	Renewal and Repairs Fund		50,141	
<u>128,396</u>	General Fund		<u>141,826</u>	
<u>238,040</u>	Usable Reserves	12.		253,911
<u>1,969,458</u>	Total Reserves			<u>1,764,887</u>

The unaudited accounts were issued on 23 June 2017.

HUGH DUNN, CPFA
Acting Executive Director of Resources
12 June 2017

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 2017

(re-stated)

2015/16 £000	Notes	£000	£000
Operating Activities			
(5,037)	Surplus on the Provision of Services	(27,469)	
(2,750)	Adjustment to Surplus / (Deficit) for Associates and Joint Ventures	(281)	
(148,629)	Adjustments to Surplus on the Provision of Services for non-cash movements	(167,378)	
(36,247)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	(34,672)	
(192,663)	Net cash flows from operating activities		(229,800)
Investing Activities			
131,664	Net cash flows from investing activities	31.	140,422
Financing Activities			
37,791	Net cash flows from financing activities	32.	48,259
(23,208)	Net increase in cash and cash equivalents		(41,119)
(95,504)	Cash and cash equivalents at 1 April		(118,712)
(118,712)	Cash and cash equivalents at 31 March	23.	(159,831)
(23,208)	Net increase in cash and cash equivalents		(41,119)

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 2017

2015/16 £000		Notes	£000	£000
	Operating Activities			
(1,277)	Surplus on the Provision of Services		(14,959)	
(137,132)	Adjustments to Surplus on the Provision of Services for non-cash movements		(153,234)	
(37,798)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities		(35,406)	
(176,207)	Net cash flows from operating activities	29.		(203,599)
	Investing Activities			
126,970	Net cash flows from investing activities	31.		120,978
	Financing Activities			
33,194	Net cash flows from financing activities	32.		47,470
(16,043)	Net increase in cash and cash equivalents			(35,151)
(81,948)	Cash and cash equivalents at 1 April			(97,991)
(97,991)	Cash and cash equivalents at 31 March	23.		(133,142)
(16,043)	Net increase in cash and cash equivalents			(35,151)

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts for the year ended 31 March 2017 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 9 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.

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 requirements, 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 requirements, 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 reported in accordance with the current management structure. 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 8.197% (James Gillespie's High School) 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. Work is on-going to establish and maintain a common good register, in accordance with the Community Empowerment (Scotland) Act 2015.

- **Recognition**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.17 Heritage assets - continued

- **Measurement**

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

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

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

- **Depreciation**

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

1.18 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Property, Plant and Equipment - continued

- **Depreciation**

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

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

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

- **Charges to Revenue for use of Non-Current Assets**

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

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

The Council is not required to raise council tax to cover depreciation or impairment losses. Depreciation and impairment losses are therefore a reconciling item in the Movement in Reserves Statement for the General Fund and Housing Revenue Account by way of an adjusting transaction with the capital adjustment account.

- **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 Operational 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.18 Property, Plant and Equipment - continued

- **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. This policy is also applied to buildings with a carrying value of less than £5 million where enhancement expenditure is considered significant in relation to the overall carrying value of the building component.

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

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

1.19 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. Expenditure and Funding Analysis - Group

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Group's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 18.

2016/17	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Communities and Families Place	341,807	9,844	351,651
Housing Revenue Account	68,388	71,892	140,280
Health and Social Care Resources	0	(27,759)	(27,759)
Chief Executive	187,838	1,121	188,959
Safer and Stronger Communities	130,860	18,169	149,029
Lothian Valuation Joint Board	41,302	618	41,920
Subsidiary Companies	25,486	135	25,621
Associates and Joint Ventures	3,744	0	3,744
	0	(14,004)	(14,004)
	0	281	281
Net Cost of Services	799,425	60,297	859,722
Other income and expenditure			
Early release costs	15,610	0	15,610
Net cost of benefits	(369)	0	(369)
Other non-service specific costs	15,315	(1,346)	13,969
Net deficit on trading activities	0	191	191
Net income and changes in relation to investment properties and changes in their fair value	0	(750)	(750)
Interest and investment income	(9,552)	(334)	(9,886)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	112,188	(23,432)	88,756
Net pension interest cost	0	14,844	14,844
Tax Expenses	0	1,895	1,895
Gains on disposal of assets	0	(12,009)	(12,009)
Contribution to Renewal and Repairs Fund	60	(60)	0
Contribution from Capital Fund	(2,120)	2,120	0
Contribution to General Fund	9,344	(9,344)	0
Income from Council Tax	(221,390)	0	(221,390)
Government Grants	(344,919)	0	(344,919)
Distribution from NDRI pool	(374,650)	0	(374,650)
Capital grants and contributions	0	(58,483)	(58,483)
Surplus on the provision of services	(1,058)	(26,411)	(27,469)
Opening General Fund and HRA Balance	128,396		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	14,488		
Surplus on the provision of services	(1,058)		
Closing General Fund and HRA Balance at 31 March	141,826		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 16.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Group - continued

2015/16 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	
Communities and Families	399,003	17,625	416,628
Place	146,237	92,137	238,374
Housing Revenue Account	0	(25,441)	(25,441)
Health and Social Care	207,482	9,153	216,635
Resources	79,810	5,624	85,434
Chief Executive	0	0	0
Safer and Stronger Communities	0	0	0
Lothian Valuation Joint Board	3,744	0	3,744
Subsidiary Companies	0	(7,568)	(7,568)
Associates and Joint Ventures	0	2,750	2,750
Net Cost of Services	836,276	94,280	930,556
Other income and expenditure			
Early release costs	20,942	0	20,942
Net cost of benefits	(156)	0	(156)
Other non-service specific costs	5,111	(2,610)	2,501
Net deficit on trading activities	0	232	232
Net income and changes in relation to investment properties and changes in their fair value	0	(2,512)	(2,512)
Interest and investment income	(7,760)	(2,662)	(10,422)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	116,765	(21,215)	95,550
Net pension interest cost	0	23,931	23,931
Tax Expenses	0	2,612	2,612
Gains on disposal of assets	0	(35,949)	(35,949)
Contribution to Renewal and Repairs Fund	105	(105)	0
Contribution from Capital Fund	(2,062)	2,062	0
Contribution from General Fund	(8,217)	8,217	0
Income from Council tax	(216,351)	0	(216,351)
Revenue support grant	(354,576)	0	(354,576)
Distribution from NDRI pool	(390,862)	0	(390,862)
Capital grants and contributions	0	(70,533)	(70,533)
Surplus on the provision of services	(785)	(4,252)	(5,037)
Opening General Fund and HRA Balance	117,524		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	11,657		
Surplus on the provision of services	(785)		
Closing General Fund and HRA Balance at 31 March	128,396		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 17.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the authority (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 19.

2016/17	Net Expend. Chargeable to the General Fund and HRA Balances £000	Adjustments £000	Net Expenditure in the CIES £000
Communities and Families Place	341,807	9,844	351,651
Housing Revenue Account	68,388	71,892	140,280
Health and Social Care Resources	0	(27,759)	(27,759)
Chief Executive	187,838	1,121	188,959
Safer and Stronger Communities	130,860	18,169	149,029
Lothian Valuation Joint Board	41,302	618	41,920
	25,486	135	25,621
	3,744	0	3,744
Net Cost of Services	799,425	74,020	873,445
Other income and expenditure			
Early release costs	15,610	0	15,610
Net cost of benefits	(369)	0	(369)
Other non-service specific costs	15,315	(1,346)	13,969
Net deficit on trading activities	0	191	191
Net income and changes in relation to investment properties and changes in their fair value	0	(600)	(600)
Interest and investment income	(9,552)	(117)	(9,669)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	112,188	(23,697)	88,491
Net pension interest cost	0	15,476	15,476
Gains on disposal of assets	0	(12,061)	(12,061)
Contribution to Renewal and Repairs Fund	60	(60)	0
Contribution from Capital Fund	(2,120)	2,120	0
Contribution to General Fund	9,344	(9,344)	0
Income from Council Tax	(221,390)	0	(221,390)
Government Grants	(344,919)	0	(344,919)
Distribution from NDRI pool	(374,650)	0	(374,650)
Capital grants and contributions	0	(58,483)	(58,483)
Surplus on the provision of services	(1,058)	(13,901)	(14,959)
Opening General Fund and HRA Balance	128,396		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	14,488		
Surplus on the provision of services	(1,058)		
Closing General Fund and HRA Balance at 31 March	141,826		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 16.

The Council has undertaken a major programme of transformation during 2016/17. Whilst it is therefore difficult to fully compare net expenditure on services between years, net expenditure in 2015/16 has been broadly aligned where possible.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2015/16 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	
Communities and Families Place	399,003	17,625	416,628
Housing Revenue Account	146,237	92,137	238,374
Health and Social Care Resources	0	(25,441)	(25,441)
Chief Executive	207,482	9,153	216,635
Safer and Stronger Communities	79,810	5,624	85,434
Lothian Valuation Joint Board	0	0	0
	0	0	0
	3,744	0	3,744
Net Cost of Services	836,276	99,098	935,374
Other income and expenditure			
Early release costs	20,942	0	20,942
Net cost of benefits	(156)	0	(156)
Other non-service specific costs	5,111	(2,610)	2,501
Net deficit on trading activities	0	232	232
Net income and changes in relation to investment properties and changes in their fair value	0	(2,512)	(2,512)
Interest and investment income	(7,760)	(212)	(7,972)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	116,765	(21,627)	95,138
Net pension interest cost	0	23,445	23,445
(Gains) / Losses on disposal of assets	0	(35,947)	(35,947)
Contribution to Renewal and Repairs Fund	105	(105)	0
Contribution from Capital Fund	(2,062)	2,062	0
Contribution from General Fund	(8,217)	8,217	0
Income from Council tax	(216,351)	0	(216,351)
Revenue support grant	(354,576)	0	(354,576)
Distribution from NDRI pool	(390,862)	0	(390,862)
Capital grants and contributions	0	(70,533)	(70,533)
Surplus on the provision of services	(785)	(492)	(1,277)
Opening General Fund and HRA Balance	117,524		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	11,657		
Surplus on the provision of services	(785)		
Closing General Fund and HRA Balance at 31 March	128,396		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 17.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Group

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

	Total			
	Statutory Adjusts.	Presentation Adjusts.	Use of Reserves	Total Adjusts.
2016/17	£000	£000	£000	£000
Communities and Families Place	7,975	(108)	1,976	9,843
Housing Revenue Account	71,223	35	634	71,892
Health and Social Care Resources	(15,873)	0	(11,886)	(27,759)
Chief Executive	(317)	0	1,438	1,121
Safer and Stronger Communities	37,491	(16,469)	(2,855)	18,167
Lothian Valuation Joint Board	1,456	0	(837)	619
Subsidiary Companies	130	0	6	136
Associates and Joint Ventures	0	0	0	0
	0	(14,004)	0	(14,004)
	0	282	0	282
Net Cost of Services	102,085	(30,264)	(11,524)	60,297
Other income and expenditure				
Other non-service specific costs	1,996	(218)	(3,124)	(1,346)
Net deficit on trading activities	0	191	0	191
Net income and changes in relation to investment properties and changes in their	779	(1,529)	0	(750)
Interest and investment income	(52)	(217)	(65)	(334)
Interest payable and similar charges	(41,644)	18,212	0	(23,432)
Net pension interest cost	15,476	(632)	0	14,844
Tax Expenses	(12,061)	1,895	0	(10,166)
Gains on disposal of assets	0	52	0	52
Use of reserves	0	0	(7,284)	(7,284)
Distribution from NDRI pool	(58,483)	0	0	(58,483)
(Surplus) or deficit on the provision of services	8,096	(12,510)	(21,997)	(26,411)

Notes -

Statutory Adjustments only apply to the Council, the details of which are shown on page 42.

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (*including PPP schemes*), trading operations and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Group - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2015/16 Comparative Data	Total			Total Adjusts. £000
	Statutory Adjusts. £000	Presention Adjusts. £000	Use of Reserves £000	
Communities and Families Place	39,229	(18,238)	(3,366)	17,625
Housing Revenue Account	92,438	1,143	(1,445)	92,136
Health and Social Care Resources	(23,185)	0	(2,256)	(25,441)
Chief Executive	10,601	0	(1,448)	9,153
Safer and Stronger Communities	2,603	(5)	3,026	5,624
Lothian Valuation Joint Board	0	0	0	0
Subsidiary Companies	0	0	0	0
Associates and Joint Ventures	0	(7,568)	0	(7,568)
	0	2,750	0	2,750
Net Cost of Services	121,686	(21,918)	(5,489)	94,279
Other income and expenditure				
Other non-service specific costs	3,162	(221)	(5,550)	(2,609)
Net deficit on trading activities	0	232	0	232
Net income and changes in relation to investment properties and changes in their	(1,146)	(1,366)	0	(2,512)
Interest and investment income	(98)	(194)	(114)	(406)
Interest payable and similar charges	(40,082)	16,611	0	(23,471)
Net pension interest cost	23,445	486	0	23,931
Tax Expenses	(35,947)	2,612	0	(33,335)
Gains on disposal of assets	0	(2)	0	(2)
Use of reserves	0	0	10,174	10,174
Distribution from NDRI pool	(70,533)	0	0	(70,533)
(Surplus) or deficit on the provision of services	487	(3,760)	(979)	(4,252)

Notes -

Statutory Adjustments only apply to the Council, the details of which are shown on page 44.

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (*including PPP schemes*), trading operations and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2016/17	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	4,477	1,363	2,135	7,975
Housing Revenue Account	71,318	1,052	(1,147)	71,223
Health and Social Care Resources	(15,350)	117	(640)	(15,873)
Chief Executive	157	1,064	(1,538)	(317)
Safer and Stronger Communities	36,705	976	(190)	37,491
Lothian Valuation Joint Board	1,325	35	96	1,456
	0	265	(135)	130
	0			0
Net Cost of Services	98,632	4,872	(1,419)	102,085
Other income and expenditure				
Other non-service specific costs	(470)	2,288	178	1,996
Net income and changes in relation to investment properties and changes in their fair value	0	0	779	779
Interest and investment income	(52)	0	0	(52)
Interest payable and similar charges	(40,245)	0	(1,399)	(41,644)
Net pension interest cost		15,476	0	15,476
Gains on disposal of assets	(12,061)	0	0	(12,061)
Capital grants and contributions	(58,483)	0	0	(58,483)
(Surplus) or deficit on the provision of services	(12,679)	22,636	(1,861)	8,096

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2016/17	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	7,975	(108)	1,976	9,843
Housing Revenue Account	71,223	35	634	71,892
Health and Social Care Resources	(15,873)	0	(11,886)	(27,759)
Chief Executive	(317)	0	1,438	1,121
Safer and Stronger Communities	37,491	(16,468)	(2,855)	18,168
Lothian Valuation Joint Board	1,456	0	(837)	619
	130	0	6	136
	0	0	0	0
Net Cost of Services	102,085	(16,541)	(11,524)	74,020
Other income and expenditure				
Other non-service specific costs	1,996	(218)	(3,124)	(1,346)
Net deficit on trading activities	0	191	0	191
Net income and changes in relation to investment properties and changes in their fair value	779	(1,378)	0	(599)
Interest and investment income	(52)	0	(65)	(117)
Interest payable and similar charges	(41,644)	17,946	0	(23,698)
Net pension interest cost	15,476	0	0	15,476
Gains on disposal of assets	(12,061)	0	0	(12,061)
Use of reserves	0	0	(7,284)	(7,284)
Capital grants and contributions	(58,483)	0	0	(58,483)
(Surplus) or deficit on the provision of services	8,096	0	(21,997)	(13,901)

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (including PPP schemes), trading operations and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2015/16 Comparative Data	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	39,839	3,310	(3,920)	39,229
Housing Revenue Account	89,603	3,783	(948)	92,438
Health and Social Care Resources	(22,968)	348	(565)	(23,185)
Chief Executive	8,186	2,998	(583)	10,601
Safer and Stronger Communities	1,693	1,233	(323)	2,603
Lothian Valuation Joint Board	0	0	0	0
Net Cost of Services	116,353	11,672	(6,339)	121,686
Other income and expenditure				
Other non-service specific costs	3,194	(8)	(24)	3,162
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,146)	(1,146)
Interest and investment income	(98)	0	0	(98)
Interest payable and similar charges	(38,642)	0	(1,440)	(40,082)
Net pension interest cost	0	23,445	0	23,445
Gains on disposal of assets	(35,947)	0	0	(35,947)
Capital grants and contributions	(70,533)	0	0	(70,533)
(Surplus) or deficit on the provision of services	(25,673)	35,109	(8,949)	487

Notes -

Adjustments for capital purposes include the replacement of depreciation and impairment costs with repayment of borrowing to the Loans Fund.

Net changes for pensions adjustment relates to the adjustment made for the removal of IAS19 Employee Benefits pension related expenditure and income with the pension contributions.

Other differences include reversal of the value of entitlement to accrued leave, the revaluation of investment properties and the timing differences for premiums and discounts associated with borrowing within the Loans Fund.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.1 Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts

2015/16 Comparative Data	Total Statutory Adjusts. £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	39,229	(18,238)	(3,366)	17,625
Housing Revenue Account	92,438	1,143	(1,445)	92,136
Health and Social Care Resources	(23,185)	0	(2,256)	(25,441)
Chief Executive	10,601	0	(1,448)	9,153
Safer and Stronger Communities	2,603	(5)	3,026	5,624
Lothian Valuation Joint Board	0	0	0	0
Net Cost of Services	121,686	(17,100)	(5,489)	99,097
Other income and expenditure				
Other non-service specific costs	3,162	(221)	(5,550)	(2,609)
Net deficit on trading activities	0	232	0	232
Net income and changes in relation to investment properties and changes in their fair value	(1,146)	(1,366)	0	(2,512)
Interest and investment income	(98)	0	(114)	(212)
Interest payable and similar charges	(40,082)	18,455	0	(21,627)
Net pension interest cost	23,445	0	0	23,445
Gains on disposal of assets	(35,947)	0	0	(35,947)
Use of reserves	0	0	10,174	10,174
Capital grants and contributions	(70,533)	0	0	(70,533)
(Surplus) or deficit on the provision of services	487	0	(979)	(492)

Notes -

Presentational adjustments relate primarily to the presentation of interest payments on finance leases (including PPP schemes), trading operations and income and expenditure on investment properties for decision making purposes.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2016/17	Communities and Families		Housing Revenue	Health and Social Care
	£000	Place £000	Account £000	£000
Expenditure				
Employee expenses	260,950	78,491	8,198	88,769
Other service expenses	106,341	161,131	38,757	182,339
Support service recharges	0	0	8,450	0
Depreciation, amortisation and impairment	0	47	0	0
Interest payments	104	0	18,660	0
Debt repayments (<i>HRA only</i>)	0	0	16,585	0
Total Expenditure	367,395	239,669	90,650	271,108
Income				
Revenues from external customers	(6,790)	(125,954)	(87,797)	(20,284)
Income from recharges for services	(16)	(822)	(191)	(16)
Government grants and other contribs.	(18,782)	(44,505)	(2,610)	(62,970)
Interest and investment income	0	0	(52)	0
Total Income	(25,588)	(171,281)	(90,650)	(83,270)
Net Cost of Services	341,807	68,388	0	187,838
	Resources	Chief Executive	Safer and Stronger Communities	Lothian Valuation Joint Board
Expenditure	£000	£000	£000	£000
Employee expenses	67,540	11,398	19,813	0
Other service expenses	89,966	36,224	53,754	3,744
Support service recharges	63	0	0	0
Depreciation, amortisation and impairment	0	0	0	0
Interest payments	17,656	0	0	0
Debt repayments (<i>HRA only</i>)	0	0	0	0
Total Expenditure	175,225	47,622	73,567	3,744
Income				
Revenues from external customers	(24,537)	(1,069)	(35,199)	0
Income from recharges for services	(7,777)	(2,572)	0	0
Government grants and other contribs.	(12,051)	(2,679)	(12,882)	0
Interest and investment income	0	0	0	0
Total Income	(44,365)	(6,320)	(48,081)	0
Net Cost of Services	130,860	41,302	25,486	3,744
	Council Total	Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure	£000	£000	£000	£000
Employee expenses	535,159	92,405	0	627,564
Other service expenses	672,256	59,123	0	731,379
Support service recharges	8,513	0	0	8,513
Depreciation, amortisation and impairment	47	9,209	0	9,256
Interest payments	36,420	14,633	0	51,053
Debt repayments (<i>HRA only</i>)	16,585	0	0	16,585
Net expend from Associates and Joint Ventures	0	0	2,231	2,231
Total Expenditure	1,268,980	175,370	2,231	1,446,581
Income				
Revenues from external customers	(301,630)	(143,638)	0	(445,268)
Income from recharges for services	(11,394)	0	0	(11,394)
Government grants and other contribs.	(156,479)	(29,354)	0	(185,833)
Interest and investment income	(52)	(15,169)	0	(15,221)
Net income from Associates and Joint Ventures	0	0	(1,949)	(1,949)
Total Income	(469,555)	(188,161)	(1,949)	(659,665)
Net Cost of Services	799,425	(12,791)	282	786,916

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2.2 Segmental Analysis of Expenditure and Income included in Expenditure and Funding Analysis

2015/16 Comparative Data	Communities and Families		Housing Revenue	Health and Social Care
	£000	Place	Account	£000
Expenditure				
Employee expenses	263,027	124,875	14,102	104,128
Other service expenses	140,435	268,518	38,527	180,888
Support service recharges	0	804	8,698	0
Depreciation, amortisation and impairment	0	52	0	0
Interest payments	18,238	0	19,509	0
Debt repayments (<i>HRA only</i>)	0	0	27,329	0
Total Expenditure	421,700	394,249	108,165	285,016
Income				
Revenues from external customers	(7,776)	(195,400)	(104,892)	(20,169)
Income from recharges for services	0	(6,173)	(274)	(20)
Government grants and other contribs.	(14,921)	(46,439)	(2,901)	(57,345)
Interest and investment income	0	0	(98)	0
Total Income	(22,697)	(248,012)	(108,165)	(77,534)
Net Cost of Services	399,003	146,237	0	207,482

2015/16 Comparative Data	Resources	Chief Executive	Safer and Stronger	Lothian Valuation
			Communities	Joint Board
Expenditure	£000	£000	£000	£000
Employee expenses	42,032	0	0	0
Other service expenses	74,134	0	0	3,744
Support service recharges	0	0	0	0
Depreciation, amortisation and impairment	0	0	0	0
Interest payments	0	0	0	0
Debt repayments (<i>HRA only</i>)	0	0	0	0
Total Expenditure	116,166	0	0	3,744
Income				
Revenues from external customers	(12,701)	0	0	0
Income from recharges for services	(7,818)	0	0	0
Government grants and other contribs.	(15,837)	0	0	0
Interest and investment income	0	0	0	0
Total Income	(36,356)	0	0	0
Net Cost of Services	79,810	0	0	3,744

2015/16 Comparative Data	Total	Subsidiaries	Associates and Joint Ventures	Group Total
			Ventures	
Expenditure	£000	£000	£000	£000
Employee expenses	548,164	91,797	0	639,961
Other service expenses	706,246	50,363	0	756,609
Support service recharges	9,502	0	0	9,502
Depreciation, amortisation and impairment	52	9,731	0	9,783
Interest payments	37,747	14,063	0	51,810
Debt repayments (<i>HRA only</i>)	27,329	0	0	27,329
Net expend from Associates and Joint Ventures	0	0	2,780	2,780
Total Expenditure	1,329,040	165,954	2,780	1,497,774
Income				
Revenues from external customers	(340,938)	(156,850)	0	(497,788)
Income from recharges for services	(14,285)	0	0	(14,285)
Government grants and other contribs.	(137,443)	0	0	(137,443)
Interest and investment income	(98)	(15,614)	0	(15,712)
Net income from Associates and Joint Ventures	0	0	(30)	(30)
Total Income	(492,764)	(172,464)	(30)	(665,258)
Net Cost of Services	836,276	(6,510)	2,750	832,516

NOTES TO THE FINANCIAL STATEMENTS

3. Expenditure and Income Analysed by Nature Group

3.1 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows

	2016/17	2015/16
	£000	£000
Expenditure		
Employee expenses	661,850	673,200
Other service expenses	901,887	930,217
Support service recharges	8,513	9,502
Depreciation, amortisation and impairment	154,364	185,613
Interest payments	197,097	201,215
Gain on the disposal of assets	(12,009)	(35,950)
Net Interest in the profit/loss of associates and joint ventures	282	2,750
Total Expenditure	<u>1,911,984</u>	<u>1,966,547</u>
Income		
Fees, charges and other service income	(672,480)	(702,588)
Interest and investment income	(103,182)	(88,902)
Income from Council Tax and Non-Domestic Rates	(595,530)	(606,745)
Government grants and other contributions	(509,778)	(502,816)
Recognised capital income	(58,483)	(70,533)
Total Income	<u>(1,939,453)</u>	<u>(1,971,584)</u>
Surplus on the Provision of Services	<u>(27,469)</u>	<u>(5,037)</u>

Council

3.2 The authority's expenditure and income, as set out within the Comprehensive Income and Expenditure Statement is analysed as follows

	2016/17	2015/16
	£000	£000
Expenditure		
Employee expenses	569,316	583,516
Other service expenses	843,201	877,891
Support service recharges	8,513	9,502
Depreciation, amortisation and impairment	145,155	175,896
Interest payments	182,465	187,151
Gain on the disposal of assets	(12,061)	(35,947)
Total Expenditure	<u>1,736,589</u>	<u>1,798,009</u>
Income		
Fees, charges and other service income	(527,865)	(573,064)
Interest and investment income	(87,965)	(73,288)
Income from Council Tax and Non-Domestic Rates	(595,530)	(606,745)
Government grants and other contributions	(481,705)	(475,656)
Recognised capital income	(58,483)	(70,533)
Total Income	<u>(1,751,548)</u>	<u>(1,799,286)</u>
Surplus on the Provision of Services	<u>(14,959)</u>	<u>(1,277)</u>

NOTES TO THE FINANCIAL STATEMENTS

4. 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 2017/18 Code:

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 financial statements.

There are no new standards issued that require to be disclosed in the 2016/17 financial statements.

5. 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:

5.1 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 Gillespie's 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 £562.171m at 31 March 2017) are recognised as Property, Plant and Equipment on the Council's Balance Sheet.

5.2 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 9 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.

6. 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

6. 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 £10.860m 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 £0.541m per annum.
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 £30.487m. A review of significant balances suggested that an impairment of doubtful debts of £4.823m (15.8%) 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 £1.524m 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 £4.047m would be due to HM Revenue and Customs.

NOTES TO THE FINANCIAL STATEMENTS

6. 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 96.95% of Council Tax will be collected. An impairment for doubtful debts of £7.731m 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 £2.535m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £6.647m. A review of significant balances suggested that an impairment of doubtful debts of £5.757m (86.6%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There is a high level of arrears and the impairment set aside 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%.	If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £19.181m. If the discount factor is reduced by 1%, this would lead to a corresponding increase in the total value of council dwellings of £19.181m.

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

7. Material Items of Income and Expense

The Council incurred costs of £15.610m (£20.943m 2015/16) related to staff release costs arising from the council-wide Transformation programme. These cost are included within the Comprehensive Income and Expenditure Statement.

8. Events After the Balance Sheet Date

A fatality occurred on 31 May 2017 in a tram related incident on Princes Street, which is the subject of an ongoing Police inquiry. No provision has been made within these statements for any financial implications that may arise.

NOTES TO THE FINANCIAL STATEMENTS

9. 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	61.19%	Funding percentage
• Common Good	100.00%	
Joint Venture	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation
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%
• LPFI Limited	100.00%

Unless otherwise stated, the accounts of these bodies 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

9. Subsidiaries and Associates - continued

9.1 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:	31.03.17	31.03.16
	£000	£000
Net assets	1,124	1,149
Net (profit) / loss before taxation	(16)	180
Retained profit / (loss) carried forward	(122)	567

- **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:	31.12.16	31.12.15
	£000	£000
Net assets	16,032	16,140
Net (profit) / loss before taxation	(521)	(185)
Retained profit / (loss) carried forward	(51,353)	(51,361)

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 2017 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:

	31.03.17	31.03.16
	£000	£000
Net assets	0	0
Net deficit before taxation	0	0
Retained profit / (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 unaudited results of the company are as follows:	31.03.17	31.03.16
	£000	£000
Net liabilities	(539)	(142)
Net (profit) / loss before taxation	(6)	66
Retained profit / (loss) carried forward	(539)	(142)

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.1 Subsidiary Companies - continued

● LPFI Limited

The company was incorporated on 11 February 2015 and commenced trading during 2016/17.

The principal activity of the company is the provision of FCA-regulated services to the City of Edinburgh Council in support of the administration of Pension Funds. All pension funds are part of the Local Government Pension Scheme in Scotland.

The unaudited results of the company are as follows:	31.03.17	31.03.16
	£000	£000
Net assets	50	0
Net (profit) / loss before taxation	(1)	0
Retained profit / (loss) carried forward	0	0

● 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:	31.03.17	31.03.16
	£000	£000
Net assets	262	261
Net (profit) / loss before taxation	(2)	(2)
Retained profit / (loss) carried forward	262	261

● 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:

	31.12.16	31.12.15
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	95,955	99,395
Net (profit) / loss before taxation	(14,165)	(8,936)
Retained earnings	9,779	18,320
Dividend paid	5,517	494

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

9. Subsidiaries and Associates - continued

9.2 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:	31.03.17	31.03.16
	£000	£000
Net assets / (liabilities)	(8,664)	657
Net operating (profit) / loss	970	1,524
Earnings / (Losses) carried forward	(8,664)	657

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% (2015/16 33.33%) Board Representation, is as follows:

	31.03.17	31.03.16
	£000	£000
Incoming resources	(10,088)	(9,826)
Net (profit) / loss	3,107	(2,365)
Net assets / (liabilities)	(2,888)	219
Total usable reserves	(2,888)	219

- **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 unaudited results of the company are as follows:	31.03.17	31.03.16
	£000	£000
Net assets	1,705	3,734
Net operational (profit) / loss	359	597
Fund balances carried forward	1,705	3,734

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% (2015/16 33.33%) Board representation, is as follows:

	31.03.17	31.03.16
	£000	£000
Incoming resources	(4,580)	(3,653)
Net operational (profit) / loss	158	148
Net assets	568	1,245
Total usable reserves	568	1,245

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 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.

	31.03.17	31.03.16
	£000	£000
Deficit for the year	145	624
Net Liabilities	(10,940)	(5,008)
Usable reserves	1,011	749
Unusable reserves	<u>(11,951)</u>	<u>(5,757)</u>
Total reserves	<u>(10,940)</u>	<u>(5,008)</u>

The group share of the results of the Lothian Valuation Joint Board, based on a 61.19% (2015/16 61.22%) funding percentage is as follows:

	31.03.17	31.03.16
	£000	£000
Funding - requisitions	(3,744)	(3,746)
Other income	<u>(1,320)</u>	<u>(1,312)</u>
Total income	<u>(5,064)</u>	<u>(5,058)</u>
Deficit for the year	<u>89</u>	<u>382</u>
Net liabilities	<u>(6,694)</u>	<u>(3,066)</u>
Usable reserves	619	459
Unusable reserves	<u>(7,313)</u>	<u>(3,525)</u>
Total reserves	<u>(6,694)</u>	<u>(3,066)</u>

9.3 Joint Ventures

- **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 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.

	31.03.17	31.03.16
	£000	£000
The first audited results of the company are as follows:		10 months to
Gross expenditure	676,164	97
Surplus for the year	(3,690)	0
Usable reserves	3,690	0

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.3 Joint Ventures - continued

• Edinburgh Integration Joint Board

The group share of the results of the Edinburgh Integration Joint Board, based on a 50% (2015/16 50%) funding percentage is as follows:

	31.03.17	10 months to 31.03.16
	£000	£000
Net assets	1,845	0
Usable reserves	1,845	0

9.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are unaudited.

9.5 Shareholder Support to Council Companies

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

9.6 Financial Impact of Consolidation

The effect of inclusion of subsidiaries and associates on the Group Balance Sheet is to increase both reserves and net assets by £138.126m (2015/16 £148.784m re-stated) representing the Council's share of the realisable surpluses or deficits in these companies.

10. 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 2017 was £4.072m (31 March 2016 £4.183m).

The Expenditure Trust received interest of £0.043m during the year.

£1.536m 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 (£0.057m).

• 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 2017 was £0.810m (31 March 2016 £2.398m).

Funds in the Income Trust have reduced by £1.593m during the year, relating to the transfer, noted above, to the International Conference Centre Expenditure Trust. The Income Trust received interest of £0.005m.

11. 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

11. Adjustments Between Accounting Basis and Funding Basis Under Regulations

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2016/17			
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	127,323	19,345	0
Movements in the market value of investment properties	779	0	0
Amortisation and impairment of intangible assets	1,221	0	0
Capital grants and contributions applied	(50,897)	(7,587)	0
Capital funded from revenue	(2,056)	0	0
Revenue expenditure funded from capital under statute	35,529	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(69,061)	(16,585)	0
Capital expenditure charged against General Fund and HRA balances	(35,529)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net (gain) / loss on sale of property, plant and equipment and assets held for sale	(11,306)	(754)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(27,922)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,400)	(498)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	86,883	2,016	0
Employer's pension contributions and direct payments to pensioners payable in the year	(64,761)	(1,503)	0
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(599)	(142)	0
Total Adjustments	16,126	(5,708)	(27,922)

NOTES TO THE FINANCIAL STATEMENTS

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

2016/17	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(146,668)
Movements in the market value of investment properties	0	0	(779)
Amortisation of intangible assets	0	0	(1,221)
Capital grants and contributions applied	14	0	58,470
Capital funded from revenue	0	0	2,056
Revenue expenditure funded from capital under statute	0	0	(35,529)
Insertion of items not debited or credited to the CIES	0	0	0
Statutory provision for the financing of capital investment	0	(2,322)	87,968
Capital expenditure charged against General Fund and HRA balances	0	0	35,529
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,905)	0	1,905
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	12,060
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	27,922
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	1,898
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(88,899)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	66,264
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	741
Total Adjustments	(1,891)	(2,322)	21,717

NOTES TO THE FINANCIAL STATEMENTS

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

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2015/16 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	154,075	23,285	0
Movements in the market value of investment properties	(1,146)	0	0
Amortisation 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
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(58,829)	(27,328)	0
Capital expenditure charged against General Fund and HRA balances	(38,846)	0	0
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0
Adjustments primarily involving the Capital Receipts Reserve			
Net loss / (gain) on sale of property, plant and equipment and assets held for sale	(33,700)	(2,247)	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(120,492)
Adjustments primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(1,440)	(488)	0
Adjustments primarily involving the Pensions Reserve			
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
Adjustments primarily involving the Employee Statutory Adjustment Account			
Amount by which officer remuneration charges to the CIES are different from remuneration chargeable in the year in accordance with statutory requirements	(5,798)	(78)	0
Total Adjustments	25,268	(13,312)	(120,492)

NOTES TO THE FINANCIAL STATEMENTS

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

2015/16 Comparative Data	Usable Reserves		Movement in Unusable Reserves £000
	Capital Grants Unapplied Account £000	Capital Fund £000	
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	0	0	(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)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	(11,469)	97,626
Capital expenditure charged against General Fund and HRA balances	0	0	38,846
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(3,285)	0	3,285
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	35,947
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	120,492
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	1,928
Adjustments primarily involving the Pensions Reserve			
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
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	5,876
Total Adjustments	(1,692)	(11,469)	121,697

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves

12.1 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.

	(re-stated) Balance at 01.04.16 £000	Net Transfers Out 2016/17 £000	Net Transfers In 2016/17 £000	Balance at 31.03.17 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,361)	0	8	(51,353)
Capital grants unapplied account	2,729	(467)	0	2,262
Transport for Edinburgh Limited				
Revenue reserves	78,249	(8,541)	0	69,708
Total Usable Reserves - Subsidiaries	29,617	(9,008)	8	20,617
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserve	2,298	0	104	2,402
Edinburgh Leisure				
Earmarked revenue reserve	174	(45)	0	129
Revenue reserves	44	(3,061)	0	(3,017)
International Conference Centre Trusts				
Income Trust	2,398	(1,588)	0	810
Expenditure Trust	4,183	(111)	0	4,072
Festival City Theatres Trust				
Earmarked capital reserve	1,202	(118)	0	1,084
Revenue reserves	43	(40)	0	3
Lothian Valuation Joint Board				
Revenue reserves	459	0	160	619
Edinburgh Integration Joint Board				
Revenue reserves	0	0	1,845	1,845
Total Usable Reserves - Associates and Joint Ventures	10,801	(4,963)	2,109	7,947
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	40,418	(13,971)	2,117	28,564

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	(re-stated) Balance at 01.04.15 £000	Net Transfers Out 2015/16 £000	Net Transfers In 2015/16 £000	(re-stated) Balance at 31.03.16 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(52,011)	0	650	(51,361)
Capital grants unapplied account	3,213	(484)	0	2,729
Transport for Edinburgh				
Revenue reserves	48,523	0	29,726	78,249
Total Usable Reserves - Subsidiaries	(275)	(484)	30,376	29,617
Associates and Joint Ventures				
Common Good Fund				
Earmarked revenue reserves	2,836	(538)	0	2,298
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
Total Usable Reserves - Associates and Joint Ventures	10,151	(2,348)	2,998	10,801
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	9,876	(2,832)	33,374	40,418

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.16 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31.03.17 £000
Council's Usable Reserves				
General Fund				
Unallocated General Fund	13,025	0	0	13,025
Balances held by schools under Devolved School Management (DSM)	2,804	(2,804)	2,688	2,688
Balances set aside for specific inv.	12,565	(4,011)	17,105	25,659
Contingency funding, workforce mgmt.	18,075	0	19	18,094
Council Priorities Fund	1,128	0	2,973	4,101
Dilapidations Fund	12,094	(450)	700	12,344
Energy Efficiency Fund	846	(830)	82	98
Insurance Funds	13,539	(99)	1,226	14,666
Licensing and Registration Income	1,394	0	1,699	3,093
Recycling balances	1,372	(211)	0	1,161
Revenue grants and contributions received in advance of planned expenditure	15,243	(9,301)	2,943	8,885
Council Tax Discount Fund	21,596	(250)	2,888	24,234
Spend to Save Fund and similar projects	7,017	(1,558)	1,903	7,362
Other earmarked balances	240	(17)	13	236
Strategic Acquisition Fund	7,458	(1,278)	0	6,180
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	(11,886)	11,886	0
Total General Fund	128,396	(32,695)	46,125	141,826
Housing Revenue Account Balance	0	(11,886)	11,886	0
Renewal and Repairs Fund	38,194	0	11,947	50,141
Capital Fund	68,793	(8,165)	550	61,178
Capital Receipts Reserve	0	(27,922)	27,922	0
Capital Grants Unapplied Account	2,657	(1,905)	14	766
Total Usable Reserves - Council	238,040	(82,573)	98,444	253,911
Total Usable Reserves - Group	278,458	(96,544)	100,561	282,475

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 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
General Fund					
Unallocated General Fund	13,025	0	0	0	13,025
Balances held by schools under 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)	785	1,128
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 expend.	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
Total General Fund	117,524	0	(18,675)	29,547	128,396
Housing Revenue Account Balance	0	0	(2,256)	2,256	0
Renewal and Repairs Fund	35,833	0	0	2,361	38,194
Capital Fund	31,721	0	(18,198)	55,270	68,793
Capital Receipts Reserve	0	0	(120,690)	120,690	0
Capital Grants Unapplied Account	4,349	0	(3,285)	1,593	2,657
Total Usable Reserves - Council	189,427	0	(163,104)	211,717	238,040
Total Usable Reserves - Group	199,303	0	(165,936)	245,091	278,458

12.2 Devolved School Management

A net credit balance of £2.688m (2015/16 £2.804m) is held within the General Fund in accordance with the Devolved School Management scheme.

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

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

2016/17	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(32,695)	(11,886)	0	(27,922)
Transfers in	46,125	11,886	11,947	27,922
Total movements in fund	<u>13,430</u>	<u>0</u>	<u>11,947</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	13,491	11,886	0	0
Transfers to other earmarked reserves	(61)	(11,886)	11,947	0
Total movements in fund	<u>13,430</u>	<u>0</u>	<u>11,947</u>	<u>0</u>
	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(1,905)	(8,165)	(13,971)	(96,544)
Transfers in	14	550	2,117	100,561
Total movements in fund	<u>(1,891)</u>	<u>(7,615)</u>	<u>(11,854)</u>	<u>4,017</u>
Recognised in Comprehensive Income and Expenditure Statement	(1,891)	(7,615)	(11,854)	4,017
Transfers to other earmarked reserves	0	0	0	0
Total movements in fund	<u>(1,891)</u>	<u>(7,615)</u>	<u>(11,854)</u>	<u>4,017</u>
	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
2015/16 Comparative Data				
Transfers out	(18,675)	(2,256)	0	(120,690)
Transfers in	29,547	2,256	2,361	120,690
Total movements in fund	<u>10,872</u>	<u>0</u>	<u>2,361</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	10,977	2,256	0	0
Transfers to other earmarked reserves	(105)	(2,256)	2,361	0
Total movements in fund	<u>10,872</u>	<u>0</u>	<u>2,361</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

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

2015/16 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(3,285)	(18,198)	(2,832)	(165,936)
Transfers in	1,593	55,270	33,374	245,091
Total movements in fund	<u>(1,692)</u>	<u>37,072</u>	<u>30,542</u>	<u>79,155</u>
Recognised in Comprehensive Income and Expenditure Statement	(1,692)	37,072	33,480	82,093
Transfers to other earmarked reserves	0	0	(2,938)	(2,938)
Total movements in fund	<u>(1,692)</u>	<u>37,072</u>	<u>30,542</u>	<u>79,155</u>

13. Other Operating Expenditure	2016/17		Re-stated 2015/16	
	Group £000	Council £000	Group £000	Council £000
Gains on the disposal of non-current assets	(12,009)	(12,061)	(35,949)	(35,947)
	<u>(12,009)</u>	<u>(12,061)</u>	<u>(35,949)</u>	<u>(35,947)</u>

14. Financing and Investment Income and Expenditure	2016/17		Re-stated 2015/16	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	88,756	88,491	95,552	95,138
Interest cost on defined benefit obligation	108,342	93,974	105,663	92,013
Interest receivable and similar income	(9,838)	(9,669)	(8,166)	(7,972)
Interest income on plan assets	(93,498)	(78,498)	(81,732)	(68,568)
Net income in relation to investment properties and changes in their fair value	(750)	(600)	(2,512)	(2,512)
Net (surplus) / deficit from trading activities	143	191	(2,026)	232
	<u>93,155</u>	<u>93,889</u>	<u>106,779</u>	<u>108,331</u>

15. Taxation and Non-Specific Grant Income	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(221,390)	(221,390)	(216,351)	(216,351)
Non-domestic rates	(374,650)	(374,650)	(390,862)	(390,862)
Non-ring fenced government grants	(344,919)	(344,919)	(354,576)	(354,576)
Capital grants and contributions	(58,483)	(58,483)	(70,533)	(70,533)
Taxation expenses	1,895	0	2,612	0
	<u>(997,547)</u>	<u>(999,442)</u>	<u>(1,029,710)</u>	<u>(1,032,322)</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment

16.1 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

16.2 Capital Commitments

At 31 March 2017, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £226.111m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2016 were £76.678m.

	£000	Expected Completion Date
Leith Fort	1,000	Jul-17
Boroughmuir New High School	6,982	Aug-17
Rising School Rolls 5 School extension	2,054	Aug-17
Nurseries phase 2	5,874	Aug-17
St John's Primary School	11,977	Aug-19
WHEC upgrade Block A	3,739	2017-2018
Other property and infrastructure works	2,159	2017-2018
Kitchen and Bathroom upgrade	5,752	2017-2018
External Fabric highrise	5,035	2017-2018
Liberton High School electrical services and windows upgrade	734	2018-2019
Communities and Families Fire upgrade works	1,594	2019-2020
Gilmerton Primary School M&E upgrade	675	2019-2020
Water Tank upgrade works for Legionella	1,350	2019-2020
St James Quarter - Growth Accelerator Model	61,400	2020-21
ICT capital investment / ICT transformational change investment	14,951	1 year
Water of Leith Phase 2 (flood defence work)	4,990	2 years
Granton to Roseburn land compensation	1,750	1 year
Calton Hill Project	2,500	Oct-17
North Sighthill	17,215	May-19
Small Sites Programme	28,938	Apr-19
Pennywell Town Centre	23,317	Sep-20
Pennywell Phases 1 to 4	22,125	Oct-24
	<u>226,111</u>	

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.3 Movements on Balances - Group

Movements in 2016/17

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2016	1,066,016	1,724,709	312,416	1,376,084
Additions	41,395	32,436	18,756	26,958
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(455)	27,289	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	0	(8,210)	(25)	0
Derecognition - disposals	(15,580)	(148)	(3,532)	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	(535)	0	0
Other movements in cost or valuation	0	83,765	0	0
At 31 March 2017	<u>1,091,376</u>	<u>1,859,306</u>	<u>327,615</u>	<u>1,403,042</u>
Accumulated Depreciation and Impairment				
At 1 April 2016	(35,393)	(111,508)	(134,674)	(503,164)
Depreciation charge	(18,975)	(42,269)	(21,205)	(64,194)
Depreciation charge written out to Revaluation Reserve	209	9,646	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,457	15	0
Derecognition - disposals	774	5	3,311	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Other movements in cost or valuation	0	(21)	0	0
At 31 March 2017	<u>(53,385)</u>	<u>(142,690)</u>	<u>(152,553)</u>	<u>(567,358)</u>
Net book value				
At 31 March 2017	<u><u>1,037,991</u></u>	<u><u>1,716,616</u></u>	<u><u>175,062</u></u>	<u><u>835,684</u></u>
At 31 March 2016	<u><u>1,030,623</u></u>	<u><u>1,613,201</u></u>	<u><u>177,742</u></u>	<u><u>872,920</u></u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.3 Movements on Balances - Group Movements in 2016/17

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2016	12,964	2,420	89,688	4,584,297
Additions	1,842	1	33,004	154,392
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	26,834
Revaluation decreases recognised in the Surplus on the Provision of Services	(244)	0	0	(8,479)
Derecognition - disposals	0	0	0	(19,260)
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	0	0	(535)
Other movements in cost or valuation	0	0	(83,765)	0
At 31 March 2017	14,562	2,421	38,927	4,737,249
Accumulated Depreciation and Impairment				
At 1 April 2016	0	0	0	(784,739)
Depreciation charge	0	0	0	(146,643)
Depreciation charge written out to Revaluation Reserve	0	0	0	9,855
Depreciation written out to the Surplus on the Provision of Services	0	0	0	1,472
Derecognition - disposals	0	0	0	4,090
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Other movements in cost or valuation	0	0	0	(21)
At 31 March 2017	0	0	0	(915,986)
Net book value				
At 31 March 2017	14,562	2,421	38,927	3,821,263
At 31 March 2016	12,964	2,420	89,688	3,799,558

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.4 Movements on Balances - Group Accounts 2015/16 Comparative Data

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 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 decreases recognised in the Surplus on the Provision of Services	(3,539)	(42,827)	0	0
Derecognition - disposals	(6,870)	(68,381)	(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>1,724,709</u>	<u>312,416</u>	<u>1,376,084</u>
Accumulated Depreciation and Impairment				
At 1 April 2015	(17,593)	(109,400)	(122,492)	(438,264)
Depreciation charge	(18,457)	(47,356)	(19,965)	(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	6,698	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>(111,508)</u>	<u>(134,674)</u>	<u>(503,164)</u>
Net book value				
At 31 March 2016	<u><u>1,030,623</u></u>	<u><u>1,613,201</u></u>	<u><u>177,742</u></u>	<u><u>872,920</u></u>
At 31 March 2015	<u><u>1,029,558</u></u>	<u><u>1,732,117</u></u>	<u><u>178,127</u></u>	<u><u>912,496</u></u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.4 Movements on Balances - Group 2015/16 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2015	12,192	12,634	50,330	4,615,203
Additions	1,328	137	44,485	157,589
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,553	0	(24,161)
Revaluation decreases recognised in the Surplus on the Provision of Services	(556)	(142)	0	(47,064)
Derecognition - disposals	0	(2,917)	0	(86,589)
Derecognition - other	0	0	0	(455)
Assets reclassified (to) / from held for sale	0	(10,105)	0	(30,226)
Other movements in cost or valuation	0	260	(5,127)	0
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>4,584,297</u>
Accumulated Depreciation and Impairment				
At 1 April 2015	0	(10)	0	(687,759)
Depreciation charge	0	(41)	0	(150,719)
Depreciation charge written out to Revaluation Reserve	0	0	0	26,435
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,883
Derecognition - disposals	0	16	0	14,319
Derecognition - other	0	0	0	455
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	(49)
Other movements in cost or valuation	0	35	0	696
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>	<u>(784,739)</u>
Net book value				
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>3,799,558</u>
At 31 March 2015	<u>12,192</u>	<u>12,624</u>	<u>50,330</u>	<u>3,927,444</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.5 Movements on Balances - Council Movements in 2016/17

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2016	1,066,016	1,663,708	179,516	1,369,414
Additions	41,395	31,535	5,408	26,958
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(455)	27,289	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	0	(8,210)	(25)	0
Derecognition - disposals	(15,580)	(148)	0	0
Derecognition - other	0	0	0	0
Assets reclassified (to) / from held for sale	0	(535)	0	0
Other movements in cost or valuation	0	83,765	0	0
At 31 March 2017	<u>1,091,376</u>	<u>1,797,404</u>	<u>184,899</u>	<u>1,396,372</u>
Accumulated Depreciation and Impairment				
At 1 April 2016	(35,393)	(80,585)	(73,555)	(497,540)
Depreciation charge	(18,975)	(42,087)	(12,468)	(63,904)
Depreciation charge written out to Revaluation Reserve	209	9,646	0	0
Depreciation written out to the Surplus on the Provision of Services	0	1,457	15	0
Derecognition - disposals	774	5	0	0
Derecognition - other	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0
Other movements in cost or valuation	0	(21)	0	0
At 31 March 2017	<u>(53,385)</u>	<u>(111,585)</u>	<u>(86,008)</u>	<u>(561,444)</u>
Net book value				
At 31 March 2017	<u>1,037,991</u>	<u>1,685,819</u>	<u>98,891</u>	<u>834,928</u>
At 31 March 2016	<u>1,030,623</u>	<u>1,583,123</u>	<u>105,961</u>	<u>871,874</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.5 Movements on Balances - Council

Movements in 2016/17

Cost or Valuation	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000	PPP Assets £000
At 1 April 2016	12,964	2,420	89,688	4,383,726	583,781
Additions	1,842	1	33,004	140,143	34
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	26,834	6,951
Revaluation decreases recognised in the Surplus on the Provision of Services	(244)	0	0	(8,479)	0
Derecognition - disposals	0	0	0	(15,728)	0
Derecognition - other	0	0		0	0
Assets reclassified (to) / from held for sale	0	0	0	(535)	0
Other movements in cost or valuation	0	0	(83,765)	0	4,092
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>38,927</u>	<u>4,525,961</u>	<u>594,858</u>
Accumulated Depreciation and Impairment					
At 1 April 2016	0	0	0	(687,073)	(22,252)
Depreciation charge	0		0	(137,434)	(13,155)
Depreciation charge written out to Revaluation Reserve	0	0	0	9,855	2,720
Depreciation written out to the Surplus on the Provision of Services	0	0	0	1,472	0
Derecognition - disposals	0		0	779	0
Derecognition - other	0	0	0	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	0	0
Other movements in cost or valuation	0		0	(21)	0
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>	<u>(812,422)</u>	<u>(32,687)</u>
Net book value					
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>38,927</u>	<u>3,713,539</u>	<u>562,171</u>
At 31 March 2016	<u>12,964</u>	<u>2,420</u>	<u>89,688</u>	<u>3,696,653</u>	<u>561,529</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

16. Property, Plant and Equipment - continued

16.6 Movements on Balances - Council 2015/16 Comparative Data

Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
At 1 April 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 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>
Accumulated Depreciation and Impairment				
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>
Net book value				
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

16. Property, Plant and Equipment - continued

16.6 Movements on Balances - Council

2015/16 Comparative Data

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

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

16. Property, Plant and Equipment - continued

16.7 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 Operational Estate Manager, L. Turner 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.

Council assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Carried at historical cost	90,796	80,704	116,250	1,396,372
Valued at fair value as at:				
31 March 2017	0	238,328	0	0
31 March 2016	1,061	308,940	0	0
31 March 2015	1,425	274,751	67,674	0
31 March 2014	997,751	435,188	125	0
31 March 2013	343	459,493	850	0
Total cost or valuation	1,091,376	1,797,404	184,899	1,396,372

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	14,562	1	38,927	1,737,612
Valued at fair value as at:				
31 March 2017	0	0	0	238,328
31 March 2016	0	2,420	0	312,421
31 March 2015	0	0	0	343,850
31 March 2014	0	0	0	1,433,064
31 March 2013	0	0	0	460,686
Total cost or valuation	14,562	2,421	38,927	4,525,961

NOTES TO THE FINANCIAL STATEMENTS

16. Property, Plant and Equipment - continued

16.8 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 2017
	£000	£000	£000	£000
Surplus assets	0	2,421	0	2,421
Investment properties - advertising hoardings	0	16,471	0	16,471
Total cost or valuation	<u>0</u>	<u>18,892</u>	<u>0</u>	<u>18,892</u>

- 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 is 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.

17. Investment Properties

17.1 Income and Expenses on Investment Properties

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

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Rental income from investment properties	(1,384)	(1,384)	(1,401)	(1,401)
Direct operating expenses arising from investment property	5	5	35	35
	<u>(1,379)</u>	<u>(1,379)</u>	<u>(1,366)</u>	<u>(1,366)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

17. Investment Properties - continued

17.2 Movement in Fair Value

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

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	17,450	17,250	16,304	16,104
Additions:				
- Subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	(629)	(779)	1,146	1,146
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>16,821</u>	<u>16,471</u>	<u>17,450</u>	<u>17,250</u>

NOTES TO THE FINANCIAL STATEMENTS

18. 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 £1.221m in 2016/17 (2015/16 £1.289m) was charged to the following services.

	2016/17	2015/16
	£000	£000
Communities and Families	0	56
Health and Social Care	0	12
Chief Executive	1,221	1,221
Total amortisation	<u>1,221</u>	<u>1,289</u>

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

	2016/17		2015/16	
	Group	Council	Group	Council
	£000	£000	£000	£000
Balance at 1 April				
Gross carrying amount	8,557	8,557	8,557	8,557
Less: Accumulated amortisation	<u>(4,892)</u>	<u>(4,892)</u>	<u>(3,603)</u>	<u>(3,603)</u>
Net carrying amount at 1 April	3,665	3,665	4,954	4,954
Additions during the year				
- Purchased intangible assets	221	221	0	0
Impairment during the year	0	0	0	0
Amortisation for the period	<u>(1,221)</u>	<u>(1,221)</u>	<u>(1,289)</u>	<u>(1,289)</u>
Net carrying amount at 31 March	<u>2,665</u>	<u>2,665</u>	<u>3,665</u>	<u>3,665</u>
Comprising:				
Gross carrying amounts	8,778	8,778	8,557	8,557
Accumulated amortisation	<u>(6,113)</u>	<u>(6,113)</u>	<u>(4,892)</u>	<u>(4,892)</u>
Net carrying amount at 31 March	<u>2,665</u>	<u>2,665</u>	<u>3,665</u>	<u>3,665</u>

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

	Carrying Amount		Remaining
	2016/17	2015/16	Amortisation
	£000	£000	Period
			31.03.17
Master data management software	444	666	2 years
Web-based solution software, including web forms	476	715	2 years
Integration engine software	405	608	2 years
Customer relationship management solutions	844	1,266	2 years
Security management software	143	213	2 years
Telephony system software	220	0	5 years

NOTES TO THE FINANCIAL STATEMENTS

19. Heritage Assets

19.1 Reconciliation of the Carrying Value of Heritage Assets Movements in 2016/17

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2016	654	2,047	6,797
Additions	11	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	0
At 31 March 2017	<u>665</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
At 1 April 2016	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2017	<u>665</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2016	<u>654</u>	<u>2,047</u>	<u>6,797</u>

	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
Cost or Valuation			
At 1 April 2016	1,975	19,643	31,116
Additions	0	0	11
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	0
At 31 March 2017	<u>1,975</u>	<u>19,643</u>	<u>31,127</u>
Accumulated Impairment			
At 1 April 2016	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>
Net book value			
At 31 March 2017	<u>1,975</u>	<u>19,643</u>	<u>31,127</u>
At 31 March 2016	<u>1,975</u>	<u>19,643</u>	<u>31,116</u>

NOTES TO THE FINANCIAL STATEMENTS

19. Heritage Assets - continued

19.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2015/16 Comparative Data

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2015	613	2,047	6,797
Additions	40	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	1	0	0
At 31 March 2016	<u>654</u>	<u>2,047</u>	<u>6,797</u>
Accumulated Impairment			
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>
Net book value			
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
Cost or Valuation			
At 1 April 2015	1,975	19,643	31,075
Additions	0	0	40
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	1
At 31 March 2016	<u>1,975</u>	<u>19,643</u>	<u>31,116</u>
Accumulated Impairment			
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>
Net book value			
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>

19.2 Details of Heritage Assets

- Monuments and Statues are valued on a historic basis and valuations are carried out under the direction of the Council's Operational Estate Manager.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

19. Heritage Assets - continued

19.2 Details of Heritage Assets - continued

- 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.

20. Financial Instruments

20.1 Categories of Financial Instruments

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

	Long-Term		Current	
	31.03.17	31.03.16	31.03.17	31.03.16
	£000	£000	£000	£000
Investments				
Loans and receivables	0	0	172,542	128,378
Available for sale	0	0	967	64,311
Unquoted equity investment at cost	23,436	23,474	0	0
Total investments	23,436	23,474	173,509	192,689
Debtors				
Loans and receivables	5,665	5,538	28,293	29,978
Total debtors	5,665	5,538	28,293	29,978
Borrowings				
Financial liabilities (principal amount)	(1,245,546)	(1,299,901)	(76,702)	(69,843)
Accrued interest	0	0	(16,019)	(17,513)
Cost of amortisation	(9,044)	(8,988)	30	35
Total borrowings	(1,254,590)	(1,308,889)	(92,691)	(87,321)

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 20.4.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial Instruments - continued

20.1 Categories of Financial Instruments - continued

	Long-Term	
	31.03.17	31.03.16
	£000	£000
Other Long-Term Liabilities		
PPP and finance lease liabilities	(205,517)	(215,787)
Deferred liability	<u>(350)</u>	<u>(350)</u>
Total other long-term liabilities	<u>(205,867)</u>	<u>(216,137)</u>

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

	Current	
	31.03.17	31.03.16
	£000	£000
Creditors		
Financial liabilities at amortised cost	(23,548)	(15,277)
PPP and finance leases due within 1 year	<u>(10,370)</u>	<u>(10,813)</u>
Total creditors	<u>(33,918)</u>	<u>(26,090)</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.

20.2 Income, Expenses, Gains and Losses	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Loans and Receivables £000	Available for Sale £000	Unquoted Equity at Amortised Cost £000	Total £000
Interest expense	70,231	0	0	0	70,231
Total expense in Surplus on the Provision of Services	<u>70,231</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,231</u>
Interest income	0	(374)	(750)	0	(1,124)
Dividend Income	0	0	0	(6,000)	(6,000)
Total Interest and investment income	<u>0</u>	<u>(374)</u>	<u>(750)</u>	<u>(6,000)</u>	<u>(7,124)</u>
Net gain for the year	<u>70,231</u>	<u>(374)</u>	<u>(750)</u>	<u>(6,000)</u>	<u>63,107</u>

In addition to the above interest expense, £1.849m (2015/16 £1.849m) 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 £0.211m (2015/16 £0.305m) of loans fund expenses charged to the Council.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial Instruments - continued

20.3 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 2017, 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
- 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:

		31.03.17		31.03.16	
	Fair Value Level	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(1,034,769)	(1,400,491)	(1,086,887)	(1,365,967)
Salix	2	(1,736)	(1,791)	(2,004)	(2,042)
Market debt	2	(288,419)	(559,498)	(289,443)	(497,978)
Temporary borrowing	n/a	(22,357)	(22,357)	(17,877)	(17,877)
Other long-term liabilities	n/a	(350)	(350)	(350)	(350)
Trade creditors	n/a	(23,548)	(23,548)	(15,277)	(15,277)
Finance Leases	3	(215,887)	(313,562)	(226,600)	(311,832)
Financial liabilities		<u>(1,587,066)</u>	<u>(2,321,597)</u>	<u>(1,638,438)</u>	<u>(2,211,323)</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.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial Instruments - continued

20.3 Fair Value of Assets and Liabilities - continued

	Fair Value Level	31.03.17		31.03.16	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value					
Treasury Bills	1	0	0	38,455	38,455
Money Market Funds	1	967	967	25,856	25,856
		<u>967</u>	<u>967</u>	<u>64,311</u>	<u>64,311</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	17,646	17,646	41,028	41,028
Building Society Deposits	2	0	0	0	0
Local Authority Loans	2	154,896	154,927	87,350	87,357
Unquoted Equity investment at cost	n/a	23,436	23,436	23,474	23,474
		<u>195,978</u>	<u>196,009</u>	<u>151,852</u>	<u>151,859</u>
Debtors					
Loan Stock	n/a	4,714	4,714	4,626	4,626
Soft Loans	3	951	951	912	912
Other trade debtors	n/a	28,293	28,293	29,978	29,978
		<u>33,958</u>	<u>33,958</u>	<u>35,516</u>	<u>35,516</u>
Total Investments		<u>230,903</u>	<u>230,934</u>	<u>251,679</u>	<u>251,686</u>

20.4 Available for Sale Financial Assets

As part of the introduction of IFRS13, 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.

	Fair Value Level	31.03.17		31.03.16	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value					
Treasury Bills	1	0	0	38,455	38,455
Money Market Funds	1	967	967	25,856	25,856
		<u>967</u>	<u>967</u>	<u>64,311</u>	<u>64,311</u>

There was no unrealised gain on the available for sale financial assets (2015/16 £1,857).

NOTES TO THE FINANCIAL STATEMENTS

21. Inventories Movements in 2016/17 and 2015/16

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Fuel Stocks				
Balance at 1 April	391	115	500	114
Purchases	21,863	2,461	22,162	2,162
Recognised as an expense in the year	(21,679)	(2,405)	(22,271)	(2,161)
Balance at 31 March	575	171	391	115
Gift Stock and Community Equipment	£000	£000	£000	£000
Balance at 1 April	1,423	1,423	1,165	1,165
Purchases	2,650	2,650	2,611	2,611
Held by a third party	37	37	34	34
Recognised as an expense in the year	(2,653)	(2,653)	(2,387)	(2,387)
Balance at 31 March	1,457	1,457	1,423	1,423
Construction and Other Raw Materials	£000	£000	£000	£000
Balance at 1 April	1,173	835	1,391	1,155
Purchases	20,394	4,832	17,324	3,413
Recognised as an expense in the year	(20,220)	(4,568)	(17,542)	(3,733)
Balance at 31 March	1,347	1,099	1,173	835
Items held for sale	£000	£000	£000	£000
Balance at 1 April	108	108	91	91
Purchases	317	317	376	376
Recognised as an expense in the year	(301)	(301)	(358)	(358)
Stock written off	(2)	(2)	(1)	(1)
Balance at 31 March	122	122	108	108
Work in Progress	£000	£000	£000	£000
Balance at 1 April	14,348	0	8,686	0
Purchases	0	0	5,662	0
Recognised as an expense in the year	(1,882)	0	0	0
Balance at 31 March	12,466	0	14,348	0
Clothing and Equipment	£000	£000	£000	£000
Balance at 1 April	95	95	90	90
Purchases	196	196	240	240
Recognised as an expense in the year	(208)	(208)	(235)	(235)
Balance at 31 March	83	83	95	95
Catering Stocks	£000	£000	£000	£000
Balance at 1 April	123	123	134	134
Purchases	2,862	2,862	2,847	2,847
Recognised as an expense in the year	(2,869)	(2,869)	(2,858)	(2,858)
Balance at 31 March	116	116	123	123

NOTES TO THE FINANCIAL STATEMENTS

21. Inventories - continued	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	17,661	2,699	12,057	2,749
Purchases	48,282	13,318	51,222	11,649
Held by a third party	37	37	34	34
Recognised as an expense in the year	(49,812)	(13,004)	(45,651)	(11,732)
Stock written off	(2)	(2)	(1)	(1)
Balance at 31 March	<u>16,166</u>	<u>3,048</u>	<u>17,661</u>	<u>2,699</u>

22. Debtors

22.1 Long-term Debtors	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	26,115	26,115	25,016	25,016
Other entities and individuals	<u>186,556</u>	<u>191,270</u>	<u>182,042</u>	<u>186,668</u>
Total long-term debtors before provision for impairment	212,671	217,385	207,058	211,684
Less: Provision for impairment	<u>(105,701)</u>	<u>(105,701)</u>	<u>(112,410)</u>	<u>(112,410)</u>
Total net long-term debtors	<u>106,970</u>	<u>111,684</u>	<u>94,648</u>	<u>99,274</u>

22.2 Analysis of Long-term Debtors

Long-term debtors comprise the following elements:

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Capital advances				
Police Scotland	14,198	14,198	16,151	16,151
Fire Scotland	1,043	1,043	2,052	2,052
Council Tax	80,121	80,121	90,417	90,417
Non-Domestic Rates	1,896	1,896	1,700	1,700
CEC Holdings	0	4,714	0	4,626
NHT Loans (see note 34.3)	60,255	60,255	47,162	47,162
House rents	5,492	5,492	5,252	5,252
Car loan scheme	71	71	131	131
Shared equity scheme (see note 34.2)	401	401	485	485
Scheme of assistance (see note 34.2)	920	920	901	901
Other debtors	<u>48,274</u>	<u>48,274</u>	<u>42,807</u>	<u>42,807</u>
	<u>212,671</u>	<u>217,385</u>	<u>207,058</u>	<u>211,684</u>

Long-term debtors include £14.198m (2015/16 £16.151m) and £1.043m (2015/16 £2.052m) 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

22. Debtors - continued

22.3 Current Debtors

	2016/17		Re-stated 2015/16	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	25,490	21,510	25,971	23,364
Other local authorities	688	406	1,473	1,078
NHS bodies	1,026	1,026	1,642	1,641
Public corporations and trading funds	9	9	33	33
Other entities and individuals	168,852	160,745	162,738	155,763
Total current debtors before provision for impairment	196,065	183,696	191,857	181,879
Less: Provision for impairment	(107,584)	(107,575)	(95,478)	(95,478)
Total net current debtors	88,481	76,121	96,379	86,401

22.4 Provision for Impairment

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Long-term provision for impairment				
Council tax	(78,295)	(78,295)	(87,765)	(87,765)
Non-Domestic rates	(1,373)	(1,373)	(1,357)	(1,357)
Sundry debtors	(26,033)	(26,033)	(23,288)	(23,288)
Total long-term provision for impairment	(105,701)	(105,701)	(112,410)	(112,410)
Current provision for impairment				
Council tax	(98,119)	(98,119)	(84,367)	(84,367)
Non-Domestic rates	(226)	(226)	(60)	(60)
Sundry debtors	(9,230)	(9,230)	(11,051)	(11,051)
Total current provision for impairment	(107,575)	(107,575)	(95,478)	(95,478)

23. 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.

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Cash held	387	387	385	385
Bank current accounts	12,610	(14,079)	2,972	(17,749)
Short-term deposits:				
With banks or building societies	17,646	17,646	41,028	41,028
With other local authorities	129,188	129,188	74,327	74,327
	159,831	133,142	118,712	97,991

NOTES TO THE FINANCIAL STATEMENTS

24. Assets Held for Sale

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
24.1 Non-Current Assets				
Balance at 1 April	43,746	43,746	21,179	21,179
Additions	259	259	174	174
Revaluation gains/(losses) recognised in the revaluation reserve	(3,930)	(3,930)	893	893
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	1,107	1,107	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	0	0	29,528	29,528
Assets sold	(913)	(913)	(2,517)	(2,517)
Transfers from non-current to current	(35,011)	(35,011)	(5,511)	(5,511)
Balance at 31 March	<u>5,258</u>	<u>5,258</u>	<u>43,746</u>	<u>43,746</u>

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
24.2 Current Assets				
Balance at 1 April	683	683	8,503	8,503
Additions	3	3	49	49
Revaluation gains/(losses) recognised in the revaluation reserve	(500)	(500)	0	0
Revaluation gains/(losses) recognised in Surplus on the Provision of Services	(72)	(72)	0	0
Assets reclassified as held for sale: Property, Plant and Equipment	0	0	3	3
Assets sold	0	0	(13,383)	(13,383)
Transfers from non-current to current	35,495	35,495	5,511	5,511
Balance at 31 March	<u>35,609</u>	<u>35,609</u>	<u>683</u>	<u>683</u>

25. Creditors

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Central government bodies	(8,080)	(3,862)	(25,979)	(21,823)
Other local authorities	(9,116)	(8,065)	(8,278)	(7,136)
NHS bodies	(270)	(270)	(639)	(639)
Public corporations and trading funds	(1,082)	(1,082)	(11,500)	(11,500)
Other entities and individuals	(152,727)	(131,125)	(128,406)	(106,910)
	<u>(171,275)</u>	<u>(144,404)</u>	<u>(174,802)</u>	<u>(148,008)</u>

NOTES TO THE FINANCIAL STATEMENTS

26. Provisions

Provision has been made within the Group Financial Statements for outstanding payments of £12.863m (2015/16 £13.004m).

Of this amount, £10.551m (2015/16 £11.532m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, land acquisition costs for the tram project and Council Tax discounts that require to be set aside for housing projects. The precise amount of these payments is unknown, however, provision has been made in the accounts, as summarised below, based on the Council's assessment of the costs.

	Trams £000	Equal Pay Claims £000	Council Tax Discounts £000
Balance at 1 April 2016	(2,912)	(568)	(1,716)
Additional provisions made during the year	(233)	(295)	(172)
Amounts used during the year	27	401	0
Unused amounts reversed during the year	0	0	0
Balance at 31 March 2017	<u>(3,118)</u>	<u>(462)</u>	<u>(1,888)</u>
	Housing Benefit Subsidy £000	Insurance Claims £000	Other Provisions £000
Balance at 1 April 2016	(170)	(471)	(5,695)
Additional provisions made during the year	0	(245)	(33)
Amounts used during the year	0	166	483
Unused amounts reversed during the year	0	0	882
Balance at 31 March 2017	<u>(170)</u>	<u>(550)</u>	<u>(4,363)</u>
	Total Council Provisions £000	Group Provisions £000	Total Provisions £000
Balance at 1 April 2016	(11,532)	(1,472)	(13,004)
Additional provisions made during the year	(978)	(1,976)	(2,954)
Amounts used during the year	1,077	1,136	2,213
Unused amounts reversed during the year	882	0	882
Balance at 31 March 2017	<u>(10,551)</u>	<u>(2,312)</u>	<u>(12,863)</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Usable Reserves

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 16 to 17) and Note 12.

28. Unusable Reserves

28.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2017 £000	31 March 2016 £000
Revaluation Reserve	868,814	856,303
Capital Adjustment Account	1,407,459	1,376,129
Financial Instruments Adjustment Account	(45,390)	(47,214)
Available for Sale Financial Assets Reserve	0	2
Pensions Reserve	(705,786)	(438,940)
Employee Statutory Adjustment Account	(14,121)	(14,862)
Total Council Unusable Reserves	1,510,976	1,731,418
Subsidiaries, Associates and Joint Ventures	109,562	108,366
Total Group Unusable Reserves	<u>1,620,538</u>	<u>1,839,784</u>

28.2 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.

	2016/17 £000	2015/16 £000
Balance at 1 April	856,303	905,886
Upward revaluation of assets	47,395	49,068
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(12,094)	(51,362)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	35,301	(2,294)
Difference between fair value depreciation and historical cost depreciation	(18,868)	(18,860)
Accumulated gains on assets sold	(3,922)	(28,429)
Amount written off to the capital adjustment account	(22,790)	(47,289)
Balance at 31 March	<u>868,814</u>	<u>856,303</u>

NOTES TO THE FINANCIAL STATEMENTS

28. Unusable Reserves - continued

28.3 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 11 provides details of the source of the transactions posted to this account, except those involving the revaluation reserve.

	2016/17 £000	Re-stated 2015/16 £000
Balance at 1 April	1,376,129	1,340,067
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(134,700)	(138,284)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(9,234)	(36,323)
Amortisation of intangible assets	(1,221)	(1,289)
Capital funded from revenue	2,056	215
Revenue exp. funded from capital under statute	(35,529)	(38,846)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(12,061)	(35,947)
	<u>(190,689)</u>	<u>(250,474)</u>
Adjusting amounts written out of the revaluation reserve	22,790	47,289
	<u>(167,899)</u>	<u>(203,185)</u>
Net written out amount of the costs of non-current assets consumed in the year		
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	27,922	120,491
Capital grants and contributions credited to the CIES that have been applied to capital financing	58,470	68,940
Application of grants from the capital grants unapplied account / capital fund	1,905	3,285
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	91,149	101,473
Capital expenditure charged against the General Fund and HRA balances	35,529	38,846
	<u>214,975</u>	<u>333,035</u>
Movements in the market value of investment properties credited to the CIES	(779)	1,146
Other unrealised losses debited to the CIES	<u>(14,967)</u>	<u>(94,934)</u>
Balance at 31 March	<u><u>1,407,459</u></u>	<u><u>1,376,129</u></u>

NOTES TO THE FINANCIAL STATEMENTS

28. Unusable Reserves - continued

28.4 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.

	2016/17 £000	2015/16 £000
Balance at 1 April	(47,214)	(49,159)
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	1,849
Proportion of equivalent interest rate calculation on lender option / borrower option loans (LOBOs)	48	79
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,897	1,928
Difference between actual interest paid and interest rate assumed in equivalent interest rate calculation on transition	(73)	17
Balance at 31 March	<u>(45,390)</u>	<u>(47,214)</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.

28.5 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).

	2016/17 £000	2015/16 £000
Balance at 1 April	2	0
Unrealised gains / (losses) on revaluation of assets	(2)	2
Balance at 31 March	<u>0</u>	<u>2</u>

28.6 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

28. Unusable Reserves - continued

28.6 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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(438,940)	(726,969)
Actuarial gains or (losses) on pension assets and liabilities	(244,211)	323,138
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	(88,899)	(107,396)
Employer's pension contributions and direct payments to pensioners payable in the year	66,264	72,287
Balance at 31 March	<u>(705,786)</u>	<u>(438,940)</u>

28.7 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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	(14,862)	(20,738)
Settlement or cancellation of accrual made at the end of the preceding year	14,862	20,738
Amount accrued at the end of the current year	<u>(14,121)</u>	<u>(14,862)</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	741	5,876
Balance at 31 March	<u>(14,121)</u>	<u>(14,862)</u>

NOTES TO THE FINANCIAL STATEMENTS

28. Unusable Reserves - continued

28.8 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2017 £000	31 March 2016 £000
Subsidiaries		
CEC Holdings Limited		
Capital adjustment account	64,466	64,466
Capital contribution	10,015	10,131
Transport for Edinburgh		
Revaluation reserve	11,309	11,309
Non Controlling Interest	8,110	8,527
Other Unusable Reserves	1,004	(4,514)
Total Unusable Reserves - Subsidiaries	94,904	89,919
Associates and Joint Ventures		
Common Good		
Capital adjustment account	(22)	(22)
Revaluation reserve	21,994	21,994
Lothian Valuation Joint Board		
Capital adjustment account	329	352
Employee statutory adjustment account	(58)	(57)
Pension reserve	(7,585)	(3,820)
Total Unusable Reserves - Associates and Joint Ventures	14,658	18,447
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	109,562	108,366

29. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	567,959	567,959	578,770	578,770
General Revenue Grant	(344,919)	(344,919)	(354,576)	(354,576)
Non-Domestic Rates receipts from national pool	(374,650)	(374,650)	(390,862)	(390,862)
Other net operating cash payments / (receipts)	(51,989)	(51,989)	(9,539)	(9,539)
Net cash flows from subsidiary companies	(26,201)	0	(16,456)	0
Net cash flows from operating activities	(229,800)	(203,599)	(192,663)	(176,207)

NOTES TO THE FINANCIAL STATEMENTS

30. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Interest received	(3,840)	(3,669)	(2,136)	(1,924)
Interest paid	87,805	87,431	97,540	97,072
Investment income received	(6,000)	(6,000)	(4,925)	(4,925)

31. Cash Flow Statement - Investing Activities

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	179,388	165,139	142,625	134,928
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible	(25,146)	(24,916)	(121,467)	(118,016)
Net purchase of Short-Term and Long-Term Investments	(50,681)	(50,658)	77,288	77,334
Other payments for investing activities	48,507	42,990	44,348	43,854
Other receipts from investing activities	<u>(11,646)</u>	<u>(11,577)</u>	<u>(11,130)</u>	<u>(11,130)</u>
Net cash flows from investing activities	<u>140,422</u>	<u>120,978</u>	<u>131,664</u>	<u>126,970</u>

32. Cash Flow Statement - Financing Activities

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(13,419)	(13,419)	87,472	88,263
Other Receipts for Financing Activities	(10,670)	(10,670)	(20,784)	(20,784)
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	11,502	10,713	16,113	10,725
Repayment of short-term and long-term borrowing	60,846	60,846	(45,010)	(45,010)
Net cash flows from investing activities	<u>48,259</u>	<u>47,470</u>	<u>37,791</u>	<u>33,194</u>

NOTES TO THE FINANCIAL STATEMENTS

33. Trading Operations

The Edinburgh Catering Service - Other Catering continues to meet the definition of significant trading operations under the terms of the Local Government in Scotland Act 2003, as amended.

The Refuse Collection service ceased to meet the definition of a significant trading operation, with effect from 1 July 2016. The service withdrew the trade waste provision to external parties and only now deals with domestic and internal refuse collection.

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.

	2016/17	2015/16	2014/15	Cumulative
	£000	£000	£000	£000
Turnover	902	980	1,297	n/a
Deficit	(191)	(232)	(66)	(489)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period, due to a continuing downturn in turnover on internal hospitality, an increase in other staffing and equipment costs.

There are ongoing plans to invest in the catering service to establish a dedicated catering team responsible for School & Welfare Catering and the STO Staff Catering Service. During 2016-17 the service was delivered through property managers but with no specific catering experience and no overall strategic catering expertise. It is envisaged that these new roles will be filled early in 2017 and will focus on Corporate catering as a priority. It is anticipated that changes to the service to address commercial issues will commence from August to October. Immediate short-term actions are being considered and will be implemented upon Corporate Leadership Group approval.

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

33.2 Refuse Collection, including Trade Waste

This trading operation provided refuse collection services for over 239,000 households and trade waste collection and disposal service to producers of commercial waste throughout the city. The Council approved the discontinuation of the trade waste services as part of the 2016/17 budget setting process, with effect from 1 July 2016. The trade waste provision represented the only element of external trading within this service and therefore was determined to change the status of the service to a Non-Trading Operation from 1 July 2016, upon its cessation. The turnover and deficit reported below for 2016/17 represents three months of trading.

	3 months to 30.06.2016	2015/16	2014/15	Cumulative
	£000	£000	£000	£000
Turnover	3,906	16,723	17,155	n/a
Surplus / (deficit)	(470)	(242)	2,279	1,567

Refuse Collection achieved its statutory obligation to break even over the three-year period, up to the 30 June 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

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).

	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartan Community Football Academy	Spartan Community Football Academy
Opening Balance	861	824	52	51
New Loans	0	0	0	0
Increase in the Discounted Amount	38	37	5	4
Fair Value Adjustment	0	0	0	0
Loan Repayment	0	0	(3)	(3)
Balance Carried Forward	<u>899</u>	<u>861</u>	<u>54</u>	<u>52</u>
Nominal Value Carried Forward	<u>1,000</u>	<u>1,000</u>	<u>102</u>	<u>105</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.

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 and 2 of NHT are now complete and have delivered 518 new homes.

Phase 3 of NHT has been approved and will deliver up to 368 mid-market rent homes across three separate sites by December 2020. All NHT Phase 3 projects are now in contract and construction has commenced. The total required budget for NHT3 is £50.121m for three projects which will deliver up to 368 new affordable homes. Fruitmarket is the first NHT 3 project which is due to complete with Investment totalling £9.153m. £2.683m of expenditure was incurred in 2016/17 and the remaining balance of £6.470m spent in 2017/18.

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

Developer	Development Site	Phase	Total No. of Units	2016/17 £000	Prior Years £000
Places for People	Lochend North	1	126	0	13,323
Places for People	Lighthouse Court	1	62	0	6,492
Teague Homes Limited	Salamander Place / Leith Links	1	145	0	15,551
Miller Homes	Telford North	1	89	0	10,299
FP Newhaven Ltd	Sandpiper Road	2	96	10,410	1,498
Ediston Homes Ltd	Fruitmarket	3	24	2,683	0
			542	13,093	47,163

These sums are included within long-term debtors, as detailed in note 22.2.

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:

	2016/17 £000	2015/16 £000
Expenditure		
Payments to other local authorities in respect of:		
Area waste project	74	71
Educational services for children	1,727	2,176
Care services for children	1,644	1,653
Scottish Cities Alliance Investment Fund (see note 48.)	978	900
Others		
Police officers	2,561	2,560
Police Scotland - cab inspection	124	120
Scottish Cities Alliance Investment Fund (see note 48.)	0	180
Scottish Water - Integrated Water Catchment Model	84	84
NHS Lothian - Blue Badge medical assessments	44	43
Total Expenditure	<u>7,236</u>	<u>7,787</u>
Income		
Receipts in respect of library services:		
Health Boards	(19)	(19)
Scottish Prison Service	(24)	(16)
Receipts in respect of translation and Interpretation services:		
Lothian Health Board	(1,233)	(1,377)
Receipts in respect of rates collection services:		
Scottish Water	(1,680)	(1,680)
Midlothian Council	(63)	(62)
Receipts in respect of property management		
Police Scotland	(60)	(61)
Receipts from other local authorities in respect of:		
Criminal justice services	(1,007)	(975)
Educating pupils	(649)	(634)
Pentland Hills Regional Park management	(78)	(78)
Care services for children	(797)	(958)
Risk Factory	(38)	(35)
Social work undertakings	(3,689)	(3,995)
City Mortuary	(250)	(292)
Scientific Services	(379)	(341)
Area waste project	(96)	(85)
Miscellaneous Licensing	(100)	(99)
Total Income	<u>(10,162)</u>	<u>(10,707)</u>

36. Audit Costs

The fees payable to Scott Moncrieff in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.561m (2015/16 £0.691m to Audit Scotland). The Council has re-charged £nil of the audit fee to Lothian Pension Funds in respect of its audit (2015/16 £0.048m) as it was invoiced directly this year. Similarly, £nil has been re-charged to The City of Edinburgh Council Charitable Trusts (2015/16 £0.04m) as they have also been charged directly.

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 2016/17 (2015/16 £0.002m) for the audit of 2015/16 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

37. Grant Income

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

	2016/17		2015/16	
	£000	£000	£000	£000
Revenue Funding				
Credited to taxation and non-specific grant income				
General revenue funding	(344,919)		(354,576)	
Non-domestic rates	<u>(374,650)</u>		<u>(390,862)</u>	
		(719,569)		(745,438)
Credited to services				
Government grants	(22,200)		(19,611)	
Department for Work and Pensions				
- Housing benefits	(199,556)		(202,668)	
- Other funding	(4,044)		(4,537)	
N.H.S. Lothian	(55,507)		(41,348)	
Other Local Authorities	(3,231)		(3,447)	
Scottish Water	(1,770)		(1,758)	
Lothian Road Income Trust	(65)		(621)	
Edinburgh Leisure	(708)		(684)	
Scottish Prison Service	(536)		(489)	
Lottery funding	(113)		(21)	
SportScotland	<u>(889)</u>		<u>(881)</u>	
		<u>(288,619)</u>		<u>(276,065)</u>
Total		<u><u>(1,008,188)</u></u>		<u><u>(1,021,503)</u></u>
Capital Funding				
Scottish Government		(53,049)		(63,499)
Transport Scotland		0		347
Other grants and contributions, including contributions from developers and individuals		(2,721)		(3,236)
Port of Leith Housing Association		(148)		(985)
Kirkliston Consortium		(1,179)		(1,979)
Henderson Global		0		533
Cruden Homes		0		(507)
Historic Scotland		0		(431)
Heritage Lottery Fund		(478)		(664)
Scottish Borders Council		0		(112)
Creative Scotland		(164)		0
Lothian Road Income Trust		<u>(744)</u>		<u>0</u>
Total		<u><u>(58,483)</u></u>		<u><u>(70,533)</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

	2016/17	2015/16
	£000	£000
• Revenue Expenditure		
Capital City Partnership	4,225	4,056
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh, and PARC)	284	152
Edinburgh Festival Theatres	704	800
Edinburgh Leisure Limited		
Revenue funding	8,449	8,419
Other expenditure	30	52
Edinburgh Trams Ltd	714	688
Lothian Buses Limited		
Supported bus services	985	891
Other expenditure	1,536	1,457
NHS Bodies	2,356	2,294
Other Local Authorities	2,486	2,995
Scottish Government	208	163
Scottish Qualifications Authority	1,523	1,511
Subsidiaries / Voluntary Organisations		
Criminal Justice Bodies	592	678
Dean and Cauvin Charitable Trust	854	817
Edinburgh International Festival Society	2,317	2,409
Edinburgh Voluntary Organisations Council	1,185	151
Festivals Edinburgh Ltd	173	178
Handicab	448	448
Lifecare Edinburgh	288	342
Marketing Edinburgh	918	953
Royal Lyceum Theatre Co Ltd	358	369
Total Revenue Expenditure	<u>30,633</u>	<u>29,823</u>
• Revenue Income		
CEC Holdings Limited (EDI Group Limited)		
Loan interest	(200)	(221)
Edinburgh Festival Theatres	(150)	(149)
Edinburgh Trams	(2,318)	(3,217)
Edinburgh Tattoo	(401)	(401)
Professional services, rents, other grants and funding		
Other Local Authorities	(698)	(1,095)
Scottish Government	(86)	(404)
Lothian Health Board		
Change Fund	(6,994)	(5,881)
Resource transfers	(21,406)	(21,499)
Total Revenue Income	<u>(32,253)</u>	<u>(32,867)</u>

NOTES TO THE FINANCIAL STATEMENTS

38. Related Parties - continued

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

	2016/17 £000	2015/16 £000
<ul style="list-style-type: none"> ● Joint Board Requisitions 		
Lothian Valuation Joint Board	3,744	3,744
Total Joint Board Requisitions	3,744	3,744
<ul style="list-style-type: none"> ● Central Support Income 		
Lothian Valuation Joint Board	(49)	(61)
Pension Funds	(264)	(279)
Total Central Support Income	(313)	(340)
<ul style="list-style-type: none"> ● Interest on Revenue Balances 		
Lothian Valuation Joint Board	3	3
Pension Funds	5	33
SESTRAN	1	0
Total Interest on Revenue Balances	9	36
<ul style="list-style-type: none"> ● Loans Charges Recovered 		
Lothian and Borders Fire and Rescue Board	(1,112)	(1,306)
Lothian and Borders Police Board	(2,771)	(3,060)
Total Loans Charges	(3,883)	(4,366)
38.2 Subsidiaries and Other Organisations - Capital Expenditure		
<ul style="list-style-type: none"> ● Capital Expenditure 		
CEC Holdings (including EDI Group, EICC, Waterfront Edinburgh and PARC)	1,155	2,021
Edinburgh Leisure	0	165
Hubco	9,204	15,773
Other Local Authorities	148	1,163
Scottish Government	3,352	5,565
Total Capital Expenditure	13,859	24,687

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 2017:

	2016/17	2015/16
	£000	£000
CEC Holdings Limited (including all subsidiaries)	(535)	(442)
Edinburgh Military Tattoo	0	52
Hubco	0	(310)
Lothian and Borders Criminal Justice Authority	237	227
Scottish Fire and Rescue Service	674	676
Lothian Valuation Joint Board	(1,512)	(1,302)
NHS Bodies	14,158	1,411
Pension Funds	(499)	(1,981)
Scottish Government	620	14,006
Scottish Water	70	70
SESTRAN	(84)	613
SUSTRANS	1,246	872
Audit Scotland	374	465
	14,749	14,357
• Other Indebtedness		
HM Revenue and Customs - VAT	9,170	8,089
HM Revenue and Customs - PAYE and NI	(9,041)	(9,035)
	129	(946)

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.

	2016/17		Re-stated 2015/16	
	£000	£000	£000	£000
Opening capital financing requirement		1,633,019		1,726,030
Capital Investment				
Property, plant and equipment	140,143		149,880	
Heritage Assets	11		40	
Assets held for sale	262		223	
Intangible assets	221		0	
Capital Receipts transferred to Capital Fund	420		55,141	
National Housing Trust - Consent to borrow (see note 34.3)	13,093		1,498	
Revenue expenditure funded from capital under statute	35,529		38,846	
Adjustments to PPP schools during the year	(9)		(9,195)	
		189,670		236,433
Sources of Finance				
Capital receipts	(27,922)		(120,492)	
Capital Funded from Current Revenue	(2,056)		(215)	
Government grants and other contributions	(91,017)		(112,974)	
Loans fund / finance lease repayments	(85,744)		(95,763)	
		(206,739)		(329,444)
Closing capital financing requirement		1,615,950		1,633,019
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow		(17,069)		(83,209)
Voluntary debt repayment - HRA		0		(10,000)
Assets acquired under finance leases		0		0
Assets acquired under PFI/PPP contracts		0		0
(Decrease) / Increase in capital financing requirement		(17,069)		(93,209)

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:

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	7,380	6,707	12,658	9,523
Additions during the year	0	0	0	0
Reclassification to operating lease during the year	0	0	0	0
Repayments during the year	<u>(3,470)</u>	<u>(2,797)</u>	<u>(5,278)</u>	<u>(2,816)</u>
Value at 31 March	<u>3,910</u>	<u>3,910</u>	<u>7,380</u>	<u>6,707</u>
Other land and buildings	0	0	63	63
Vehicles, plant, equipment and furniture	<u>3,910</u>	<u>3,910</u>	<u>7,317</u>	<u>6,644</u>
Value at 31 March	<u><u>3,910</u></u>	<u><u>3,910</u></u>	<u><u>7,380</u></u>	<u><u>6,707</u></u>

The Council is committed to making minimum lease payments under these leases, comprising settlement of the long-term liability for the interest in the assets acquired and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are shown below:

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Finance lease liabilities:				
Current	2,476	2,476	3,310	2,797
Non-current	1,434	1,434	4,070	3,910
Finance costs payable	<u>313</u>	<u>313</u>	<u>531</u>	<u>531</u>
Minimum lease payments	<u><u>4,223</u></u>	<u><u>4,223</u></u>	<u><u>7,911</u></u>	<u><u>7,238</u></u>

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

Minimum Finance Lease Repayments	at 31.03.17		at 31.03.16	
	Group £000	Council £000	Group £000	Council £000
Not later than one year	2,674	2,674	3,528	3,015
Later than one year and not later than five years	1,549	1,549	4,383	4,223
Later than five years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>4,223</u></u>	<u><u>4,223</u></u>	<u><u>7,911</u></u>	<u><u>7,238</u></u>
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	2,476	2,476	3,310	2,797
Later than one year and not later than five years	1,434	1,434	4,070	3,910
Later than five years	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>3,910</u></u>	<u><u>3,910</u></u>	<u><u>7,380</u></u>	<u><u>6,707</u></u>

NOTES TO THE FINANCIAL STATEMENTS

40. Leases - continued

40.2 Assets Leased in - Operating Leases

The Group leases in property, vehicles and copying equipment 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 £0.036m of contributions paid by employees towards cost of car leasing (2015/16 £0.047m).

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0.002m is recoverable from employees (2015/16 £0.030m):

	2016/17		2015/16	
	Group £000	Council £000	Group £000	Council £000
Future Repayment Period				
Not later than one year	1,896	1,398	2,467	2,074
Later than one year and not later than five years	4,978	3,842	5,402	4,350
Later than five years	5,915	4,479	6,755	5,286
	12,789	9,719	14,624	11,710
Value at 31 March				
Other land and buildings	11,838	9,680	13,613	11,598
Vehicles, plant, equipment and furniture	951	39	1,011	112
	12,789	9,719	14,624	11,710
Recognised as an expense during the year	2,573	2,027	2,565	2,094

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:

	2016/17 £000	2015/16 £000
Not later than one year	11,965	14,625
Later than one year and not later than five years	39,169	41,975
Later than five years	150,186	151,887
	201,320	208,487

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 an agreed major 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 Gillespie's High School. This has been procured using a Design, Build, Finance and Maintain (DBFM) agreement with Hub South East Scotland. The concession is due to terminate in July 2041.

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

	Payment for Services £000	Reimburse. of Capital Expenditure £000	Interest £000	Total £000
Payable in 2017/18	17,963	7,894	18,591	44,448
Payable within two to five years	79,230	33,259	71,370	183,859
Payable within six to ten years	122,315	41,894	79,957	244,166
Payable within eleven to fifteen years	138,386	53,972	68,900	261,258
Payable within sixteen to twenty years	102,267	53,301	48,280	203,848
Payable within twenty one to twenty five years	27,852	21,657	10,950	60,459
	<u>488,013</u>	<u>211,977</u>	<u>298,048</u>	<u>998,038</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 Gillespie's High School scheme, reflecting the terms of the separate contracts and assumed inflation of 2.5% per annum. The actual level of payment made in 2016/17 was adjusted to reflect non-availability of a number of school facilities over the period between April and August 2016.

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

The unitary charges paid to the service providers include amounts to compensate them 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:

	2016/17 £000	2015/16 £000
Balance at 1 April	219,893	227,802
PPP unitary charge restatement adjustment	(8)	0
Repayments during the year	<u>(7,908)</u>	<u>(7,909)</u>
Balance at 31 March	<u>211,977</u>	<u>219,893</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).

Future Repayment		
Period		£000
2017/18		34,762
2018/19 - 2021/22		94,987
2022/23		20,289
		<u>150,038</u>

The cost of information technology will be included in the Resources service area, with effect from 1 July 2017.

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
2017/18		5,975
2018/19 - 2019/20		8,641
		<u>14,616</u>

41.4 Waste Disposal

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

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

Future Repayment		
Period		£000
2017/18		3,515
2018/19 - 2021/22		8,864
		<u>12,379</u>

41.5 Food Waste Contract

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			Inflationary
Period		£000	Uplift
2017/18		521	2.50%
2018/19 - 2021/22		2,196	2.50%
2022/23 - 2026/27		2,942	2.50%
2027/28 - 2031/32		3,187	2.50%
2032/33 - 2035/36		2,748	2.50%
		<u>11,594</u>	

NOTES TO THE FINANCIAL STATEMENTS

41. Public Private Partnerships and Similar Contracts - continued

41.6 Residual Waste Contract

In 2016 the Council entered into a twenty five year contract with FCC to supply residual waste treatment at Millerhill. This contract will become operational from 1 October 2018.

Future Repayment Period	£000	Inflationary Uplift
2017/18	0	2.50%
2018/19 - 2021/22	23,984	2.50%
2022/23 - 2026/27	35,430	2.50%
2027/28 - 2031/32	37,379	2.50%
2032/33 - 2036/37	39,584	2.50%
2037/38 - 2041/42	42,079	2.50%
2042/43	8,743	2.50%
	<u>187,199</u>	

41.7 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 £18.442m.

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.

	2016/17		2015/16	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	21,315		19,715	
As a percentage of teachers' pensionable pay		17.20		17.20
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 2015/16	19,765		19,296	

At 31 March 2017, creditors include £2.763m (2015/16 £2.731m) in respect of teachers' superannuation.

43. Defined Pension Schemes

43.1 Participation in Pension Scheme

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

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

In terms of this scheme, in 2016/17 the Council paid an employer's contribution of £52.689m (2015/16 £55.446m) into the Lothian Pension Fund, representing 21.3% (2015/16 21.3%) of pensionable pay. Contribution rates are determined by the Fund's Actuary based on triennial actuarial valuations of the pension fund. The data is based on the latest available valuations as at March 2014.

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.1 Participation in Pension Scheme - continued

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.

	2016/17		2015/16	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	66,394		82,023	
Past service costs	7,029		2,087	
Effect of Settlements	<u>0</u>		<u>(159)</u>	
		73,423		83,951
<i>Financing and investment income:</i>				
Net interest expense		<u>15,476</u>		<u>23,445</u>
Total post employee benefit charged to the surplus on the provision of services		88,899		107,396
<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.	(428,706)		(37,286)	
Actuarial (gains) and losses arising on changes in financial assumptions	669,702		(253,389)	
Other experience	<u>3,215</u>		<u>(32,463)</u>	
		<u>244,211</u>		<u>(323,138)</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>333,110</u>		<u>(215,742)</u>
Movement in Reserves Statement				
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with the Code.		<u>(88,899)</u>		<u>(107,396)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		60,457		66,297
Contributions in respect of unfunded benefits		<u>5,807</u>		<u>5,990</u>
		<u>66,264</u>		<u>72,287</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:

	2016/17	2015/16
	£000	£000
Fair value of employer assets	2,747,964	2,247,877
Present value of funded liabilities	(3,368,139)	(2,605,380)
Present value of unfunded liabilities	<u>(85,611)</u>	<u>(81,437)</u>
Net liability arising from defined benefit obligation	<u>(705,786)</u>	<u>(438,940)</u>

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

	2016/17	2015/16
	£000	£000
Opening fair value of scheme assets	2,247,877	2,144,897
Effect of settlements	0	(1,917)
Interest income	78,498	68,568
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	428,706	37,286
Contributions from employer	60,457	66,297
Contributions from employees into the scheme	13,845	16,502
Contributions in respect of unfunded benefits	5,807	5,990
Benefits paid	(81,419)	(83,756)
Unfunded benefits paid	<u>(5,807)</u>	<u>(5,990)</u>
Closing fair value of scheme assets	<u>2,747,964</u>	<u>2,247,877</u>

Reconciliation of Present Value of the Scheme Liabilities

	2016/17	2015/16
	£000	£000
Present value of funded liabilities	(2,605,380)	(2,782,482)
Present value of unfunded liabilities	<u>(81,437)</u>	<u>(89,384)</u>
Opening balance at 1 April	(2,686,817)	(2,871,866)
Current service cost	(66,394)	(82,023)
Interest cost	(93,974)	(92,013)
Contributions from employees into the scheme	(13,845)	(16,502)
Re-measurement gain / (loss):		
Change in financial assumptions	(669,702)	253,389
Change in demographic assumptions	0	0
Other experience	(3,215)	32,463
Past service cost	(7,029)	(2,087)
Effects of settlements	0	2,076
Benefits paid	81,419	83,756
Unfunded benefits paid	<u>5,807</u>	<u>5,990</u>
Closing balance at 31 March	<u>(3,453,750)</u>	<u>(2,686,817)</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.

	2016/17 £000	%	2015/16 £000	%
Consumer *	412,549	15	342,338	15
Manufacturing *	416,581	15	265,121	12
Energy and Utilities *	203,906	8	178,558	8
Financial Institutions *	191,883	7	190,391	8
Health and Care *	161,077	6	149,425	7
Information technology *	136,000	5	134,677	6
Other *	<u>189,359</u>	7	<u>128,664</u>	6
Sub-total Equity Securities	<u>1,711,355</u>		<u>1,389,174</u>	
Debt Securities:				
UK Government *	275,933	10	144,656	6
Other *	<u>5,710</u>	0	<u>56,864</u>	3
Sub-total Debt Securities	<u>281,643</u>		<u>201,520</u>	
Private Equity				
All *	31,954	1	25,228	1
All	<u>56,808</u>	2	<u>73,078</u>	3
Sub-total Private Equity	<u>88,762</u>		<u>98,306</u>	
Real Estate:				
UK Property	<u>185,409</u>	7	<u>192,281</u>	9
Sub-total Real Estate	<u>185,409</u>		<u>192,281</u>	
Investment Funds and Unit Trusts:				
Bonds *	6,153	0	6,032	0
Bonds	34,601	1	12,180	1
Commodities *	8,058	0	6,235	0
Infrastructure *	17,459	1	12,509	1
Infrastructure	228,444	8	136,998	6
Other	<u>58,621</u>	2	<u>53,855</u>	2
Sub-total Investment Funds and Unit Trusts	<u>353,336</u>		<u>227,809</u>	
Derivatives:				
Foreign Exchange *	<u>0</u>	0	<u>(130)</u>	0
Sub-total Derivatives	<u>0</u>		<u>(130)</u>	
Cash and Cash Equivalents				
All *	<u>127,459</u>	5	<u>138,917</u>	6
Sub-total Cash and Cash Equivalents	<u>127,459</u>		<u>138,917</u>	
Total Fair Value of Employer Assets	<u>2,747,964</u>	<u>100</u>	<u>2,247,877</u>	<u>100</u>

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

NOTES TO THE FINANCIAL STATEMENTS

43. Defined Pension Schemes - continued

43.6 Basis for Estimating Assets and Liabilities

Hymans Robertson, the independent actuaries to Lothian Pension Fund, have advised that the financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2017 were those from the beginning of the year (i.e. 31 March 2016) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 1 April 2016 to 31 December 2016	17.10%
Estimated return for period from 1 April 2016 to 31 March 2017	22.60%

Average future life expectancies at age 65:

		31.03.17	31.03.16
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	31.03.17	31.03.16
Pension increase rate	2.4%	2.2%
Salary Increase rate	4.4%	4.2%
Discount rate	2.6%	3.5%

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 2017 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 3-5%. 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 2017	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	11%	364,274
0.5% increase in the Salary Increase Rate	3%	118,190
0.5% increase in the Pension Increase Rate	7%	235,414

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	2,025,773	60.2	23.1
Deferred members	394,911	11.7	22.4
Pensioner members	947,455	28.1	11.9
Total	3,368,139	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 2017 comprises approximately £65.846m (2015/16 £62.141m) in respect of LGPS unfunded pensions and £19.765m (2015/16 £19.296m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2017, 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.

	2016/17 Pension Reserve £000	2015/16 Pension Reserve £000
Unusable Reserves		
Council	(705,786)	(438,940)
Lothian Valuation Joint Board	(7,585)	(3,820)
	<u>(713,371)</u>	<u>(442,760)</u>
Usable Reserves		
CEC Holdings	(1,757)	(1,010)
Festival City Theatres Trust	(116)	(75)
Edinburgh Leisure	(3,795)	(844)
Transport for Edinburgh Ltd	(3,039)	17,936
	<u>(8,707)</u>	<u>16,007</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	(83,044)	(83,044)	(37%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(83,044)	(83,044)	(37%)
Interest income on plan assets	71,154	0	71,154	31.7%
Interest cost on defined benefit obligation	0	(89,880)	(89,880)	(40.1%)
Total Net Interest Cost	71,154	(89,880)	(18,726)	8.4%
Total included in Profit or Loss	71,154	(172,924)	(101,770)	(45.4%)

The Council's estimated contribution to Lothian Pension Fund for 2017/18 is £48.119m.

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 £10.933m, including accrued payments (2015/16 £7.994m).

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

- 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 2017. 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 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.
- The Scottish Child Abuse Inquiry was set up in October 2015 to examine the abuse of children in care from the 1930s to the present day and has identified a number of care institutions it wishes to investigate, including four council establishments - Howdenhall Centre, St Katherine's and two children's homes that closed in the 1980s. The Council has set up a project team to support the inquiry, review historic records and ensure that the evidence required by the Inquiry can be provided. There is a possibility that these investigations may give rise to claims against local authorities in Scotland, including the Council.

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 2017 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2017/18 has been set at £1.833bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2017/18 has been set at £1.703bn. 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 2017, the Council had £25.7m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 87.4% were loans to other local authorities, a further 0.7% was held in two AAA rated Money Market Funds, leaving only 11.9% with banks. All of the monies held on deposit with banks at 31 March 2017 was in call or near call accounts.

The Council's principal cash holding under its treasury management arrangements at 31 March 2017 was £173.5 million (31 March 2016: £192.5m). This was held with the following institutions:

Summary	Standard and Poors Rating	Principal Outstanding 31.03.17 £000	Carry Value 31.03.17 £000	Fair Value 31.03.17 £000	Carry Value 31.03.16 £000
Money Market Funds					
Deutsche Bank AG, London	AAAm	942	947	947	25,672
Goldman Sachs	AAAm	19	20	20	183
Bank Call Accounts					
Bank of Scotland	A	17,310	17,314	17,314	12,608
Royal Bank of Scotland	BBB+	246	246	246	2,042
Santander UK	A	43	43	43	16
Barclays Bank	A-	3	3	3	13,048
Svenska Handelsbanken	AA-	32	34	34	13,295
HSBC Bank Plc	AA-	0	0	0	19
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	154,832	154,896	154,927	87,350
UK Government Treasury Bills	AA	0	0	0	38,455
		<u>173,427</u>	<u>173,503</u>	<u>173,534</u>	<u>192,688</u>

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2017 would have been 'AA' from S&P) due to their tax raising powers and the perceived government support. Very few have their own credit rating, but of the £154.83m above, £11.43m 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 £17.6m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but the Council takes a low risk approach to investment. Despite continuing concerns over the European Sovereign Debt crisis and the effects that this might have on the banking system, there was no evidence at 31 March 2017 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 2017 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2017 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2017. 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 £2.641m (2015/16 £2.769m), trade debtors past due date can be analysed by age as follows:

	2016/17	2015/16
	£000	£000
Less than two months	14,823	13,163
Two to four months	1,292	1,055
Four to six months	1,002	786
Six months to one year	1,838	4,088
More than one year	9,338	10,886
Total	<u>28,293</u>	<u>29,978</u>

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

45.4 Liquidity risk

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

Whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to the Council. The Council is also required by statute to achieve 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:

	2016/17	2015/16
	£000	£000
Less than one year	(87,072)	(80,656)
Between one and two years	(64,419)	(66,155)
Between two and five years	(181,620)	(188,770)
Between five and ten years	(278,115)	(264,343)
More than ten years	<u>(926,909)</u>	<u>(996,419)</u>
Financial Liabilities	<u>(1,538,135)</u>	<u>(1,596,343)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £23.548m (2015/16 £15.277m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £16.019m (2015/16 £17.513m) nor net equivalent interest rate (EIR) adjustments of £9.014m (2015/16 £8.954m) 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.

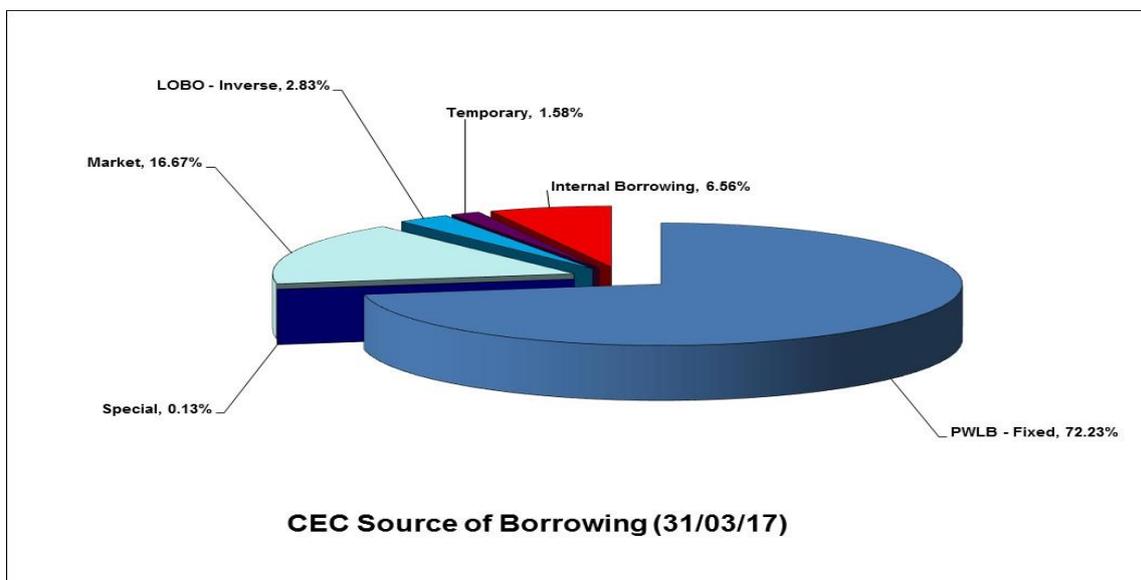
The Council has a number of strategies for managing interest rate risk. The annual treasury management strategy includes a forecast for short and longer term interest rates. The treasury team continue to monitor market and forecast interest rates during the year and adjust investment policies accordingly. 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 £23.436m (2015/16 £23.474m) 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.

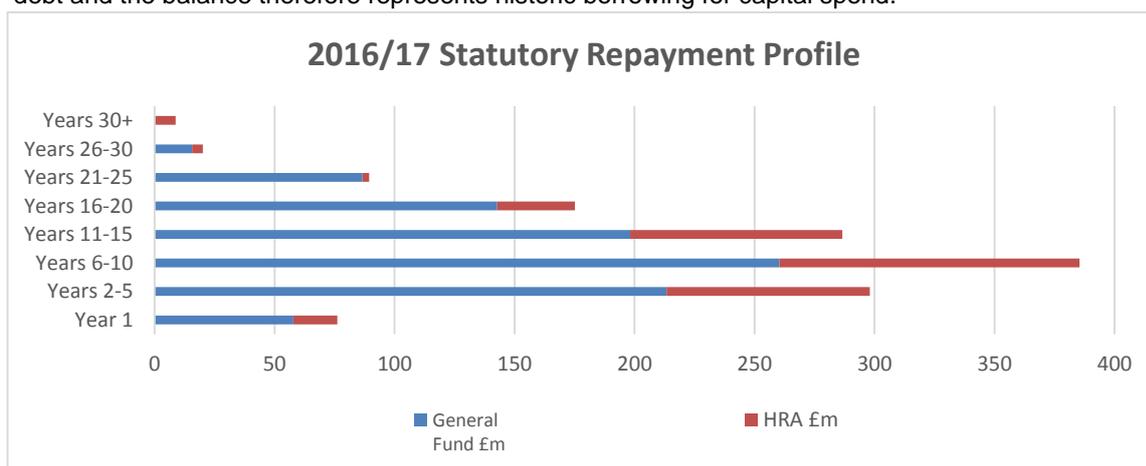
As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

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.

45.7 The **Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016** require the statutory loans fund to be administered in accordance with the 2016 Regulations, proper accounting practices and prudent financial management.

The Council operates a consolidated loans fund under the terms of these Regulations. Capital payments made by services are financed by capital advances from the loans fund. All advances from the loans fund in the current year have a repayment profile set out using Option 1, the statutory method. All capital advances from the loans fund are repaid using the previous hybrid annuity structure with fixed principal repayments. The Council operates the loans fund to manage historic debt and the balance therefore represents historic borrowing for capital spend.



NOTES TO THE FINANCIAL STATEMENTS

46. Business Improvement District Scheme

The Council acts as the Billing Authority for a number of Business Improvement Districts (BIDs). 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.

	2016/17 £000	2015/16 £000
Monies to be recovered from ratepayers at 1 April	349	190
BID Levy Income	5,071	3,637
Less: Payments made / due to schemes	<u>(4,797)</u>	<u>(3,478)</u>
Monies still to be recovered from ratepayers at 31 March	<u>623</u>	<u>349</u>

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

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

47. 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 £0.98m was paid out to the respective lead authorities of the projects concerned.

	2016/17		2015/16	
	£000	£000	£000	£000
Balance as at 1 April		3,846		4,819
Contribution from Scottish Government		0		90
Investment income		7		17
Less: Payments made:				
Aberdeen City Council	(136)		(4)	
City of Edinburgh Council	(117)		(4)	
Dundee City Council	(33)		0	
Glasgow City Council	(269)		(409)	
Highland Council	0		(37)	
Perth and Kinross Council	(73)		(102)	
Stirling Council	<u>(350)</u>		<u>(344)</u>	
		<u>(978)</u>		<u>(900)</u>
Contribution to SCDI				
2014/15	0		(90)	
2015/16	<u>0</u>		<u>(90)</u>	
		<u>0</u>		<u>(180)</u>
Balance as at 31 March		<u><u>2,875</u></u>		<u><u>3,846</u></u>

As of April 2017, the Alliance had approved total project funding allocations of £5.79m (£4.66m April 2016), covering a range of initiatives spanning the areas of Infrastructure, Investment Promotion, Low Carbon and Smart Cities.

NOTES TO THE FINANCIAL STATEMENTS

48. 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, with further plans in place to wind up of the Usher Hall Conservation Trust in 2017/18.

48.1 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:	31.03.17	31.03.16
	£000	£000
Income	(47)	(27)
Expenditure	45	7
Assets	6,235	6,174
Liabilities	(4)	(1)

- **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:	31.03.17	31.03.16
	£000	£000
Income	(1)	(1)
Expenditure	1	1
Assets	8,054	7,043
Liabilities	(1)	(4)

- **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:	31.03.17	31.03.16
	£000	£000
Income	(30)	(21)
Expenditure	13	17
Assets	921	857
Liabilities	(2)	(5)

48.2 The funds are:

Scottish Registered Charities	Scottish	Market Value	Market Value
	Charity Registration Number	31.03.17 £000	31.03.16 £000
Lauriston Castle	SC020737	8,053	7,039
Jean F. Watson	SC018971	6,231	6,173
Edinburgh Education Trust	SC042754	919	852
Nelson Halls	SC018946	227	214
Boyd Anderson	SC025067	113	118
Usher Hall	SC030180	65	68
The Royal Scots Trust	SC018945	32	30
Total market value		<u>15,640</u>	<u>14,494</u>

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

NOTES TO THE FINANCIAL STATEMENTS

48. The City of Edinburgh Council Charitable Funds - continued

48.3 Financial Position of the Scottish Registered Charity Funds

2015/16 £000	Income and Expenditure Account	2016/17 £000
	Income	
(54)	Investment income	(73)
(2)	Other non-investment income	(14)
	<hr/>	<hr/>
(56)		(87)
	Expenditure	
24	Prizes, awards and other expenses	61
13	Governance Costs	15
	<hr/>	<hr/>
37		76
	<hr/>	<hr/>
(19)	Surplus for the year	(11)
	<hr/> <hr/>	<hr/> <hr/>
	2015/16 Balance Sheet	2016/17
	£000	£000
	Long-Term Assets	
1,843	Investments	2,066
5,232	Artworks - Jean Watson Trust	5,232
7,020	Heritable property	8,032
	<hr/>	<hr/>
14,095	Total Long-Term Assets	15,330
	Current Assets	
420	Cash and bank	333
	<hr/>	<hr/>
420		333
	Current Liabilities	
(21)	Creditors	(23)
	<hr/>	<hr/>
(21)		(23)
	<hr/>	<hr/>
14,494	Total Assets less Liabilities	15,640
	<hr/> <hr/>	<hr/> <hr/>
	Funds	
3,194	Capital at 1 April	3,116
19	Surplus for the year	11
0	Realised and unrealised gains on investments	123
(97)	Realised and unrealised losses on investments	0
	<hr/>	<hr/>
3,116		3,250
	<hr/>	<hr/>
11,378	Revaluation reserve	12,390
	<hr/>	<hr/>
14,494	Funds at 31 March	15,640
	<hr/> <hr/>	<hr/> <hr/>

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

48. The City of Edinburgh Council Charitable Funds - continued

48.4 Financial Position of Other Funds

2015/16	Income and Expenditure Account	2016/17
£000	Income	£000
<u>0</u>	Investment income	<u>0</u>
0		0
	Expenditure	
<u>1</u>	Administrative expenses	<u>1</u>
<u>1</u>		<u>1</u>
<u>1</u>	(Surplus) / Deficit for the year	<u>1</u>
2015/16	Balance Sheet	2016/17
£000	Current Assets	£000
<u>45</u>	Cash and bank	<u>44</u>
45		44
	Current Liabilities	
<u>(1)</u>	Balance with City of Edinburgh Council	<u>(1)</u>
<u>(1)</u>		<u>(1)</u>
<u>44</u>	Total Assets less Liabilities	<u>43</u>
45	Capital at 1 April	44
(1)	Deficit for the year	(1)
<u>0</u>	Compensation fund paid	<u>0</u>
<u>44</u>	Capital at 31 March	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments

49.1 The following prior period adjustment has been made. The change is adopted retrospectively for the prior period 2015/16, in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and

- **Asset Sales**

In 2015/16 the Council recognised income and gains on the sale of land on a phased sale arrangement, the income being treated as a debtor in the balance sheet. The receipt from one of these asset sales was overstated. A prior period adjustment has been made to correct the debtor and gain.

- **CEC Holdings Ltd**

In 2016/17 EDI Central Limited adopted IFRS, which resulted in changes to accounting treatment of long term debtors and notional interest. A prior period adjustment has been made to reflect the newly adopted standards. EDI Central Limited is a subsidiary of CEC Holding Ltd.

49.2 Impact on Financial Statements

Movement in Reserves Statement	2015/16 Statements £000	Asset Sales £000	CEC Holdings £000	2015/16 Re-stated £000
<u>Balance at 31 March 2015</u>				
Group Usable Reserves	10,172	0	(296)	9,876
Total Usable Reserves	199,599	0	(296)	199,303
Total Reserves	1,747,793	0	(296)	1,747,497
<u>Total Comprehensive Income and Expenditure</u>				
Group Usable Reserves	32,916	0	88	33,004
Total Usable Reserves	34,392	0	88	34,480
Total Reserves	370,856	(199)	88	370,745
<u>Net decrease between before transfers to reserves</u>				
Group Usable Reserves	33,392	0	88	33,480
Total Usable Reserves	(83,298)	0	88	(83,210)
Total Reserves	370,856	(199)	88	370,745
<u>Increase in year</u>				
Group Usable Reserves	30,454	0	88	30,542
Total Usable Reserves	79,067	0	88	79,155
Council Unusable Reserves	282,530	(199)	0	282,331
Total Reserves	370,856	0	88	370,944
<u>Balance at 31 March 2016</u>				
Group Usable Reserves	40,626	0	(208)	40,418
Total Usable Reserves	278,666	0	(208)	278,458
Council Unusable Reserves	1,731,617	(199)	0	1,731,418
Total Reserves	2,118,649	(199)	(208)	2,118,242

NOTES TO THE FINANCIAL STATEMENTS

49. Prior Period Adjustments - continued

49.2 Impact on Financial Statements - continued

Group				
Comprehensive Income and Expenditure Statement	2015/16 Statements £000	Asset Sales £000	CEC Holdings £000	2015/16 Re-stated £000
Cost of Services	953,846	0	(3)	953,843
Gain on Disposal of Fixed Assets	(36,148)	199	0	(35,949)
Financing and Investment Income	106,863	0	(84)	106,779
Taxation and Non-Specific Grant Income	(1,029,709)	0	(1)	(1,029,710)
Surplus on provision of service	(5,148)	199	(88)	(5,037)
Total Comprehensive Income and Expenditure	(370,856)	199	(88)	(370,745)
Council				
Comprehensive Income and Expenditure Statement	2015/16 Statements £000	Asset Sales £000		2015/16 Re-stated £000
Gain on Disposal of Fixed Assets	(36,146)	199	n/a	(35,947)
Surplus on Provision of Service	(1,476)	199	n/a	(1,277)
Total Comprehensive Income and Expenditure	(331,143)	398	n/a	(330,944)
Group				
Balance Sheet	2015/16 Statements £000	Asset Sales £000	CEC Holdings £000	2015/16 Re-stated £000
Short-term debtors	96,785	(199)	(208)	96,379
Net assets	2,118,649	(199)	(208)	2,118,242
Capital Adjustment Account	1,376,328	(199)	0	1,376,129
Unusable Reserves	1,839,983	(199)	0	1,839,784
Group Usable Reserves	40,626	0	(208)	40,418
Total Reserves	2,118,649	(199)	(208)	2,118,242
Council				
Balance Sheet	2015/16 Statements £000	Asset Sales £000		2015/16 Re-stated £000
Short-term debtors	86,600	(199)	n/a	86,401
Net assets	1,969,657	(199)	n/a	1,969,458
Capital Adjustment Account	1,376,328	(199)	n/a	1,376,129
Unusable Reserves	1,731,617	(199)	n/a	1,731,418
Total Reserves	1,969,657	(199)	n/a	1,969,458

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2017

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.

2015/16		2016/17	
£000	EXPENDITURE	£000	£000
27,765	Repairs and maintenance	27,469	
26,132	Supervision and management	21,069	
23,285	Depreciation and impairment of non-current assets	19,345	
5,609	Other expenditure	5,279	
1,073	Impairment of debtors	251	
83,864			73,413
	INCOME		
(93,015)	Dwelling rents	(95,674)	
(467)	Non-Dwelling rents (gross)	(496)	
(17,102)	Other income	(5,901)	
(110,584)			(102,071)
(26,720)	Net expenditure / (income) for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(28,658)
274	HRA share of corporate and democratic core		191
1,005	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		708
(25,441)	Net expenditure / (income) for HRA Services		(27,759)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
(2,247)	Gain on sale of HRA fixed assets	(755)	
19,021	Interest payable and similar charges	18,162	
2,494	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,410	
(98)	Interest and investment income	(52)	
(1,858)	Interest income on plan assets (<i>pension-related</i>)	(2,013)	
(7,439)	Capital grants and contributions	(7,587)	
9,873			10,165
(15,568)	Surplus for the year on HRA services		(17,594)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2015/16 £000		2016/17 £000
0	Balance on the HRA at the end of the previous year	0
15,568	Surplus for the year on the HRA Income and Exp Account	17,594
(13,312)	Adjustments between accounting basis and funding basis under statute	(5,708)
<u>2,256</u>	Net increase before transfers to reserves	<u>11,886</u>
<u>(2,256)</u>	Contribution to renewal and repairs fund, via the General Fund	<u>(11,886)</u>
<u><u>0</u></u>	Balance on the HRA at the end of the current year	<u><u>0</u></u>

Adjustments Between Accounting Basis and Funding Basis Under Regulations

£000		£000
	Adjustments primarily involving the Capital Adjustment Account	
	Reversal of items debited or credited to the Income and Expenditure Statement	
23,285	Charges for depreciation and impairment of non-current assets	19,345
(7,439)	Capital grants and contributions applied	(7,587)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(27,328)	Statutory provision for the financing of capital investment	(16,585)
0	Capital funded from revenue	0
	Adjustments primarily involving the Capital Receipts Reserve	
(2,247)	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(754)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(488)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(498)
	Adjustments primarily involving the Pensions Reserve	
2,676	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,016
(1,693)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,503)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(78)	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	(142)
<u>(13,312)</u>		<u>(5,708)</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 2017 are as follows:

Types of Houses	2017		2016	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	316	3,814.00	302	3,726.00
2 Apartment	5,367	4,266.00	5,459	4,177.00
3 Apartment	9,920	4,944.00	10,145	4,842.00
4 Apartment	3,353	5,693.00	3,426	5,579.00
5 Apartment	505	6,118.00	516	6,015.00
6 Apartment	9	6,164.00	9	6,043.00
7 Apartment	4	5,971.00	4	5,854.00
8 Apartment	1	5,971.00	1	5,854.00
Mid-market rent dwellings				
2 Apartment	23	5,556.00	21	5,447.00
3 Apartment	83	6,821.00	75	6,706.00
4 Apartment	22	8,598.00	22	8,430.00
	<u>19,603</u>		<u>19,980</u>	

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

- The amount of rent arrears included as debtors in the Council's Consolidated Balance Sheet was £6.647m (£6.799m 2015/16) against which a provision amounting to £5.757m (£5.399m 2015/16), has been created in respect of non collectable debts.
- Significant non-residential income includes ground rent at Broomhouse Drive of £0.160m per annum.
- The total value of uncollectable void rents for main provision properties was £0.552m (2015/16 £0.464m). 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 2017

2015/16 £000		2016/17 £000	£000
(300,827)	Gross council tax levied and contributions in lieu		(304,281)
49,860	Less: - Exemptions and other discounts	50,057	
7,956	- Provision for bad debts	7,731	
24,255	- Council Tax Reduction Scheme	23,406	
2,689	- Other reductions	3,265	
<u>84,760</u>			<u>84,459</u>
(216,067)			(219,822)
<u>(324)</u>	Previous years' adjustments		<u>(1,569)</u>
<u>(216,391)</u>	Total transferred to General Fund		<u>(221,391)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 96.4% (2015/16 96.1%).

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 was reduced by 25% where a dwelling had only one occupant or, with certain exceptions, 10% where the property was a second home, up until 31 March 2017. 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 2016/17

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	23,505	77	3,411	3,452	16,719	6/9	11,146	£779.33
B £27,001 - £35,000	47,290	68	3,613	6,904	36,841	7/9	28,654	£909.22
C £35,001 - £45,000	44,219	(24)	3,139	5,439	35,617	8/9	31,660	£1,039.11
D £45,001 - £58,000	38,346	65	2,693	4,123	31,595	9/9	31,595	£1,169.00
E £58,001 - £80,000	40,757	(31)	3,592	3,682	33,452	11/9	40,886	£1,428.78
F £80,001 - £106,000	24,839	(27)	1,436	1,955	21,421	13/9	30,941	£1,688.56
G £106,001 - £212,000	21,206	(100)	485	1,244	19,377	15/9	32,295	£1,948.33
H Over £212,000	3,969	(28)	130	191	3,620	18/9	7,240	£2,338.00
							214,417	
							437	
							<u>(6,553)</u>	
							<u>208,301</u>	

From 1 April 2017, the nine year Council Tax freeze was lifted with Local Authorities able to increase Council Tax by up to 3 per cent. In addition the Scottish Government introduced an increase in the property band multipliers for properties in bands E to H, also effective from 1 April 2017.

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 2017

2015/16		2016/17	
£000		£000	£000
(444,260)	Gross rates levied and contributions in lieu		(458,112)
85,276	Less: - Reliefs and other deductions	82,424	
4,752	- Uncollectable debt written off and provision for impairment	4,986	
<u>90,028</u>			<u>87,410</u>
(354,232)			(370,702)
13,161	Previous years' adjustments		2,501
<u>(341,071)</u>	Net Non-Domestic Rates Income		<u>(368,201)</u>
Allocated to:			
(341,540)	Contribution to National Non-Domestic Rates Pool		(368,712)
469	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		511
<u>(341,071)</u>			<u>(368,201)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2016	Number	Rateable Value £000
Shops, offices and other commercial subjects	14,403	647,060
Industrial and freight transport	2,733	73,224
Telecommunications	7	22
Public service subjects	363	48,622
Miscellaneous	2,733	139,715
	<u>20,239</u>	<u>908,644</u>

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £368.712m (2015/16 £341.540m) 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 £374.650m (2015/16 £390.862m).

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 48.4p per £ in 2016/17 (2015/16 48.0p per £).

Properties with a rateable value greater than £35,000 (2015/16 £35,000) had their rate charges calculated using the poundage of 49.7p per £ (2015/16 49.3p 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 2016/17, the Council generated two capital receipts for the Common Good. 6-8 Market Street was sold with a receipt of £183,494 and land at St James Quarter was sold with a receipt of £42,000, 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.

In 2015/16, £2m of the common good fund was earmarked to be utilised to fund a planned property maintenance programme. To date, £110,000 of this funding has been used to fund Scott Monument Lighting work. The resulting balance of the Common Good Fund is £2.402m as at 31 March 2017. (£2.298m 2015/16). This is split £0.512m in the fund and £1.890m in the planned property maintenance fund.

COMMON GOOD FUND - MOVEMENT IN RESERVES STATEMENT

	Common Good Fund £000	Property Maintenance Fund £000	Capital Adjust. Account £000	Reval. Reserve £000	Total Reserves £000
2016/17 Movements					
Balance at 31 March 2016	298	2,000	(22)	21,994	24,270
Movement in reserves during 2016/17					
(Deficit) / Surplus on the provision of services	104	0	0	0	104
Revaluation Reserve	0	0	0	0	0
Total Comprehensive Income and Expenditure	104	0	0	0	104
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	104	0	0	0	104
Transfer (to) / from reserves	110	(110)	0	0	0
Increase / (decrease) in year	214	(110)	0	0	104
Balance at 31 March 2017	512	1,890	(22)	21,994	24,374

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
2015/16 Comparative Data						
Balance at 31 March 2015	1,654	0	1,182	(22)	21,860	24,674
Movement in reserves during 2015/16						
Surplus on the provision of services	(538)	0	0	0	0	(538)
Revaluation Reserve	0	0	0	0	134	134
Total Comprehensive Income and Expenditure	(538)	0	0	0	134	(404)
Adjustments between accounting basis and funding basis under regulations:	0	0	0	0	0	0
Net increase / decrease before transfers to earmarked reserves	(538)	0	0	0	134	(404)
Transfer (to) / from reserves	(818)	2,000	(1,182)	0	0	0
Increase / (decrease) in year	(1,356)	2,000	(1,182)	0	134	(404)
Balance at 31 March 2016	298	2,000	0	(22)	21,994	24,270

COMMON GOOD FUND - COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2015/16 £000	2016/17 £000	£000
EXPENDITURE		
38 Common Good Fund	130	
38 TOTAL EXPENDITURE		130
INCOME		
0 TOTAL INCOME	0	
38 COST OF SERVICES		130
511 (Gain) / Loss on disposal of Fixed Assets	(225)	
0 Income from redemption of investment bonds	0	
(11) Interest and investment income	(9)	
500 Other Comprehensive Income and Expenditure		(234)
538 (Surplus) / Deficit on Provision of Services		(104)
(134) (Surplus) / Deficit on revaluation of non-current assets		0
404 TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE		(104)

COMMON GOOD FUND - BALANCE SHEET

31 March 2016 £000		31 March 2017 £000	£000
<u>21,892</u>	Community Assets	<u>21,892</u>	
<u>21,892</u>	Property, Plant and Equipment		21,892
<u>103</u>	Heritage Assets	<u>103</u>	
<u>103</u>	Long-term Assets		103
322	Short-Term Investments	589	
<u>1,953</u>	Cash and Cash Equivalents	<u>1,790</u>	
<u>2,275</u>	Current Assets		<u>2,379</u>
<u>24,270</u>	Net Assets		<u>24,374</u>
21,994	Revaluation Reserve	21,994	
<u>(22)</u>	Capital Adjustment Account	<u>(22)</u>	
<u>21,972</u>	Unusable Reserves		21,972
298	Common Good Fund	512	
<u>2,000</u>	Earmarked Reserve	<u>1,890</u>	
<u>2,298</u>	Usable Reserves		<u>2,402</u>
<u>24,270</u>	Total Reserves		<u>24,374</u>

The unaudited accounts were issued on 23 June 2017.

HUGH DUNN, CPFA
Acting Executive Director of Resources
12 June 2017

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation			
At 1 April 2016	21,892	21,892	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0
At 31 March 2017	<u>21,892</u>	<u>21,892</u>	<u>103</u>
Accumulated Depreciation			
At 1 April 2016	0	0	0
At 31 March 2017	<u>0</u>	<u>0</u>	<u>0</u>
Net Book Value			
At 31 March 2017	<u>21,892</u>	<u>21,892</u>	<u>103</u>
At 31 March 2016	<u>21,892</u>	<u>21,892</u>	<u>103</u>
Cost or Valuation			
At 1 April 2015	21,757	21,757	104
Revaluation increases / (decreases) recognised in the Revaluation Reserve	135	135	(1)
At 31 March 2016	<u>21,892</u>	<u>21,892</u>	<u>103</u>
Accumulated Depreciation			
At 1 April 2015	0	0	0
At 31 March 2016	<u>0</u>	<u>0</u>	<u>0</u>
At 31 March 2016	<u>21,892</u>	<u>21,892</u>	<u>103</u>
At 31 March 2015	<u>21,757</u>	<u>21,757</u>	<u>104</u>

1.2 Information on Assets Held

Assets owned by the Common Good Fund at 31 March 2017 include:

Monuments and statues	22
Parks and open spaces and other properties	32
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.

	2016/17		2015/16	
	£000	£000	£000	£000
Balance at 1 April		21,994		21,860
Upward revaluation of assets	0		134	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	0		0	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		0		134
Derecognition of asset disposals				0
Balance at 31 March		<u>21,994</u>		<u>21,994</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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	<u>(22)</u>	<u>(22)</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 also covers the organisations included in the Council's Group Accounts, a list of which is included on page 52 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

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. The Plan was first approved by Council in January 2016 and included a commitment to provide an annual update of the Plan. This annual update was considered and agreed by Council in February 2017 to ensure that the priorities and direction of the Plan continue to remain relevant and focused on the needs of our customers and citizens.
- 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. A Local Outcome Improvement Plan describes the work of the Council and our partners to deliver our shared vision and provide for improved outcomes across the city as a whole. Local Improvement Plans cover every area of the city and describe in detail our multi-agency approach to improve the delivery of services in our
- 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.
- 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.

ANNUAL GOVERNANCE STATEMENT

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

- 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.
- 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.
- The Council is embedding a culture of commercial excellence to ensure that our services always deliver Best Value. The Council's Business Plan describes our determination to have class leading commercial and procurement practices that are sustainable and realise benefits for our customers and the local supply chain. We are also developing a more commercial approach in considering how we best use our assets and generate income in the context of our overall strategic objectives and management of risk. The Council received a "superior performance" rating through the independent Procurement Capability Assessment and the Procurement and Commercial Improvement Programme (PCIP) assessment is currently in progress.
- 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.
- Performance Reports are considered on a monthly basis at the Corporate Leadership Team (CLT), with key indicators being reported and exceptions highlighted. A twice- yearly performance overview is reported to full Council and all Executive Committees, with inadequate performance highlighted within an accompanying exception report and reported to the appropriate team or committee.
- Audit actions are reviewed monthly by CLT and quarterly reviewed by GRBV. No significant control weaknesses were identified in either the Council's 2015/16 audit or the specific 2015/16 review of the Council's internal control framework. These assessments and prompt implementation of the recommendations have attested to the soundness of current controls although the Council recognises the importance of consolidating these improvements amidst significant organisational change.
- 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.
- 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.

ANNUAL GOVERNANCE STATEMENT

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

- A Council Governance Hub, chaired by the Chief Executive, has been established to scrutinise the management of Council companies, seek assurance over the delivery of services and to ensure that the Council is aware of any risks. This responds to areas for improvement recommended by internal audit - the independence of elected members as directors of companies; governance reporting to Council committees; the Council Observer role; and the annual assurance process for Council companies. The Hub provides oversight of the Council's companies, scrutinises the business plan, past performance and accounts; scrutinises compliance of the shareholder's agreement; identifies risks to the Council; provides an opportunity for Council Companies to raise issues directly with the Council's Chief Executive; and provides an opportunity for Council Companies to engage on issues of common interest and with the Council.

Specific work has been undertaken on reviewing the role of the Council's observers on company boards to ensure that the correct officers with the right level of seniority are attending board meetings and are accountable internally. Council companies are required to report to the Governance Hub once a year with the forward plans then considered at the relevant Council committee and the accounts and past performance scrutinised by the Governance, Risk and Best Value Committee.

- 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. The Council has revised its Councillor Induction and Training programme, drawing upon best practice from other organisations including The Scottish Parliament, informed by exit interviews conducted with councillors who indicated their intention not to stand again and also reflecting the views of political groups. Some distinctive features of the initial training programme included a Welcome Event, a Freshers Fayre, organised tours, each councillor being allocated a dedicated senior manager as a buddy to assist their assimilation and an informal evening reception at which their families could join them.

The induction training itself is structured in two phases – concentrating initially on what is immediately required, mandatory training (Councillors Code of Conduct, etc.), that which is of practical necessity (how committees and the decision-making process works, how to deal with casework, etc.) and core training for quasi-judicial functions (licensing, planning etc) together with some introductory sessions for each service area. A Training Needs Analysis will then be undertaken over the summer to inform the second (Autumn) phase of training.

- 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.

ANNUAL GOVERNANCE STATEMENT

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 in Autumn 2017 to ensure that the Council's annual governance practice is open, transparent and reflects best practice.

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 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.

The Chief Internal Auditor and Council's Head of Strategy and Insight 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 2017. 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.

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 143 to 154 in this remuneration report will be audited by Scott Moncrieff. The other sections of the remuneration report will be reviewed by Scott Moncrieff 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 Councillors' remuneration, 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.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17, the remuneration for the Leader of the City of Edinburgh Council was £50,682. 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 2016/17 this was £38,011. 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 £656,850. 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.

	No. of Posts	% of amount payable to Leader of the Council
Depute Leader of the Council	1	75%
Depute Convener	1	50%
Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	65%
Convener of Licensing Board	1	60%
Convener of Governance, Risk and Best Value	1	50%
Convener of Communities and Neighbourhoods	1	45%
Convener of Police and Fire Scrutiny	1	40%
Vice-Conveners of Culture and Sport, Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Health, Social Care and Housing Committees	8	45%
Opposition Group Leaders - Conservative and Green Groups	2	50%

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.

REMUNERATION REPORT

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 Executive 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 144 and 145. 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.

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances	Taxable Expenses	Non-Cash Expenses / Benefits-in-kind	Total Remun. 2016/17	Total Remun. 2015/16
	£	£	£	£	£
A. Burns, Leader of the Council	50,682	0	104	50,786	50,436
D. Wilson, Lord Provost	38,011	0	1,679	39,690	38,462
S. Cardownie, <i>Depute Convener (from 28.05.15)</i>	25,341	0	117	25,458	24,247
S. Howat, Depute Leader of the Council <i>(from 12.03.15 until 09.03.16)</i>	n/a	n/a	n/a	n/a	37,130
F. Ross, Convener of Economy <i>(until 09.03.16)</i> Depute Leader of the Council <i>(from 10.03.16)</i>	38,011	0	812	38,823	33,540
D. Brock, Depute Convener <i>(until 18.05.15)</i>	n/a	n/a	n/a	n/a	4,860
R. Lewis, Convener of Culture and Sport	32,943	0	190	33,133	32,865
C. Day, Vice Convener Health, Social Care and Housing <i>(until 27.10.16)</i> Convener Education, Children and Families <i>(from 27.10.16)</i>	27,167	0	79	27,246	22,628
P. Godzik, Convener Education, Children and Families <i>(until 27.10.16)</i>	26,040	591	0	26,631	33,255
A. Rankin, Convener Finance and Resources	32,943	0	226	33,169	33,447
R. Henderson, Convener Health, Social Care and Housing	32,943	0	726	33,669	33,343
I. Perry, Convener Planning	32,943	0	180	33,123	32,831

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2016/17 £	Total Remun. 2015/16 £
Council's Leader, Civic Head and Senior Councillors					
G. Barrie, Convener Regulatory (<i>until 09.03.16</i>) Convener Economy (<i>from 10.03.16</i>)	32,943	0	772	33,715	32,768
L. Hinds, Convener Transport and Environment	32,943	0	887	33,830	33,375
E. Milligan, Convener Licensing Board	30,409	0	0	30,409	30,287
M. Child, Convener Communities and Neighbourhoods	22,807	0	96	22,903	22,677
J. Balfour, Convener Governance, Risk and Best Value (<i>to 02.06.16</i>)	6,335	0	485	6,820	25,441
J. Mowat, Convener Governance, Risk and Best Value (<i>from 02.06.16</i>)	23,910	0	97	24,007	n/a
M. Bridgman, Convener Police and Fire Scrutiny (<i>until 09.03.16</i>) Convener Regulatory (<i>from 10.03.16</i>)	32,943	0	136	33,079	21,656
W. Henderson, Convener Police and Fire Scrutiny (<i>from 10.03.16</i>)	20,273	0	96	20,369	17,020
<u>Vice-Conveners</u>					
N. Austin-Hart, Vice Convener of Culture and Sport	22,807	0	0	22,807	22,581
G. Munro, Vice Convener of Economy	22,807	0	731	23,538	23,333
C. Fullerton, Vice Convener Education, Children and Families	22,807	0	116	22,923	22,692
B. Cook, Vice Convener Finance and Resources	22,807	0	0	22,807	22,581
A. Blacklock, Vice Convener Regulatory	22,807	0	762	23,569	23,386
A. McVey, Vice Convener Transport and Environment	22,807	0	730	23,537	23,307
D. Dixon, Vice Convener Planning (<i>from 12.03.15 until 09.03.16</i>)	n/a	n/a	n/a	n/a	22,471
A. Lunn, Vice Convener Planning (<i>from 10.03.16</i>)	22,807	0	729	23,536	17,796
J. Griffiths, Vice Convener Health, Social Care and Housing (<i>from 27.10.16</i>)	19,437	0	117	19,554	n/a
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader	25,341	0	0	25,341	25,090
S. Burgess, Green Group Leader	25,341	0	817	26,158	26,026
Councillors					
N Work, Convener Lothian Valuation Joint Board (<i>Note 1</i>)	21,118	289	1,719	23,126	22,708

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2016/17 was £4,225 (2015/16 £4,183). Expenses relate to Councillor role.

REMUNERATION REPORT

Remuneration Paid - continued Members' Salaries and Expenses

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

	2016/17 £	2015/16 £
Salaries	1,280,368	1,271,704
Expenses		
Claimed by councillors	1,693	1,723
Paid directly by the Council	<u>25,467</u>	<u>27,072</u>
Total	<u><u>1,307,528</u></u>	<u><u>1,300,499</u></u>

Remuneration paid to Senior Officers	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2016/17 £	(re-stated)
				Total Remun. 2015/16 £
Council's Senior Officers				
A. Kerr, Chief Executive (<i>from 27.07.15</i>) (<i>full year equivalent</i>)	165,810	0	165,810	111,652
				164,168
S. Bruce, Chief Executive (<i>until 31.08.15</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	67,392
			n/a	161,741
A. Maclean, Deputy Chief Executive (<i>until 05.01.16</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	110,881
			n/a	147,427
A. Gaw, Executive Director of Communities and Families (<i>Acting Director from 05.01.16 until 15.03.17</i>) (<i>full year equivalent</i>)	148,901	0	148,901	35,272
				147,427
G. Tee, Director Children and Families (<i>until 31.12.15</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	145,816
			n/a	147,427
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>from 26.10.15</i>) (<i>full year equivalent</i>)	74,451	0	74,451	31,903
				74,451
P. Gabbittas, Director Health and Social Care (<i>until 31.07.15</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	24,587
			n/a	82,928
P. Lawrence, Executive Director of Place (<i>from 30.11.15</i>) (<i>full year equivalent</i>)	148,901	0	148,901	49,552
				147,427
J. Bury, Acting Director Services for Communities (<i>from 08.05.14 until 18.10.15</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	67,380
			n/a	134,760
G. Ward, Director of Economic Development (<i>until 30.11.15</i>) (<i>full year equivalent</i>)	n/a	n/a	n/a	79,390
			n/a	127,758
M. Miller, Head of Safer and Stronger Communities and Chief Social Work Officer	102,256	0	102,256	101,243

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers - continued

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2016/17 £	Total Remun. 2015/16 £
Council's Senior Officers				
H. Dunn, Head of Finance (<i>until 05.01.16</i>) and Acting Executive Director of Resources (<i>from 06.01.16</i>) (<i>full year equivalent</i>)	148,901	0	148,901	116,241
M. Boyle, Head of Older People and Disability Service (<i>until 31.01.16</i>)	n/a	n/a	n/a	212,512
G. Crosby, Senior Manager Disabilities (<i>until 31.01.16</i>)	n/a	n/a	n/a	166,163
P. Campbell, Senior Manager Older People (<i>until 31.01.16</i>)	n/a	n/a	n/a	164,570
Total	<u>789,220</u>	<u>0</u>	<u>789,220</u>	<u>1,631,981</u>

Notes:

1. Remuneration shown above excludes any fees payable in respect of returning officer or other election duties. The approved remuneration for A Kerr for Returning Officer Duties in 2016/17 amounted to £41,358.
2. A. Kerr was appointed Chief Executive in July 2015. Salaries shown for A. Kerr and S. Bruce relate to the responsibilities as shown.
3. 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.
4. P. Lawrence was appointed Executive Director of Place in November 2015. Salaries shown for J. Bury and P. Lawrence relate to the responsibilities as shown.
5. A. Gaw was appointed Acting Director of Communities and Families in January 2016 until March 17 when this was made permanent. Salaries shown for A. Gaw and G. Tee relate to the responsibilities as shown.
6. 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.
7. 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.
8. 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 2016 and 2015 respectively.

	Salary, Fees and Allowances	Bonus	Other Benefits	Compensation for Loss of Office	Total Remun. 2016/17	Total Remun. 2015/16
	£	£	£	£	£	£
Council's Subsidiary Companies						
E. Adair, Operations and Finance Director, EDI Group	104,412	0	1,253	0	105,665	105,744
H. Rissmann, Chief Executive, EICC (until 31.03.15) (full year equivalent)	n/a	n/a	n/a	n/a	n/a	51,665 170,191
M. Dallas, Chief Executive, EICC	135,584	27,316	0	0	162,900	158,470
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd (Note 2)	122,960	0	0	0	122,960	116,600
J. Rafferty, Chief Executive, Capital City Partnership (until 1 December 2016)	49,016	0	0	70,908	119,924	72,795
R. Hunter, Chief Executive, Capital City Partnership (from 21 November 2016) (full year equivalent)	20,204	0	0	0	20,204 48,490	n/a
<u>LPFE Limited</u>						
C. Scott, Chief Executive Officer (from 01.05.16) (full year equivalent)	92,000	0	0	0	92,000	78,384 85,236
<u>Transport for Edinburgh</u>						
G. Lowder, Chief Executive (from 07.01.16) (full year equivalent)	138,983	14,180	684	0	153,847 156,664	n/a
<u>Lothian Buses Ltd.</u>						
I. Craig, Managing Director (until 31.01.16) (full year equivalent)	16,546	0	14,579	88,998	120,123 212,786	211,206
W. Campbell, Operations Director	n/a	n/a	n/a	n/a	n/a	116,076
W. Devlin, Engineering Director (until 31.01.17)	154,804	46,441	3,858	150,000	355,103	203,507
N. Strachan, Finance Director (until 31.01.17)	154,804	46,441	2,368	150,000	353,613	201,926
R. Hall, Managing Director (from 01.05.16) (full year equivalent)	110,188	33,000	0	0	143,188 214,500	n/a
<u>Edinburgh Trams Ltd.</u>						
T. Norris, Director and General Manager (until 26.06.15) (full year equivalent)	n/a	n/a	n/a	n/a	n/a n/a	43,474 80,705
L. Harrison, General Manager (from 01.02.16) (full year equivalent)	82,254	13,500	5,918	0	101,672 109,418	n/a
	<u>1,181,755</u>	<u>180,878</u>	<u>28,660</u>	<u>459,906</u>	<u>1,851,199</u>	<u>1,359,847</u>

Notes:

- Other benefits paid relate to car allowance, healthcare and telephone provision, within Lothian Buses Ltd. Others benefits paid relate to relocation expenses 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 £122,960 in 2016/17, of which £6,960 is VAT (2015/16 £116,600, £6,600).

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.

	2016/17	2015/16		2016/17	2015/16
£50,000 - £54,999	199	192	£135,000 - £139,999	1	1
£55,000 - £59,999	116	139	£140,000 - £144,999	1	1
£60,000 - £64,999	42	58	£145,000 - £149,999	3	1
£65,000 - £69,999	41	46	£150,000 - £154,999	0	0
£70,000 - £74,999	26	29	£155,000 - £159,999	0	0
£75,000 - £79,999	20	32	£160,000 - £164,999	0	1
£80,000 - £84,999	2	12	£165,000 - £169,999	1	1
£85,000 - £89,999	4	7	£170,000 - £174,999	0	0
£90,000 - £94,999	3	3	£175,000 - £179,999	0	0
£95,000 - £99,999	1	4	£180,000 - £184,999	0	0
£100,000 - £104,999	8	9	£185,000 - £189,999	0	0
£105,000 - £109,999	0	3	£190,000 - £194,999	0	0
£110,000 - £114,999	1	3	£195,000 - £199,999	0	0
£115,000 - £119,999	1	2	£200,000 - £204,999	0	0
£120,000 - £124,999	1	2	£205,000 - £209,999	0	0
£125,000 - £129,999	1	1	£210,000 - £214,999	0	1
£130,000 - £134,999	0	0			
			Total No. of Employees	472	548

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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £000	2015/16 £000
£0 - £20,000								
- Council	0	0	150	203	150	203	1,855	2,150
- Group companies	0	0	2	0	2	0	18	0
£20,001 - £40,000								
- Council	0	0	147	203	147	203	4,174	5,741
- Group companies	0	0	0	0	0	0	0	0
£40,001 - £60,000								
- Council	0	0	80	70	80	70	3,904	3,505
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	38	31	38	31	2,696	2,164
- Group companies	0	0	1	0	1	0	71	0
£80,001 - £100,000								
- Council	0	0	15	33	15	33	1,350	2,939
- Group companies	0	0	1	0	1	0	89	0
£100,001 - £150,000								
- Council	0	0	25	34	25	34	2,958	3,952
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	8	3	8	3	1,309	511
- Group companies	0	0	1	0	1	0	190	0
£200,001 - £250,000								
- Council	0	0	2	1	2	1	416	203
- Group companies	0	0	0	0	0	0	0	0
£250,001 - £300,000								
- Council	0	0	0	2	0	2	0	554
- Group companies	0	0	0	0	0	0	0	0
£300,001 - £350,000								
- Council	0	0	0	0	0	0	0	0
- Group companies	0	0	1	0	1	0	325	0
	0	0	471	580	471	580	19,355	21,719

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 2016/17 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £20,500 (2016 £20,500)	5.50%
On earnings above £20,500 and up to £25,000 (2016 £20,500 to £25,000)	7.25%
On earnings above £25,000 and up to £34,400 (2016 £25,000 to £34,400)	8.50%
On earnings above £34,400 and up to £45,800 (2016 £34,400 to £45,800)	9.50%
On earnings above £45,800 (2016 £45,8000)	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 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 2017 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 31.03.17 £	For year to 31.03.16 £		As at 31.03.17 £000	Difference from 31.03.16 £000
Council's Leader and Civic Head					
A. Burns, Leader of the Council	10,795	10,739	Pension	7	1
			Lump Sum	3	0
D. Wilson, Lord Provost	8,096	8,054	Pension	5	1
			Lump Sum	2	0
Senior Councillors					
R. Lewis	7,017	6,980	Pension	3	1
			Lump Sum	0	0
F. Ross	8,096	7,044	Pension	3	1
			Lump Sum	0	0
S. Howat	n/a	7,789	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Godzik	5,546	6,980	Pension	4	0
			Lump Sum	2	0
A. Rankin	7,017	6,980	Pension	3	0
			Lump Sum	0	0
R. Henderson	7,017	6,980	Pension	5	1
			Lump Sum	2	0
I. Perry	7,017	6,980	Pension	5	1
			Lump Sum	2	0
G. Barrie	7,017	6,980	Pension	3	1
			Lump Sum	0	0
L. Hinds	7,017	6,980	Pension	6	0
			Lump Sum	7	1
E. Milligan	6,477	6,443	Pension	4	0
			Lump Sum	2	0
M. Child	4,858	4,832	Pension	8	0
			Lump Sum	15	0
M. Bridgman	7,017	4,454	Pension	5	1
			Lump Sum	1	0
W. Henderson	4,318	3,622	Pension	2	1
			Lump Sum	0	0
N. Austin Hart	4,858	4,832	Pension	4	1
			Lump Sum	2	1
G. Munro	4,858	4,832	Pension	4	2
			Lump Sum	1	0
D. Dixon	n/a	4,758	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J. Mowat	5,093	n/a	Pension	2	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	For year to		As at	Difference
	31.03.17	31.03.16		31.03.17	from
	£	£		£000	£000
A. Blacklock	4,858	4,832	Pension	4	1
			Lump Sum	2	0
A. McVey	4,858	4,832	Pension	2	0
			Lump Sum	0	0
A. Lunn	4,858	3,653	Pension	2	2
			Lump Sum	0	0
J. Griffiths	4,140	n/a	Pension	2	n/a
			Lump Sum	0	n/a
C. Rose	5,398	5,369	Pension	4	1
			Lump Sum	2	1
<u>Councillors</u>					
N. Work (<i>including role as Convener of Lothian Valuation Joint Board</i>)	4,498	4,475	Pension	4	1
			Lump Sum	2	0

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

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2017 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	For year to		As at	Difference
	31.03.17	31.03.16		31.03.17	from
	£	£		£000	£000
A. Kerr, Chief Executive (<i>from 27.07.15</i>) (<i>including returning officer role</i>)	35,318	23,981	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>)	n/a	14,422	Pension	n/a	n/a
			Lump Sum	n/a	n/a
A. Maclean, Depute Chief Executive (<i>until 05.01.16</i>)	n/a	23,517	Pension	n/a	n/a
			Lump Sum	n/a	n/a
A. Gaw, Executive Director of Communities and Families (Acting Director from 05.01.16 until 15.03.17)	31,716	24,031	Pension	67	18
			Lump Sum	141	35
G. Tee, Director Children and Families (<i>until 31.12.15</i>)	n/a	83,567	Pension	n/a	n/a
			Lump Sum	n/a	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>from 26.10.15</i>)	15,858	6,827	Pension	n/a	n/a
			Lump Sum	n/a	n/a
P. Gabbitas, Director Health and Social Care (<i>Council proportion</i>) (<i>until 31.07.15</i>)	n/a	3,664	Pension	n/a	n/a
			Lump Sum	n/a	n/a

REMUNERATION REPORT

Pension Benefits - continued Pension Rights - continued Senior Employees

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.17 £	For year to 31.03.16 £		As at 31.03.17 £000	Difference from 31.03.16 £000
P. Lawrence, Executive Director of Place (from 30.11.15)	31,716	10,604	Pension Lump Sum	n/a n/a	n/a n/a
J. Bury, Acting Director Services for Communities (from 08.05.14 until 18.10.15)	n/a	14,419	Pension Lump Sum	n/a n/a	n/a n/a
G. Ward, Director Economic Development (until 30.11.15)	n/a	16,979	Pension Lump Sum	n/a n/a	n/a n/a
M. Miller, Head of Safer and Stronger Communities and Chief Social Work	21,781	21,666	Pension Lump Sum	42 82	3 1
H. Dunn, Head of Finance (until 05.01.16) and Acting Executive Director of Resources (from 06.01.16)	31,716	24,876	Pension Lump Sum	68 143	21 42
M. Boyle, Head of Older People and Disability Service (until 31.01.16)	n/a	55,481	Pension Lump Sum	n/a n/a	n/a n/a
G. Crosby, Senior Manager Disabilities (until 31.01.16)	n/a	13,960	Pension Lump Sum	n/a n/a	n/a n/a
P. Campbell, Senior Manager Older People (until 31.01.16)	n/a	45,989	Pension Lump Sum	n/a n/a	n/a n/a
Total	168,105	383,983			

Notes:

All senior employees shown in the previous table above, with the exception of P. Gabbitas are members of the Local Government Pension Scheme. P. Gabbitas 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 2017, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 150. The contribution rate for P. Gabbitas was 14.7% in 2015/16.

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.

Council's Subsidiary Companies

The pension entitlements of senior employees within the Council's subsidiary bodies for the year to 31 March 2017 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 31.03.17 £	For year to 31.03.16 £		As at 31.03.17 £000	Difference from 31.03.16 £000
E. Adair, Operations and Finance Director, EDI Group	20,535	20,237	Pension Lump Sum	27 41	2 0
H. Rissmann, Chief Executive, EICC (until 31.03.15)	n/a	5,203	Pension Lump Sum	n/a n/a	n/a n/a

REMUNERATION REPORT

Pension Benefits - continued

Council's Subsidiary Companies - continued

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.17 £	For year to 31.03.16 £		As at 31.03.17 £000	Difference from 31.03.16 £000
M. Dallas, Chief Executive, EICC	17,821	16,836	Pension Lump Sum	n/a n/a	n/a n/a
<u>Lothian Buses Ltd.</u>					
I. Craig, Managing Director	3,789	40,075	Pension Lump Sum	n/a n/a	n/a n/a
W. Campbell, Operations Director	n/a	33,128	Pension Lump Sum	n/a n/a	n/a n/a
W. Devlin, Engineering Director	75,587	33,128	Pension Lump Sum	49 83	3 0
N. Strachan, Finance Director	210,249	33,128	Pension Lump Sum	44 70	3 0
R. Hall, Managing Director	6,875	n/a	Pension Lump Sum	n/a n/a	n/a n/a
<u>Edinburgh Trams Ltd.</u>					
T. Norris, Director and General Manager (<i>until 26.06.15</i>)	n/a	3,614	Pension Lump Sum	n/a n/a	n/a n/a
L. Harrison, General Manager (<i>from 01.02.16</i>)	8,225	n/a	Pension Lump Sum	n/a n/a	n/a n/a
<u>Capital City Partnership</u>					
J. Rafferty, Chief Executive (<i>until 01.12.16</i>)	9,558	14,073	Pension Lump Sum	32 67	2 1
<u>LPFE Limited</u>					
C. Scott, Chief Executive Officer	19,596	16,069	Pension Lump Sum	17 12	3 1
Total	<u>372,235</u>	<u>215,491</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 2016 and 31 December 2015 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.

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.

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:

Scott Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

RECONCILIATION OF THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
(as shown on page 19 of the Unaudited Financial Statements)

	£000	2016/17 £000	£000
Total Comprehensive (Income) and Expenditure			204,571
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		35,301	
Gains and losses relating to pension liability		(244,211)	
Other unrealised losses		(10,620)	
		<u> </u>	(219,530)
Surplus on provision of services, per CIES			(14,959)
<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	(147,889)		
Net loss on sale of fixed assets	12,061		
Revenue expenditure funded from capital under statute	35,529		
Finance costs - statutory adjustments	1,898		
Net charges made for retirement benefits in accordance with IAS 19	(88,899)		
		<u> </u>	(187,300)
<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)	75,039		
Lease repayments (including element relating to PPP contracts)	12,929		
Capital expenditure charged to the General Fund balance	(35,529)		
Capital expenditure funded from revenue	2,056		
Change in fair value of Investment Properties	(779)		
Capital grants and contributions credited to the CIES	58,484		
Net transfer for holiday pay accrual	741		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	66,264		
		<u> </u>	179,205
<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	11,886		
Net Transfer from earmarked reserves	(2,262)		
		<u> </u>	9,624
			<u> </u>
General Fund Surplus reported in Financial Statements			(13,430)

	2016/17	
£000	£000	£000
Consolidation Adjustments		
Funds (drawn down from) / contributed to earmarked balances:		
- Balances set aside for specific investment	14,487	
- Contingency funding	0	
- Council Priorities Fund (net of transfer of year-end surplus)	1,915	
- Council Tax Discount Fund	2,638	
- Devolved School Management	(116)	
- Dilapidation fund	250	
- Environment	(1,750)	
- Energy efficiency	(748)	
- Equal Pay	19	
- Insurance fund	1,127	
- Licensing income	1,699	
- Lothian Buses	(1,909)	
- Other minor funds	(3)	
- Outdoor Centres	356	
- Police and Fire reserves previously returned to constituent councils	(1,996)	
- Pre-paid PPP monies	426	
- Recycling monies	(211)	
- Salix / CEEF	1,324	
- Savings set aside for IT projects	(1,086)	
- Spend to save	107	
- Strategic Acquisition Fund	(1,278)	
- Unspent grants	(2,879)	
		<u>12,372</u>
General Fund Surplus		<u><u>(1,058)</u></u>

REVENUE BALANCES

	Balance at 31-Mar-16 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31-Mar-17 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	12,565	(4,011)	17,105	25,659
Contingency funding, incl workforce	18,075	0	19	18,094
Council Priorities Fund	1,128	0	2,973	4,101
Dilapidations fund	12,094	(450)	700	12,344
Insurance funds	13,539	(99)	1,226	14,666
	<u>57,401</u>	<u>(4,560)</u>	<u>22,023</u>	<u>74,864</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration income	1,393	0	1,699	3,092
Lothian Buses	5,704	(1,909)	0	3,795
Other minor funds	240	(17)	13	236
Pre-paid PPP monies	1,729	0	426	2,155
Recycling monies	1,372	(211)	0	1,161
National Performance Sports Centre	1,996	(2,498)	502	0
Council Tax Discount Fund	21,596	(250)	2,888	24,234
Unspent grants	5,814	(4,894)	2,015	2,935
Strategic Acquisition Fund	7,458	(1,278)	0	6,180
	<u>47,302</u>	<u>(11,057)</u>	<u>7,543</u>	<u>43,788</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Savings set aside for IT projects	3,133	(1,558)	472	2,047
Energy efficiency	847	(830)	82	99
Salix / CEEF	0	0	1,324	1,324
Spend to save	3,884	0	107	3,991
	<u>7,864</u>	<u>(2,388)</u>	<u>1,985</u>	<u>7,461</u>
Balances Set Aside under Devolved School Management Scheme				
Devolved School Management	<u>2,804</u>	<u>(2,804)</u>	<u>2,688</u>	<u>2,688</u>
Unallocated General Reserve				
	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
Total General Reserve	<u><u>128,396</u></u>	<u><u>(20,809)</u></u>	<u><u>34,239</u></u>	<u><u>141,826</u></u>