

The City of Edinburgh Council

10.05am, Thursday, 27 June 2019

Unaudited Annual Accounts 2018/19

Executive/routine	Routine
Wards	N/a
Council Commitments	N/a

1. Recommendations

1.1 Members of Council are asked to:

- 1.1.1 note that the unaudited annual accounts for 2018/19 will be submitted to the external auditor by the required date;
- 1.1.2 note that the provisional outturn position shows an overall underspend of £1.582m and that this sum will be set aside within the Council Priorities Fund;
- 1.1.3 note that a more detailed revenue and capital outturn position will be reported to the Finance and Resources Committee in August 2019;
- 1.1.4 further note that the audited annual accounts and the annual auditor's report will be submitted to the Governance, Risk and Best Value Committee and thereafter to the Finance and Resources Committee in September 2019, for approval; and
- 1.1.5 approve, subject to the outcome of the audit process, an increase of £7.483m in the level of the Council's offer to the Edinburgh Integration Joint Board in respect of 2018/19, in line with the actual service outturn for the year.

Stephen S. Moir

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Unaudited Annual Accounts 2018/19

2. Executive Summary

- 2.1 The report presents to members the Council's 2018/19 Unaudited Annual Accounts prior to their submission to the external auditor. These statements detail the financial position and performance of the Council, together with that of the wider Council Group, for the year ending 31 March 2019. The report includes a summary of the draft outturn position and notes that more detailed reports will be brought to the Finance and Resources Committee in August 2019.

3. Background

- 3.1 The report presents the unaudited annual accounts for the 2018/19 financial year for Council's consideration.
- 3.2 The Council's unaudited annual accounts, included 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.
- 3.3 Members should note that the unaudited annual accounts must be published on the Council's website no later than 30 June 2109 and made available for public inspection for a period of 15 working days. This inspection period will run from Monday 1 July to Friday 19 July 2019 inclusive.

4. Main report

- 4.1 The financial position of the Council and its wider Group is presented in the following statements:
- Movement in Reserves Statement (pages 17 and 18);
 - Comprehensive Income and Expenditure Statement for the Group (pages 19) and the Council (page 20); and
 - Balance Sheet (page 21)

- 4.2 The consolidated Group accounts include the results for the following subsidiaries, associates and joint ventures:

Subsidiaries – CEC Holdings Ltd (including EDI Group Ltd and Edinburgh International Conference Centre Ltd) and Transport for Edinburgh Ltd.

Associates and Joint Ventures – Edinburgh Leisure, Capital Theatres, Common Good, Lothian Valuation Joint Board and Edinburgh Integration Joint Board.

- 4.3 A number of smaller entities, listed on page 39 of the Unaudited Annual Accounts, have not been consolidated on the grounds of low materiality.
- 4.4 The annual remuneration report is included in the Unaudited Annual Accounts on pages 121 to 131. This covers the Council's Leader, Civic Head, Senior Councillors, Conveners of Joint Boards and senior employees within both the Council and its wider group.

Outturn Summary

Revenue

- 4.5 The Council's draft outturn position shows a net underspend against budget of £1.582m. This net position includes service overspends totalling £12.331m, primarily in Health and Social Care £7.483m, Place £2.736m and Communities and Families £2.445m. These overspends were offset mainly from savings in loans charge expenditure and other corporate budgets.
- 4.6 The net underspend of £1.582m has been set aside within the Council Priorities Fund. £1.427m of this is available to fund future delivery of services and £0.155m is earmarked separately in accordance with The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance, as it relates to gains arising from the increases in the fair value of a financial asset under newly adopted International Reporting Standard 9 in 2018/19.
- 4.7 Members will be aware of the demand-led pressures affecting the Health and Social Care service in 2018/19. These pressures, combined with shortfalls in realisation of savings, have resulted in an overspend of £7.483m. As noted at 1.1.5 approval is sought to increase the Council's offer to the Edinburgh Integration Joint Board in respect of 2018/19, allowing a balanced overall position to be forecast in respect of Council-delegated services.

Reserves

- 4.8 As at 31 March 2019, the General Fund reserves had reduced to £144.845m, a fall of £6.440m relative to the preceding year. The adequacy and appropriateness of the overall level of reserves held is reviewed annually by Council as part of the revenue budget process.
- 4.9 The reduction in reserves mainly reflects a drawdown from the Council Tax Discount Fund of £12.346m to support planned development of affordable housing, in line with the Housing Revenue Account (HRA) business plan. This was offset in part by an in-year addition to the fund of £3.430m from Council Tax second home

income earmarked by statute. There were other increases mainly reflecting differences between the timing of receipt of external funding and the related expenditure.

- 4.10 The unallocated General Fund remains at £13.025m at 31 March 2019. The remaining balance of £131.820m is earmarked for specific purposes, these being:
- Balances set aside to manage financial risks and for specific investment which are likely to arise in the medium-term future, including maintenance of an insurance fund, dilapidations and workforce management. The Council holds £92.421m against these future risks.
 - Balances set aside from income received in advance, primarily Council Tax Discount Fund and the City Strategic Investment Fund. The Council holds £30.364m of such income.
 - Balances set aside to support investment in specific projects, such as Spend to Save, which will deliver savings in future years. The Council holds £2.962m for such projects.
 - Balances held under the Devolved School Management Scheme and unallocated Pupil Equity Funding. The Council holds £6.073m of these funds.
- 4.11 Details of these earmarked balances are shown in Appendix 3.

5. Next Steps

- 5.1 The Unaudited Annual Accounts will be submitted to the external auditor by 30 June 2019, as required by the Local Authority Accounts (Scotland) regulations 2014.

6. Financial impact

- 6.1 The report identifies the provisional surplus in the year to 31 March 2019 and the requirements to set funds aside for future risks.

7. Stakeholder/Community Impact

- 7.1 There are no impacts arising directly from this report.

8. Background reading/external references

- 8.1 None.

9. Appendices

One – Unaudited Annual Accounts 2018/19

Two – Reconciliation of the Comprehensive Income and Expenditure Statement

Three – Reserve balances



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2018/2019

UNAUDITED ANNUAL ACCOUNTS



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The City of Edinburgh Council

Annual Accounts

Year to 31 March 2019

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MANAGEMENT COMMENTARY

Introduction

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 2019.

The Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 using the Council's management structure as a reporting basis, which is the same basis as in the previous year.

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 522,472 citizens across the 102 square mile Council area.

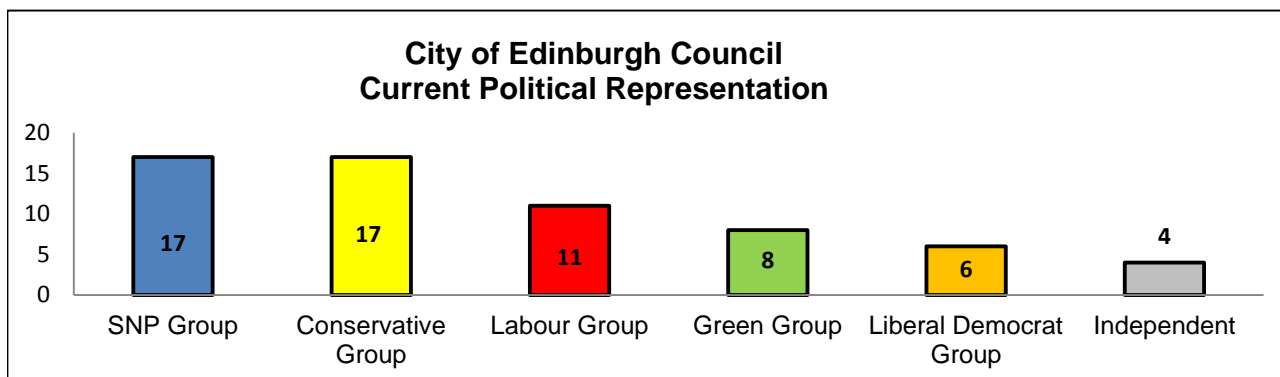
The structure of the Council continues to evolve but the tables below indicate the latest position, with the services with an Executive Director or Chief Officer in bold. In the prior year covered in these accounts, Safer and Stronger Communities was a separate service (constituent parts of which are marked with an asterisk) but since the beginning of the 2018/19 financial year it has been part of Communities and Families.

Communities and Families	Place	Health and Social Care
Schools and Lifelong Learning	Environment (inc. waste and parks)	Edinburgh Integration 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
Community Justice*	Resources	Services reporting to
Homelessness services*	Customer Services and Digital Services	the Chief Executive
Family and Household Support*	Finance	Strategy and Communications
	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.

There was a Local Government Election on 4 May 2017 which resulted in a change in political representation for the Council, with a new minority SNP and Labour administration formed.

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 121 of these financial statements.

MANAGEMENT COMMENTARY

Edinburgh and the Council's Role

Edinburgh is one of the best cities in the world in which to live, work and study. It is a city full of vibrancy and opportunity and, as a council, we are working hard to ensure that all residents can share in its success. We will keep investing in the things that support and sustain growth while confronting the challenges that come with it.

Edinburgh has seen significant recent population growth, with a 12.2% increase between 2006 to 2016, compared to a national rise of 5.3%. Analysis of population trends suggests the total number of residents is projected to increase by at least 80,000 people, with c. 25% increases for those aged 12 to 17 and those over 75, by 2027. This growth will place further demands on a range of frontline services and as such, the Council's budget framework continues to provide additional annual sums in respect of growing numbers of school pupils, at-risk children, older people and those with physical and/or learning disabilities.

A growing population is one of the most visible signs of the city's economic success. However, not all of our citizens share in that success and alongside our affluent areas, the city contains some of the most deprived communities in Scotland. Within the most deprived wards of our city as many as 30% of all residents live in households below the poverty threshold. Narrowing these gaps and allowing all residents to share in the city's success therefore forms a key strand of the City Vision.

City of Edinburgh Council's Corporate Strategy

The **Programme for the Capital: Council Business Plan for 2017/22** describes the Council's commitments to the city, the strategic aims and outcomes, the challenges, how success will be measured and the future direction of the organisation. The plan sets out overlapping strategic themes common to the work of all service areas. The strategic aims set out below are underpinned by the 52 commitments to the city.

- **Deliver an economy for all;**
- **Build for a future Edinburgh;**
- **Deliver a sustainable future;**
- **Deliver for our children and families; and**
- **Deliver a Council that works for all**

To deliver the vision and strategic aims, the Administration has set out 20 associated outcomes, as shown in the diagram below. These outcomes link to the **52 commitments** to the city which will be prioritised over the duration of the plan and into the future.



A new **Council Performance Framework 2017-22** has been revised to support the implementation of the Council Business Plan 2017-22.

The framework will be reviewed annually and will include refreshing the measures, actions and milestones to ensure that the data collected is useful in terms of being able to measure performance and delivery.

MANAGEMENT COMMENTARY

Risks and Uncertainty

The **Corporate Leadership Team's (CLT) prioritised risks** reported to the Governance, Risk and Best Value Committee on 7 May 2019 are outlined below. The report reflects the current highest priority risks of the Council along with the key controls in place to mitigate them.

A brief description of the top risks contained within the report is included below:

- 1 Health and Social Care** - Increased demand for services and associated demographic changes results in significant financial pressures which, when compounded by historic funding arrangements and traditional service models, creates a significant risk that the Council fails to implement and/or deliver appropriate health and social care arrangements, as required by the Edinburgh Integration Joint Board.
- 2 Asset Management** - Due to the age of properties across the Council's estate, there is a risk that they are not sufficiently safe for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public.
- 3 Programme and Project Delivery** - Due to availability of appropriately-skilled project and programme management resource, there is a risk that the Council is unable to ensure the effective management and successful delivery, on time and budget, of major programmes and projects.
- 4 Information and Data** - A major loss of data from the Council's control - either accidental or deliberate - could result in fines, claims, loss of public trust and reputational damage. This risk takes into account the requirements arising from the new General Data Protection Regulation that took effect in May 2018.
- 5 Medium-term Financial Planning (to 2022) - given** reduced funding availability, increasing demand for social care services, challenges in achieving planned savings, public perception of (and reaction to) proposed changes, competing priorities, the requirement to ring-fence budgets and potential legislative changes following Brexit, the Council could find it more difficult to undertake medium-term financial planning.
- 6 Response to a major incident** - A sudden high impact event causes harm to people and damages infrastructure, systems or buildings. Buildings, staff and/or systems are non-operational for a time, resulting in a reduced ability to deliver services.
- 7 Housebuilding Programme** - Due to capacity within the house-building industry, the availability of suitable land, uncertainties around planning assumptions used in financial models (demographics, demand, economic factors etc.) there are risks to the delivery of the Council's housebuilding programme.
- 8 Electoral Events** - Due to the national political situation and the current status of Brexit, there is an increased likelihood in the short-term of a requirement to hold a General Election or referendum in addition to currently planned elections. Potential effects include pressure on service delivery due to short-notice redeployment of trained and/or experienced staff to election activities.
- 9 Health and Safety** - There is a risk of non-compliance with the Council's legislative requirements and associated suite of health and safety policies and/or failure to comply with procedures or applicable legislation which could lead to an incident resulting in harm to staff, service users or members of the public, liability claims, regulatory breaches, fines and associated reputational damage.
- 10 Public Safety** - Due to increasing footfall in key locations, primarily during the Festivals, Christmas and Hogmanay, combined with the volume of traffic on the city's roads, there is an increased possibility of a collision between a pedestrian and vehicle. This could result in serious injury (mental and/or physical) or death, liability claims against the Council, and associated negative publicity for the city.
- 11 Brexit** - Due to the national political environment and ongoing preparations for Brexit, there are uncertainties around potential impacts upon the Council. Impacts could include the requirement for additional elections in the short-term, increased supply chain risks and employment pressures in the medium-to-long term, with subsequent impacts on particular areas of service delivery.
- 12 Changes to Decisions** - Difficult choices about services may be made through the Council decision making process. There is a risk that public reaction to such decisions may change over time, requiring decisions to be revisited and potentially altered. This could result in decisions being made out with long-term strategies, with associated impacts upon budgets, and ability to meet legislative requirements.
- 13 Sustainability and Corporate Social Responsibility** - Due to potential changes in legislation, increased media attention and public focus upon global issues such as climate change, environmental and corporate social responsibility, the Council could be required to alter its planning arrangements and assumptions to incorporate additional requirements.

MANAGEMENT COMMENTARY

Other Risks, Challenges and Uncertainties

Per the March 2019 Accounts Commission Report, 'Local Government in Scotland: Challenges and Performance 2019', 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, including potential impacts on availability of staffing for Council services. The **latest update** was considered by the Corporate Policy and Strategy Committee on 7 August 2018.
- The **2012 and 2016 Scotland Acts** introduced new financial and social security powers. As a result, Scotland's budget is influenced by Scottish ministers' tax decisions and how well the Scottish economy performs compared to the rest of the UK. In its five-year strategy, the Scottish Government estimates that the Scottish budget could vary by up to six per cent by 2022/23.
- In 2018, the Scottish Government and COSLA launched the **Local Governance Review** of how powers and responsibilities are shared across national and local government and with communities. The aim of the review is to give local communities more say in how public services in their area are run, with legislation to be developed in 2019. The **latest update** was considered by the Corporate Policy and Strategy Committee on 4 December 2018.
- Councils and their partners are developing fresh approaches to financially empowering local communities and actively involving them in making decisions. For example, the Council has developed a case for the introduction of a **Transient Visitor Levy (TVL)**.

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 quarterly to the Corporate Leadership Team and Executive Committees will consider an overview of performance relevant to their area, scrutinising indicators, improvement actions, issues and opportunities on an annual basis. The Corporate Policy and Strategy Committee will also consider performance on a six-monthly basis providing holistic strategic oversight and scrutiny. This thematic reporting is intended to complement financial data in giving a more rounded and informed picture of overall performance. In this vein, a new balanced scorecard approach is being implemented to bring together all aspects of performance in a single format.

Edinburgh-specific performance data for 2018/19 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.

Council Performance and Best Value

The **Local Government Benchmarking Framework 2017/18 - Edinburgh Overview** was reported to Corporate Policy and Strategy Committee on 14 May 2019. The Council's Annual Performance Report for 2018/19 will additionally be considered by Council on 27 June 2019. This report will set out both progress against the three themes underpinning the Change Strategy (further details of which are included on page 15) and the full suite of statutory performance indicators for 2018/19.

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.

The **Council's Annual Audit Report for 2017/18** noted that the Council will likely be subject to an external Best Value Audit towards the end of 2019/20.

The Best Value assessment considers whether the Council has achieved continuous improvement not in all services areas, but in the outcomes within the Council's strategic priority areas.

The annual audit report for 2017/18 highlighted good progress in the priority area to narrow the educational gap between children from deprived areas and the rest of the population. The Council's performance report did, however, identify that progress on shifting the balance of care for older people had remained static over 2017/18.

The report noted that the Council demonstrates good self-awareness around areas of performance requiring improvement and found that the performance reporting in 2017/18 was honest and robust.

MANAGEMENT COMMENTARY

Financial Performance

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.

Provisional 2018/19 data will be included in the Council's Annual Performance Report for 2018/19 to be presented to Council on 27 June 2019.

In addition, **an overview** of the Council's 2017/18 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 been produced, as well as more detailed briefings on the framework's seven elements. These briefings analyse not only existing performance but, more importantly, consider areas for improvement and planned or proposed actions to address these.

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

Revenue - General Fund

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be seen on page 20. 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 (page 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)
	2018/19	2018/19	/ Over
	£000	£000	Spend
			£000
General Fund services	833,321	845,652	12,331
Non-service specific areas			
Loans charges / interest on revenue balances	113,280	107,521	(5,759)
Other non-service specific costs	29,523	23,246	(6,277)
Council Tax Reduction Scheme*	26,672	24,293	(2,379)
Net Cost of Benefits	(291)	(812)	(521)
Dividend and other interest received	(10,618)	(12,019)	(1,401)
Non-service specific areas total	158,566	142,229	(16,337)
Movements in Reserves			
Net contribution to / (from) earmarked funds	(3,789)	(697)	3,092
Contribution to / (from) Renewal and Repairs Fund	173	173	0
Contribution to / (from) Capital Fund	(980)	(980)	0
Movements in Reserves total	(4,596)	(1,504)	3,092
Sources of funding			
General Revenue Grant	(363,757)	(363,757)	0
Distribution from Non-Domestic Rate pool	(340,474)	(340,474)	0
Council Tax	(283,060)	(283,728)	(668)
Sources of funding total	(987,291)	(987,959)	(668)
Transfer (to) / from Council Priorities Fund	0	(1,582)	(1,582)

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.

*uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £2.379m were transferred to an earmarked reserve.

MANAGEMENT COMMENTARY

Financial Performance - continued

Budget performance - General Fund - continued

On 22 February 2018, the Council set a balanced budget for 2018/19 with delivery of approved savings and prompt identification and management of underlying or emerging risks and pressures key to maintaining financial stability in the year. The approved budget was predicated on the delivery of £36.5m of directorate-specific and corporate savings.

The Council's outturn position shows a net underspend against budget of £1.582m. This net position is attributable to two main factors:

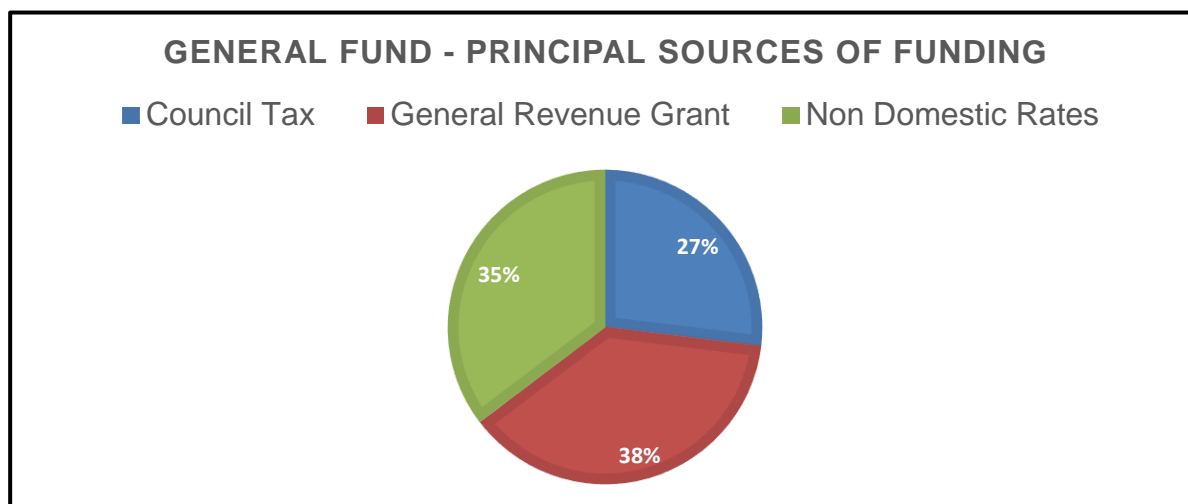
- Throughout the financial year it was reported to the Finance and Resources Committee that there were underlying pressures within, in particular, the Health and Social Care Partnership/EIJB and rising pupil rolls, home-to-school transport, temporary accommodation and community access to schools affecting the Communities and Families Directorate. In light of these pressures, a number of measures, including further tightening of workforce and financial controls, a review of discretionary expenditure and identification of other non-recurring income and expenditure savings, was initiated such that a balanced outturn for the year as a whole was delivered.
- The £12.331m general fund services overspend was offset by a £13.245m underspend in non-service specific areas, reserves and funding. Net savings in loans charges contributed £5.759m, additional interest and income received contributed £1.401m, additional income from Council Tax contributed £0.668m with the remainder primarily representing savings against inflationary provisions.

The net underspend of £1.582m has been set aside within the Council Priorities Fund.

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)	259,435
General Revenue Grant	363,757
Distribution from Non-Domestic Rates pool	<u>340,474</u>
Total	<u><u>963,666</u></u>



MANAGEMENT COMMENTARY

Financial Performance - continued

Reserves

General Fund

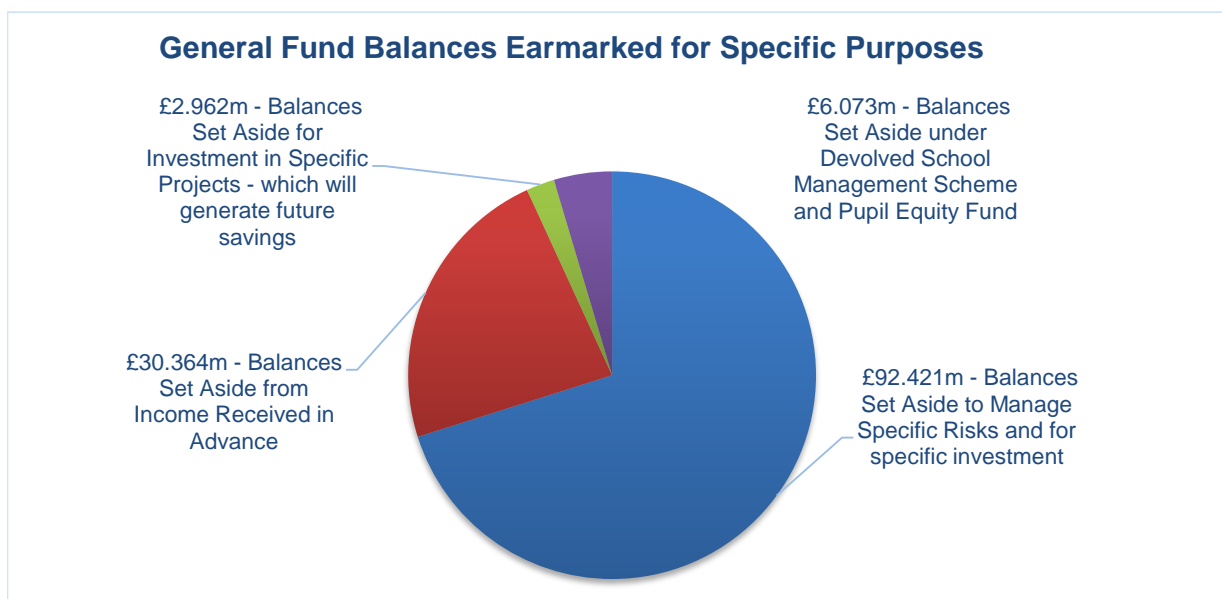
The Council's General Fund reserves comprise two elements:

- 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 February 2019, as part of the 2019/20 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 2018/19.

In addition, the Council has a further £131.820m, (2017/18 £138.260m) 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, dilapidations and other related contractual commitments 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, such as Spend to Save. These savings are used, initially, to reimburse the earmarked balances.
- Balances held under the School Board Delegation Scheme (DSM) and Pupil Equity Fund (PEF), which permits balances on individual school budgets to be carried forward to the following financial year and academic years.

The decrease in reserves from the previous year mainly reflects a drawdown of the Council Tax Discount Fund to support planned development of affordable housing.

In summary, the level of reserves at 31 March 2019, together with the forward strategy, is 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 £15.784m, the Capital Fund with a balance of £55.908m and the Renewal and Repairs Fund with a balance of £26.346m, including £2.126m of monies for schools prepaid under PPP arrangements.

MANAGEMENT COMMENTARY

Financial Performance - continued

Financial Ratios

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

Council Tax		2018/19	2017/18	Notes on Ratios
In-year collection rate	97.03%	96.78%		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 sums billed relating to previous financial years. The collection rate is stated on a line-by-line basis.
Council Tax income as a percentage of overall funding	26.92%	26.23%		This shows the proportion of total funding that is derived from Council Tax, net of Council Tax Reduction Scheme (CTRS). The increase is mainly due to a combination of greater property numbers and the application of a 3% rise across all bands relative to a lower level of increase in other elements of funding.
Debt and Borrowing - Prudence		Notes on Ratios		
Capital Financing Requirement	£1,546.7m	£1,575.9m		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 37 to the Financial Statements.
External debt levels	£1,426.3m	£1,476.4m		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	11.16%	11.64%		These ratios show the proportion of total revenue funding that is used to meet financing costs.
Financing costs to net revenue stream - HRA	37.29%	37.33%		
Impact of capital investment on Council Tax	-1.07%	-0.60%		These ratios show incremental impact of financing costs (the increase or (decrease) 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	1.34%	2.78%		

MANAGEMENT COMMENTARY

Financial Performance - continued

Treasury Management Strategy

The **Annual Treasury Strategy 2019/20** was approved on 14 March 2019. The key points are:

- the Council's total capital expenditure is forecast to be £2.039 billion between 2018/19 and 2023/24;
- the Council's underlying need to borrow at 31 March 2024 is forecast to be £1.913 billion;
- the opportunity to mitigate future interest rate risk with alternatives to the Public Works Loan Board (PWLB) will continue to be sought and the risk locked out where appropriate; and
- £299m of the Council's external debt is due to mature by 2024.

Capital Strategy

The **Capital Strategy 2019-2024** was approved at Full Council on 14 March 2019.

The report provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services and is linked to a number of other key plans and policies such as the Annual Treasury Strategy, the Capital Investment Programme and HRA Budget Strategy.

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.

The outturn position for capital expenditure is summarised below:

	Revised Budget 2018/19 £000	Actual 2018/19 £000	(Slippage) / Acceleration £000
Capital expenditure			
General Fund services	246,364	185,812	(60,552)
Housing Revenue Account	<u>80,934</u>	<u>80,963</u>	<u>29</u>
Total capital expenditure	<u><u>327,298</u></u>	<u><u>266,775</u></u>	<u><u>(60,523)</u></u>
Capital receipts and other contributions			
- General Fund services	(59,086)	(48,512)	10,574
- Housing Revenue Account	(47,171)	(55,393)	(8,222)
Government and other grants			
- General Fund services	(127,142)	(128,326)	(1,184)
- Housing Revenue Account	<u>(11,349)</u>	<u>(9,070)</u>	<u>2,279</u>
Total capital income	<u><u>(244,748)</u></u>	<u><u>(241,301)</u></u>	<u><u>3,447</u></u>
Capital Receipts and Grants Carried Forward			
- Set aside in temporary investments	15,137	15,212	75
- Set aside in Capital Fund	859	825	(34)
- Set aside in Capital Grants Unapplied Account	<u>0</u>	<u>12,339</u>	<u>12,339</u>
Total capital income carried forward	<u><u>15,996</u></u>	<u><u>28,376</u></u>	<u><u>12,380</u></u>
Balance to be funded through borrowing			
- General Fund services	76,132	37,350	(38,782)
- Housing Revenue Account	<u>22,414</u>	<u>16,500</u>	<u>(5,914)</u>
Total advances from loans fund	<u><u>98,546</u></u>	<u><u>53,850</u></u>	<u><u>(44,696)</u></u>

Expenditure on General Fund services slipped in total by £60.552m. The majority of slippage related to delays on the Early Years initiative projects, lending to the NHT and Edinburgh Living LLPs and major bridge projects, caused by factors largely out with the Council's control, however acceleration in the programme of Asset Management Works partly offset the slippage in these projects.

MANAGEMENT COMMENTARY

Financial Performance - continued

Capital Expenditure

The Council received £49.405m of general capital grant. The support provided through general capital grant enables the Council to direct resources to its own priorities.

Capital expenditure for the year totalled £266.775m. Major capital projects undertaken during the year included:

- Educational properties - £28.431m;
- Investing in new council homes and enhancing existing assets through the Housing Revenue Account programme - £80.963m;
- Social housing through the housing development fund - £53.164m;
- Roads, carriageways and other infrastructure - £27.730m;
- Cultural and other recreational venues - £2.920m;
- Providing funding for homes for mid market rent from private developers through the National Housing Trust - £20.418m; and
- Providing funding for homes for mid market rent from private developers through the Edinburgh Living LLP - £2.734m.

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 February 2018, the Council approved the five year Housing Revenue Account Budget Strategy. The budget set out the long-term investment priorities underpinning the Council's strategy to reduce the cost of living for tenants and to provide good quality, well managed, affordable and low cost housing people on low to middle incomes. The investment priorities are; expand and accelerate the development of affordable and low-cost housing; continue to modernise existing Council homes and neighbourhoods; and transformation of front line services to tenants to tackle inequality and reduce their costs of living.

The HRA Capital Programme is geared towards delivering the HRA Budget Strategy, which aims to expand and accelerate the development of affordable and low-cost homes; to improve tenants' homes, upgrade external fabric of mixed tenure building and estates; and to transform frontline services to reduce tenants' costs of living. 2018/19 was the largest capital programme to date; an 11% increase from the previous year's programme.

Delivery in 2018/19 has been strong. The Housebuilding Programme continues to grow, with around 1,300 homes completed or under construction this year. A total of 182 homes were completed at Pennywell (Phase 2), Calder Gardens, West Pilton and Clermiston in 2018/19, including the 22 mid market rented homes that were purchased by Edinburgh Living. At the end of the financial year, over 700 new homes were under construction, with a further 3,000 homes in design and development stages.

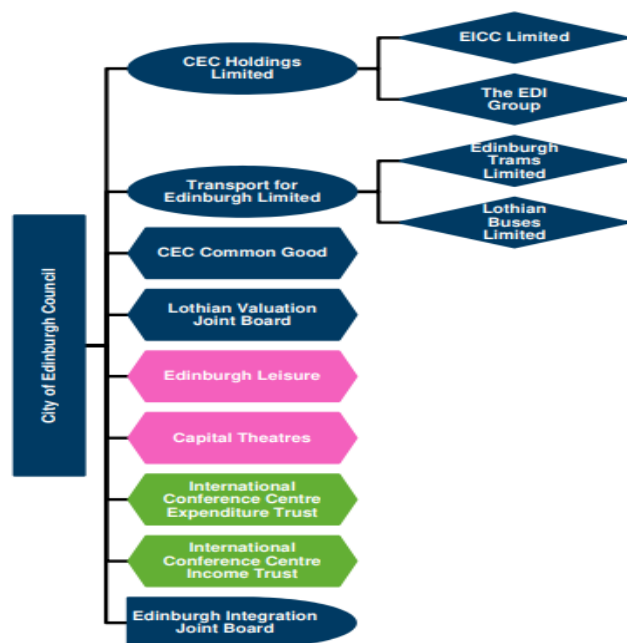
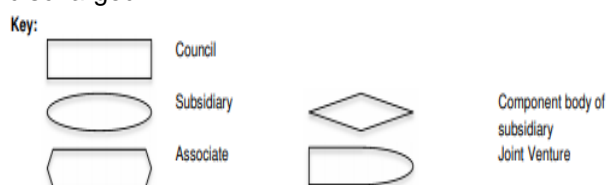
The 2019/20 programme will continue to invest in the internal modernisation of homes with an aim to bring existing homes up to the same quality as new homes and estates over the next 15 years. At the same time, investment in external fabrics, estates and secure door entry systems will be scaled up to meet statutory commitments. This includes £35m investment to delivery Energy Efficiency Standard for Social Housing (ESSH) and energy related improvements over the next two years; installation of secure door entry systems in 1,290 mixed tenure blocks over the next three years, where this is the cause of Scottish Housing Quality Standards (SHQS) non-compliance; and establishing a dedicated mixed tenure delivery team to engage with residents, liaise with owners and to progress mixed tenure projects.

MANAGEMENT COMMENTARY

Financial Performance - continued

Group Accounts

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, Group Accounts have been prepared, which consolidate the financial interests the Council has in subsidiaries, associates and joint ventures, where the interest is considered material. Note 9 details the interests the Council holds and further financial details about the entities. The adjacent chart shows the significant components in the structure of the Group. Information on the Common Good can be found on page 109 and the International Conference Centre Trusts have now been discharged.



CEC Holdings Ltd

EDI Group Ltd (subsidiary of CEC Holdings Ltd)

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. In early 2017, the Council conducted a review of its approach to the use of surplus land and its interactions with the property market and concluded that the default position will be that the land or buildings are used to deliver affordable housing, meaning that EDI has no future pipeline of projects. As a result, in the longer term the Council decided it should not have an arm's length development company. The Council therefore instructed the directors to begin a process of closure, with the majority of land transferring to the Council and all staff leaving by October 2018, with the company's activities now overseen by Council officers under the governance of a scheme of delegation and service level agreement. The company will continue to trade into 2019 and beyond until such time as all projects currently being undertaken by EDI have either concluded or have been transferred to the Council.

Edinburgh International Conference Centre (EICC) Ltd (subsidiary of CEC Holdings Ltd)

EICC Ltd operates a prime conference venue in the centre of Edinburgh. The Centre was built in 1995 and since that time has welcomed 1.3 million delegates from more than 120 countries, generating £600m of economic impact for the city region.

In 2018, the Centre saw its operating and financial performance improve for the fourth successive year, with the profit before tax from continuing operations increasing from £0.579m in 2017 to £0.760m, notwithstanding limited clients' budgets, increased competition from a growing number of conference centres and aggressive price competition from venues across the globe. The Company's revenues for the year amounted to £8.763m, which was an increase of £0.844m on the previous year and generated a gross profit of £1.360m, an increase of 19.61%.

Transport for Edinburgh Ltd

The core purpose of Transport for Edinburgh Ltd (TfE) is to deliver a high-quality and integrated transport service for the city. It also delivers profit through a strong commercial focus and drive for efficiency across all of its activities. TfE's long-term vision is to be an integral part of the future success of the city and the Lothians, by providing world-class, environmentally-friendly and socially-inclusive public transport.

The Group retained a substantial share of the local public transport market in Edinburgh and the Lothians. Revenue has increased by 6.4% from the previous year to £176.5m with net reserves of £148.8m at year end. The Group faced significant operating and cost pressures in 2018 and anticipates these pressures to persist in 2019, however, the Group will remain proactive in seeking to relieve their impact.

MANAGEMENT COMMENTARY

Financial Performance - Group Accounts - continued

Lothian Valuation Joint Board (LVJB)

The Board reported an unaudited overall outturn underspend of £0.099m against a revised budget of £5.847m during 2018/19. The primary reasons for the reported position against budget were savings from the implementation of a new staffing structure through the Transformational and Cultural Change Programme and a focused reduction in travel expenses. The cost of Individual Electoral Registration (IER) was fully funded by a grant, against which an underspend of £0.372m was carried forward to 2019/20 to mitigate the risk of the removal of Cabinet Office funding and ongoing legacy costs arising from IER.

Edinburgh Leisure

Edinburgh Leisure operates over fifty sport and leisure facilities across the city on behalf of the Council, attracting over four million visits each year, with the aim of inspiring Edinburgh to become a more active and healthy city. The range of facilities includes sport and leisure centres, swim centres, golf courses, tennis courts, bowling greens and sports pitches.

In 2018/19, an underlying surplus on unrestricted funds of £0.409m was achieved against a backdrop of increasing competition, increasing cost pressures and a reduced payment for service from the Council.

Edinburgh Leisure continues to work with the Council and other stakeholders on a range of projects, including Movement for Memories that will support people living with dementia to get active, the Active Mums project which encourages mums to incorporate physical activity into their lives and the #YouCan initiative which aims to empower care-experienced young people to lead more active, healthy lives.

Capital Theatres

2018/19 was a period of very positive trading for the Trust, welcoming over 503,000 paying visitors to the Trust's venues, the first time the half a million mark has been exceeded.

The Trust changed its name to Capital Theatres on 28 February 2018 to reflect the organisation's growth and to establish a brand for the Trust's three venues – the Festival Theatre, King's Theatre and The Studio.

The three venues have hosted a variety of productions during the year, including two "blockbuster" shows, War Horse and Les Misérables, Scottish Ballet and Scottish Opera performances and several touring premieres. The King's pantomime, Beauty and the Beast, once again broke all records during the capital city's Christmas season.

The Trust's Learning and Participation work has continued in 2018/19, with the involvement in the Life Change Trust and contribution as co-funder of the Edinburgh Performing Arts Development (EPAD).

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. At that time 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 wider materiality levels, this Joint Venture has been consolidated into the Group accounts for the year to 31 March 2019, see note 9.3.

The Board was in the final year of implementing its initial three year strategic plan, which sets out how the health and social care services delegated by The City of Edinburgh Council and NHS Lothian will be developed and changed over the period to meet the changing needs of the population and achieve better outcomes for people. The budget of around £700m will fund community health and social care services, including GP practices and some elements of acute hospital services. Work is underway to establish a renewed Strategic Plan for 2019-2022.

Group Summary

Net assets for 2018/19 include a combined group pension liability of £546.048m (2017/18 £428.245m), as shown in note 41.9. This reflects the inclusion of pension liabilities relating to the 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 2019. 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.

MANAGEMENT COMMENTARY

Wider Policy Environment and Future Developments

The Council has delivered over £263m of recurring savings since 2012/13, equivalent to around 25% of its net budget. This has allowed the combined financial challenges of increasing demographic-led service demand, inflationary pressures and legislative reform to be addressed whilst steadily improving performance across many areas.

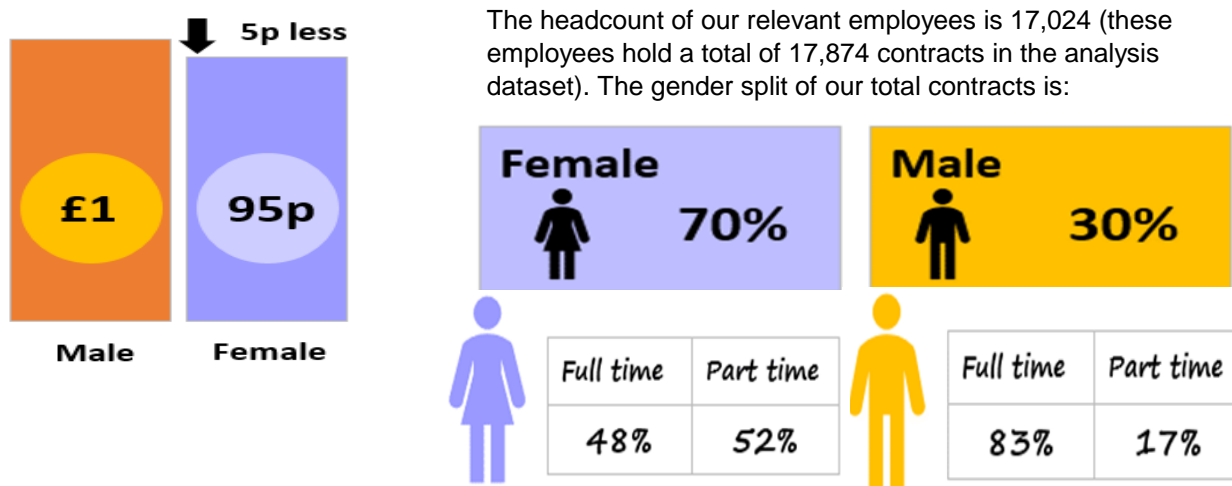
Equality and Rights

The Council's second **Equality, Diversity, and Rights Framework** covers the period 2017-21.

The Council is committed to the principle that all employees should receive equal pay for doing equal work, or work of equal value, regardless of age, sex, race, disability status, sexual orientation, religion or belief, working pattern, employment status, caring responsibilities or trade union membership. It is also an equal opportunities employer and positively values the different backgrounds, perspectives and skills that a diverse workforce brings to the Council.

In accordance with our duties arising as a result of the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, we have updated our gender pay gap based on data from 31 March 2018.

Whilst our overall mean gender pay gap is 4.8%, this report on the **Gender Pay Gap** recognises that we would like to reduce the gender pay gap and identifies areas for further analysis.



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.

The financial assessment of the **Edinburgh Local Development Plan Action Programme 2019** was considered by the Finance and Resources Committee on 1 February 2019.

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.

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. **A £1.1bn deal** from the UK and Scottish Governments was confirmed on 20 July 2017, with both governments jointly investing £600m and regional partners adding up to £500m over the next 15 years.

The **latest update** was considered by the Corporate Policy and Strategy Committee on 14 May 2019.

Welfare Reform

The rollout of full service Universal Credit (UC) across Edinburgh began on 28 November 2018. The Department for Work and Pensions (DWP) confirmed that all claimants on the former live service for UC have transitioned to full service UC within Edinburgh.

At the end of December 2018 there were 577 council tenants known to be receiving UC.

The **latest update** was considered by the Corporate Policy and Strategy Committee on 14 May 2019.

MANAGEMENT COMMENTARY

Edinburgh Tram - York Place to Newhaven

The Final Business Case for the Edinburgh Tram - York Place to Newhaven was approved at The City of Edinburgh Council meeting on 14 March 2019.

The Edinburgh Tram York Place to Newhaven route is 4.6km long and completes the originally envisaged Phase 1a of the Edinburgh tram network. This will link Edinburgh Airport, the city centre and the Waterfront area: three of the Council's four priority investment zones under its Economy Strategy.

The tram line to Newhaven is affordable, on the basis that a £1.9 million cashflow challenge in the early years can be funded from reserves. Reserves used would be replenished from profits in future years, with all reserves being repaid by 2027. There are opportunities to reduce the requirement for reserves from efficiencies in tram maintenance and further maximisation of tram advertising income. This conclusion is based on robust and prudent analysis of costs and revenues and assumes an extraordinary dividend from Lothian Buses of £20 million over a 10 year horizon. In the longer term, tram revenues can fund the extension and provide additional income to the Council.

Council Change Strategy: Planning for Change and Delivering Services 2019-2023

On 25 June 2015, Council approved a report on the Transformation Programme which set out the future operating model for the Council.

Since the start of transformation to 3 June 2019, staff accounting for approximately 1,078 FTE have left or are confirmed to be leaving the organisation under Voluntary Early Release Arrangements (VERA) or Voluntary Redundancy (VR) arrangements, under the Transformation Programme. The one-off cost associated with these cases is £46.7m and the overall payback is 13.5 months, which is in line with the original planning assumptions.

The Finance and Resource Committee approved the publication of the Change Strategy, Planning for Change and Delivering Services 2019-2023 on 27 September 2018.

The latest update on the Strategy was considered at the City of Edinburgh Council meeting on 21 February 2019.

The Council's Change Strategy has identified three key principles of (i) driving improvements to deliver high-quality services, (ii) targeting investment on prevention and early intervention and (iii) delivering sustainable and inclusive growth. In recognising that such a transformational shift can only be achieved over the medium-to longer-term, however, a staged approach will be adopted, with a suite of shorter-term measures identified to provide necessary financial breathing space in 2019/20 to provide the foundation for this more fundamental longer-term change.

Budget Framework

On 21 February 2019, the Council set a balanced budget for 2019/20. Delivery of approved savings and prompt identification and management of underlying or emerging risks and pressures will again be key to maintaining financial stability in the coming year.

Conclusion

In 2021, it is forecast that the number of people aged 65 and over will overtake the number of people aged under 18. By 2023 there will be 4,000 more children in our schools than there are today, and our total population will have increased by 23,000 people. We need to be prepared to support more children in our schools, while at the same time look after an ageing population who will need support from the Council and NHS alike. We need to make sure that the city continues to be open, progressive and forward-thinking so that everyone can share in the benefits. To do this we need to be a modern organisation focused upon even more efficient and effective delivery of our public services. We cannot continue to do things the same way we always have, we need to change and improve.

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 Head of Finance.
- 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; and
- 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 2019.

HUGH DUNN, CPFA
Head of Finance
Section 95 Officer

20 June 2019

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax or rents for the year. The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

Council 2018/19	General Fund Balance	Housing Revenue Account Balance	Renewal and Repairs Fund	Capital Grants Unapplied Account	Capital Fund	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
2018/19								
Balance at 31 March 2018	151,285	0	58,123	4,796	63,558	277,762	1,971,552	2,249,314
Transition to IFRS 9	(204)	0	0	0	0	(204)	0	(204)
Opening Balance 1 April 2018	<u>151,081</u>	<u>0</u>	<u>58,123</u>	<u>4,796</u>	<u>63,558</u>	<u>277,558</u>	<u>1,971,552</u>	<u>2,249,110</u>
Movement during 2018/19								
Total Comprehensive Income and Expenditure	(89,362)	31,971	(14,866)	0	(7,386)	(79,643)	535,719	456,076
Adjustments between accounting basis and funding basis under regulations (Note 11)	92,054	(58,014)	0	10,988	(265)	44,763	(44,763)	0
Net increase / (decrease) before transfers to statutory reserves	<u>2,692</u>	<u>(26,043)</u>	<u>(14,866)</u>	<u>10,988</u>	<u>(7,650)</u>	<u>(34,879)</u>	<u>490,956</u>	<u>456,077</u>
Transfer (to) / from other statutory reserves (Note 12.3)	(9,132)	26,043	(16,911)	0	0	0	0	0
Increase / (decrease) in year	<u>(6,236)</u>	<u>0</u>	<u>(31,777)</u>	<u>10,988</u>	<u>(7,650)</u>	<u>(34,675)</u>	<u>490,956</u>	<u>456,281</u>
Balance at 31 March 2019	<u>144,845</u>	<u>0</u>	<u>26,346</u>	<u>15,784</u>	<u>55,908</u>	<u>242,883</u>	<u>2,462,508</u>	<u>2,705,391</u>

Group - 2018/19	Total Usable Reserves	Total Unusable Reserves	Council Total Reserves	Group Reserves	Total Reserves
	£000	£000	£000	£000	£000
2018/19					
Balance at 31 March 2018	277,762	1,971,552	2,249,314	202,196	2,451,510
Transition to IFRS 9	(204)	0	(204)	0	(204)
Opening Balance 1 April 2018	<u>277,558</u>	<u>1,971,552</u>	<u>2,249,110</u>	<u>202,196</u>	<u>2,451,306</u>
Movement during 2018/19					
Total Comprehensive Income and Expenditure	(79,643)	535,719	456,076	(4,044)	452,032
Adjustments between accounting basis and funding basis under regulations (Note 11)	44,763	(44,763)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	<u>(34,879)</u>	<u>490,956</u>	<u>456,077</u>	<u>(4,044)</u>	<u>452,033</u>
Transfer (to) / from other statutory reserves (Note 12.3)	0	0	0	0	0
Increase / (decrease) in year	<u>(34,675)</u>	<u>490,956</u>	<u>456,281</u>	<u>(4,044)</u>	<u>452,237</u>
Balance at 31 March 2019	<u>242,883</u>	<u>2,462,508</u>	<u>2,705,391</u>	<u>198,152</u>	<u>2,903,543</u>

MOVEMENT IN RESERVES STATEMENT

Council 2017/18 Comparative Data	General Fund Balance £000	Housing Revenue Account Balance £000	Renewal and Repairs Fund £000	Capital Grants Unapplied Account £000	Capital Fund £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2017	142,611	0	64,149	766	61,178	268,704	1,511,573	1,780,277
Movement during 2017/18								
Total Comprehensive Income and Expenditure	(75,058)	14,469	0	0	0	(60,589)	529,625	469,036
Adjustments between accounting basis and funding basis under regulations (Note 11)	89,588	(23,511)	0	4,030	2,379	72,486	(72,486)	0
Net increase / (decrease) before transfers to statutory reserves	14,530	(9,042)	0	4,030	2,380	11,898	457,139	469,037
Transfer (to) / from other statutory reserves (Note 12.3)	(5,856)	9,042	(6,026)	0	0	(2,840)	2,840	0
Increase / (decrease) in year	8,674	0	(6,026)	4,030	2,380	9,058	459,979	469,037
Balance at 31 March 2018	151,285	0	58,123	4,796	63,558	277,762	1,971,552	2,249,314

Group - 2017/18	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000	Group Reserves £000	Total Reserves £000
Balance at 31 March 2017	268,704	1,511,573	1,780,277	141,194	1,921,471
Movement during 2017/18					
Total Comprehensive Income and Expenditure	(60,589)	529,625	469,036	61,002	530,038
Adjustments between accounting basis and funding basis under regulations (Note 11)	72,486	(72,486)	0	0	0
Net increase / (decrease) before transfers to statutory reserves	11,898	457,139	469,037	61,002	530,039
Transfer (to) / from other statutory reserves (Note 12.3)	(2,840)	2,840	0	0	0
Increase / (decrease) in year	9,058	459,979	469,037	61,002	530,039
Balance at 31 March 2018	277,762	1,971,552	2,249,314	202,196	2,451,510

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 2019

2017/18			Gross	Income	Net
£000	Notes	£000	£000	£000	£000
	SERVICES				
356,769	Communities and Families	500,698	(85,595)	415,103	
156,558	Place	349,198	(209,553)	139,645	
(26,172)	Housing Revenue Account	81,710	(105,024)	(23,314)	
202,393	Health and Social Care	519,796	(303,678)	216,118	
222,476	Resources	312,321	(46,453)	265,868	
11,133	Chief Executive	11,810	(1,341)	10,469	
32,362	Safer and Stronger Communities	0	0	0	
3,629	Lothian Valuation Joint Board	3,575	0	3,575	
(625)	Net cost of benefits	192,673	(193,484)	(811)	
29,113	Other non-service specific costs	9,625	10,234	19,859	
(7,845)	Subsidiary Companies	199,930	(191,327)	8,603	
979,791	COST OF SERVICES	<u>2,181,336</u>	<u>(1,126,221)</u>	1,055,115	
5,263	Gains on disposal of non-current assets			(5,888)	
93,901	Financing and Investment Income and Exp.	13.		78,967	
(1,026,666)	Taxation and Non-Specific Grant Income	14.		(1,063,789)	
52,289	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES			64,405	
3,339	Associates and Joint Ventures Accounted for on an Equity Basis			(1,226)	
2,106	Taxation of Group entities	14.		(80)	
<u>57,734</u>	GROUP (SURPLUS) / DEFICIT			<u>63,099</u>	
(255,820)	Surplus on Revaluation of Non-Current Assets		(587,490)		
(14)	(Surplus) on Revaluation of Available for Sale Financial Assets		0		
77,350	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp		(191,830)		
(351,162)	Changes in Financial and Demographic Assumptions / Other Experience		263,605		
(58,126)	Other Unrealised (Gains) / Losses		583		
(587,772)	Other Comprehensive Income and Expend.			(515,132)	
<u>(530,038)</u>	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE			<u>(452,033)</u>	

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

for the year ended 31 March 2019

2017/18			Gross	Income	Net
£000	SERVICES	Notes	Expend.	£000	Expend.
			£000	£000	£000
356,769	Communities and Families		500,698	(85,595)	415,103
156,558	Place		349,198	(209,553)	139,645
(26,172)	Housing Revenue Account		81,710	(105,024)	(23,314)
202,393	Health and Social Care		519,796	(303,678)	216,118
222,476	Resources		312,321	(46,453)	265,868
11,133	Chief Executive		11,810	(1,341)	10,469
32,362	Safer and Stronger Communities		0	0	0
3,629	Lothian Valuation Joint Board		3,575	0	3,575
(625)	Net cost of benefits		192,673	(193,484)	(811)
29,113	Other non-service specific costs		9,625	10,234	19,859
987,636	COST OF SERVICES		1,981,406	(934,894)	1,046,512
5,292	Gains on disposal of non-current assets				(6,001)
94,327	Financing and Investment Income and Exp.	13.			80,669
(1,026,666)	Taxation and Non-Specific Grant Income	14.			(1,063,789)
60,589	(SURPLUS) / DEFICIT ON PROVISION OF SERVICES				57,391
(255,820)	Surplus on Revaluation of Non-Current Assets			(587,490)	
77,350	Return on assets excluding amounts incl. in Financing and Investment Inc / Exp			(191,830)	
(351,162)	Changes in Financial and Demographic Assumptions / Other Experience			263,605	
7	Other Unrealised Losses			2,248	
(529,625)	Other Comprehensive Income and Expend.				(513,467)
(469,036)	TOTAL COMPREHENSIVE (INCOME) / EXPENDITURE				(456,076)

RECONCILIATION OF THE COUNCIL'S POSITION TO THE GROUP POSITION

£000		£000
(469,036)	Total Comprehensive (Income) and Expenditure on the Council's Comprehensive Income and Expenditure Statement (CIES)	(456,076)
(6,941)	Subsidiary and associate transactions included in the Council's CIES	(4,775)
(49,768)	(Surplus) / deficit arising from other entities included in the Group Accounts Subsidiaries	10,964
(4,293)	Associates and Joint Ventures	(2,146)
(530,038)	Group total Comprehensive (Income) / Expenditure for the year	(452,033)

BALANCE SHEET

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

31 March 2018			31 March 2019	
Group	Council		Group	Council
£000	£000	Notes	£000	£000
1,444	1,444	17.	335	335
4,047,483	3,923,749	15.	4,601,975	4,486,919
18,321	17,891	16.	19,136	18,916
30,885	30,885	18.	31,304	31,304
2,580	2,580	22.	1,586	1,586
619	0	42.	0	0
59,466	0		65,471	0
8,288	20,280	42.	11,698	23,690
29,823	0		33,065	0
99,830	106,275	20.	131,380	134,932
4,298,739	4,103,104		4,895,950	4,697,682
21,757	20,722		17,100	17,100
20,126	20,126	22.	17,605	17,605
26,836	26,836	42.	25,959	25,959
13,958	2,513	19.	12,792	2,984
130,199	113,922	20.	124,551	106,294
137,022	113,405	21.	135,844	106,679
349,898	297,524		333,851	276,621
(70,945)	(70,946)	42.	(72,269)	(73,722)
(176,797)	(149,750)	23.	(216,401)	(174,458)
(29,272)	(25,431)	24.	(36,727)	(33,810)
(277,014)	(246,127)		(325,397)	(281,990)
(1,187,742)	(1,201,404)	42.	(1,138,654)	(1,150,591)
(204,720)	(196,067)	42.	(199,270)	(193,365)
(16,452)	0		(15,957)	0
(25,223)	(25,223)	42.	(37,201)	(37,201)
(2,916)	0		(4,014)	0
(483,060)	(482,493)	26.5	(605,765)	(605,765)
(1,920,113)	(1,905,187)		(2,000,861)	(1,986,922)
2,451,510	2,249,314		2,903,543	2,705,391
2,090,983	1,971,552	26.	2,581,975	2,462,508
360,527	277,762	12.	321,568	242,883
2,451,510	2,249,314		2,903,543	2,705,391

The unaudited accounts were issued on 20 June 2019.

HUGH DUNN, CPFA
Head of Finance
20 June 2019

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and Group during the reporting period. The statement shows how the Council and Group generate and use 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 and Group are funded by way of taxation and grant income or from the recipients of services provided by the Council and Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council and 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 Council and Group.

Year to 31 March 2018			Year to 31 March 2019	
Group	Council		Group	Council
£000	£000	Notes	£000	£000
		Operating Activities		
52,289	60,589	Surplus on the Provision of Services	64,405	57,391
2,106	0	Adjustment to Surplus / (Deficit) for Taxation of Group entities	(80)	0
(281,640)	(268,582)	Adjustments to Surplus on the Provision of Services for non-cash movements	(360,987)	(325,906)
(17,303)	(17,729)	Adjustments for items included in the Surplus on the Provision of Services that are investing or Financing Activities	21,156	19,454
<u>(244,548)</u>	<u>(225,722)</u>	Net cash flows from operating activities	<u>(275,506)</u>	<u>(249,061)</u>
		Investing Activities		
202,805	179,919	Net cash flows from investing activities	209,738	192,814
		Financing Activities		
<u>64,552</u>	<u>65,540</u>	Net cash flows from financing activities	<u>66,946</u>	<u>62,973</u>
<u>22,809</u>	<u>19,737</u>	Net decrease in cash and cash equivalents	<u>1,178</u>	<u>6,726</u>
<u>(159,831)</u>	<u>(133,142)</u>	Cash and cash equivalents at 1 April	<u>(137,022)</u>	<u>(113,405)</u>
<u>(137,022)</u>	<u>(113,405)</u>	Cash and cash equivalents at 31 March	<u>(135,844)</u>	<u>(106,679)</u>
<u>22,809</u>	<u>19,737</u>	Net decrease in cash and cash equivalents	<u>1,178</u>	<u>6,726</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Annual Accounts summarise the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The authority is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which Section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

1.1 Material Items

Items of income and expenditure are material if individually or collectively they could influence the decisions or assessments of users of the financial statements, by omission or misstatement. Materiality is an expression of the relative significance of a matter in the context of the annual accounts as a whole.

The assessment of materiality is based on 1% of gross expenditure, at net cost of services level, as this is considered to be the principal consideration for users when assessing the Group and Council's performance. The materiality assessment is set out in the table below.

Specific levels of materiality are considered appropriate for both the Trading Operation and the Housing Revenue Account. The trading operation has been assessed on 5% of its cumulative three year deficit and the Housing Revenue Account on 1% of gross expenditure.

Group	Council	HRA	Trading
£m	£m	£m	£m
20.312	18.616	0.74	0.023

The principle of materiality does not, however, override the need for relevant statutory disclosures (such as those included within the remuneration report), even if the amounts concerned would otherwise fall below the materiality threshold. Similarly, the assessment of materiality also considers the nature of transactions, irrespective of amount, insofar as these might influence a user of the financial statements.

1.2 Recognition of Income and Expenditure

- The revenue and capital accounts have been prepared on an accruals basis in accordance with the Code of Practice. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

Income from service recipients is recognised when the goods or services are transferred to the service recipient.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date the supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet.
- Provision has been made in the relevant accounts for bad and doubtful debts.
- Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits will flow to the Council and the amount of revenue can be measured reliably. Revenue is measured at the full amount receivable (net of any bad debt provision) as they are non-contractual, non-exchange transactions.

1.3 Value Added Tax

Value added tax (VAT) is excluded from the financial statements unless it is non-recoverable from HM Revenue and Customs.

1.4 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.

1.5 Events after the balance sheet date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.5 Events after the balance sheet date - continued

- those that provide evidence of conditions that existed at the end of the reporting period - the Annual Accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period - the Annual Accounts are not adjusted to reflect such events, but where the effect would have been material, disclosure is made in the notes of the nature of the event and its estimated financial effect.

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

1.6 Prior period adjustments, changes in accounting policies and estimates

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting policy are only made when required by proper accounting practice or to provide more reliable or relevant information on the Council's financial position. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied. Changes in accounting estimation techniques are applied in the current and future years and do not give rise to a prior period adjustment.

1.7 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 and expenditure' 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 and expenditure' 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.

Service Concession Agreements are accounted for in accordance with IFRIC 12 'Service Concession Arrangements'. The Standard recognises that the Council is in control of services provided under the PPP scheme. As ownership of the long-term assets will pass to the Council at the end of the contract for no additional charge, the Council carries the assets on the Balance Sheet.

1.8 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.8 Fair Value measurement - surplus assets and investment properties - continued

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.

1.9 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 value 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

1.9 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 depreciates 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 plus the cost of acquisitions and enhancements during the year over the remaining useful life of the asset. Thus the charge to the Comprehensive Income and Expenditure Statement for the year is impacted by changes in asset value during the year arising from enhancements but not revaluation.

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.

- **De-recognition**

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

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

- **Components**

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

The building component of an asset is separated into further components primarily to those with a carrying value of over £5 million. 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.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies - continued

1.9 Property, Plant and Equipment - continued

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.

1.10 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 '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.

1.11 Group Account Consolidation

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 - 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 and other 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 20.

2018/19	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES
	Balances £000	Adjustments £000	
Communities and Families Place	397,307	17,796	415,103
Housing Revenue Account	54,295	85,350	139,645
Health and Social Care Resources	0	(23,314)	(23,314)
Chief Executive	208,237	7,881	216,118
Lothian Valuation Joint Board	172,582	93,286	265,868
	9,656	813	10,469
	3,575	0	3,575
Cost of Services	845,652	181,812	1,027,464
Other income and expenditure			
Net cost of benefits	(811)	0	(811)
Other non-service specific costs	23,246	(3,542)	19,704
Net deficit on trading activities	0	36	36
Net income and changes in relation to investment properties and changes in their fair value	0	(2,768)	(2,768)
Interest and investment income	(12,020)	(386)	(12,406)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	107,521	(25,086)	82,435
Net pension interest cost	0	13,527	13,527
Gains on disposal of assets	0	(6,001)	(6,001)
Contribution to Renewal and Repairs Fund	173	(173)	0
Contribution from Capital Fund	(980)	980	0
Contribution from General Fund	(697)	697	0
Income from Council Tax	(259,435)	0	(259,435)
Government Grants	(363,757)	0	(363,757)
Distribution from NDR1 pool	(340,474)	0	(340,474)
Capital grants and contributions	0	(100,123)	(100,123)
(Surplus) / Deficit on the provision of services	(1,582)	58,973	57,391
Opening General Fund and HRA Balance	151,285		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	(8,022)		
Surplus on the provision of services	1,582		
Closing General Fund and HRA Balance at 31 March	144,845		

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

The Council has continued to undergo a programme of transformation during 2018/19. The most significant service reporting change related to Safer and Stronger Communities being transferred to Communities and Families, during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

2. Expenditure and Funding Analysis - Council - continued

2017/18 Comparative Data	Net Expend. Chargeable to the General Fund and HRA		Net Expenditure in the CIES £000
	Balances £000	Adjustments £000	
Communities and Families Place	342,940	13,829	356,769
Housing Revenue Account	0	(26,172)	(26,172)
Health and Social Care Resources	193,273	9,120	202,393
Chief Executive	170,304	52,172	222,476
Safer and Stronger Communities	11,019	114	11,133
Lothian Valuation Joint Board	30,470	1,892	32,362
	3,629	0	3,629
Cost of Services	822,084	137,064	959,148
Other income and expenditure			
Early release costs	2,727	88	2,815
Net cost of benefits	(625)	0	(625)
Other non-service specific costs	19,604	6,694	26,298
Net deficit on trading activities	0	42	42
Net income and changes in relation to investment properties and changes in their fair value	0	(3,014)	(3,014)
Interest and investment income	(10,274)	(139)	(10,413)
Interest payable and similar charges (<i>loan charges in management reporting</i>)	110,545	(21,595)	88,950
Net pension interest cost	0	18,762	18,762
(Gains) / Losses on disposal of assets	0	5,292	5,292
Contribution to Renewal and Repairs Fund	93	(93)	0
Contribution from Capital Fund	(1,899)	1,899	0
Contribution from General Fund	5,397	(5,397)	0
Income from Council tax	(249,248)	0	(249,248)
Revenue support grant	(345,757)	0	(345,757)
Distribution from NDR1 pool	(355,063)	0	(355,063)
Capital grants and contributions	0	(76,598)	(76,598)
Surplus on the provision of services	(2,416)	63,005	60,589
Opening General Fund and HRA Balance	142,611		
Contributions to / (from) reserves, including those within services (<i>see notes 12.1 and 12.3 for detail</i>)	6,258		
Surplus on the provision of services	2,416		
Closing General Fund and HRA Balance at 31 March	151,285		

For a split of the balance between the General Fund and the HRA, see the Movement in Reserves Statement on page 18.

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

2018/19	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	409	13,891	1,112	15,412
Housing Revenue Account	73,122	8,787	146	82,055
Health and Social Care Resources	(49,685)	851	(523)	(49,357)
Chief Executive	192	8,179	(59)	8,312
	109,069	7,415	60	116,544
	9	779	(4)	784
Cost of Services	133,116	39,902	732	173,750
Other income and expenditure				
Other non-service specific costs	(1,333)	(1,933)	(3)	(3,269)
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,026)	(1,026)
Interest and investment income	(115)	0	1	(114)
Interest payable and similar charges	(42,460)	0	(1,334)	(43,794)
Net pension interest cost		13,527	0	13,527
Gains on disposal of assets	(6,001)	0	0	(6,001)
Capital grants and contributions	(100,123)	0	0	(100,123)
Total Adjustments	(16,916)	51,496	(1,630)	32,950

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 relate 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

2018/19	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	15,412	(83)	2,467	17,796
Housing Revenue Account	82,055	13	3,282	85,350
Health and Social Care Resources	(49,357)	0	26,043	(23,314)
Chief Executive	8,312	(439)	8	7,881
	116,544	(16,814)	(6,444)	93,286
	784	0	29	813
Cost of Services	173,750	(17,323)	25,385	181,812
Other income and expenditure				
Other non-service specific costs	(3,269)	3,584	(3,857)	(3,542)
Net deficit on trading activities	0	36	0	36
Net income and changes in relation to investment properties and changes in their fair value	(1,026)	(1,742)	0	(2,768)
Interest and investment income	(114)	0	(272)	(386)
Interest payable and similar charges	(43,794)	18,708	0	(25,086)
Net pension interest cost	13,527	0	0	13,527
Gains on disposal of assets	(6,001)	0	0	(6,001)
Use of reserves	0	(3,263)	4,767	1,504
Capital grants and contributions	(100,123)	0	0	(100,123)
Total Adjustments	32,950	0	26,023	58,973

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

2017/18 Comparative Data	Adjusts. For Capital Purposes £000	Net Change for Pensions Adjusts. £000	Other Differences £000	Total Statutory Adjusts. £000
Communities and Families Place	4,600	10,058	578	15,236
Housing Revenue Account	72,078	7,874	(84)	79,868
Health and Social Care Resources	(35,443)	768	(539)	(35,214)
Chief Executive	233	7,490	41	7,764
Safer and Stronger Communities	65,091	7,408	221	72,720
	9	236	(91)	154
	0	1,910	(27)	1,883
Cost of Services	106,568	35,744	99	142,411
Other income and expenditure				
Other non-service specific costs	16,350	(3,987)	3	12,366
Net income and changes in relation to investment properties and changes in their fair value	0	0	(1,420)	(1,420)
Interest and investment income	(57)	0	0	(57)
Interest payable and similar charges	(38,718)	0	(1,392)	(40,110)
Net pension interest cost	0	18,762	0	18,762
Gains on disposal of assets	5,292	0	0	5,292
Capital grants and contributions	(76,598)	0	0	(76,598)
Total Adjustments	12,837	50,519	(2,710)	60,646

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

2017/18 Comparative Data	Total Statutory Adjusts. b/fwd £000	Presentation Adjusts. £000	Use of Reserves £000	Total Adjusts. £000
Communities and Families Place	15,236	962	(2,369)	13,829
Housing Revenue Account	79,868	328	5,913	86,109
Health and Social Care Resources	(35,214)	0	9,042	(26,172)
Chief Executive	7,764	(527)	1,883	9,120
Safer and Stronger Communities	72,720	(16,632)	(3,916)	52,172
	154	39	(79)	114
	1,883	75	(66)	1,892
Cost of Services	142,411	(15,755)	10,408	137,064
Other income and expenditure				
Early release costs	0	88	0	88
Other non-service specific costs	12,366	(1,296)	(4,376)	6,694
Net deficit on trading activities	0	42	0	42
Net income and changes in relation to investment properties and changes in their fair value	(1,420)	(1,594)	0	(3,014)
Interest and investment income	(57)	0	(82)	(139)
Interest payable and similar charges	(40,110)	18,515	0	(21,595)
Net pension interest cost	18,762	0	0	18,762
Gains on disposal of assets	5,292	0	0	5,292
Use of reserves	0	0	(3,591)	(3,591)
Capital grants and contributions	(76,598)	0	0	(76,598)
Total Adjustments	60,646	0	2,359	63,005

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

2018/19	Communities and Families		Housing Revenue Account	Health and Social Care
	£000	Place £000	£000	£000
Expenditure				
Employee expenses	309,712	81,762	9,574	88,237
Other service expenses	182,626	189,852	44,496	215,450
Support service recharges	0	0	6,742	0
Interest payments	78	0	18,897	0
Debt repayments (<i>HRA only</i>)	0	0	52,916	0
Total Expenditure	492,416	271,614	132,625	303,687
Income				
Revenues from external customers	(46,125)	(139,043)	(101,630)	(20,924)
Income from recharges for services	(44)	(458)	(150)	0
Government grants and other contribs.	(48,940)	(77,818)	(30,730)	(74,526)
Interest and investment income	0	0	(115)	0
Total Income	(95,109)	(217,319)	(132,625)	(95,450)
Cost of Services	397,307	54,295	0	208,237
	Resources	Chief Executive	Lothian Valuation Joint Board	Council Total
Expenditure	£000	£000	£000	£000
Employee expenses	75,112	7,376	0	571,773
Other service expenses	130,942	3,781	3,575	770,722
Support service recharges	40	0	0	6,782
Interest payments	18,521	0	0	37,496
Debt repayments (<i>HRA only</i>)	0	0	0	52,916
Total Expenditure	224,615	11,157	3,575	1,439,689
Income				
Revenues from external customers	(29,790)	(431)	0	(337,943)
Income from recharges for services	(9,546)	(462)	0	(10,660)
Government grants and other contribs.	(12,697)	(608)	0	(245,319)
Interest and investment income	0	0	0	(115)
Total Income	(52,033)	(1,501)	0	(594,037)
Cost of Services	172,582	9,656	3,575	845,652
		Subsidiaries	Associates and Joint Ventures	Group Total
Expenditure		£000	£000	£000
Employee expenses		102,332	0	674,105
Other service expenses		77,648	0	848,370
Support service recharges		0	0	6,782
Depreciation, amortisation and impairment		19,950	0	19,950
Interest payments		0	0	37,496
Debt repayments (<i>HRA only</i>)		0	0	52,916
Net expend from Associates and Joint Ventures		0	382	382
Total Expenditure		199,930	382	1,640,001
Income				
Revenues from external customers		(191,358)	0	(529,301)
Income from recharges for services		0	0	(10,660)
Government grants and other contribs.		31	0	(245,288)
Interest and investment income		0	0	(115)
Net income from Associates and Joint Ventures		0	(1,608)	(1,608)
Total Income		(191,327)	(1,608)	(786,972)
Cost of Services		8,603	(1,226)	853,029

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

	Communities and Families	Place	Housing Revenue Account	Health and Social Care
2017/18 Comparative Data				
Expenditure	£000	£000	£000	£000
Employee expenses	266,856	77,709	8,142	85,796
Other service expenses	110,026	176,912	38,989	195,325
Support service recharges	0	0	7,389	0
Interest payments	91	0	19,628	0
Debt repayments (<i>HRA only</i>)	0	0	37,764	0
Total Expenditure	376,973	254,621	111,912	281,121
Income				
Revenues from external customers	(7,128)	(125,641)	(99,542)	(19,494)
Income from recharges for services	(27)	(419)	(208)	0
Government grants and other contribs.	(26,878)	(58,112)	(12,105)	(68,354)
Interest and investment income	0	0	(57)	0
Total Income	(34,033)	(184,172)	(111,912)	(87,848)
Cost of Services	342,940	70,449	0	193,273
			Safer and Stronger Communities	Lothian Valuation Joint Board
2017/18 Comparative Data	Resources	Chief Executive		
Expenditure	£000	£000	£000	£000
Employee expenses	71,834	7,697	19,354	0
Other service expenses	129,339	5,613	62,565	3,741
Support service recharges	63	0	0	0
Interest payments	18,450	0	0	0
Total Expenditure	219,686	13,310	81,919	3,741
Income				
Revenues from external customers	(28,001)	(410)	(38,026)	(112)
Income from recharges for services	(9,236)	(490)	0	0
Government grants and other contribs.	(12,145)	(1,391)	(13,423)	0
Total Income	(49,382)	(2,291)	(51,449)	(112)
Cost of Services	170,304	11,019	30,470	3,629
			Associates and Joint Ventures	Group Total
2017/18 Comparative Data	Council Total	Subsidiaries		
Expenditure	£000	£000	£000	£000
Employee expenses	537,388	98,306	0	635,694
Other service expenses	722,510	61,143	0	783,653
Support service recharges	7,452	0	0	7,452
Depreciation, amortisation and impairment	0	10,143	0	10,143
Interest payments	38,169	0	0	38,169
Debt repayments (<i>HRA only</i>)	37,764	0	0	37,764
Net expend from Associates and Joint Ventures	0	0	5,790	5,790
Total Expenditure	1,343,283	169,592	5,790	1,518,665
Income				
Revenues from external customers	(318,354)	(146,468)	0	(464,822)
Income from recharges for services	(10,380)	0	0	(10,380)
Government grants and other contribs.	(192,408)	(30,969)	0	(223,377)
Interest and investment income	(57)	0	0	(57)
Net income from Associates and Joint Ventures	0	0	(2,451)	(2,451)
Total Income	(521,199)	(177,437)	(2,451)	(701,087)
Cost of Services	822,084	(7,845)	3,339	817,578

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;

	2018/19	2017/18
	£000	£000
Expenditure		
Employee expenses	721,596	681,538
Other service expenses	1,215,574	1,143,754
Support service recharges	6,782	7,452
Depreciation, amortisation and impairment	237,341	200,477
Interest payments	180,909	192,026
Net Interest in the profit/loss of associates and joint ventures	<u>(1,226)</u>	<u>3,339</u>
Total Expenditure	<u>2,360,975</u>	<u>2,228,586</u>
Income		
Fees, charges and other service income	(901,056)	(903,257)
(Gain) / Loss on the disposal of assets	(5,888)	5,263
Interest and investment income	(101,824)	(98,087)
Income from Council Tax and Non-Domestic Rates	(599,909)	(604,311)
Government grants and other contributions	(589,077)	(493,862)
Recognised capital income	<u>(100,123)</u>	<u>(76,598)</u>
Total Income	<u>(2,297,877)</u>	<u>(2,170,852)</u>
Group (Surplus) / Deficit	<u>63,099</u>	<u>57,734</u>

Council

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

	2018/19	2017/18
	£000	£000
Expenditure		
Employee expenses	619,264	583,232
Other service expenses	1,138,006	1,080,586
Support service recharges	6,782	7,452
Depreciation, amortisation and impairment	217,391	190,334
Interest payments	<u>169,280</u>	<u>178,891</u>
Total Expenditure	<u>2,150,723</u>	<u>2,040,495</u>
Income		
Fees, charges and other service income	(709,698)	(696,318)
(Gain) / Loss on the disposal of assets	(6,001)	5,292
Interest and investment income	(88,493)	(84,606)
Income from Council Tax and Non-Domestic Rates	(599,909)	(604,311)
Government grants and other contributions	(589,108)	(523,365)
Recognised capital income	<u>(100,123)</u>	<u>(76,598)</u>
Total Income	<u>(2,093,332)</u>	<u>(1,979,906)</u>
(Surplus) / Deficit on the Provision of Services	<u>57,391</u>	<u>60,589</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 2019/20 Code:

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 financial statements.

- Amendments to IAS 40 Investment Property: Transfers to Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 9 Financial Instruments
- IFRS 16 Leases

5. Judgements Made in Applying Accounting Policies

In applying the accounting policies set out in Note 1 and elsewhere in the accounts 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 £511.628m at 31 March 2019) 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. 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 in the 2018-19 revaluations is 38% (48% previously).	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 £21.470m for each year that useful lives were reduced.
		If the discount factor is increased by 1%, this would lead to a corresponding reduction in the total value of council dwellings of £23.891m.
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. Note 41.6 provides further information on the Council's pension liability.
Arrears	At 31 March, the Council had a balance of sundry debtors of £26.542m. A review of significant balances suggested that an impairment of doubtful debts of £3.215m (12.1%) 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 £1.327m to be set aside as an allowance.
House Rent Arrears	At 31 March, the Council had a balance of housing rent arrears of £6.907m. A review of significant balances suggested that an impairment of doubtful debts of £5.773m (83.6%) was appropriate. In the current economic climate it is not certain that this will be sufficient.	There is a relatively high level of arrears and the impairment set aside should help protect against potential loss of income to the Council arising from 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.

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

NOTES TO THE FINANCIAL STATEMENTS

7. Material Items of Income and Expense

The Council set aside a net increase in provisions of £8.4m, the most significant changes being a £12m increase relating to contractual obligations and claims identified during the year offset by use of provisions and reductions in expected claims in others.

8. Events After the Balance Sheet Date

Although the Council approved the Tram extension project on 14 March 2019, the contracts for the commencement of works were not signed as at 31 March 2019. The budgeted capital commitment for the initial groundwork contracts is £127m.

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
• Capital Theatres	33.33%	Board representation
• Lothian Valuation Joint Board	61.14%	Funding percentage
• Common Good	100.00%	
Joint Venture	Interest	
• Edinburgh Integration Joint Board	50.00%	Board representation

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%	
• Energy for Edinburgh Limited	100.00%	
• Edinburgh Living MMR LLP	> 75% controlling interest	(dormant to 31.12.18)
• Edinburgh Living MR LLP	> 75% controlling interest	(dormant to 31.12.18)
• Telford NHT LLP	> 75% controlling interest	

In January 2019 the Council bought out the developer's share in Telford NHT LLP and now holds majority control of this associate, in conjunction with the Scottish Futures Trust.

LFPE Limited and LPFI Limited are now consolidated in the annual accounts of Lothian Pension Fund.

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

- **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:	31.12.18	31.12.17
	£000	£000
Net assets	17,539	17,263
Net (profit) / loss before taxation	112	3,648
Retained profit / (loss) carried forward	(51,658)	(51,338)

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.

- **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 unaudited results of the company are as follows:

	31.12.18	31.12.17
	£000	£000
Transport for Edinburgh Limited (Consolidated Group)		
Net assets	148,768	154,951
Net (profit) / loss before taxation	6,920	(11,948)
Retained earnings	58,789	63,923
Dividend paid	6,180	6,610

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

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 audited results of the company are as follows:	31.03.19	31.03.18
	£000	£000
Net assets / (liabilities)	2,192	209
Net operating (profit) / loss	(1,983)	683
Earnings / (Losses) carried forward	2,192	209

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.

NOTES TO THE FINANCIAL STATEMENTS

9. Subsidiaries and Associates - continued

9.2 Associates - continued

- **Capital Theatres (formerly Festival City Theatres Trust)**

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

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

The most recent audited results of the company are as follows:	31.03.19	31.03.18
	£000	£000
Net assets	4,877	3,920
Net operational (profit) / loss	(828)	(360)
Fund balances carried forward	4,748	3,920

Although Capital Theatres is included in the Group Accounts, due to 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.

- **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.

	31.03.19	31.03.18
	£000	£000
Deficit for the year	534	1,121
Net Liabilities	(6,563)	(4,769)
Usable reserves	897	798
Unusable reserves	(7,460)	(5,567)
Total reserves	<u>(6,563)</u>	<u>(4,769)</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.

The most recent unaudited results of the company are as follows:	31.03.19	31.03.18
	£000	£000
Gross expenditure	726,394	704,815
Surplus for the year	(1,342)	(4,662)
Usable reserves	9,694	8,352

NOTES TO THE FINANCIAL STATEMENTS

9.4 Audit Opinions noted on the Accounts of the Companies

Unless otherwise indicated, the companies' accounts are audited.

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), Capital Theatres (formerly 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 £198.152m (2017/18 £202.196m) representing the Council's share of the realisable surpluses or deficits in these companies.

10. Contingent Liabilities

Contingent Assets and Liabilities are not recognised in the accounting statements. Where there is probable inflow or outflow of economic benefits or service potential, these are disclosed in the notes to the financial statements.

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 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 significant claims against local authorities in Scotland, including the Council.

The Council is assessing the potential impacts of recent rulings, including the McCloud judgement and Guaranteed Minimum Pension.

NOTES TO THE FINANCIAL STATEMENTS

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.

	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
2018/19			
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	194,704	21,446	0
Movements in the market value of investment properties	(965)	(60)	0
Amortisation and impairment of intangible assets	1,240	0	0
Capital grants and contributions applied	(75,334)	(24,789)	0
Capital funded from revenue	(6,088)	(32,800)	0
Revenue expenditure funded from capital under statute	59,774	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(68,091)	(20,115)	0
Capital expenditure charged against General Fund and HRA balances	(59,774)	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	(3,619)	(2,382)	25,953
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(25,953)
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	(1,334)	(567)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	114,174	2,711	0
Employer's pension contributions and direct payments to pensioners payable in the year	(63,886)	(1,502)	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	1,253	44	0
Total Adjustments	92,054	(58,014)	0

NOTES TO THE FINANCIAL STATEMENTS

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

2018/19	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	(216,150)
Movements in the market value of investment properties	0	0	1,025
Amortisation of intangible assets	0	0	(1,240)
Capital grants and contributions applied	12,339	0	87,784
Capital funded from revenue	0	0	38,888
Revenue expenditure funded from capital under statute	0	0	(59,774)
Insertion of items not debited or credited to the CIES	0	0	0
Statutory provision for the financing of capital investment	0	(265)	88,471
Capital expenditure charged against General Fund and HRA balances	0	0	59,774
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(1,351)	0	1,351
Adjustments primarily involving the Capital Receipts Reserve			
Net gain / (loss) on sale of property, plant and equipment and assets held for sale	0	0	(19,952)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	25,953
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	1,901
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(116,885)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	65,388
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	(1,297)
Total Adjustments	10,988	(265)	(44,763)

NOTES TO THE FINANCIAL STATEMENTS

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

2017/18 Comparative Data	Usable Reserves		
	General Fund Balance £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000
Adjustments primarily involving the Capital Adjustment Account			
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES)			
Charges for depreciation and impairment of non-current assets	167,712	21,356	0
Movements in the market value of investment properties	1,420	0	0
Amortisation of intangible assets	1,267	0	0
Capital grants and contributions applied	(65,319)	(11,280)	0
Capital funded from revenue	(2,726)	(19,474)	0
Revenue expenditure funded from capital under statute	44,411	0	0
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	(63,110)	(18,290)	0
Capital expenditure charged against General Fund and HRA balances	(44,411)	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	1,825	3,467	21,879
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(21,879)
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	(1,393)	(536)	0
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	108,133	2,377	0
Employer's pension contributions and direct payments to pensioners payable in the year	(58,864)	(1,128)	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	643	(3)	0
Total Adjustments	89,588	(23,511)	0

NOTES TO THE FINANCIAL STATEMENTS

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

2017/18 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	(189,068)
Movements in the market value of investment properties	0	0	(1,420)
Amortisation of intangible assets	0	0	(1,267)
Capital grants and contributions applied	4,051	0	72,548
Capital funded from revenue	0	0	22,200
Revenue expenditure funded from capital under statute	0	0	(44,411)
Insertion of items not debited or credited to the CIES			
Statutory provision for the financing of capital investment	0	2,379	79,021
Capital expenditure charged against General Fund and HRA balances	0	0	44,411
Adjustments primarily involving the Capital Grant Unapplied Account			
Application of grants to capital financing transferred to the Capital Adjustment Account	(21)	0	21
Adjustments primarily involving the Capital Receipts Reserve			
Net (loss) / gain on sale of property, plant and equipment and assets held for sale	0	0	(27,171)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	21,879
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	1,929
Adjustments primarily involving the Pensions Reserve			
Reversal of items relating to retirement benefits debited or credited to the CIES	0	0	(110,510)
Employer's pension contributions and direct payments to pensioners payable in the year	0	0	59,992
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	(640)
Total Adjustments	4,030	2,379	(72,486)

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.

	Balance at 01.04.18 £000	Net Transfers Out 2018/19 £000	Net Transfers In 2018/19 £000	Balance at 31.03.19 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,338)	(320)	0	(51,658)
Capital grants unapplied account	1,803	(282)	0	1,521
Transport for Edinburgh Limited				
Revenue reserves	123,852	(5,134)	0	118,718
Total Usable Reserves - Subsidiaries	74,317	(5,736)	0	68,581
Associates and Joint Ventures				
Common Good Fund - Reserves	2,387	(35)	0	2,352
Edinburgh Leisure - Reserves	69	0	662	731
International Conference Centre Trusts				
Income Trust	1	(1)	0	0
Expenditure Trust	20	(20)	0	0
Capital Theatres - Reserves	1,307	0	319	1,626
Lothian Valuation Joint Board - Reserves	488	0	60	548
Edinburgh Integration Joint Board - Reserves	4,176	0	671	4,847
Total Usable Reserves - Associates and Joint Ventures	8,448	(56)	1,712	10,104
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	82,765	(5,792)	1,712	78,685

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.17 £000	Net Transfers Out 2017/18 £000	Net Transfers In 2017/18 £000	Balance at 31.03.18 £000
Group Reserves				
Subsidiaries				
CEC Holdings Limited				
Revenue reserves	(51,410)	0	72	(51,338)
Capital grants unapplied account	2,262	(459)	0	1,803
Transport for Edinburgh				
Revenue reserves	69,708	0	54,144	123,852
Total Usable Reserves - Subsidiaries	20,560	(459)	54,216	74,317
Associates and Joint Ventures				
Common Good Fund - Reserves	2,402	(15)	0	2,387
Edinburgh Leisure - Reserves	(2,879)	0	2,948	69
International Conference Centre Trusts				
Income Trust	810	(809)	0	1
Expenditure Trust	4,072	(4,052)	0	20
Capital Theatres - Reserves	1,087	0	220	1,307
Lothian Valuation Joint Board - Reserves	619	(131)	0	488
Edinburgh Integration Joint Board - Reserves	1,845	0	2,331	4,176
Total Usable Reserves - Associates and Joint Ventures	7,956	(5,007)	5,499	8,448
Total Usable Reserves - Subsidiaries, Associates and Joint Ventures	28,516	(5,466)	59,715	82,765

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.18 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31.03.19 £000
Council's Usable Reserves				
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	40,649	(13,147)	14,794	42,296
Council Priorities Fund	7,691	(2,852)	1,786	6,625
Contingency funding, workforce mgmt.	18,143	0	51	18,194
Dilapidations Fund	5,077	(356)	1,000	5,721
Insurance Funds	15,875	(83)	3,793	19,585
	<u>87,435</u>	<u>(16,438)</u>	<u>21,424</u>	<u>92,421</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration Income	3,080	(855)	359	2,584
Recycling balances	697	(697)	0	0
Revenue grants and contributions received in advance of planned expenditure	4,830	(1,620)	2,184	5,394
Council Tax Discount Fund	27,432	(12,346)	3,545	18,631
Other earmarked balances	218	(16)	1	203
City Strategic Investment Fund	5,461	(2,054)	145	3,552
	<u>41,718</u>	<u>(17,588)</u>	<u>6,234</u>	<u>30,364</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	178	0	66	244
Spend to Save Fund and similar projects	3,171	(716)	263	2,718
	<u>3,349</u>	<u>(716)</u>	<u>329</u>	<u>2,962</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	5,758	(5,758)	6,073	6,073
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund	0	0	0	0
Unallocated General Fund	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
Total General Fund	<u>151,285</u>	<u>(40,500)</u>	<u>34,060</u>	<u>144,845</u>
Housing Revenue Account Balance	0	0	0	0
Renewal and Repairs Fund	58,123	(35,273)	3,496	26,346
Capital Fund	63,558	(8,892)	1,242	55,908
Capital Receipts Reserve	0	(25,953)	25,953	0
Capital Grants Unapplied Account	4,796	(1,351)	12,339	15,784
Total Usable Reserves - Council	<u>277,762</u>	<u>(111,969)</u>	<u>77,090</u>	<u>242,883</u>
Total Usable Reserves - Group	<u>360,527</u>	<u>(117,761)</u>	<u>78,802</u>	<u>321,568</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.1 Transfers to and from Usable Reserves - continued

	Balance at 01.04.17 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31.03.18 £000
General Fund				
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	25,659	(8,813)	23,803	40,649
Council Priorities Fund	4,886	(1,312)	4,117	7,691
Contingency funding, workforce mgmt.	18,094	0	49	18,143
Dilapidations Fund	12,344	(9,267)	2,000	5,077
Insurance Funds	14,666	(17)	1,226	15,875
	<u>75,649</u>	<u>(19,409)</u>	<u>31,195</u>	<u>87,435</u>
Balances Set Aside from Income Received in Advance				
Licensing Income	3,093	(272)	259	3,080
Recycling balances	1,161	(464)	0	697
Revenue grants and contributions received in advance of planned expend.	8,885	(6,309)	2,254	4,830
Council Tax Discount Fund	24,234	0	3,198	27,432
Other earmarked balances	236	(18)	0	218
City Strategic Investment Fund	6,180	(768)	49	5,461
	<u>43,789</u>	<u>(7,831)</u>	<u>5,760</u>	<u>41,718</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy Efficiency Fund	98	0	80	178
Spend to Save Fund and similar projects	7,362	(4,418)	227	3,171
	<u>7,460</u>	<u>(4,418)</u>	<u>307</u>	<u>3,349</u>
Balances Set Aside under Devolved School Management Scheme				
Balances held by schools under Devolved School Management (DSM) and Pupil Equity Fund (PEF)	2,688	(2,688)	5,758	5,758
	<u>2,688</u>	<u>(2,688)</u>	<u>5,758</u>	<u>5,758</u>
Surplus on Housing Revenue Account transferred to Renewal and Repairs Fund				
	0	(432)	432	0
Unallocated General Fund				
	13,025	0	0	13,025
Total General Fund				
	<u>142,611</u>	<u>(34,778)</u>	<u>43,452</u>	<u>151,285</u>
Housing Revenue Account Balance				
	0	(432)	432	0
Renewal and Repairs Fund				
	64,149	(9,474)	3,448	58,123
Capital Fund				
	61,178	(2,513)	4,893	63,558
Capital Receipts Reserve				
	0	(21,879)	21,879	0
Capital Grants Unapplied Account				
	766	(21)	4,051	4,796
Total Usable Reserves - Council				
	<u>268,704</u>	<u>(69,097)</u>	<u>78,155</u>	<u>277,762</u>
Total Usable Reserves - Group				
	<u>297,220</u>	<u>(74,563)</u>	<u>137,870</u>	<u>360,527</u>

NOTES TO THE FINANCIAL STATEMENTS

12. Usable Reserves - continued

12.2 Devolved School Management and Pupil Equity Funding

A net credit balance of £6.073m (2017/18 £5.758m) is held within the General Fund in accordance with the Devolved School Management scheme and permitted carry forward of the newly resourced Pupil Equity Fund.

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

2018/19

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(40,500)	0	(35,273)	(25,953)
Transfers in	34,060	0	3,496	25,953
Total movements in fund	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	2,692	(26,043)	(14,866)	0
Transfers to other earmarked reserves	<u>(9,132)</u>	<u>26,043</u>	<u>(16,911)</u>	<u>0</u>
Total movements in fund	<u>(6,440)</u>	<u>0</u>	<u>(31,777)</u>	<u>0</u>

	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(1,351)	(8,892)	(5,792)	(117,761)
Transfers in	12,339	1,242	1,712	78,802
Total movements in fund	<u>10,988</u>	<u>(7,650)</u>	<u>(4,080)</u>	<u>(38,959)</u>
Recognised in Comprehensive Income and Expenditure Statement	10,988	(7,650)	(4,044)	(38,923)
Transfers to other earmarked reserves	<u>0</u>	<u>0</u>	<u>(36)</u>	<u>(36)</u>
Total movements in fund	<u>10,988</u>	<u>(7,650)</u>	<u>(4,080)</u>	<u>(38,959)</u>

2017/18 Comparative Data

	General Fund £000	HRA Balance £000	Renewal / Repairs Fund £000	Capital Receipts Reserve £000
Transfers out	(34,778)	(432)	(9,474)	(21,879)
Transfers in	43,452	432	3,448	21,879
Total movements in fund	<u>8,674</u>	<u>0</u>	<u>(6,026)</u>	<u>0</u>
Recognised in Comprehensive Income and Expenditure Statement	14,530	(9,042)	0	0
Transfers to other earmarked reserves	<u>(5,856)</u>	<u>9,042</u>	<u>(6,026)</u>	<u>0</u>
Total movements in fund	<u>8,674</u>	<u>0</u>	<u>(6,026)</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

2017/18 Comparative Data	Capital Grants Unapplied £000	Capital Fund £000	Group Usable Reserves £000	Total £000
Transfers out	(21)	(2,513)	(5,466)	(74,563)
Transfers in	4,051	4,893	59,715	137,870
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,249</u>	<u>63,307</u>
Recognised in Comprehensive Income and Expenditure Statement	4,030	2,380	57,280	69,178
Transfers to other earmarked reserves	0	0	(3,031)	(5,871)
Total movements in fund	<u>4,030</u>	<u>2,380</u>	<u>54,249</u>	<u>63,307</u>

13. Financing and Investment Income and Expenditure

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Interest payable and similar charges	82,444	82,435	89,236	88,950
Interest cost on defined benefit obligation	98,465	86,845	102,790	89,941
Interest receivable and similar income	(12,198)	(12,406)	(10,504)	(10,413)
Interest income on plan assets	(86,361)	(73,318)	(84,563)	(71,179)
Net income in relation to investment properties and changes in their fair value	(2,923)	(2,923)	(3,094)	(3,014)
Net (surplus) / deficit from trading activities	<u>(460)</u>	<u>36</u>	<u>36</u>	<u>42</u>
	<u>78,967</u>	<u>80,669</u>	<u>93,901</u>	<u>94,327</u>

14. Taxation and Non-Specific Grant Income

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Council Tax income	(259,435)	(259,435)	(249,248)	(249,248)
Non-domestic rates	(340,474)	(340,474)	(355,063)	(355,063)
Non-ring fenced government grants	(363,757)	(363,757)	(345,757)	(345,757)
Capital grants and contributions	(100,123)	(100,123)	(76,598)	(76,598)
Taxation expenses	<u>(80)</u>	<u>0</u>	<u>2,106</u>	<u>0</u>
	<u>(1,063,869)</u>	<u>(1,063,789)</u>	<u>(1,024,560)</u>	<u>(1,026,666)</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment

15.1 Depreciation

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

15.2 Capital Commitments

At 31 March 2019, the Council had entered into a number of contracts for the construction or enhancement of property, plant and equipment. These are budgeted to cost £295.064m. A number of these amounts relate to contract retentions, as projects are now complete. Similar commitments at 31 March 2018 were £256.725m.

	£000	Expected Completion Date
Queensferry High School	19,900	Mar-20
Craigmillar Town Centre	14,500	Apr-20
Zero Waste Fund	29,520	May-20
St James Quarter - Growth Accelerator Model	61,400	Sep-20
North Bridge refurbishment	17,300	Dec-20
Energy efficient street lighting project	18,850	May-21
Meadowbank Sports Centre	36,894	Dec-21
Housing projects	30,748	2019-2020
Other works	3,702	2019-2021
Roads and transport infrastructure	10,859	2019-2021
School estates extensions, upgrades and builds	18,741	2019-2021
Pennywell Town Centre and phase 3	32,650	2021-2023
	<u>295,064</u>	

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2018/19

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2018	1,100,998	2,075,364	323,984	1,431,378
Additions	30,349	40,233	23,106	34,073
Revaluation increases / (decreases) recognised in the Revaluation Reserve	336,226	87,148	(124)	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(217)	(49,515)	(2,382)	0
Derecognition - disposals	(1,842)	(799)	(10,091)	0
Derecognition - other	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	(6,016)	0	0
Other movements in cost or valuation	18,993	13,078	0	0
At 31 March 2019	<u>1,484,507</u>	<u>2,159,493</u>	<u>332,109</u>	<u>1,465,451</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	(71,600)	(108,452)	(142,816)	(633,143)
Depreciation charge	(20,329)	(61,268)	(28,902)	(68,517)
Depreciation charge written out to Revaluation Reserve	91,605	68,556	0	0
Depreciation written out to the Surplus on the Provision of Services	27	3,475	334	0
Derecognition - disposals	156	35	9,246	0
Derecognition - other	0	0	2,384	0
Depreciation on assets transferred to Held for Sale	0	55	0	0
At 31 March 2019	<u>(141)</u>	<u>(97,599)</u>	<u>(159,754)</u>	<u>(701,660)</u>
Net book value				
At 31 March 2019	<u>1,484,366</u>	<u>2,061,894</u>	<u>172,355</u>	<u>763,791</u>
At 31 March 2018	<u>1,029,398</u>	<u>1,966,912</u>	<u>181,168</u>	<u>798,235</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.3 Movements on Balances - Group Movements in 2018/19

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2018	14,050	1,421	56,299	5,003,494
Additions	5,087	0	87,742	220,590
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(238)	0	0	423,012
Revaluation decreases recognised in the Surplus on the Provision of Services	(8,318)	0	0	(60,432)
Derecognition - disposals	(1,594)	0	(2,809)	(17,135)
Derecognition - other	0	0	0	(2,384)
Assets reclassified (to) / from held for sale	0	0	0	(6,016)
Other movements in cost or valuation	0	0	(32,071)	0
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>5,561,129</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	0	0	0	(956,011)
Depreciation charge	0	0	0	(179,016)
Depreciation charge written out to Revaluation Reserve	0	0	0	160,161
Depreciation written out to the Surplus on the Provision of Services	0	0	0	3,836
Derecognition - disposals	0	0	0	9,437
Derecognition - other	0	0	0	2,384
Depreciation on assets transferred to Held for Sale	0	0	0	55
At 31 March 2019	<u>0</u>	<u>0</u>	<u>0</u>	<u>(959,154)</u>
Net book value				
At 31 March 2019	<u>8,987</u>	<u>1,421</u>	<u>109,161</u>	<u>4,601,975</u>
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,047,483</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group Accounts

2017/18 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 2017	1,077,207	1,852,238	304,161	1,403,042
Additions	33,712	37,357	30,220	28,336
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(6,031)	198,430	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(52,970)	0	0
Derecognition - disposals	(11,215)	(2,324)	(6,387)	0
Derecognition - other	0	(819)	(4,010)	0
Assets reclassified (to) / from held for sale	0	6,463	0	0
Other movements in cost or valuation	7,394	36,989	0	0
At 31 March 2018	<u>1,100,998</u>	<u>2,075,364</u>	<u>323,984</u>	<u>1,431,378</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	(52,984)	(136,630)	(133,008)	(567,358)
Depreciation charge	(19,625)	(46,356)	(19,432)	(65,785)
Depreciation charge written out to Revaluation Reserve	241	63,191	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,098	0	0
Derecognition - disposals	764	115	5,614	0
Derecognition - other	0	130	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	4,010	0
At 31 March 2018	<u>(71,600)</u>	<u>(108,452)</u>	<u>(142,816)</u>	<u>(633,143)</u>
Net book value				
At 31 March 2018	<u><u>1,029,398</u></u>	<u><u>1,966,912</u></u>	<u><u>181,168</u></u>	<u><u>798,235</u></u>
At 31 March 2017	<u><u>1,024,223</u></u>	<u><u>1,715,608</u></u>	<u><u>171,153</u></u>	<u><u>835,684</u></u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.4 Movements on Balances - Group 2017/18 Comparative Data

	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property Plant and Equipment £000
Cost or Valuation				
At 1 April 2017	14,562	2,421	53,096	4,706,727
Additions	5,168	362	46,224	181,379
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(8)	0	0	192,391
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	(58,711)
Derecognition - disposals	0	0	0	(19,926)
Derecognition - other	0	0	0	(4,829)
Assets reclassified (to) / from held for sale	0	0	0	6,463
Other movements in cost or valuation	0	(1,362)	(43,021)	0
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>5,003,494</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	0	0	0	(889,980)
Depreciation charge	0	0	0	(151,198)
Depreciation charge written out to Revaluation Reserve	0	0	0	63,432
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,102
Derecognition - disposals	0	0	0	6,493
Derecognition - other	0	0	0	130
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	4,010
At 31 March 2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>(956,011)</u>
Net book value				
At 31 March 2018	<u>14,050</u>	<u>1,421</u>	<u>56,299</u>	<u>4,047,483</u>
At 31 March 2017	<u>14,562</u>	<u>2,421</u>	<u>53,096</u>	<u>3,816,747</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council Movements in 2018/19

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000
Cost or Valuation				
At 1 April 2018	1,100,998	2,013,461	156,538	1,424,708
Additions	30,349	40,233	11,010	34,073
Revaluation increases / (decreases) recognised in the Revaluation Reserve	336,226	87,148	(124)	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(217)	(49,515)	(2,382)	0
Derecognition - disposals	(1,842)	(799)	(2,338)	0
Derecognition - other	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	(6,016)	0	0
Other movements in cost or valuation	18,993	13,078	0	0
At 31 March 2019	<u>1,484,507</u>	<u>2,097,590</u>	<u>160,320</u>	<u>1,458,781</u>
Accumulated Depreciation and Impairment				
At 1 April 2018	(71,600)	(77,150)	(68,036)	(626,940)
Depreciation charge	(20,329)	(61,073)	(9,427)	(68,237)
Depreciation charge written out to Revaluation Reserve	91,605	68,556	0	0
Depreciation written out to the Surplus on the Provision of Services	27	3,475	334	0
Derecognition - disposals	156	35	2,317	0
Derecognition - other	0	0	2,384	0
Other movements in cost or valuation	0	55	0	0
At 31 March 2019	<u>(141)</u>	<u>(66,102)</u>	<u>(72,428)</u>	<u>(695,177)</u>
Net book value				
At 31 March 2019	<u>1,484,366</u>	<u>2,031,488</u>	<u>87,892</u>	<u>763,604</u>
At 31 March 2018	<u>1,029,398</u>	<u>1,936,311</u>	<u>88,502</u>	<u>797,768</u>

Included within Other Land and Buildings is £2.274m for donated assets related to timing of PPP lifecycle maintenance spend by the contract provider, ahead of the planned programme.

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.5 Movements on Balances - Council

Movements in 2018/19

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 2018	14,050	1,421	56,299	4,767,475	593,418
Additions	5,087	0	87,742	208,494	21,355
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(238)	0	0	423,012	(46,769)
Revaluation decreases recognised in the Surplus on the Provision of Services	(8,318)	0	0	(60,432)	(31,991)
Derecognition - disposals	(1,594)	0	(2,809)	(9,382)	0
Derecognition - other	0	0	0	(2,384)	0
Assets reclassified (to) / from held for sale	0	0	0	(6,016)	0
Other movements in cost or valuation	0	0	(32,071)	0	(15,843)
At 31 March 2019	8,987	1,421	109,161	5,320,767	520,170
Accumulated Depreciation and Impairment					
At 1 April 2018	0	0	0	(843,726)	(43,603)
Depreciation charge	0	0	0	(159,066)	(14,258)
Depreciation charge written out to Revaluation Reserve	0	0	0	160,161	47,424
Depreciation written out to the Surplus on the Provision of Services	0	0	0	3,836	1,895
Derecognition - disposals	0	0	0	2,508	0
Derecognition - other	0	0	0	2,384	0
Other movements in cost or valuation	0	0	0	55	0
At 31 March 2019	0	0	0	(833,848)	(8,542)
Net book value					
At 31 March 2019	8,987	1,421	109,161	4,486,919	511,628
At 31 March 2018	14,050	1,421	56,299	3,923,749	549,815

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

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council 2017/18 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 2017	1,077,207	1,790,335	159,328	1,396,372
Additions	33,712	37,357	3,510	28,336
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(6,031)	198,430	0	0
Revaluation decreases recognised in the Surplus on the Provision of Services	(69)	(52,970)	0	0
Derecognition - disposals	(11,215)	(2,324)	(2,290)	0
Derecognition - other	0	(819)	(4,010)	0
Assets reclassified (to) / from held for sale	0	6,463	0	0
Other movements in cost or valuation	7,394	36,989	0	0
At 31 March 2018	<u>1,100,998</u>	<u>2,013,461</u>	<u>156,538</u>	<u>1,424,708</u>
Accumulated Depreciation and Impairment				
At 1 April 2017	(52,984)	(105,526)	(64,347)	(561,444)
Depreciation charge	(19,625)	(46,158)	(9,776)	(65,496)
Depreciation charge written out to Revaluation Reserve	241	63,191	0	0
Depreciation written out to the Surplus on the Provision of Services	4	11,098	0	0
Derecognition - disposals	764	115	2,077	0
Derecognition - other	0	130	0	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	4,010	0
At 31 March 2018	<u>(71,600)</u>	<u>(77,150)</u>	<u>(68,036)</u>	<u>(626,940)</u>
Net book value				
At 31 March 2018	<u>1,029,398</u>	<u>1,936,311</u>	<u>88,502</u>	<u>797,768</u>
At 31 March 2017	<u>1,024,223</u>	<u>1,684,809</u>	<u>94,981</u>	<u>834,928</u>

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.6 Movements on Balances - Council

2017/18 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 2017	14,562	2,421	53,096	4,493,321	594,858
Additions	5,168	362	46,224	154,669	40
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(8)	0	0	192,391	(1,480)
Revaluation decreases recognised in the Surplus on the Provision of Services	(5,672)	0	0	(58,711)	0
Derecognition - disposals	0	0	0	(15,829)	0
Derecognition - other	0	0	0	(4,829)	0
Assets reclassified (to) / from held for sale	0	0	0	6,463	0
Other movements in cost or valuation	0	(1,362)	(43,021)	0	0
At 31 March 2018	14,050	1,421	56,299	4,767,475	593,418
Accumulated Depreciation and Impairment					
At 1 April 2017	0	0	0	(784,301)	(32,687)
Depreciation charge	0	0	0	(141,055)	(14,106)
Depreciation charge written out to Revaluation Reserve	0	0	0	63,432	3,190
Depreciation written out to the Surplus on the Provision of Services	0	0	0	11,102	0
Derecognition - disposals	0	0	0	2,956	0
Derecognition - other	0	0	0	130	0
Impairment losses recognised in the Surplus on the Provision of Services	0	0	0	4,010	0
At 31 March 2018	0	0	0	(843,726)	(43,603)
Net book value					
At 31 March 2018	14,050	1,421	56,299	3,923,749	549,815
At 31 March 2017	14,562	2,421	53,096	3,709,020	562,171

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

15. Property, Plant and Equipment - continued

15.7 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	3	49,050	95,152	1,458,781
Valued at fair value as at:				
31 March 2019	1,481,868	812,805	0	0
31 March 2018	502	753,154	0	0
31 March 2017	0	204,982	0	0
31 March 2016	1,009	155,132	0	0
31 March 2015	1,125	122,467	65,168	0
Total cost or valuation	1,484,507	2,097,590	160,320	1,458,781

Council assets	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	8,987	1	109,161	1,721,135
Valued at fair value as at:				
31 March 2019	0	0	0	2,294,673
31 March 2018	0	0	0	753,656
31 March 2017	0	0	0	204,982
31 March 2016	0	1,420	0	157,561
31 March 2015	0	0	0	188,760
Total cost or valuation	8,987	1,421	109,161	5,320,767

NOTES TO THE FINANCIAL STATEMENTS

15. Property, Plant and Equipment - continued

15.8 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 2019
	£000	£000	£000	£000
Surplus assets	0	1,421	0	1,421
Investment properties - advertising hoardings	0	18,916	0	18,916
Total cost or valuation	0	20,337	0	20,337

- 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 of 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.

16. Investment Properties

Policy

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.

Investment properties are revalued annually.

Investment properties held at fair value are not depreciated.

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 are 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.

Note

16.1 Income and Expenses on Investment Properties

Income of £1.743m (£1.594m 2017/18) and expense £Nil (£Nil 2017-18) have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

16. Investment Properties - continued

16.2 Movement in Fair Value - continued

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

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	18,321	17,891	16,821	16,471
Additions:				
- Subsequent expenditure	0	0	0	0
Disposals	0	0	0	0
Net (loss) / gain from fair value adjustments	815	1,025	1,500	1,420
	<u>19,136</u>	<u>18,916</u>	<u>18,321</u>	<u>17,891</u>
Value at 31 March	19,136	18,916	18,321	17,891

17. Intangible Assets

Policy

Intangible fixed assets represent software licences purchased by the Council.

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

Intangible fixed assets are initially measured at cost. Software licences are depreciated over the period of the licence, commencing in the year of acquisition.

Note

The carrying value of intangible assets of the Group and the Council is £0.335m in 2018/19 (£1.444m in 2017/18).

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.240m in 2018/19 (2017/18 £1.249m) was charged to Resources.

18. Heritage Assets

Policy

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

The following measurement bases have been applied, 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
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

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

18.1 Reconciliation of the Carrying Value of Heritage Assets

Note

Movements in 2018/19

	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
Cost or Valuation			
At 1 April 2018	423	2,047	6,797
Additions	155	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	317	0	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(9)	0	0
Transferred to Common Good	(44)	0	0
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2019	<u>842</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2018	<u>423</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 2018	1,975	19,643	30,885
Additions	0	0	155
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	317
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	0	(9)
Transferred to Common Good	0	0	(44)
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>
Net book value			
At 31 March 2019	<u>1,975</u>	<u>19,643</u>	<u>31,304</u>
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.1 Reconciliation of the Carrying Value of Heritage Assets - continued 2017/18 Comparative Data

Cost or Valuation	Monuments and Statues £000	Civic Regalia and Artefacts £000	Archival Collections £000
At 1 April 2017	665	2,047	6,797
Additions	166	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reverse	(4)	0	0
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	(404)	0	0
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>
Net book value			
At 31 March 2018	<u>423</u>	<u>2,047</u>	<u>6,797</u>
At 31 March 2017	<u>665</u>	<u>2,047</u>	<u>6,797</u>

Cost or Valuation	Libraries' Special Collections £000	Museum and Gallery Collections £000	Total Heritage Assets £000
At 1 April 2017	1,975	19,643	31,127
Additions	0	0	166
Revaluation increases / (decreases) recognised in the Revaluation Reverse	0	0	(4)
Revaluation increases / (decreases) recognised in the Surplus on the Provision of Services	0	0	(404)
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>
Net book value			
At 31 March 2018	<u>1,975</u>	<u>19,643</u>	<u>30,885</u>
At 31 March 2017	<u>1,975</u>	<u>19,643</u>	<u>31,127</u>

NOTES TO THE FINANCIAL STATEMENTS

18. Heritage Assets - continued

18.2 Details of Heritage Assets

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

19. Inventories

Policy

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.

Note	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Total				
Balance at 1 April	13,958	2,513	16,166	3,048
Purchases	60,057	15,184	54,088	13,923
Held by a third party	192	192	39	39
Recognised as an expense in the year	(60,403)	(14,872)	(56,333)	(14,495)
Stock written off	(1,012)	(33)	(2)	(2)
Balance at 31 March	<u>12,792</u>	<u>2,984</u>	<u>13,958</u>	<u>2,513</u>

The majority of the Council inventory transactions and balances relate to fuel and building materials, with catering supplies, community equipment and clothing making up the remainder. The Group inventory mainly relates to fuel and work in progress.

NOTES TO THE FINANCIAL STATEMENTS

20. Debtors

20.1 Long-term Debtors

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Council Tax	89,366	89,366	83,295	83,295
Trade Debtors	41,421	41,421	35,035	35,035
Prepayments	0	0	0	0
Other Debtors	121,562	125,114	91,667	98,112
Total long-term debtors before provision for impairment	252,349	255,901	209,997	216,442
Less: Provision for impairment	(120,969)	(120,969)	(110,167)	(110,167)
Total net long-term debtors	131,380	134,932	99,830	106,275

Long-term debtors include £11.184m (2017/18 £12.440m) and £Nil (2017/18 £0.319m) for sums recoverable from Police Scotland and Fire Scotland respectively. These sums relate to monies advanced to the former joint boards for capital expenditure.

20.2 Current Debtors

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Council Tax	112,089	112,089	102,140	102,140
Trade Debtors	60,423	49,225	59,665	55,729
Prepayments	4,437	2,528	20,866	18,646
Other Debtors	59,358	54,208	54,685	44,564
Total current debtors before provision for impairment	236,307	218,050	237,356	221,079
Less: Provision for impairment	(111,756)	(111,756)	(107,157)	(107,157)
Total net current debtors	124,551	106,294	130,199	113,922

20.3 Provision for Impairment

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Long-term provision for impairment				
Council Tax	(83,290)	(83,290)	(81,431)	(81,431)
Trade Debtors	(22,043)	(22,043)	(21,687)	(21,687)
Other Debtors	(15,636)	(15,636)	(7,049)	(7,049)
Total long-term provision for impairment	(120,969)	(120,969)	(110,167)	(110,167)
Current provision for impairment				
Council Tax	(102,082)	(102,082)	(98,998)	(98,998)
Trade Debtors	(9,534)	(9,534)	(7,948)	(7,948)
Other Debtors	(140)	(140)	(211)	(211)
Total current provision for impairment	(111,756)	(111,756)	(107,157)	(107,157)

21. Cash and Cash Equivalents

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

	2018/19		2017/18	
	Group	Council	Group	Council
	£000	£000	£000	£000
Cash held	353	353	360	360
Bank current accounts	29,323	158	8,287	(15,330)
Short-term deposits:				
With banks or building societies	32,936	32,936	19,415	19,415
With other local authorities	73,232	73,232	108,960	108,960
	135,844	106,679	137,022	113,405

NOTES TO THE FINANCIAL STATEMENTS

22. Assets Held for Sale

Policy

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.

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.

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

Note	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
22.1 Non-Current Assets				
Balance at 1 April	2,580	2,580	13,498	13,498
Additions	25	25	9	9
Assets reclassified as held for sale:				
Property, Plant and Equipment	0	0	(53)	(53)
Assets sold	(19)	(19)	(3,477)	(3,477)
Transfers from non-current to current	(1,000)	(1,000)	(7,397)	(7,397)
Balance at 31 March	<u>1,586</u>	<u>1,586</u>	<u>2,580</u>	<u>2,580</u>

22.2 Current Assets	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Balance at 1 April	20,126	20,126	29,359	29,359
Additions	193	193	(88)	(88)
Revaluation gains/(losses) recognised in the revaluation reserve	4,000	4,000	0	0
Assets reclassified as held for sale:				
Property, Plant and Equipment	5,960	5,960	(6,410)	(6,410)
Assets sold	(13,674)	(13,674)	(10,132)	(10,132)
Transfers from non-current to current	1,000	1,000	7,397	7,397
Balance at 31 March	<u>17,605</u>	<u>17,605</u>	<u>20,126</u>	<u>20,126</u>

23. Creditors

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Trade Creditors	(75,699)	(70,857)	(88,090)	(88,090)
Council Tax refundable to taxpayer	(1,980)	(1,980)	(1,004)	(1,004)
Other Tax payable	(13,985)	(10,598)	(13,918)	(9,982)
Other Creditors	(114,208)	(82,443)	(63,814)	(42,652)
PFI Creditor	(8,206)	(8,206)	(8,022)	(8,022)
Finance Leases (non PFI)	(2,323)	(374)	(1,949)	0
	<u>(216,401)</u>	<u>(174,458)</u>	<u>(176,797)</u>	<u>(149,750)</u>

NOTES TO THE FINANCIAL STATEMENTS

24. Provisions

Policy

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.

Note

Provision has been made within the Group Financial Statements for outstanding payments of £36.727m (2017/18 £29.272m).

Of this amount, £33.810m (2017/18 £25.431m) relates to the Council. These include estimates of settlements on outstanding equal pay, compensation, insurance and other claims, contract arrangements, 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.

	Group £000	Council £000
Balance at 1 April 2018	(29,272)	(25,431)
Additional provisions made during the year	(18,556)	(16,794)
Amounts used during the year	5,984	3,381
Unused amounts reversed during the year	5,117	5,034
Balance at 31 March 2019	<u>(36,727)</u>	<u>(33,810)</u>

25. Reserves

Policy

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 and funds for PPP school lifecycle maintenance. 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.

Note

Movements in the Group and the Council's usable reserves are detailed in the Movement in Reserves Statement (on pages 17 to 18) and Note 12.

26. Unusable Reserves

Policy

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.

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued Policy - continued

- 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.
- Pensions 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.

26.1 Summary of Unusable Reserves

	Balance as at:	
	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	1,668,211	1,108,975
Capital Adjustment Account	1,457,668	1,403,298
Financial Instruments Adjustment Account	(41,548)	(43,467)
Pensions Reserve	(605,765)	(482,493)
Employee Statutory Adjustment Account	(16,058)	(14,761)
Total Council Unusable Reserves	2,462,508	1,971,552
Subsidiaries, Associates and Joint Ventures	119,467	119,431
Total Group Unusable Reserves	2,581,975	2,090,983

26.2 Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are: revalued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

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

	2018/19 £000	2017/18 £000
Balance at 1 April	1,108,975	873,986
Upward revaluation of assets	676,979	334,452
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(89,489)	(78,632)
Surplus on revaluation of non-current assets not posted to the Surplus on the Provision of Service	587,490	255,820
Difference between fair value depreciation and historical cost depreciation	(130)	(5,665)
Accumulated gains on assets sold	(28,124)	(15,166)
Amount written off to the capital adjustment account	(28,254)	(20,831)
Balance at 31 March	1,668,211	1,108,975

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.3 Capital Adjustment Account

The capital adjustment account provides a balancing mechanism for timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (CIES) (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council to finance the costs for acquisition, construction and enhancement of non-current assets. The account also holds accumulated gains and losses on investment properties and revaluation 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.

	2018/19 £000	2017/18 £000
Balance at 1 April	1,403,298	1,402,884
<u>Reversal of items relating to capital expenditure debited or credited to the CIES</u>		
Charges for depreciation and impairment of non-current assets	(159,066)	(141,055)
Revaluation losses on property, plant and equipment heritage assets and assets held for sale	(57,084)	(48,012)
Amortisation and impairment of intangible assets	(1,240)	(1,267)
Capital funded from revenue	38,888	22,200
Revenue exp. funded from capital under statute	(59,774)	(44,411)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(19,952)	(27,172)
	<u>(258,228)</u>	<u>(239,717)</u>
Adjusting amounts written out of the revaluation reserve	28,254	20,831
Net written out amount of the costs of non-current assets consumed in the year	(229,974)	(218,886)
<u>Capital financing applied in the year:</u>		
Use of the capital receipts reserve to finance new capital expenditure	25,953	21,879
Capital grants and contributions credited to the CIES that have been applied to capital financing	87,784	72,548
Application of grants from the capital grants unapplied account / capital fund	1,351	21
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	88,471	79,021
Capital expenditure charged against the General Fund and HRA balances	59,774	44,411
	<u>263,333</u>	<u>217,880</u>
Movements in the market value of investment properties credited to the CIES	1,025	1,420
Transfer to the General Fund	0	0
Other unrealised losses debited to the CIES	19,986	0
Balance at 31 March	<u><u>1,457,668</u></u>	<u><u>1,403,298</u></u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.4 Financial Instruments Adjustment Account

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

	2018/19	2017/18
	£000	£000
Balance at 1 April	(43,467)	(45,390)
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)	70	74
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in accordance with statutory requirements	1,919	1,923
Balance at 31 March	<u>(41,548)</u>	<u>(43,467)</u>

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

26.5 Pensions Reserve

The pensions reserve provides a balancing mechanism arising from the different arrangements for accounting for post employment benefits (pension costs) and for funding pensions in accordance with statutory provisions. The Council accounts for pensions in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

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

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.5 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.

	2018/19 £000	2017/18 £000
Balance at 1 April	(482,493)	(705,786)
Actuarial gains or (losses) on pension assets and liabilities	(71,775)	273,812
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	(116,885)	(110,511)
Employer's pension contributions and direct payments to pensioners payable in the year	65,388	59,992
Balance at 31 March	<u>(605,765)</u>	<u>(482,493)</u>

26.6 Employee Statutory Adjustment Account

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

	2018/19 £000	2017/18 £000
Balance at 1 April	(14,761)	(14,121)
Settlement or cancellation of accrual made at the end of the preceding year	14,761	14,121
Amount accrued at the end of the current year	<u>(16,058)</u>	<u>(14,761)</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	(1,297)	(640)
Balance at 31 March	<u>(16,058)</u>	<u>(14,761)</u>

NOTES TO THE FINANCIAL STATEMENTS

26. Unusable Reserves - continued

26.7 Unusable Reserves - Group Members

	Balance as at:	
	31 March 2019 £000	31 March 2018 £000
Subsidiaries		
CEC Holdings Limited	76,292	75,696
Transport for Edinburgh	24,226	25,275
Associates and Joint Ventures		
Common Good	23,510	21,864
Lothian Valuation Joint Board	(4,561)	(3,404)
Total Unusable Reserves - Subsidiaries, Associates and Joint Ventures	<u>119,467</u>	<u>119,431</u>

27. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Cash paid to and on behalf of employees	571,307	571,307	560,154	560,154
General Revenue Grant	(363,757)	(363,757)	(345,757)	(345,757)
Non-Domestic Rates receipts from national pool	(340,474)	(340,474)	(355,063)	(355,063)
Other net operating cash payments / (receipts)	(116,137)	(116,137)	(85,056)	(85,056)
Net cash flows from subsidiary companies	(26,445)	0	(18,826)	0
Net cash flows from operating activities	<u>(275,506)</u>	<u>(249,061)</u>	<u>(244,548)</u>	<u>(225,722)</u>

28. Cash Flow Statement - Operating Activities - continued

The cash flows for operating activities include the following items:

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Interest received	(5,198)	(5,406)	(4,324)	(4,233)
Interest paid	82,444	82,435	89,285	88,950
Investment income received	(7,000)	(7,000)	(6,180)	(6,180)

NOTES TO THE FINANCIAL STATEMENTS

29. Cash Flow Statement - Investing Activities

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	230,998	218,902	187,617	170,649
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(20,100)	(18,770)	(24,841)	(24,277)
Net purchase of Short-Term and Long-Term Investments	(1,053)	(1,053)	20,773	20,884
Other payments for investing activities	55,316	49,136	49,211	42,601
Other receipts from investing activities	(55,423)	(55,401)	(29,955)	(29,938)
Net cash flows from investing activities	209,738	192,814	202,805	179,919

30. Cash Flow Statement - Financing Activities

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Cash Receipts of Short- and Long-Term Borrowing	(10)	(2,875)	(1,891)	0
Other Receipts for Financing Activities	13,743	13,743	3,297	3,297
Cash Payments for the Reduction of the Outstanding Liability relating to Finance Leases and on-Balance Sheet PPP Contracts	3,253	2,145	8,791	7,888
Repayment of short-term and long-term borrowing	49,960	49,960	54,355	54,355
Net cash flows from financing activities	66,946	62,973	64,552	65,540

31. Trading Operations

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

31.1 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.

	2018/19 £000	2017/18 £000	2016/17 £000	Cumulative £000
Turnover	966	931	902	n/a
Deficit	(36)	(42)	(191)	(269)

Edinburgh Catering Services - Other Catering failed to achieved its statutory obligation to break even over the three-year period.

There has been a significant reduction in losses over the last three years. A revised tariff will be implemented in the new financial year to ensure the service covers its inflationary cost rises, mainly around food, beverages and staff costs. A new till system will be introduced to track income trends more effectively and proposals to rationalise the service delivery locations will be pursued.

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

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees

32.1 Loans and guarantees

The Council has made loans to the following organisations at less than market interest rates (soft loans).

	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000
	Transport for Edinburgh Ltd.	Transport for Edinburgh Ltd.	Spartans Community Football Academy	Spartans Community Football Academy
Opening Balance	939	899	55	54
New Loans	0	0	0	0
Increase in the Discounted Amount	42	40	5	4
Fair Value Adjustment	0	0	0	0
Loan Repayment	<u>(981)</u>	<u>0</u>	<u>(3)</u>	<u>(3)</u>
Balance Carried Forward	<u>0</u>	<u>939</u>	<u>57</u>	<u>55</u>
Nominal Value Carried Forward	<u>0</u>	<u>1,000</u>	<u>99</u>	<u>102</u>

Adjustments have been made under the requirements of IAS 39 Financial Instruments: Recognition and Measurement, as required by the Code.

The Transport for Edinburgh loan related 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. These loans were fully repaid during the year to 31 March 2019.

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.

32.2 Guarantees

In February 2018 the Council agreed to provide a formal pension guarantee to Lothian Pension Funds on behalf of Edinburgh Leisure.

From 1 April 2018 Lothian Pension Fund introduced a new investment strategy, whereby for those employers closed to new entrants but who do not meet the criteria for the Funds low-risk strategy, would be moved to a medium risk strategy.

Edinburgh Leisure would fall into this category and the impact would be a considerable increase in contribution rates and would likely result in a significant impact on services provided by this entity.

The Council approved providing a pension guarantee which enabled Edinburgh Leisure to be moved back to a low-risk strategy, avoiding the additional financial costs.

In June 2018 the Council also approved to provide a pension guarantee to Lothian Pension Fund on behalf of Lothian Buses, to enable them to merge their existing pension fund into Lothian Pension Fund, to streamline the pension portfolio and bring associated financial efficiencies.

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees - continued

32.3 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.

In June 2018 the Council purchased the interest in a shared equity loan scheme from PARC for £0.512m. The scheme provided assistance to buyers to purchase homes from PARC and twenty two loans remain in the scheme. 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.

32.4 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.

The Telford NHT LLP with Miller Homes was bought over by the Council in January 2019.

Phase 3 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 £50.1m for three projects. Fruitmarket NHT3 has completed, with investment totalling £9.153m and delivery of 80 homes. Spend on the two remaining projects under NHT Phase 3 commenced in 2018/19 and will continue into 2019/20 and 2020/21, with the last NHT homes due to complete at Shrubhill in late 2020.

NOTES TO THE FINANCIAL STATEMENTS

32. Financial Support and Guarantees - continued

32.4 National Housing Trust - continued

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

Developer	Development Site	Phase	Total No. of Units	2018/19 £000	Prior Years £000	Total £000
Places for People	Lochend North	1	126	0	13,323	13,323
Places for People	Lighthouse Court	1	62	0	6,492	6,492
Teague Homes Limited	Salamander Place / Leith Links	1	145	0	15,551	15,551
City of Edinburgh Council	Telford North	1	89	0	10,299	10,299
FP Newhaven Ltd	Sandpiper Road	2	96	0	11,908	11,908
Ediston Homes Ltd	Fruitmarket	3	80	0	9,153	9,153
Cruden Homes	Western Harbour	3	90	11,279	0	11,279
Places for People	Shrubhill	3	58	9,139	0	9,139
			746	20,418	66,726	87,144

These sums are included within long-term debtors, as detailed in note 20.1.

33. 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.

During the financial year the total Agency income was £11.799m (2017/18 £10.981m) and Agency Expenditure £8.619m (2017/18 £8.370m).

The council also undertakes, on an agency basis, the financial administration on behalf of the Scottish Cities Alliance. During the year £0.653m (2017/18 £0.913m) was paid out to the respective lead authorities of the projects concerned, included in the totals above.

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, Edinburgh West End, Greater Grassmarket (wound up February 2018) and Queensferry Ambition (wound up August 2017). During the year income of £1.185m (2017/18 £1.232m) was collected and £1.138m (2017-18 £1.18m) paid out to BID schemes, included in the totals above.

34. Audit Costs

The fees payable to Scott Moncrieff in respect of external audit services undertaken in accordance with the Code of Audit Practice are £0.594m (2017/18 £0.578m).

In addition, the Council paid audit fees to Scott Moncrieff for the audit of CEC Recovery Limited's (formerly tie Limited) accounts. The Council paid £0.003m during 2018/19 (2017/18 £0.002m) for the audit of the 2017/18 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

35. Grant Income

Policy

• 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.

Note

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

	2018/19		2017/18	
	£000	£000	£000	£000
Credited to taxation and non-specific grant income				
General revenue funding	(363,757)		(345,757)	
Non-domestic rates	(340,474)		(355,063)	
Capital grants and contributions	<u>(100,123)</u>		<u>(76,598)</u>	
		(804,354)		(777,418)
Credited to services				
Central Government Bodies	(202,802)		(210,879)	
Other Local Authorities	(3,288)		(2,895)	
NHS bodies	(70,336)		(62,588)	
Other entities and individuals	<u>(10,469)</u>		<u>(3,867)</u>	
		<u>(286,895)</u>		<u>(280,229)</u>
Total		<u><u>(1,091,249)</u></u>		<u><u>(1,057,647)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

36. 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.

	2018/19 Expenditure	2018/19 Income	2018/19 Debtor / (Creditor)	2017/18 Net Expenditure / (Income)	2017/18 Debtor / (Creditor)
	£000	£000	£000	£000	£000
Capital City Partnership	4,293	(218)	216	4,666	0
CEC Holdings (incl. EDI Group, EICC)	72	(125)	3,784	243	(332)
Edinburgh Festival Theatres	611	(130)	0	515	0
Edinburgh Leisure Limited	11,978	(1,265)	147	8,575	0
Edinburgh Trams Ltd	645	(7)	1,442	(2,007)	0
Lothian Buses	1,715	(77)	10	1,401	0
Edinburgh Living MMR	2,734	(1,738)	2,748	0	0
Edinburgh Integration Joint Board	209,306	(231,273)	(12,373)	(19,079)	(8,378)
Lothian Valuation Joint Board	3,583	(56)	(1,715)	3,567	0
Telford NHT	3,454	0	0	0	0
NHS Bodies	4,248	(27,456)	219	(23,290)	4,587
Other Local Authorities	3,548	(2,513)	126	1,064	502
HMRC	0	0	(1,769)	0	581
Pension Fund	15	(257)	(3,722)	(246)	(247)
Scottish Government	11,669	(89)	28,623	7,708	21,780
Scottish Police Authority	2,221	(14)	0	2,787	0
Scottish Qualifications Authority	1,538	0	0	1,510	0
<u>Other</u>					
Audit Scotland	665	0	(382)	0	(387)
Autism Initiative UK	4,408	0	0	4,389	0
Bethany Christian Trust	799	(0)	0	1,487	0
Criminal Justice Bodies	555	0	0	616	0
Dean and Cauvin Charitable Trust	935	0	0	1,192	0
Edinburgh International Festival Society	2,210	(263)	43	2,246	0
Edinburgh Military Tattoo	0	(406)	0	(401)	0
Edinburgh Vol. Org. Council	1,314	(0)	0	1,328	0
Festivals Edinburgh Ltd	153	0	0	176	0
Handicab	452	0	0	449	0
Hubco	8,941	0	0	3,648	0
Lifecare Edinburgh	354	0	0	340	0
Marketing Edinburgh	1,363	(27)	11	1,146	0
Police Scotland	206	(1,835)	11,154	(2,484)	12,412
Scottish Fire and Rescue Service	39	(335)	(15)	(777)	964
Scottish Water	15	(11)	70	0	70
SESTRAN	1	(25)	356	1	0
SUSTRANS	2,930	(0)	1,685	0	10
Transport Scotland	20	0	0	0	629
Spartans	59	(4)	57	38	0
Port of Leith Housing	4,370	(1)	0	4,321	0
Royal Blind Asylum and School	1,636	0	0	1,347	0
Royal Lyceum Theatre Co Ltd	354	(50)	0	361	0
Total	293,408	(268,175)	30,714	6,837	32,191

NOTES TO THE FINANCIAL STATEMENTS

37. 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.

	2018/19		2017/18	
	£000	£000	£000	£000
Opening capital financing requirement		1,575,864		1,610,256
Capital Investment				
Property, plant and equipment	208,494		154,669	
Heritage Assets	155		166	
Assets held for sale	218		(79)	
Intangible assets	131		46	
Capital Receipts transferred to Capital Fund	825		4,971	
National Housing Trust - Consent to borrow (see note 32.4)	20,418		6,470	
Edinburgh Living LLP - Consent to borrow	2,734		0	
Acquisition of Long Term Investment	3,471		0	
Revenue expenditure funded from capital under statute	59,774		44,411	
Adjustments to PPP schools during the year	<u>0</u>		<u>0</u>	
		296,220		210,654
Sources of Finance				
Capital receipts	(25,953)		(21,879)	
Capital Funded from Current Revenue	(38,888)		(22,200)	
Government grants and other contributions	(148,910)		(116,980)	
Write down of EDI Loan Stock	(2,200)		0	
PPP schools - - under construction and lifecycle additions	(20,175)		0	
Loans fund / finance lease repayments	<u>(89,295)</u>		<u>(83,987)</u>	
		<u>(325,421)</u>		<u>(245,046)</u>
Closing capital financing requirement		<u><u>1,546,663</u></u>		<u><u>1,575,864</u></u>
Explanation of movements in year				
(Decrease) / increase in underlying need to borrow or fund from credit arrangements		(35,447)		(34,392)
Assets acquired under finance leases		6,246		
(Decrease) / Increase in capital financing requirement		<u><u>(29,201)</u></u>		<u><u>(34,392)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

38. Leases

38.1 Assets Leased in - Finance Leases

Policy

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.

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.

Note

The Council has acquired a waste treatment facility under a finance lease. The asset classified under this lease is included in property, plant and equipment in the Balance Sheet:

	2018/19		2017/18	
	Group £000	Council £000	Group £000	Council £000
Value at 1 April	9,093	0	0	0
Additions during the year	6,246	6,246	9,742	0
Repayments during the year	(2,314)	(366)	(649)	0
Derecognition	0	0	0	0
Value at 31 March	13,025	5,880	9,093	0
Other land and buildings	0	0	0	0
Vehicles, plant, equipment and furniture	13,025	5,880	9,093	0
Value at 31 March	13,025	5,880	9,093	0
Finance Lease Liabilities	£000	£000	£000	£000
Not later than one year	2,323	374	1,949	0
Later than one year and not later than five years	6,764	1,568	7,144	0
Between six and ten years	2,134	2,134	0	0
Between eleven and fifteen years	1,804	1,804	0	0
	13,025	5,880	9,093	0

38.2 Assets Leased in - Operating Leases

Policy

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

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.

Note

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 overleaf.

NOTES TO THE FINANCIAL STATEMENTS

38. Leases - continued

38.2 Assets Leased in - Operating Leases - continued

Under these operating leases, the Group and Council is committed to paying the following sums, of which £0m is recoverable from employees (2017/18 £0.002m):

	2018/19		2017/18	
	Group	Council	Group	Council
Future Repayment Period	£000		£000	
Not later than one year	9,610	741	1,603	1,155
Later than one year and not later than five years	37,615	2,172	2,875	1,859
Later than five years	78,025	3,559	5,154	4,001
	125,250	6,472	9,632	7,015
Value at 31 March				
Other land and buildings	7,992	6,454	8,922	6,989
Vehicles, plant, equipment and furniture	117,258	18	710	26
	125,250	6,472	9,632	7,015
Recognised as an expense during the year	10,511	1,508	2,043	1,508

38.3 Assets Leased Out by the Council - Operating Leases

Policy

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

Note

The Council leases out property, equipment and infrastructure 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.

In 2018/19 the Council entered into a new operating lease arrangement with Edinburgh Trams for the lease of the tram infrastructure.

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

	2018/19	2017/18
	£000	£000
Not later than one year	21,239	12,683
Later than one year and not later than five years	72,298	39,978
Later than five years	324,856	149,919
	418,393	202,580

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

39. Public Private Partnerships and Similar Contracts

39.1 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 an agreed 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 2019/20	19,701	8,206	18,310	46,217
Payable within two to five years	89,413	32,594	69,179	191,186
Payable within six to ten years	130,250	46,180	77,500	253,930
Payable within eleven to fifteen years	138,758	57,962	64,174	260,894
Payable within sixteen to twenty years	76,762	44,492	35,630	156,884
Payable within twenty one to twenty five years	1,561	6,631	1,203	9,395
	<u>456,445</u>	<u>196,065</u>	<u>265,996</u>	<u>918,506</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 amounts disclosed as reimbursement of capital expenditure are included in creditors and other long-term liabilities on the Balance Sheet. These are not subject to the above inflationary uplifts.

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:

	2018/19 £000	2017/18 £000
Balance at 1 April	204,089	211,977
PPP unitary charge restatement adjustment	(1)	4
Repayments during the year	<u>(8,023)</u>	<u>(7,892)</u>
Balance at 31 March	<u>196,065</u>	<u>204,089</u>

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts

39.2 PPP - Residual Waste

In 2016, the Council entered into a twenty five year contract with FCC to supply residual waste treatment at Millerhill. The contract is a joint arrangement between the Council and Midlothian Council on an 80:20 split respectively. This contract became operational in April 2019.

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	Prepayment £000	Total £000
Payable in 2019/20	4,801	6,125	3,505	(1,994)	12,437
Within two to five years	24,944	31,878	22,110	0	78,932
Within six to ten years	38,189	5,155	23,065	0	66,409
Within eleven to fifteen years	44,326	8,100	19,773	0	72,199
Within sixteen to twenty years	51,571	13,066	14,114	0	78,751
Within twenty one to twenty five years	60,842	20,388	4,932	0	86,162
Within twenty six to thirty years	1,581	379	(172)	0	1,788
	<u>226,254</u>	<u>85,091</u>	<u>87,327</u>	<u>(1,994)</u>	<u>396,678</u>

Payments due under the scheme have been inflated by 1.06% per annum reflecting the terms of the contracts.

39.3 Provision of Information Technology services

In 2015 the Council entered into a seven year contract with CGI 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	Inflationary Uplift
2019/20	33,252	2.5%
2020/21 - 2022/23	<u>68,766</u>	2.5%
	<u>102,018</u>	

39.4 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, which is currently under review.

Under the agreement the Council is committed to paying the following sums in cash terms (renegotiated annually):

Future Repayment Period	£000
2019/20	<u>3,327</u>
	<u>3,327</u>

NOTES TO THE FINANCIAL STATEMENTS

39. Public Private Partnerships and Similar Contracts - continued

39.5 Other Rolling Contracts

The Council has entered into a number of rolling contracts to provide services, which are mainly care orientated through 'Supporting People'. The annual value of these contracts is £32.564m.

40. 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.

	2018/19		2017/18	
	£000	%	£000	%
Amount paid to Scottish Government in respect of teachers' pension costs	22,873		21,971	
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	18,949		18,220	

At 31 March 2019, creditors include £3.673m (2017/18 £2.898m) in respect of teachers' superannuation.

41. Defined Pension Schemes

41.1 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 2018/19 the Council paid an employer's contribution of £58.521m (2017/18 £54.042m) into the Lothian Pension Fund, representing 22.5% (2017/18 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 2017.

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.1 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.

41.2 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.

	2018/19		2017/18	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
Service cost, comprising:				
Current service costs	103,040		93,031	
Past service costs	318		287	
Effect of Settlements	<u>0</u>		<u>(1,569)</u>	
		103,358		91,749
<i>Financing and investment income:</i>				
Net interest expense		<u>13,527</u>		<u>18,762</u>
Total post employee benefit charged to the surplus on the provision of services		116,885		110,511
<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.	(191,830)		77,350	
Actuarial (gains) and losses arising on changes in financial assumptions	259,230		(92,581)	
Actuarial (gains) and losses arising on changes in demographic assumptions	0		(8,303)	
Other experience	<u>4,375</u>		<u>(250,278)</u>	
		<u>71,775</u>		<u>(273,812)</u>
Total post-employment benefits charged to the Comprehensive Income / Expenditure Statement		<u>188,660</u>		<u>(163,301)</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>(116,885)</u>		<u>(110,511)</u>
Actual amount charged against the General Fund Balance for pensions in the year:				
Employer's contributions payable to the scheme		59,815		54,403
Contributions in respect of unfunded benefits		<u>5,573</u>		<u>5,589</u>
		<u>65,388</u>		<u>59,992</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.3 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:

	2018/19	2017/18
	£000	£000
Fair value of employer assets	2,978,862	2,720,975
Present value of funded liabilities	(3,503,495)	(3,124,427)
Present value of unfunded liabilities	<u>(81,132)</u>	<u>(79,041)</u>
Net liability arising from defined benefit obligation	<u>(605,765)</u>	<u>(482,493)</u>

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

	2018/19	2017/18
	£000	£000
Opening fair value of scheme assets	2,720,975	2,747,964
Effect of settlements	0	(5,711)
Interest income	73,318	71,179
Re-measurement gain / (loss):		
Return on plan assets, excluding the amount included in the net interest expense	191,830	(77,350)
Contributions from employer	59,815	54,403
Contributions from employees into the scheme	16,446	15,508
Contributions in respect of unfunded benefits	5,573	5,589
Benefits paid	(83,522)	(85,018)
Unfunded benefits paid	<u>(5,573)</u>	<u>(5,589)</u>
Closing fair value of scheme assets	<u>2,978,862</u>	<u>2,720,975</u>

Reconciliation of Present Value of the Scheme Liabilities

	2018/19	2017/18
	£000	£000
Present value of funded liabilities	(3,124,427)	(3,368,139)
Present value of unfunded liabilities	<u>(79,041)</u>	<u>(85,611)</u>
Opening balance at 1 April	(3,203,468)	(3,453,750)
Current service cost	(103,040)	(93,031)
Interest cost	(86,845)	(89,941)
Contributions from employees into the scheme	(16,446)	(15,508)
Re-measurement gain / (loss):		
Change in financial assumptions	(259,230)	92,581
Change in demographic assumptions	0	8,303
Other experience	(4,375)	250,278
Past service cost	(318)	(287)
Effects of settlements	0	7,280
Benefits paid	83,522	85,018
Unfunded benefits paid	<u>5,573</u>	<u>5,589</u>
Closing balance at 31 March	<u>(3,584,627)</u>	<u>(3,203,468)</u>

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.5 Fair Value of Employer Assets

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

	2018/19 £000	%	2017/18 £000	%
Consumer *	316,950	11	372,813	14
Manufacturing *	366,515	12	405,093	15
Energy and Utilities *	225,038	8	170,219	6
Financial Institutions *	250,600	8	241,734	9
Health and Care *	161,843	6	133,399	5
Information technology *	97,024	3	165,884	6
Other *	<u>290,457</u>	10	<u>170,750</u>	6
Sub-total Equity Securities	<u>1,708,427</u>		<u>1,659,891</u>	
Debt Securities:				
UK Government *	302,669	10	263,793	10
Corporate Bonds (non-investment grade)	<u>0</u>	0	<u>53,015</u>	2
Sub-total Debt Securities	<u>302,669</u>		<u>316,808</u>	
Private Equity				
All *	0	0	8,672	0
All	<u>40,399</u>	1	<u>41,007</u>	2
Sub-total Private Equity	<u>40,399</u>		<u>49,679</u>	
Real Estate:				
UK Property	201,762	7	174,887	6
Overseas Property	<u>0</u>	0	<u>2,845</u>	0
Sub-total Real Estate	<u>201,762</u>		<u>177,732</u>	
Investment Funds and Unit Trusts:				
Equities *	29,426	1	26,153	1
Bonds	75,517	3	0	0
Infrastructure	369,763	12	322,478	12
Other	<u>0</u>	0	<u>6,215</u>	0
Sub-total Investment Funds and Unit Trusts	<u>474,706</u>		<u>354,846</u>	
Derivatives:				
Foreign Exchange *	<u>752</u>	0	<u>1,252</u>	0
Sub-total Derivatives	<u>752</u>		<u>1,252</u>	
Cash and Cash Equivalents				
All *	<u>250,148</u>	8	<u>160,768</u>	6
Sub-total Cash and Cash Equivalents	<u>250,148</u>		<u>160,768</u>	
Total Fair Value of Employer Assets	<u><u>2,978,862</u></u>	<u>100</u>	<u><u>2,720,975</u></u>	<u>100</u>

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

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.6 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 2019 were those from the beginning of the year (i.e. 31 March 2018) and have not been changed during the year. The main assumptions in the calculations are:

Investment returns

Actual return for period from 31 March 2018 to 28 February 2019	6.30%
Estimated return for period from 1 April 2018 to 31 March 2019	9.80%

Average future life expectancies at age 65:

	31.03.19	31.03.18
Current pensioners	male 21.7 years	21.7 years
Current pensioners	female 24.3 years	24.3 years
Future pensioners	male 24.7 years	24.7 years
Future pensioners	female 27.5 years	27.5 years
Period ended	31.03.19	31.03.18
Pension increase rate	2.5%	2.4%
Salary Increase rate	4.2%	4.1%
Discount rate	2.4%	2.7%

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 2019 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 2019	Approximate % Increase to Employer	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	357,418
0.5% increase in the Salary Increase Rate	2%	61,058
0.5% increase in the Pension Increase Rate	8%	288,816

41.7 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 agreed a contribution stability mechanism with the scheme's actuary until 31 March 2018. The rate was increased by 0.5% from 1 April 2018 and thereafter, for the remainder of the actuarial valuation period of two years, rates could vary from this rate by a maximum increase of 0.5% or a maximum decrease of (0.5%) per annum.

41.8 Information about the defined benefit obligation

	£000	%	Weighted Average Duration
Active members	1,728,264	49.3	24.8
Deferred members	484,541	13.8	24.7
Pensioner members	1,290,690	36.8	13.1
Total	3,503,495	100.0	19.5

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.8 Information about the defined benefit obligation - continued

The 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 2017.

The unfunded pensioner liability at 31 March 2019 comprises approximately £62.183m (2017/18 £60.821m) in respect of LGPS unfunded pensions and £18.949m (2017/18 £18.220m) in respect of teachers' unfunded pensions. For unfunded liabilities as at 31 March 2019, 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.

41.9 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.

	2018/19 Pension Reserve £000	2017/18 Pension Reserve £000
Unusable Reserves		
Council	(605,765)	(482,493)
Lothian Valuation Joint Board	(4,731)	(3,628)
	<u>(610,496)</u>	<u>(486,121)</u>
	2018/19 £000	2017/18 £000
Usable Reserves		
CEC Holdings	0	(567)
Capital Theatres (formerly Festival City Theatres Trust)	0	0
Edinburgh Leisure	(1,023)	(1,023)
Transport for Edinburgh Ltd	65,471	59,466
	<u>64,448</u>	<u>57,876</u>
Net Pension Reserves	<u>(546,048)</u>	<u>(428,245)</u>

41.10 Analysis of projected amount to be charged to profit or loss for the period to 31 March 2020

	Assets £000	Obligations £000	Net (liability) / asset £000	% of pay
Current service cost	0	(118,003)	(118,003)	(43.9%)
Past service cost including curtailments	0	0	0	0.0%
Effect of settlements	0	0	0	0.0%
Total Service Cost	0	(118,003)	(118,003)	(43.9%)
Interest income on plan assets	71,392	0	71,392	26.5%
Interest cost on defined benefit obligation	0	(86,557)	(86,557)	(32.2%)
Total Net Interest Cost	<u>71,392</u>	<u>(86,557)</u>	<u>(15,165)</u>	<u>(5.7%)</u>
Total included in Profit or Loss	<u>71,392</u>	<u>(204,560)</u>	<u>(133,168)</u>	<u>(49.6%)</u>

The Council's estimated contribution to Lothian Pension Fund for 2019/20 is £59.830m.

NOTES TO THE FINANCIAL STATEMENTS

41. Defined Pension Schemes - continued

41.11 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 £1.172m, including accrued payments (2017/18 £0.998m).

41.12 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.

42. Financial Instruments

Policy

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders,
- lease payables detailed in note 38,
- Private Finance Initiative contracts detailed in note 39, and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following classifications:

Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

- o cash in hand,
- o current, call and notice accounts with banks
- o fixed term deposits with banks and building societies,
- o loans to other local authorities,
- o certificates of deposit and covered bonds issued by banks and building societies,
- o treasury bills and gilts issued by the UK Government,
- o trade receivables for goods and services provided.

Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- o money market funds

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

Financial Assets - continued

Transition to IFRS 9 Financial Statements

The Council adopted IFRS9 Financial Instruments accounting standard with effect from 1 April 2019. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

Financial Assets	IAS 39 31.3.18 £000	Reclassi - fication £000	Remeas - urement £000	IFRS 9 1.4.18 £000
Debtors				
Loans and receivables	870	0	0	0
Fair Value through Profit / Loss	0	870	(204)	666

42.1 Categories of Financial Instruments

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

	31.03.19		31.03.18	
	Long-Term £000	Current £000	Long-Term £000	Current £000
Investments				
At amortised cost	0	123,268	0	149,098
At fair value through profit and loss	0	25,959	0	26,836
Total investments	0	149,227	0	175,934

The Investment total does not include £22.3m (2017/18 £20.3m) in unquoted equity in subsidiary companies which are not deemed to be Financial Instruments.

Debtors

At amortised cost	118,708	68,471	105,549	60,375
Total debtors	118,708	0	0	60,375

Borrowings

Financial liabilities (principal amount)	(1,139,833)	(58,627)	(1,190,586)	(54,961)
Accrued interest	0	(15,116)	0	(16,009)
Cost of amortisation	(10,758)	21	(10,818)	24
Total borrowings	<u>(1,150,591)</u>	<u>(73,722)</u>	<u>(1,201,404)</u>	<u>(70,946)</u>

In August 2018, the Council undertook a fixed rate forward starting loan transaction. The Council has committed to drawing down a £60m loan in October 2020 repayable over 25 years on a semi annual annuity basis.

Other Long-Term Liabilities	Long-Term	
	31.03.19 £000	31.03.18 £000
PPP and finance lease liabilities	(193,365)	(196,067)
Deferred liability	(37,201)	(25,223)
Total other long-term liabilities	<u>(230,566)</u>	<u>(221,290)</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.1 Categories of Financial Instruments - continued

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 included in the Balance Sheet as a 'Deferred Liability' of £0.35m, and as a long-term investment.

Other deferred liabilities relate to income received in advance, which is required to be put on interest bearing deposit.

Further detail on the finance lease and PPP liabilities can be seen in notes 38 and 39.

	Current	
	31.03.19	31.03.18
	£000	£000
Creditors		
Financial liabilities at amortised cost	(26,901)	(20,328)
PPP and finance leases due within 1 year	<u>(8,580)</u>	<u>(8,022)</u>
Total creditors	<u><u>(35,481)</u></u>	<u><u>(28,350)</u></u>

The future liabilities for the Residual Waste PPP facility are not included above as the facility did not become operational until April 2019.

42.2 Income, Expenses, Gains and Losses

	Financial Liabilities: Measured at Amortised Cost £000	Financial Assets: Measured at Amortised Cost £000	Fair Value through Profit / Loss £000	Total £000
Interest expense	63,313	0	0	63,313
Impairment (gain) / loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expense in Surplus on the Provision of Services	63,313	0	0	63,313
Interest income	0	(1,361)	(300)	(1,661)
Dividend Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Interest and investment income	0	(1,361)	(300)	(1,661)
Net (gain) / loss for the year	<u><u>63,313</u></u>	<u><u>(1,361)</u></u>	<u><u>(300)</u></u>	<u><u>61,652</u></u>

In addition to the above interest expense, £1.849m (2017/18 £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 £0.427m (2017/18 £0.208m) of loans fund expenses charged to the Council.

Dividend income of £7m (2017/18 £6.18m) was received from a subsidiary council company but not included in the table above as the holding is not classified as a financial instrument.

42.3 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 2019, 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.

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.3 Fair Value of Assets and Liabilities - continued

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

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

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

The fair values are calculated as follows:

	Fair Value Level	31.03.19		31.03.18		
		Principal Outstanding £000	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Public Works Loans Board	2	(922,192)	(933,843)	(1,221,824)	(981,692)	(1,283,157)
Salix	2	(1,368)	(1,313)	(1,290)	(1,462)	(1,484)
Market debt	2	<u>(274,900)</u>	<u>(289,157)</u>	<u>(523,985)</u>	<u>(289,195)</u>	<u>(535,839)</u>
Borrowings		(1,198,460)	(1,224,313)	(1,747,099)	(1,272,349)	(1,820,480)
Other long-term liabilities	n/a	(37,201)	(37,201)	(37,201)	(25,223)	(25,223)
Trade creditors	n/a	(26,901)	(26,901)	(26,901)	(20,328)	(20,328)
PPP and Finance Leases	3	<u>(201,944)</u>	<u>(201,944)</u>	<u>(287,327)</u>	<u>(204,089)</u>	<u>(276,650)</u>
Financial liabilities		<u>(1,464,506)</u>	<u>(1,490,359)</u>	<u>(2,098,528)</u>	<u>(1,521,989)</u>	<u>(2,142,681)</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.

	Fair Value Level	31.03.19		31.03.18	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	25,959	25,959	26,836	26,836
		<u>25,959</u>	<u>25,959</u>	<u>26,836</u>	<u>26,836</u>
Investment held at Amortised Cost					
Bank Call Accounts	n/a	32,936	32,936	19,415	19,415
Local Authority Loans	2	90,332	90,267	129,683	129,723
		<u>123,268</u>	<u>123,203</u>	<u>149,098</u>	<u>149,138</u>
Debtors					
Loan Stock	n/a	2,339	2,339	6,445	6,445
Soft Loans	3	55	55	992	992
Other trade debtors	n/a	68,471	68,471	60,375	60,375
		<u>70,865</u>	<u>70,865</u>	<u>67,812</u>	<u>67,812</u>
Total Investments		<u>220,092</u>	<u>220,027</u>	<u>243,746</u>	<u>243,786</u>

NOTES TO THE FINANCIAL STATEMENTS

42. Financial Instruments - continued

42.4 Financial Assets classified as Fair Value through Profit and Loss

As part of the introduction of IFRS9, a further review of the classification of Financial Instruments has been undertaken and as a result, investment in Money Market Funds have been reclassified from Available for Sale to Fair value through Profit and Loss. The Council's shareholding (of £23.340m) in subsidiary companies which was previously classified as 'Unquoted Equity at cost' continue to be held at cost and are no longer classified as financial instruments.

	Fair Value Level	31.03.19	Fair Value	31.03.18	Fair Value
		Carrying Amount £000	£000	Carrying Amount £000	£000
Investments held at Fair Value through Profit and Loss					
Money Market Funds	1	25,959	25,959	26,836	26,836
		<u>25,959</u>	<u>25,959</u>	<u>26,836</u>	<u>26,836</u>

There was no unrealised gain on the available for sale financial assets (2017/18 £nil).

43. Nature and Extent of Risks Arising from Financial Instruments

43.1 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 14 March 2019 and is available on the Council website. The key issues within the strategy are:

- The authorised limit for 2019/20 has been set at £2.205bn. This is the maximum limit for external borrowings and other short and long term liabilities.
- The operational boundary for 2019/20 has been set at £1.919bn. This is the expected upper level of borrowing and other short and long term liabilities during the year.

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.

43.2 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.

NOTES TO THE FINANCIAL STATEMENTS

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

43.3 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.

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 2019, the Council had £17.1m in short term investments, all of which were loans to other local authorities. Of the net Cash and Cash Equivalents, 55.4% were loans to other local authorities, a further 19.6% was held in two AAA rated Money Market Funds, leaving only 25.0% with banks. All of the monies held on deposit with banks at 31 March 2019 were in call or near call accounts.

The principal outstanding on monies held by the Council under its treasury management arrangements at 31 March 2019 was £149.1 million (31 March 2018: £175.8m). This was held with the following institutions:

	Standard and Poor's Rating	Principal Outstanding 31.03.19 £000	Carry Value 31.03.19 £000	Fair Value 31.03.19 £000	Carry Value 31.03.18 £000
Summary					
Money Market Funds					
Deutsche Bank AG, London	AAAm	4,004	4,006	4,006	760
Goldman Sachs	AAAm	59	59	59	1
Standard Life	AAAm	21,884	21,895	21,895	26,075
Bank Call Accounts					
Bank of Scotland	A	14,671	14,678	14,678	17,371
Royal Bank of Scotland	BBB+	577	577	577	640
Santander UK	A	1	1	1	462
Barclays Bank	A-	13	13	13	14
Svenska Handelsbanken	AA-	7	7	7	862
HSBC Bank Plc 31 dn	AA-	17,642	17,647	17,634	0
HSBC Bank Plc	AA-	14	14	14	65
UK Pseudo-Sovereign Risk Instruments					
Local Authorities (see below)	n/a	90,227	90,332	90,267	129,683
UK Government Treasury Bills	Aaa	0	0	0	0
Total		149,099	149,229	149,151	175,933

Local Authorities are generally assumed to have a pseudo-sovereign credit rating (which in the UK at 31 March 2019 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.

The Council's maximum exposure to credit risk in relation to its direct investments in banks and building societies of £32.9m 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. There was no evidence at 31 March 2019 that this risk was likely to crystallise.

NOTES TO THE FINANCIAL STATEMENTS

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

43.3 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 2019 meeting. The papers are available on the Council's website. A full list of the deposits outstanding at 31 March 2019 is contained in the Treasury Cash Fund Investment Report for Quarter 1 2019. 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 £2.246m (2017/18 £2.172m), trade debtors past due date can be analysed by age as follows:

	2018/19 £000	2017/18 £000
Less than two months	12,325	14,355
Two to four months	1,774	1,805
Four to six months	977	716
Six months to one year	2,153	1,928
More than one year	6,566	7,555
Total	<u>23,795</u>	<u>26,359</u>

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

Credit Risk: Trade Debtors

Loss allowances on debtors have been calculated by reference to the Council's historic experience of default.

Debtors are collectively assessed for credit risk in the following groups:

		31.3.19	
	Range	Gross Receivable	Loss Allowance
Council Tax	3% - 100%	201,454	(185,372)
Non Domestic Rates	1% - 100%	2,940	(1,720)
HRA tenants and other debtors	1% - 90%	8,255	(5,773)
Housing Benefits	75% - 85%	26,285	(20,763)
Sundry debtors	1% - 80%	38,302	(19,097)
Total		<u>277,236</u>	<u>(232,725)</u>

43.4 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 may 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.

NOTES TO THE FINANCIAL STATEMENTS

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

43.4 Liquidity risk - continued

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.

43.5 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 43.6, 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.

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. With the margin on new borrowing rates and a separate rate for the premature repayment of loans, it is unlikely that there will be much scope for any substantial rescheduling of PWLB debt. However the Council is in on-going discussion with institutions over the potential to restructure some of the Council's market debt.

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

	2018/19 £000	2017/18 £000
Less than one year	(67,207)	(62,982)
Between one and two years	(64,441)	(61,787)
Between two and five years	(155,116)	(174,166)
Between five and ten years	(252,800)	(270,794)
More than ten years	<u>(860,841)</u>	<u>(879,907)</u>
Financial Liabilities	<u>(1,400,405)</u>	<u>(1,449,636)</u>

All trade and other payables are due to be paid in less than one year and trade creditors of £26.900m (2017/18 £20.328m) are not shown in the table above. The above figures show the principal outstanding, therefore, neither accrued interest of £15.116m (2017/18 £16.009m) nor net equivalent interest rate (EIR) adjustments of £10.737m (2017/18 £10.793m) 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 £2.339m in EDI loan stock.

43.6 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.

NOTES TO THE FINANCIAL STATEMENTS

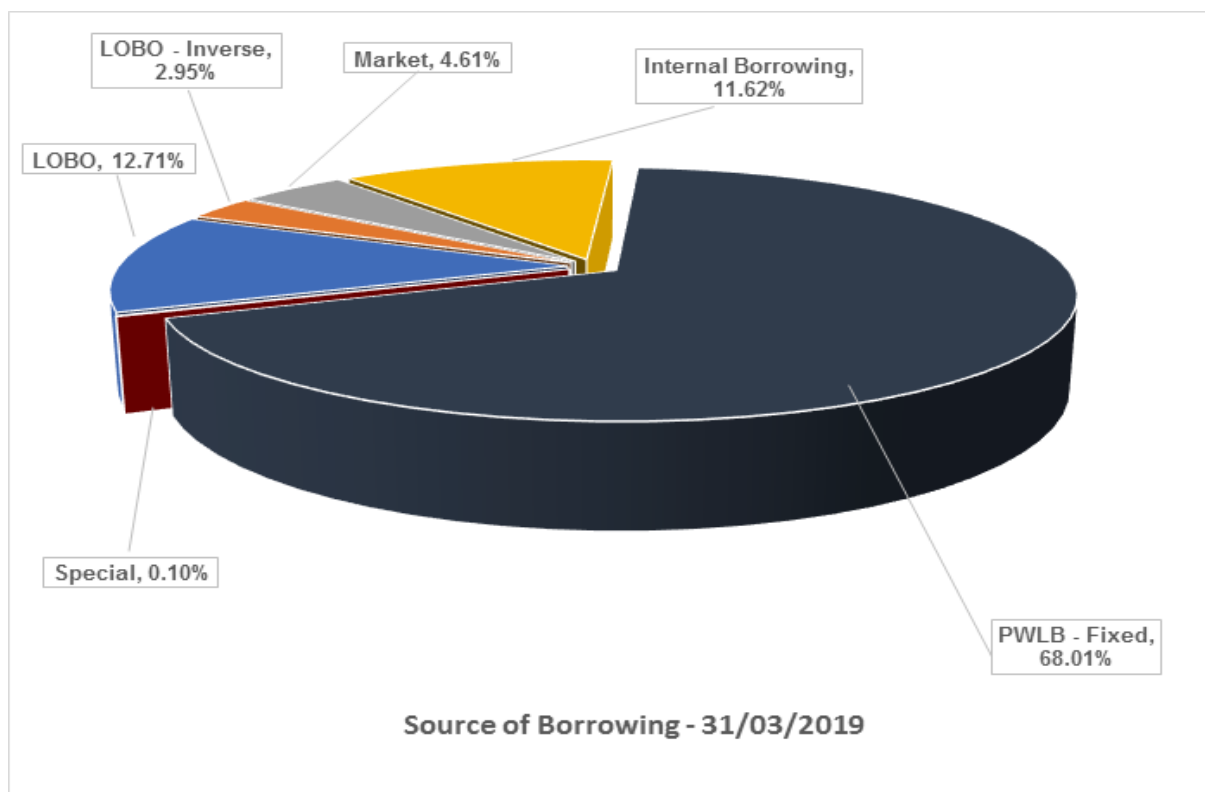
43. Nature and Extent of Risks Arising from Financial Instruments - continued

43.6 Market risk - continued

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.

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.



In addition to the borrowing in the chart above, in August 2018, the Council undertook a fixed rate forward starting loan transaction. The Council has committed to drawing down a £60m loan in October 2020 repayable over 25 years on a semi annual annuity basis. The purpose of the transaction was to mitigate the interest rate risk on the Council's future capital financing requirement.

NOTES TO THE FINANCIAL STATEMENTS

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

43.6 Market risk - continued

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable borrowings	0
Increase in interest receivable on variable rate investments	(854)
Impact on Comprehensive Income and Expenditure Statement	(854)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Decrease in fair value of fixed rate borrowings liabilities	257,132

Price Risk

The Council does not generally invest in equity shares but does have shareholdings of £23.340m (2017/18 £20.280m) 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.

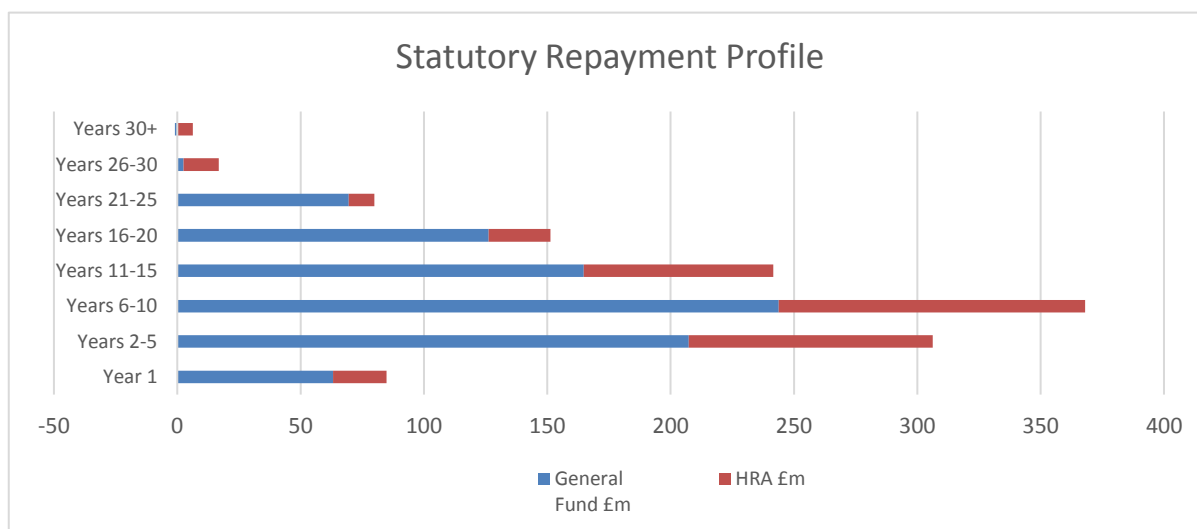
Foreign exchange risk

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.

43.7 Repayment Profile

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

44. 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 six, with Usher Hall Conservation Trust wound-up in 2017/18 and further plans in place to wind up the Boyd Anderson Trust in 2019/20.

44.1 The funds are:

	Scottish Charity Registration Number	Market Value 31.03.19 £000	Market Value 31.03.18 £000
Scottish Registered Charities			
Lauriston Castle	SC020737	7,043	7,041
Jean F. Watson	SC018971	6,424	6,311
Edinburgh Education Trust	SC042754	1,021	948
Nelson Halls	SC018946	241	228
The Royal Scots Trust	SC018945	34	32
Boyd Anderson	SC025067	105	109
Total market value		<u>14,868</u>	<u>14,669</u>

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

44.2 Financial Position of the Scottish Registered Charity Funds

2017/18 Income and Expenditure Account £000	2018/19 £000
Income	
89 Investment income	79
0 Other non-investment income	26
<u>89</u>	<u>105</u>
Expenditure	
(87) Prizes, awards and other expenses	(22)
(13) Governance Costs	(16)
<u>(100)</u>	<u>(38)</u>
<u>(11) Surplus / (Deficit) for the year</u>	<u>67</u>
2017/18 Balance Sheet £000	
Long-Term Assets	
2,075 Investments	2,207
5,275 Artworks - Jean F Watson Trust	5,317
7,020 Heritable property	7,020
<u>14,370 Total Long-Term Assets</u>	<u>14,544</u>
Current Assets	
313 Cash and bank	331
16 Debtors	20
<u>329</u>	<u>351</u>
Current Liabilities	
(30) Creditors	(27)
<u>(30)</u>	<u>(27)</u>
<u>14,669 Total Assets less Liabilities</u>	<u>14,868</u>
Funds	
3,293 Capital at 1 April	3,291
(11) Surplus / (Deficit) for the year	67
9 Realised and unrealised gains on investments	132
0 Realised and unrealised losses on investments	0
<u>3,291</u>	<u>3,490</u>
<u>11,378 Revaluation reserve</u>	<u>11,378</u>
<u>14,669 Funds at 31 March</u>	<u>14,868</u>

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

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT for the year ended 31 March 2019

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.

2017/18 £000	EXPENDITURE	2018/19 £000	£000
27,964	Repairs and maintenance	33,823	
19,132	Supervision and management	19,282	
21,356	Depreciation and impairment of non-current assets	21,446	
5,627	Other expenditure	5,873	
(40)	Impairment of debtors	43	
74,039			80,467
	INCOME		
(96,050)	Dwelling rents	(97,455)	
(47)	Non-Dwelling rents (gross)	(41)	
(5,343)	Other income	(7,539)	
(101,440)			(105,035)
(27,401)	Net income for HRA Services (as included in the Council's Comprehensive Income and Expenditure Statement)		(24,568)
208	HRA share of corporate and democratic core		150
1,021	HRA share of other amounts included in the Council's Net Cost of Services but not allocated to specific services		1,104
(26,172)	Net income for HRA Services		(23,314)
	HRA share of other operating expenditure included in the Council's Comprehensive Income and Expenditure Statement		
3,467	(Gain) / loss on sale of HRA fixed assets	(2,381)	
0	Investment Property changes in fair value	(60)	
19,092	Interest payable and similar charges	18,330	
2,306	Interest cost on defined benefit obligation (<i>pension-related</i>)	2,290	
(57)	Interest and investment income	(114)	
(1,825)	Interest income on plan assets (<i>pension-related</i>)	(1,934)	
(11,280)	Capital grants and contributions	(24,788)	
11,703			(8,657)
(14,469)	Surplus for the year on HRA services		(31,971)

HOUSING REVENUE ACCOUNT

MOVEMENT ON THE HRA STATEMENT

2017/18 £000		2018/19 £000
0	Balance on the HRA at the end of the previous year	0
14,469	Surplus for the year on the HRA Income and Exp Account	31,971
(23,511)	Adjustments between accounting basis and funding basis under statute	(58,013)
<u>(9,042)</u>	Net increase before transfers to reserves	<u>(26,042)</u>
9,042	Contribution (to) / from renewal and repairs fund, via the General Fund	<u>26,042</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	
21,356	Charges for depreciation and impairment of non-current assets	21,446
(11,280)	Capital grants and contributions applied	(24,788)
0	Movement in the market value of investment properties	(60)
	Insertion of items not debited or credited to the Income and Expenditure Statement	
(18,290)	Statutory provision for the financing of capital investment	(20,115)
(19,474)	Capital funded from revenue	(32,800)
	Adjustments primarily involving the Capital Receipts Reserve	
3,467	Transfer of cash sale proceeds credited as part of the gain / loss on disposal of assets	(2,382)
	Adjustments primarily involving the Financial Instruments Adjustment Account	
(536)	Amount by which finance costs charged are different from finance costs chargeable in the year in accordance with statutory requirements	(567)
	Adjustments primarily involving the Pensions Reserve	
2,377	Reversal of items relating to retirement benefits debited or credited to the Income and Expenditure Statement	2,711
(1,128)	Employer's pension contributions and direct payments to pensioners payable in the year	(1,502)
	Adjustments primarily involving the Employee Statutory Adjustment Account	
(3)	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	44
<u><u>(23,511)</u></u>		<u><u>(58,013)</u></u>

HOUSING REVENUE ACCOUNT

Notes to the Housing Revenue Account

1. The number and types of dwellings in the authority's housing stock at 31 March 2019 are as follows:

Types of Houses	2019		2018	
	Number	Annual Average Rent (£)	Number	Annual Average Rent (£)
Main provision Council dwellings				
1 Apartment	285	3,970.00	279	3,891.00
2 Apartment	5,499	4,443.00	5,312	4,351.00
3 Apartment	10,103	5,159.00	9,753	5,043.00
4 Apartment	3,460	5,944.00	3,306	5,806.00
5 Apartment	514	6,366.00	496	6,241.00
6 Apartment	9	6,413.00	9	6,287.00
7 Apartment	4	6,212.00	4	6,090.00
8 Apartment	1	6,212.00	1	6,090.00
Mid-market rent dwellings				
2 Apartment	23	5,780.00	22	5,659.00
3 Apartment	84	7,098.00	81	6,966.00
4 Apartment	22	8,946.00	22	8,770.00
	<u>20,004</u>		<u>19,285</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 £6.907m (£6.876m 2017/18) against which a provision amounting to £5.773m (£5.730m 2017/18), has been created in respect of non collectable debts.
- The total value of uncollectable void rents for main provision properties was £0.624m (2017/18 £0.566m). 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 2019

2017/18 £000		2018/19 £000	£000
(337,413)	Gross council tax levied and contributions in lieu		(351,763)
53,825	Less: - Exemptions and other discounts	56,620	
8,481	- Provision for bad debts	8,827	
24,217	- Council Tax Reduction Scheme	24,294	
3,766	- Other reductions	4,091	
<u>90,289</u>			<u>93,832</u>
(247,124)			(257,931)
<u>(2,123)</u>	Previous years' adjustments		<u>(1,504)</u>
<u>(249,247)</u>	Total transferred to General Fund		<u>(259,435)</u>

Notes to the Council Tax Income Account

The in-year collection rate for Council Tax was 97.0% (2017/18 96.8%).

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. Bands E to H were rebased in 2017/18 by the Scottish Government as per the Council Tax Base table below, with a 3% increase applied to Council Tax in both 2017/18 and 2018/19.

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 to properties, with certain attributes, that are the sole and main residence of permanently disabled persons.

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 2018/19

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	23,994	73	3,718	3,387	16,962	6/9	11,308	£826.79
B £27,001 - £35,000	47,568	67	3,557	6,828	37,250	7/9	28,972	£964.59
C £35,001 - £45,000	44,506	(14)	3,037	5,426	36,029	8/9	32,026	£1,102.39
D £45,001 - £58,000	39,890	68	2,748	4,276	32,934	9/9	32,934	£1,240.19
E £58,001 - £80,000	42,203	(12)	3,726	3,783	34,682	473/360	45,568	£1,629.47
F £80,001 - £106,000	25,698	(36)	1,576	1,988	22,098	585/360	35,909	£2,015.31
G £106,001 - £212,000	21,886	(119)	511	1,288	19,968	705/360	39,104	£2,428.71
H Over £212,000	4,065	(27)	143	190	3,705	882/360	9,077	£3,038.47
							Total	234,898
							Add: Contributions in Lieu	511
							Less: Provision for Non-Payment	<u>(7,062)</u>
							Council Tax Base	<u>228,347</u>

NON-DOMESTIC RATES INCOME ACCOUNT

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

for the year ended 31 March 2019

2017/18		2018/19	
£000		£000	£000
(461,111)	Gross rates levied and contributions in lieu		(476,081)
99,998	Less: - Reliefs and other deductions	103,459	
4,794	- Uncollectable debt written off and provision for impairment	4,904	
<u>104,792</u>			<u>108,363</u>
(356,319)			(367,718)
7,305	Previous years' adjustments		7,867
<u>(349,014)</u>	Net Non-Domestic Rates Income		<u>(359,851)</u>
Allocated to:			
(349,501)	Contribution to National Non-Domestic Rates Pool		(360,532)
487	Adjustments for years prior to introduction of National Non-Domestic Rates Pool		681
<u>(349,014)</u>			<u>(359,851)</u>

Notes to the Non-Domestic Rates Income Account

Rateable Values as at 1 April 2018		Number	Rateable Value £000
Shops, offices and other commercial subjects		15,905	655,234
Industrial and freight transport		2,816	81,395
Telecommunications		6	23
Public service subjects		359	50,154
Miscellaneous		3,923	175,605
		<u>23,009</u>	<u>962,412</u>

Contribution to / from National Non-Domestic Rates Pool

The contribution to the National Non-Domestic Rates Pool of £360.532m (2017/18 £349.501m) 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 £340.474m (2017/18 £355.063m).

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. No payment was received under the Business Rates Incentivisation Scheme during the year.

Poundage

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Edinburgh. The non-domestic rate poundage is determined by the Scottish Ministers, and was 48.0p per £ in 2018/19 (2017/18 46.6p per £).

Properties with a rateable value greater than £51,000 (2017/18 £35,000) had their rate charges calculated using the poundage of 50.6p per £ (2017/18 49.2p per £).

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

100% Relief	below	£15,000
25% Relief	£15,001 to	£18,000
Upper limit for combined rateable value		£35,000

COMMON GOOD FUND

Common Good Fund Foreword

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.

The Common Good accounts are prepared in accordance with the Council's accounting policies as detailed in Note 1.

In **2015/16**, £2m of the Common Good Fund was earmarked to be utilised to fund a planned property maintenance programme. £111,000 of this funding has been used to fund Scott Monument lighting work and £33,000 on surveys and work at the City Observatory.

The resulting balance of the Common Good Fund is £2.352m as at 31 March 2019 (£2.387m 2017/18). This is split £0.496m in the fund and £1.856m in the planned property maintenance fund.

During 2018/19, the Council made a deficit of £0.035m on the Common Good fund. This is mainly due to no asset disposals in the financial year and other income and overheads remaining stable.

The **Common Good Annual Performance Report** is considered by the Finance and Resources Committee in September each year along with the Audited Annual Accounts.

COMMON GOOD FUND - INCOME AND EXPENDITURE ACCOUNT

2017/18	2018/19	
£000	£000	£000
Income		
(9) Interest and investment income	(16)	
(1,591) Rent Income	(1,684)	
(1,455) Capital Funding	(1,189)	
(2,812) Recharges Income	(1,680)	
<u>(5,867) Total Income</u>	<u>(4,569)</u>	
Expenditure		
24 Common Good Fund	51	
5,858 Common Good Property Costs	4,553	
<u>5,882 Total Expenditure</u>		<u>4,604</u>
<u>15 (Surplus) / Deficit for the Year</u>		<u>35</u>

COMMON GOOD FUND - BALANCE SHEET

Re-stated

31 March 2018 £000		31 March 2019 £000 £000	
<u>965</u>	Community Assets	<u>2,558</u>	
<u>965</u>	Property, Plant and Equipment		2,558
20,819	Long-Term Debtors	20,828	
<u>103</u>	Heritage Assets	<u>147</u>	
<u>20,922</u>	Long-Term Assets		20,975
503	Short-Term Investments	449	
<u>1,861</u>	Cash and Cash Equivalents	<u>1,880</u>	
<u>2,364</u>	Current Assets		<u>2,329</u>
<u>24,251</u>	Net Assets		<u>25,862</u>
21,886	Revaluation Reserve	23,523	
<u>(22)</u>	Capital Adjustment Account	<u>(13)</u>	
<u>21,864</u>	Unusable Reserves		23,510
500	Common Good Fund	496	
<u>1,887</u>	Earmarked Reserve	<u>1,856</u>	
<u>2,387</u>	Usable Reserves		<u>2,352</u>
<u>24,251</u>	Total Reserves		<u>25,862</u>

The unaudited accounts were issued on 20 June 2019.

HUGH DUNN, CPFA
Head of Finance
20 June 2019

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

1. Property, Plant and Equipment and Heritage Assets

1.1 Movements on Balances

Re-stated	Community Assets £000	Total Property, Plant and Equipment £000	Heritage Assets £000
Cost or Valuation At 1 April 2018	965	965	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,593	1,593	44
At 31 March 2019	2,558	2,558	147
Net Book Value At 31 March 2019	2,558	2,558	147
At 31 March 2018	965	965	103
Cost or Valuation At 1 April 2017	1,073	1,073	103
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(108)	(108)	0
At 31 March 2018	965	965	103
Net Book Value At 31 March 2018	965	965	103
At 31 March 2017	1,073	1,073	103

These asset categories are not depreciated.

1.2 Developing a Common Good Register

Work is underway to collate information regarding those properties historically considered by the Council to be common good, specifically those included on the Common Good register of assets for accounting purposes, relevant parks and other assets with a public function. Work has also progressed on developing a methodology for assessing all properties' common good status, taking into account the relevant legal tests. Therefore, at the balance sheet date, the Council's balance sheet may hold heritage assets that belong to the Common Good.

A **response** to the Community Empowerment (Scotland) Act 2015 consultation on Common Good matters was approved by the Finance and Resources Committee on 28 September 2017 and submitted to the Scottish Government.

The **legislation** has now been laid in Parliament. The relevant provisions come into force on 27 June 2018, and the Scottish Government published the accompanying guidance in July. The Community Empowerment (Scotland) Act 2015 places a duty on local authorities to "establish and maintain a register of property which is held by the authority as part of the common good" (a common good register).

Before establishing a common good register, the Act requires a local authority to prepare and publish a list of properties that it proposes to include in the register. The Common Good Asset Register for **public consultation** was approved for issuing at the 27 September 2018 Finance and Resources Committee. The consultation closed on 31 December 2018.

COMMON GOOD FUND - NOTES TO FINANCIAL STATEMENTS

2. Unusable Reserves

2.1 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.

	2018/19		2017/18	
	£000	£000	£000	£000
Balance at 1 April		21,886		21,994
Upward revaluation of assets	1,638		0	
Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(1)		(108)	
Deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Service		1,637		(108)
Derecognition of asset disposals		0		0
Balance at 31 March		<u>23,523</u>		<u>21,886</u>

2.2 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.

	2018/19	2017/18
	£000	£000
Balance at 1 April	(22)	(22)
Movement in Year	9	0
Balance at 31 March	<u>(13)</u>	<u>(22)</u>

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

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

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

This statement also covers the organisations included in the Council's Group Accounts, a list of which is included on page 39 of the Accounts.

The Group's Governance Framework

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

The Council's Local Code of Corporate Governance is supported by evidence of compliance which is regularly reviewed and considered by the Governance, Risk and 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 Democracy, Governance and Resilience Senior Manager has reviewed the arrangements and is satisfied that the Code continues to be adequate and effective.

The Council's Corporate Governance Framework has three key elements. These are strategic, decision making structure and internal controls:

Strategic

- The Council's vision and priorities are set out and published in the City of Edinburgh Council Business Plan 2017-2022. The plan forms a central part of the 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 approved by the Council in August 2017. Building on this, alongside the 2019/20 Budget the Council published a four-year Council Change Strategy. This Change Strategy seeks to set out how the Council will achieve its objectives but also how it will address the significant financial challenges it faces. The Change Strategy was produced and agreed following extensive consultation and engagement with the public and staff. The Change Strategy will be progressed over the coming months and will be a key driver of the 2020/21 budget and ongoing financial framework.
- Implementation of the Change Strategy will be monitored by regular financial monitoring and reporting. In addition, the Change Strategy will be overseen by the Corporate Leadership Team (CLT) based on portfolio management principles, with a monthly report taken to the CLT Change Board. The monthly portfolio update reports on all change across the Council including the level of risk being carried, key deliverables and benefits.
- Scrutiny of performance will take place at every level within the organisation to ensure performance monitoring and service improvement. Service areas will continually monitor performance, with senior management teams monitoring their own performance through monthly discussions where areas of risk, good and poor performance will be identified for escalation. The CLT will focus on performance quarterly. For both directorates and the CLT a new balanced score card approach is to be implemented which looks to amalgamate all aspects of performance in a single format.
- Executive Committees will scrutinise performance relevant to their remit. In addition, the Corporate Policy and Strategy Committee will consider performance on a six-monthly basis providing holistic strategic oversight and scrutiny. The Council will also consider an annual summary report of all performance issues.

ANNUAL GOVERNANCE STATEMENT

Decision Making Structures

- The Council operates an executive committee structure. This consists of six executive committees which are responsible for policy and financial decision making and scrutiny in their designated areas of responsibility. These committees are Corporate Policy and Strategy, Culture and Communities, Education, Children and Families, Finance and Resources, Housing and Economy and Transport and Environment.
- The Governance, Risk and Best Value Committee provides the Council with assurance of the adequacy of the governance and risk management frameworks and internal control environment. It also provides scrutiny of the Council's financial and non-financial performance, approves and monitors the progress of the Internal Audit risk-based plan, and monitors performance of the Internal Audit service.
- The Council also utilises a range of other committees, some of which are quasi-judicial such as the Development Management Sub-Committee and the Licensing Sub-Committee, to consider individual applications.
- Empowered communities - the Council has created four localities and is using this model 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. 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 communities.
- The Council plays an important role in the Edinburgh Partnership and its new community planning structure. The new framework agreed by the Edinburgh Partnership comprises a Board, four city wide partnerships, four locality partnerships and thirteen neighbourhood networks. The new arrangements are designed to support a different way of working and to support the delivery of the Partnership's priorities for the city as set out in the new community plan. The plan focuses on reducing poverty and inequality in the city through making sure people have enough money to live on; access to work, learning and training opportunities; and have a good place to live.
- The CLT meets weekly, led by the Chief Executive and includes all executive directors and the Head of Finance (Section 95 Officer) and Head of Strategy and Communications. A monthly meeting is held which includes all Heads of Service.

Internal Controls

A significant part of the governance framework is the system of internal controls in place to ensure that risks are being identified and managed effectively.

- The Council is embedding a culture of commercial excellence to ensure that its services always deliver Best Value. The Council's Business Plan describes our determination to have leading commercial and procurement practices that are sustainable and realise benefits for customers and the local supply chain. The Council is also developing a more commercial approach in considering how best to use its assets and generate income in the context of our overall strategic objectives and management of risk.
- 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 the Council's statutory 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 Head of Finance as the Council's Section 95 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.

ANNUAL GOVERNANCE STATEMENT

- 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 Democracy, Governance and Resilience Senior Manager, reporting to the Head of Strategy and Communications, has responsibility for advising the Council on corporate governance arrangements.
- The risk management policy and framework set out the responsibilities of Elected Members, the Governance, Risk and Best Value Committee, management and staff for the identification and management of risks to key corporate priorities.
- The Council Risk Register and service area risk registers identify risks and the proposed treatment of actions. There is an escalation process in place to ensure identified risks and emerging issues are highlighted at an appropriate level. These registers are regularly reviewed, updated and reported to the Corporate Leadership Team and Governance, Risk and Best Value Committee for scrutiny and challenge.
- A Council Governance Hub, chaired by the Chief Executive, has been established to scrutinise the management of Council Arm's Length External Organisations (ALEOs), seek assurance over the delivery of services and to ensure that the Council is aware of any risks. This responds to the four 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 ALEOs. The Hub also provides an opportunity for ALEOs to raise issues directly with the Council's Chief Executive and to engage on issues of common interest.
- ALEOs are required to report to the Council's Chief Executive once a year with their forward plans which are then considered at the relevant Council committee, with their 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.
- 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 a requirement that officers regularly confirm their awareness and understanding of these key policies.
- The Whistleblowing policy and the independent and confidential reporting arrangements the Council has in place provide 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 and a current version of the Register is available on the Council's website.
- The General Data Protection Regulation and Data Protection Act 2018 came into effect on 25 May 2018. The legislation introduced new statutory rights and obligations, as well as increased penalties for non-compliance. In line with legislative requirements and regulatory guidance, various controls and measures were developed and implemented as part of a planned programme of work to reduce the risks associated with non-compliance. These included the development of privacy and processing information, breach procedures, data protection impact assessments, revised contract documentation, guidance, information sharing agreements, and a major training and awareness programme. Data protection compliance and maturity continues to be monitored and promoted through established procedures, communications and an information governance maturity model.

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 Democracy, Governance and Resilience Senior Manager has reviewed the effectiveness of the Code which has resulted in changes to the 2018/19 process to ensure that the Council's annual governance practice is open, transparent and reflects best practice but also is modernised and meets the needs of a changing Council.

An assurance statement on the effectiveness of the system of internal controls has been provided and 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, Heads of Service and Finance Directors 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 Democracy, Governance and Resilience Senior 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.

The evidence of effectiveness from these sources includes:

- In compliance with standard accounting practice, the Head of Finance (Section 95 Officer) has provided the Chief Executive with a statement of the effectiveness of the Group's internal financial control system for the year ended 31 March 2019. It is the Head of Finance (Section 95 Officer)'s opinion that reasonable but not absolute assurance can be placed upon its effectiveness. Therefore, the Council is continually seeking to improve its internal controls to identify or prevent irregularities.
- Scott-Moncrieff's review of the Council's system of internal controls, the results of which were reported to the Governance, Risk and Best Value Committee concluded that appropriate governance arrangements were in place, with effective scrutiny by elected members.
- 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 an 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 and Monitoring Officer but had free access to the Chief Executive, all executive directors and elected members along with direct reporting to the Governance, Risk and Best Value Committee.
- Each executive director has reviewed the arrangements in his / her Directorate 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 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. These reviews have not identified any fundamental weaknesses in the framework of governance, risk management and control at the Council.
- 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.
- Internal Audit actions are also recorded, monitored and discussed as part of regular updates to the Corporate Leadership Team and Governance, Risk and Best Value Committee and relevant Executive Committees, where appropriate.
- The Council reviewed its decision-making structures in June 2018. This review noted that the committee structure was working well and that executive committees were carrying out their remit. Improvements to the processes that support decision making were explored to enable a more effective structure.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- The Council webcasts the majority of its committee meetings and retains an extensive library of previous webcasted meetings on its website. The Council offered to webcast Edinburgh Integration Joint Board meetings which was subsequently agreed and commenced in September 2018.
- Concern was raised over potential pressures on the political management arrangements of the Council in February 2019 that may result in some executive committees being unable to effectively scrutinise due to the volume of business.
- The Council reviewed locality committees in February 2019. The review concluded that the expansive remit was unfocused and the capacity and resources required to deliver the committees effectively were challenging for the Council. The committees had not been successful in engaging with communities, although they had been successful in discussing local matters which had not previously been given sufficient direction. Council agreed that the challenges outweighed the benefits and decided to dissolve locality committees from April 2019. It further agreed to focus on the community planning structures within the city and agreed to explore which powers could be delegated to allow the community to have increased influence over Council decisions.
- There has been regular reporting to the Governance, Risk and Best Value Committee on overdue Internal Audit actions and late management responses. These are also reported monthly to the Corporate Leadership Team (CLT). Due to the complexity of overdue findings CLT agreed that directorate action plans be created to assess whether alternative actions could be identified to mitigate the risks. Although the timely completion of management actions requires further improvement, the steps taken to address the deficiencies have taken significant steps to improve the culture in the Council on addressing the risks identified by Internal Audit.
- Meeting the demands of new data protection legislation has led to significant increases in the volume of data protection work. This has resulted in several resource and operational challenges which have had a detrimental effect on statutory obligations and associated timescales. This increase has also impinged on other areas of information rights, including compliance with Scotland's freedom of information laws. Remedial plans are in place to reduce risks in this area and to ensure that statutory obligations are met.
- Communities and Families operate an annual self-attestation of the effectiveness of operating controls in secondary schools, primary schools, nurseries, libraries, community centres and central service teams. Internal Audit highlighted weaknesses in the model due to the availability of support for the framework from second line of defence business areas and partners.
- The Council's Governance Hub and the changes to Council Company reporting agreed in June 2016 have strengthened the Council's oversight and scrutiny of its ALEOs whilst addressing conflicts of interest.
- Financial controls including full documentation of all procedures, development of an anti-money laundering policy, introduction of an independent review of monthly income and expenditure account reconciliations and independent authorisation of changes to Bankline access rights are in place.
- All directorates include budget issues as standing items on the agenda of their regular Senior Management Team (SMT) meetings.
- Each directorate's assurance schedule was scrutinised by the Governance, Risk and Best Value Committee.
- A corporate policy framework has been put in place which enables a consistent application of policy assurance across the organisation. The process was further streamlined in 2017 to ensure it was an effective process but maintained a robust assurance role focussing on continuous improvement and best practice. Further work is necessary to ensure the framework is being maintained across the Council.
- The whistleblowing service employs an independent organisation to ensure a robust, transparent and trustworthy process. The Governance, Risk and Best Value Committee receives a quarterly update on whistleblowing and the Finance and Resources Committee reviews the policy annually.
- Senior management and Heads of Service have formal objectives, with performance reviewed by the appropriate Executive Director. Officers have personal work objectives and receive feedback on their performance through the Council-wide performance review and development process.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness - continued

- There is a robust health and safety reporting structure which includes directorate health and safety committees, a quarterly Council health and safety group and a quarterly consultation forum involving the trade unions. Health and safety working groups are in place for fire safety, water safety and asbestos.
- All directorates have risk and assurance committee meetings that meet at least quarterly and ensure escalation of risks. The Corporate Leadership Team's Risk Register continues to be scrutinised quarterly at the Governance, Risk and Best Value Committee.
- Programme/project risks are managed through relevant programme structures and are also reported to the Corporate Leadership Team Change Board. Any new significant change ideas must be agreed through the monthly change board. This approach is now bedding in and being applied to the development of the change strategy, with reporting every six months to the Governance, Risk and Best Value Committee.
- The annual governance statement was not reported to Governance, Risk and Best Value Committee prior to the annual accounts being reported. Further changes to the process are required to allow this.
- A short-life working group was created to work on simplifying and modernising the report template. It aimed to shorten reports and make them more accessible while ensuring sufficient information was included to ensure effective scrutiny. The new template was rolled out in April 2019.
- A single risk management system is now in place to manage Health and Social Care Partnership and Integration Joint Board risks.
- Business Impact Analysis has been completed for all Council services, with an annual review frequency. These set out the resources required to ensure the continuous delivery of essential activities in the event of an emergency or other disruption.
- Resilience submit an annual report to the Corporate Strategy and Policy Committee, detailing training, exercising, planning and incident response.
- The Council maintains registration to the International Standard for Business Continuity, ISO22301 and, as part of that compliance, the Council's Resilience Management System is audited biannually by an external auditor.
- The Chief Internal Auditor reported to the Governance, Risk and Best Value Committee in July 2018 on the overall adequacy of the Council's framework of governance, risk management and controls and found that significant enhancements were required to the Council's established control environment and governance and risk management framework to ensure that the Council's most significant risks were effectively mitigated and managed.
- Internal Audit highlighted control gaps and residual risks associated with a lack of clear definition and oversight of Partnership business support arrangements provided by the Council to the Health and Social Care Partnership. Service Level Agreements were being created for business support by October 2019.
- Internal Audit highlighted significant enhancements needed in relation to the design of the controls supporting the development, agreement and approval of developer contribution legal agreements.
- An Elected Members' remuneration and expenses scheme is in place and is consistent with the Scottish Government's 'Councillors' Remuneration: allowances and expenses – Guidance'.
- 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 for those elected members joining the Council in May 2017 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.

ANNUAL GOVERNANCE STATEMENT

Actions

The status of previous year's actions is outlined below:

	Action	Responsible Party	Reporting Date
1	The Chief Executive will report to the Governance, Risk and Best Value Committee in June 2018 outlining the actions taken and status of the historic outstanding audit actions. Internal Audit and directorates will continue to work on ensuring improved processes are in place to avoid repeat issues	Chief Executive	Completed
2	Workforce controls will be reported to committee outlining improved and increased management information to facilitate workforce controls, strategic workforce planning and to measure performance	Executive Director of Resources	Completed and an on-going cycle of reporting continues.
3	Overpayments to Council wide employees had been identified by Human Resources. A plan has been developed to address this during 2018	Executive Director of Resources	Implemented and on-going improvements are being progressed
4	A review is taking place of health and safety risk assessments in Facilities Management. Work is also underway with Communities and Families to ensure clarity around roles and responsibilities regarding health and safety.	Executive Director of Resources	Completed
5	Corporate health and safety training programme to be reviewed	Executive Director of Resources	Completed
6	A risk governance framework is being created for Health and Social Care Partnership risks to sit alongside the already established Integration Joint Board risk framework	Chief Officer - Health and Social Care Partnership	Partially completed and constantly evolving
7	The Assurance Statement template will be reviewed by December 2018 to ensure more effective, concise but robust process	Chief Executive	Completed
8	A review has taken place of cash handling within social care and health business support teams and improvements will be rolled out	Chief Officer - Health and Social Care Partnership	Completed
9	Management actions being implemented to ensure processing of payments to contractors effectively and in line with the Council's policies and procedures	Executive Director of Resources	Completed
10	Development of an improved business continuity plan for the Council's mortuary service	Executive Director of Place	Completed
11	Reporting of ALEOs has gone to executive committees and the Chief Executive but not all ALEOs are also reporting to the Governance, Risk and Best Value Committee. Work will be undertaken with directors and the Governance Hub to improve awareness and compliance with the reporting process	Chief Executive	Completed
12	During 2017, issues were identified with service delivery in Building Standards. An improvement plan has been established and will be undertaken with the support of the Scottish Government. Reporting has taken place at the Governance, Risk and Best Value Committee and the Planning Committee	Executive Director of Place	Implemented and on-going improvements are being progressed
13	A review of arrangements is underway to ensure ALEOs have a service level agreement or funding agreement	Executive Director of Place	Completed
14	Action is being taken to ensure a higher percentage of return from schools regarding self-assurance	Executive Director of Communities and Families	Completed
15	To ensure the appointment of deputies for resilience co-ordinators in each directorate	All	Partially completed, constantly being updated
16	Work is ongoing across the Council to identify any gaps regarding compliance with GDPR, this will be monitored and reported to the Corporate Leadership Team as well as being reported to committee	All	Completed

ANNUAL GOVERNANCE STATEMENT

Following the review of effectiveness and the assurance statements from directorates and ALEOs, the following actions have been identified to improve the Council's governance arrangements:

	Action	Responsible Party	Reporting Date
1	A review of delegated authority within the Place directorate is being carried out to ensure that appropriate governance and controls are in place.	Executive Director of Place	September 2019
2	A new balanced score card approach is to be implemented which looks to amalgamate all aspects of performance in a single format	Chief Executive	June 2019
3	The Health and Social Care Partnership aim to complete the risk escalation framework	Chief Officer	March 2020
4	A transformation and change team will provide project support capacity across the Partnership allowing for greater oversight and ensure projects have clear business justification and business cases.	Chief Officer	March 2020
5	Upgrades to HR and Payroll system to be implemented	Executive Director of Resources	September 2019
6	Review of developer contributions held in Finance database	Executive Director of Resources	September 2020
7	Review of historic developer contributions	Executive Director of Place	September 2020
8	Review of Developer contribution process documentation and guidance	Executive Director of Place	March 2020
9	Review of Political Management Arrangements	Chief Executive	Completed May 2019
10	Review Annual Assurance process	Chief Executive	September 2019

Conclusion

In conclusion, our controls framework continues to evolve and improve. Further work will be undertaken to ensure our corporate governance framework and assurance is joined up and changes are integrated into the current operational governance structures. Controls are generally adequate and improving but further work is necessary to ensure that identified improvement plans are monitored and that controls are fully embedded. Increased business in the committee model will require monitoring to ensure that scrutiny is not de-prioritised. Actions included in the plan will improve the Council's governance with many including in-built monitoring by both officers and elected members.

We are satisfied that the actions highlighted in this Statement reflect the Council's commitment to continuous improvement and will further enhance our corporate governance and internal control

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 was over £150,000 during the year covered by these accounts. 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 in that year.

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 2017. 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 2018/19, the remuneration for the Leader of the City of Edinburgh Council was £50,986. 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 2018/19 this was £38,239. 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 Senior Councillors shall not exceed £662,802. 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.

	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 Communities, Housing and Economy, Education, Children and Families, Finance and Resources, Planning, Regulatory, Transport and Environment and Integration Joint Board Committees	8	62.5%
Convener of Licensing Board	1	55%
Convener of Governance, Risk and Best Value	1	50%
Vice-Conveners of Culture and Communities, Housing and Economy, Education, Children and Families, Finance and Resources, Planning and Transport and Environment Committees	6	50%
Opposition Group Leaders - Conservative, Green and Liberal Democrat Groups	3	47.5%

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

REMUNERATION REPORT

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. 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, where the individual was a Senior Councillor for part or all of the year.

Council's Leader, Civic Head and Senior Councillors	Salary, Fees and Allowances	Taxable Expenses	Non-Cash Expenses / Benefits-in-kind	Total Remun. 2018/19	Total Remun. 2017/18
	£	£	£	£	£
A. McVey, Leader of the Council	50,986	53	133	51,172	44,437
F. Ross, Lord Provost	38,239	0	6,107	44,346	40,103
C. Day, Deputy Leader of the Council	38,239	75	129	38,443	34,892
J. Griffiths, Depute Convener	25,493	0	200	25,693	24,218
A. Burns, Leader of the Council (to 04.05.17)	n/a	n/a	n/a	n/a	4,632
S. Cardownie, Depute Convener (to 04.05.17)	n/a	n/a	n/a	n/a	2,322
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	31,866	30	847	32,743	31,045
A. Rankin, Convener Finance and Resources	31,866	25	146	32,036	30,010
R. Henderson, Convener Edinburgh Integration Joint Board	32,156	0	783	32,939	25,675
I. Perry, Convener Education, Children and Families	31,866	0	591	32,457	29,974
J. Mowat, Convener Governance, Risk and Best Value	25,493	0	770	26,263	24,351
K. Campbell, Convener Housing and Economy	32,543	0	2,672	35,215	16,105
L. Macinnes, Convener Transport and Environment	31,866	0	381	32,247	27,617
N. Gardiner, Convener Planning	31,866	0	765	32,631	20,947
C. Fullerton, Convener Regulatory	31,866	17	190	32,072	29,043
N. Work, Convener Licensing Board	28,042	95	678	28,815	27,149
<u>Vice-Conveners</u>					
M. Child, Vice Convener Planning and North East Locality Chair	25,173	0	107	25,280	23,135
M. Donaldson, Vice Convener Finance and Resources (to 29.01.2019) (full year equivalent)	21,107	0	113	21,221	23,596
A. McNeese-Mechan, Vice Convener Culture and Communities	25,880	0	1,345	27,225	16,178
A. Dickie, Vice Convener Education, Children and Families	25,493	0	1,053	26,546	22,665
L M. Cameron, Vice Convener Housing and Economy	25,493	0	1,527	27,021	23,923
K. Doran, Vice Convener Transport and Environment	25,493	0	776	26,269	24,230
M. Main, Vice Convener Governance, Risk and Best Value & Green Group Leader (to 29.06.18)	18,760	0	95	18,855	19,551
<u>Locality Committee Conveners</u>					
M. Watt, South East Locality Chair	24,218	0	789	25,007	21,117
G. Gordon, North West Locality Chair (to 09.02.18)	n/a	n/a	n/a	n/a	21,683
D. Dixon, South West Locality Chair	24,218	0	94	24,312	22,619

REMUNERATION REPORT

Remuneration Paid - continued

	Salary, Fees and Allowances £	Taxable Expenses £	Non-Cash Expenses / Benefits- -in-kind £	Total Remun. 2018/19 £	Total Remun. 2017/18 £
Council's Leader, Civic Head and Senior Councillors					
<u>Opposition Group Leaders</u>					
C. Rose, Conservative Group Leader (to 04.05.2017)	n/a	n/a	n/a	n/a	18,095
I. Whyte, Conservative Group Leader	24,218	0	753	24,971	23,648
S. Burgess, Green Group Leader (to 23.11.2017)	n/a	n/a	n/a	n/a	21,429
M. Campbell, Green Group Leader (from 29.06.18 to 29.12.2018)	20,588	0	160	20,748	15,493
C. Booth, Green Group Leader (from 29.12.2018)	18,858	0	114	18,972	17,720
R. Aldridge, Liberal Democrat Group Leader	24,218	0	0	24,218	22,499
<u>Councillors</u>					
G. Barrie, Convener Housing and Economy (to 15.03.2018)	n/a	n/a	n/a	n/a	31,371
L. Ritchie, Convener Planning (to 23.11.2017)	n/a	n/a	n/a	n/a	24,191
R. Lewis, Convener of Culture and Communities (to 04.05.2017)	n/a	n/a	n/a	n/a	3,117
M. Bridgman, Convener Regulatory (to 04.05.2017)	n/a	n/a	n/a	n/a	3,138
L. Hinds, Convener Transport and Environment (to 04.05.2017)	n/a	n/a	n/a	n/a	3,011
E. Milligan, Convener Licensing Board (to 04.05.17)	n/a	n/a	n/a	n/a	2,779
W. Henderson, Convener Police and Fire Scrutiny (to 04.05.2017)	n/a	n/a	n/a	n/a	1,948
G. Munro, Vice Convener Housing and Economy (to 04.05.17)	n/a	n/a	n/a	n/a	18,269
I. Campbell, Vice Convener of Culture and Communities (to 15.03.18)	n/a	n/a	n/a	n/a	23,358
N. Austin-Hart, Vice Convener of Culture and Communities (to 04.05.17)	n/a	n/a	n/a	n/a	2,085
A. Blacklock, Vice Convener Regulatory (to 04.05.17)	n/a	n/a	n/a	n/a	2,179
B. Cook, Vice Convener Finance and Resources (to 04.05.17)	n/a	n/a	n/a	n/a	2,085
A. Lunn, Vice Convener Planning (to 04.05.17)	n/a	n/a	n/a	n/a	2,180

Notes:

1. The amount recharged to Lothian Valuation Joint Board in 2018/19 was £4,251 (2017/18 £3,560). Expenses relate to Councillor role.
2. The full year equivalent under Salary, Fees and Allowances represents the Senior Responsibility Allowance at the year end for the position.

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):

	2018/19 £	2017/18 £
Salaries	1,380,111	1,330,242
Expenses		
<i>Claimed by councillors</i>	742	950
<i>Paid directly by the Council</i>	46,733	40,371

REMUNERATION REPORT

Remuneration Paid - continued

Remuneration paid to Senior Officers

	Salary, Fees and Allowances £	Compensation for Loss of Office £	Total Remun. 2018/19 £	Total Remun. 2017/18 £
Council's Senior Officers				
A. Kerr, Chief Executive	167,468	0	167,468	167,468
A. Gaw, Executive Director of Communities and Families	150,390	0	150,390	150,390
J. Proctor, Integration Joint Board Chief Officer (<i>from 01.05.18</i>) (<i>full year equivalent</i>)	68,929	0	68,929 75,995	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>to 05.09.17</i>)	n/a	n/a	0	68,667
M. Miller, Interim Integration Joint Board Chief Officer (<i>to 30.06.18</i>) (<i>full year equivalent</i>)	37,977	0	37,977 150,390	87,086
P. Lawrence, Executive Director of Place	150,390	0	150,390	150,390
J. Irvine, Chief Social Work Officer (<i>from 30.07.18</i>) (<i>full year equivalent</i>)	69,407	0	69,407 103,278	n/a
S. Moir, Executive Director of Resources (Note 2)	150,390	0	150,390	111,984
H. Dunn, Head of Finance (Note 3)	108,720	0	108,720	119,138
Total	<u>903,671</u>	<u>0</u>	<u>903,671</u>	<u>855,123</u>

Notes:

1. J. Proctor took up the position of Chief Officer with 50% of her salary costs from 1 May 2018 reflected above. The full year equivalent figure reflects the salary for the Integration Joint Board Chief Officer, funded 50% by NHS Lothian and the Integration Joint Board.
2. S. Moir was appointed Executive Director of Resources in July 2017. The 2017/18 salary shown for S. Moir is pro-rated accordingly. An additional £2,354 removal and relocation assistance claim was received by S. Moir which is not included in the Remuneration above.
3. H. Dunn was appointed Acting Executive Director of Resources in January 2016 but returned to his substantive role as Head of Finance in July 2017.
4. 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 2018 and 2017 respectively.

	Salary, Fees and Allowances	Bonus	Other Benefits	Total Remun. 2018/19	Total Remun. 2017/18
	£	£	£	£	£
Council's Subsidiary Companies					
E. Adair, Operations and Finance Director, EDI Group (to 30.06.18) (full year equivalent)	55,546	0	84,050	139,596	106,659
M. Dallas, Chief Executive, EICC	143,142	27,998	0	171,140	166,454
J. Donnelly, Chief Executive, Marketing Edinburgh Ltd (Note 1)	139,200	0	0	139,200	139,200
R. Hunter, Chief Executive, Capital City Partnership	53,729	0	0	53,729	50,414
<u>Transport for Edinburgh</u>					
G. Lowder, Chief Executive	144,281	0	0	144,281	141,800
<u>Lothian Buses Ltd.</u>					
R. Hall, Managing Director	169,331	47,817	521	217,669	211,200
W. Devlin, Engineering Director (until 31.01.17)	n/a	n/a	n/a	n/a	12,900
N. Strachan, Finance Director (until 31.01.17)	n/a	n/a	n/a	n/a	12,900
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager	109,962	18,000	0	127,962	111,229
	<u>815,191</u>	<u>93,815</u>	<u>84,571</u>	<u>993,577</u>	<u>952,756</u>

Notes:

- 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 £139,200 in 2018/19, including VAT (2017/18 £139,200, including VAT).

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.

	2018/19	2017/18		2018/19	2017/18
£50,000 - £54,999	197	199	£110,000 - £114,999	1	1
£55,000 - £59,999	132	116	£115,000 - £119,999	0	1
£60,000 - £64,999	44	42	£120,000 - £124,999	0	1
£65,000 - £69,999	35	41	£125,000 - £129,999	0	1
£70,000 - £74,999	32	26	£130,000 - £134,999	0	0
£75,000 - £79,999	20	20	£135,000 - £139,999	0	1
£80,000 - £84,999	3	2	£140,000 - £144,999	0	1
£85,000 - £89,999	4	4	£145,000 - £149,999	0	3
£90,000 - £94,999	0	3	£150,000 - £154,999	3	0
£95,000 - £99,999	2	1	£155,000 - £159,999	0	0
£100,000 - £104,999	8	8	£160,000 - £164,999	0	0
£105,000 - £109,999	1	0	£165,000 - £169,999	1	1
			Total No. of Employees	483	472

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	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0 - £20,000							£000	£000
- Council	0	0	23	48	23	48	179	606
- Group companies	0	0	4	2	4	2	38	25
£20,001 - £40,000								
- Council	0	0	11	38	11	38	311	1,112
- Group companies	0	0	1	0	1	0	31	0
£40,001 - £60,000								
- Council	0	0	4	13	4	13	202	635
- Group companies	0	0	0	0	0	0	0	0
£60,001 - £80,000								
- Council	0	0	9	2	9	2	621	153
- Group companies	0	0	0	0	0	0	0	0
£80,001 - £100,000								
- Council	0	0	2	3	2	3	193	250
- Group companies	0	0	0	0	0	0	0	0
£100,001 - £150,000								
- Council	0	0	4	1	4	1	498	132
- Group companies	0	0	0	0	0	0	0	0
£150,001 - £200,000								
- Council	0	0	2	2	2	2	364	343
- Group companies	0	0	0	0	0	0	0	0
	0	0	60	109	60	109	2,437	3,256

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. For Pre April 2015 benefits, 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. The Post April 2015 benefits are calculated in the same way as Local Government employees.

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 2018/19 were as follows:

Whole Time Pay	Contribution rate
On earnings up to and including £21,300 (2017/2018 £20,700)	5.50%
On earnings above £21,300 and up to £26,100 (2017/2018 £20,700 to £25,300)	7.25%
On earnings above £26,100 and up to £35,700 (2017/2018 £25,300 to £34,700)	8.50%
On earnings above £35,700 and up to £47,600 (2017/2018 £34,700 to £46,300)	9.50%
On earnings above £47,600 (2017/2018 £46,300)	12.00%

From April 2015, when allocating contribution rates to members, pensionable pay means the actual pensionable pay, regardless of hours worked.

There is no automatic entitlement to a lump sum for members who joined the scheme post April 2009. Members may opt to give up (commute) pension for lump sum or bigger 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 - assuming that the person left the related employment or service as at 31st March in the year to which the value relates.

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.

Trade Union (Facility Time Publication Requirements) Regulations 2017

The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives.

For the reporting year 2018/19, the equivalent of 8.5 FTE (across 16 individuals) of paid facility time was made available, with an associated cost of £0.27m. This sum equates to 0.05% of the Council's overall paybill.

Of the total time made available, seven individuals spent 100% of time during the year on trade union-related activities, nil between 51% and 99%, and the remaining nine between 1% and 50%.

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 2019 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 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
<u>Council's Leader and Civic Head</u>					
A. McVey, Leader of the Council	11,115	9,309	Pension	4	1
			Lump Sum	0	0
F. Ross, Lord Provost	8,336	7,941	Pension	5	1
			Lump Sum	0	0
C. Day, Deputy Leader of the Council	8,336	6,197	Pension	1	1
			Lump Sum	0	0
J. Griffiths, Depute Convener	5,557	5,117	Pension	3	1
			Lump Sum	0	0
A. Burns, Leader of the Council (to 04.05.17)	n/a	987	Pension	0	0
			Lump Sum	0	0
<u>Conveners</u>					
D. Wilson, Convener Culture and Communities	6,947	6,461	Pension	7	1
			Lump Sum	2	0
A. Rankin, Convener Finance and Resources	6,947	6,362	Pension	4	0
			Lump Sum	0	0
R. Henderson, Convener Edinburgh Integration Joint Board	7,010	5,314	Pension	6	1
			Lump Sum	2	0
I. Perry, Convener Education , Children and Families	6,947	6,362	Pension	6	1
			Lump Sum	2	0
J. Mowat, Convener Governance, Risk and Best Value	5,557	5,166	Pension	3	1
			Lump Sum	0	0
K. Campbell, Convener Housing and Economy	7,094	3,275	Pension	n/a	n/a
			Lump Sum	n/a	n/a
L. Macinnes, Convener Transport and Environment	6,947	5,721	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Gardiner, Convener Planning	6,947	4,328	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Work, Convener Licensing Board	6,113	5,503	Pension	5	1
			Lump Sum	2	0
<u>Vice-Conveners</u>					
M. Child, Vice Convener Planning and North East Locality Chair	5,488	5,503	Pension	10	1
			Lump Sum	16	0
M. Donaldson, Vice Convener Finance and Resources (to 29.01.2019)	4,601	5,002	Pension	2	1
			Lump Sum	0	0
A. McNeese-Mechan, Vice Convener Culture and Communities	5,642	3,276	Pension	1	1
			Lump Sum	0	0
A. Dickie, Vice Convener Education, Children and Families	5,557	4,673	Pension	n/a	n/a
			Lump Sum	n/a	n/a
L M. Cameron, Vice Convener Housing and Economy	5,557	4,673	Pension	n/a	n/a
			Lump Sum	n/a	n/a
K. Doran, Vice Convener Transport and Environment	5,557	5,002	Pension	3	1
			Lump Sum	0	0
M. Main, Vice Convener Governance, Risk and Best Value & Green Group Leader (to 29.06.18)	4,090	4,029	Pension	2	0
			Lump Sum	0	0

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Council's Leader, Civic Head and Senior Councillors

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
<u>Locality Committee Conveners</u>					
M. Watt, South East Locality Chair	5,280	4,463	Pension Lump Sum	n/a n/a	n/a n/a
G. Gordon, North West Locality Chair (to 09.02.18)	n/a	4,463	Pension Lump Sum	n/a n/a	n/a n/a
D. Dixon, South West Locality Chair	5,280	4,792	Pension Lump Sum	3 0	1 0
<u>Opposition Group Leaders</u>					
I. Whyte, Conservative Group Leader	5,280	4,792	Pension Lump Sum	6 2	1 0
S. Burgess, Green Group Leader (to 23.11.2017)	n/a	4,533	Pension Lump Sum	n/a n/a	n/a n/a
M. Campbell, Green Group Leader (from 29.06.18 to 29.12.18)	448	3,276	Pension Lump Sum	n/a n/a	n/a n/a
R. Aldridge, Liberal Democrat Group Leader	5,280	4,792	Pension Lump Sum	5 2	1 0
<u>Councillors</u>					
D. Key (including role as Convener of Lothian Valuation Joint Board)	4,631	4,304	Pension Lump Sum	3 0	1 0
<u>Former Conveners/Vice Conveners</u>					
G. Barrie, Convener Housing and Economy (to 15.03.2018)	n/a	6,362	Pension Lump Sum	n/a n/a	n/a n/a
R. Lewis, Convener of Culture and Communities (to 04.05.2017)	n/a	651	Pension Lump Sum	n/a n/a	n/a n/a
M. Bridgman, Convener Regulatory (to 04.05.2017)	n/a	641	Pension Lump Sum	n/a n/a	n/a n/a
L. Hinds, Convener Transport and Environment (to 04.05.2017)	n/a	641	Pension Lump Sum	n/a n/a	n/a n/a
E. Milligan, Convener Licensing Board (to 04.05.17)	n/a	592	Pension Lump Sum	n/a n/a	n/a n/a
W. Henderson, Convener Police and Fire Scrutiny (to 04.05.2017)	n/a	395	Pension Lump Sum	n/a n/a	n/a n/a
G. Munro, Vice Convener Housing and Economy (to 04.05.17)	n/a	3,720	Pension Lump Sum	n/a n/a	n/a n/a
I. Campbell, Vice Convener of Culture and Communities (to 15.03.18)	n/a	4,673	Pension Lump Sum	n/a n/a	n/a n/a
N. Austin-Hart, Vice Convener of Culture and Communities (to 04.05.17)	n/a	444	Pension Lump Sum	n/a n/a	n/a n/a
A. Blacklock, Vice Convener Regulatory (to 04.05.17)	n/a	444	Pension Lump Sum	n/a n/a	n/a n/a
A. Lunn, A. Lunn, Vice Convener Planning (to 04.05.17)	n/a	444	Pension Lump Sum	n/a n/a	n/a n/a

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

REMUNERATION REPORT

Pension Benefits - continued

Pension Rights - continued

Senior Employees

The pension entitlements of senior employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each senior employee's pension during the year.

	In-year pension contribs.			Accrued Pension Benefits	
	For year to 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
A. Kerr, Chief Executive	n/a	35,671	Pension	9	0
			Lump Sum	0	0
A. Gaw, Executive Director of Communities and Families	32,785	32,033	Pension	74	3
			Lump Sum	142	0
J. Proctor, Integration Joint Board Chief Officer (<i>from 01.05.18</i>)	30,053	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
R. McCulloch-Graham, Integration Joint Board Chief Officer (<i>to 05.09.17</i>)	n/a	6,545	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M. Miller, Interim Integration Joint Board Chief Officer (<i>to 30.06.18</i>)	8,196	27,860	Pension	61	6
			Lump Sum	115	10
P. Lawrence, Executive Director of Place	32,785	32,033	Pension	25	0
			Lump Sum	n/a	n/a
J. Irvine, Chief Social Work Officer (<i>from 30.07.18</i>)	15,131	n/a	Pension	1	1
			Lump Sum	0	0
S. Moir, Executive Director of Resources	32,785	23,853	Pension	n/a	n/a
			Lump Sum	n/a	n/a
H. Dunn, Head of Finance	23,701	25,376	Pension	56	(2)
			Lump Sum	105	(10)
Total	<u>175,436</u>	<u>183,371</u>			

Notes:

All senior employees shown in the previous table above are members of the Local Government Pension Scheme. 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 2019, or the date of leaving, if that is earlier. Employees contribute towards their pensions in accordance with the rates set out on page 127.

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 2019 are shown below, together with the contribution made to each senior employee's pension during the year.

REMUNERATION REPORT

Pension Benefits - continued

Council's Subsidiary Companies - continued

	In-year pension contribs.		Accrued Pension Benefits		
	For year to 31.03.2019 £	For year to 31.03.2018 £		As at 31.03.2019 £000	Difference from 31.03.2018 £000
E. Adair, Operations and Finance Director, EDI Group	30,061	21,606	Pension	33	2
			Lump Sum	45	1
M. Dallas, Chief Executive, EICC	18,812	18,283	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Lothian Buses Ltd.</u>					
R. Hall, Managing Director	16,933	16,500	Pension	n/a	n/a
			Lump Sum	n/a	n/a
W. Devlin, Engineering Director (<i>until 31.01.17</i>)	n/a	3,109	Pension	n/a	n/a
			Lump Sum	n/a	n/a
N. Strachan, Finance Director (<i>until 31.01.17</i>)	n/a	3,109	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Edinburgh Trams Ltd.</u>					
L. Harrison, General Manager	10,996	9,675	Pension	n/a	n/a
			Lump Sum	n/a	n/a
<u>Capital City Partnership</u>					
R. Hunter, Chief Executive	11,112	9,790	Pension	n/a	n/a
			Lump Sum	n/a	n/a
Total	<u>87,914</u>	<u>82,072</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 2018 and 31 December 2017 respectively.

E. Adair and R. Hunter 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 20 of the Unaudited Financial Statements)

	£000	2018/19 £000	£000
Total Comprehensive (Income) and Expenditure			(456,076)
Deduct (gains) or losses credited to the CIES			
Surplus on revaluation of non-current assets		(587,490)	
Gains and losses relating to pension liability		71,775	
Other unrealised losses		2,248	
		<u> </u>	(513,467)
Surplus on provision of services, per CIES			57,391
 <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	(217,390)		
Net loss on sale of fixed assets	6,001		
Revenue expenditure funded from capital under statute	59,774		
Finance costs - statutory adjustments	1,901		
Net charges made for retirement benefits in accordance with IAS 19	<u>(116,885)</u>		
		(266,599)	
 <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)	80,906		
Lease repayments (including element relating to PPP contracts)	8,390		
Capital expenditure charged to the General Fund balance	(59,774)		
Capital expenditure funded from revenue	38,888		
Change in fair value of Investment Properties	1,025		
Capital grants and contributions credited to the CIES	100,123		
Net transfer for holiday pay accrual	(1,297)		
Employer's contributions payable to Lothian Pension Fund and retirement benefits payable direct to pensioners	<u>65,388</u>		
		233,649	
 <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	(17,145)		
Net Transfer from earmarked reserves	<u>(857)</u>		
		<u>(18,002)</u>	
			(50,952)
General Fund Surplus reported in Financial Statements			6,439

	£000	2018/19 £000	£000
Consolidation Adjustments			
Funds (drawn down from) / contributed to earmarked balances:			
- Balances set aside for specific investment		(3,687)	
- City Strategic Investment Fund		(1,909)	
- Council Priorities Fund (net of transfer of year-end surplus)		(2,647)	
- Council Tax Discount Fund		(8,801)	
- Devolved School Management and Pupil Equity fund		315	
- Dilapidation fund		643	
- Energy efficiency		66	
- Insurance fund		3,710	
- Licensing income		(496)	
- Lothian Buses		116	
- Other minor funds		(15)	
- Outdoor Centres		(133)	
- Pre-paid PPP monies		385	
- Recycling monies		(696)	
- Salix / CEEF		56	
- Spend to save		(509)	
- Trams to Newhaven		4,556	
- Unspent grants		63	
- Workforce management		51	
- Weather Emergency		911	
		<hr/>	<u>(8,021)</u>
General Fund Surplus			<u><u>(1,582)</u></u>

REVENUE BALANCES

	Balance at 31-Mar-18 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31-Mar-19 £000
Balances Set Aside to Manage Financial Risks and for Specific Investment				
Balances set aside for specific inv.	40,649	(13,147)	14,794	42,296
Workforce management	18,143	0	51	18,194
Council Priorities Fund	7,691	(2,852)	1,786	6,625
Dilapidations fund	5,077	(356)	1,000	5,721
Insurance funds	15,875	(83)	3,793	19,585
	<u>87,435</u>	<u>(16,438)</u>	<u>21,424</u>	<u>92,421</u>
Balances Set Aside from Income Received in Advance				
Licensing and Registration income	3,080	(855)	359	2,584
Lothian Buses	388	116	0	504
Other minor funds	218	(16)	1	203
Pre-paid PPP monies	2,568	0	385	2,953
Recycling monies	697	(697)	0	0
Council Tax Discount Fund	27,432	(12,346)	3,545	18,631
Unspent grants	1,874	(1,736)	1,799	1,937
City Strategic Investment Fund	5,461	(2,054)	145	3,552
	<u>41,718</u>	<u>(17,588)</u>	<u>6,234</u>	<u>30,364</u>
Balances Set Aside for Investment in Specific Projects which will Generate Future Savings				
Energy efficiency	178	0	66	244
Salix / CEEF	196	(141)	197	252
Spend to save	2,975	(575)	66	2,466
	<u>3,349</u>	<u>(716)</u>	<u>329</u>	<u>2,962</u>
Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund				
Devolved School Management	<u>5,758</u>	<u>(5,758)</u>	<u>6,073</u>	<u>6,073</u>
Unallocated General Reserve	<u>13,025</u>	<u>0</u>	<u>0</u>	<u>13,025</u>
Total General Reserve	<u>151,285</u>	<u>(40,500)</u>	<u>34,060</u>	<u>144,845</u>