MIDLOTHIAN COUNCIL UNAUDITED ANNUAL ACCOUNTS

2023/24

Midlothian

Table of Contents

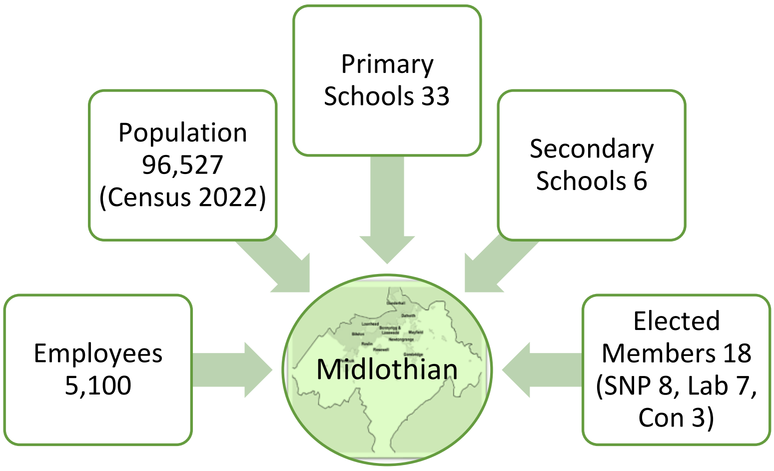
Management Commentary

The Management Commentary is intended to assist users in understanding the objectives and strategy of the Council and provide a review of its business and financial performance for the year. It also outlines the principal risks and uncertainties which are likely to affect the future development and performance of the Council.

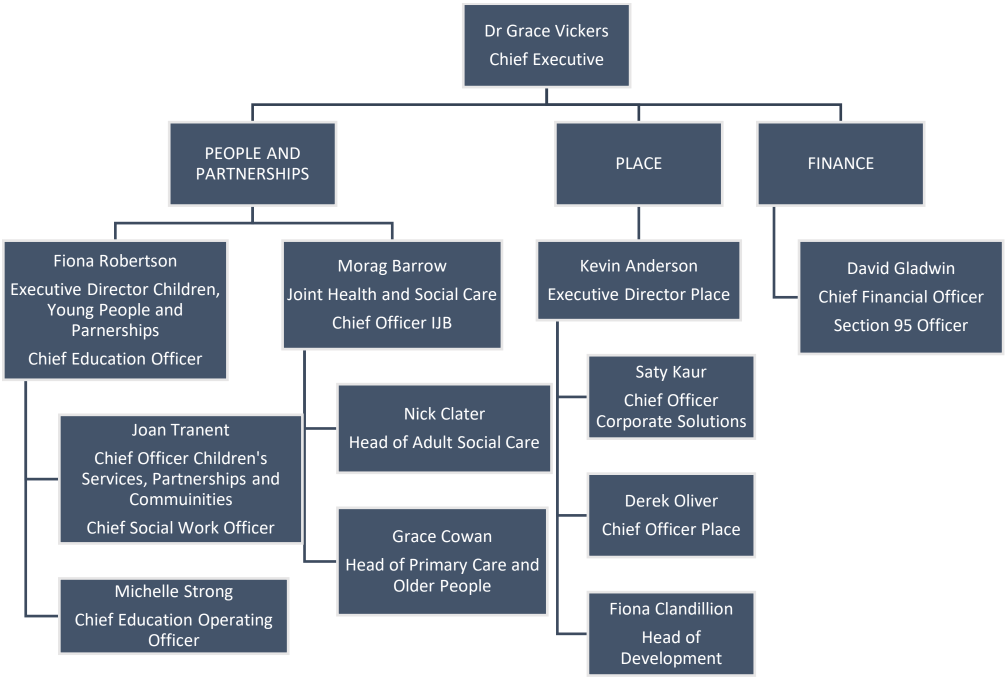
The Annual Accounts present the financial position and performance of the Council demonstrating the stewardship of funds that support the Council's vision and key priorities. The format and content of the Annual Accounts are prepared in accordance with *Code of Practice in Local Authority Accounting in the United Kingdom*.

About Midlothian Council

Midlothian Council is located south of Edinburgh centred on the main towns of Penicuik, Dalkeith, Bonnyrigg and Lasswade. One of the smaller local authority areas, but also the fastest growing, it has emerged as a world centre for the Bioscience industry. Midlothian population has grown by 16.1% between Census 2011 and 2022. Projections show a continued increase by a further 9.1% to 2043. Key facts about Midlothian are:



Council Service Structure



Key Priorities and Objectives

Midlothian Council's key priorities and objectives are set out in the Single Midlothian Plan 2023-2027 (SMP). These priorities are delivered through the Community Planning Partnership (CPP), which sets out how we collaborate with communities and partners to deliver our vision for Midlothian to be a "Great *Green Place to Grow."*

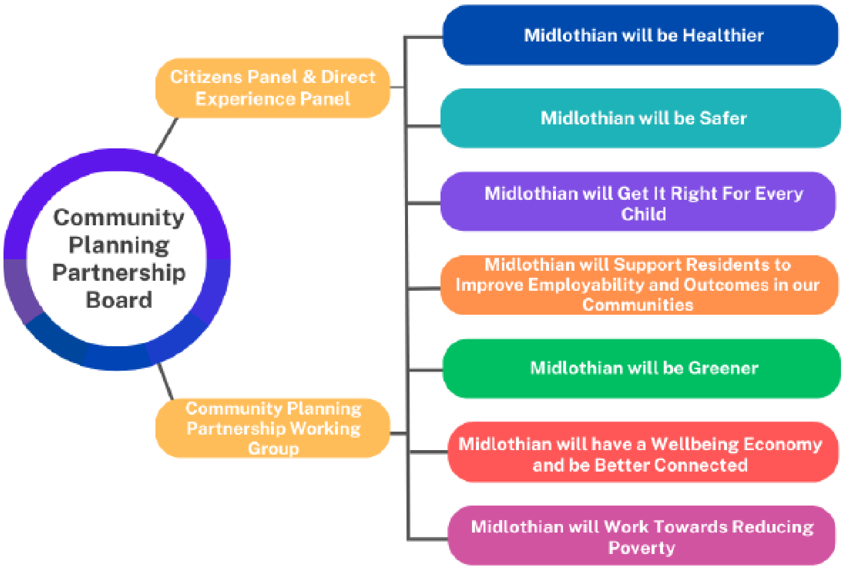
The Single Midlothian Plan has identified its three main outcomes for the next four years:

- Individuals and communities have improved health and skills for learning, life and work;
- No child or household living in poverty;
- Considerable progress is made towards net zero carbon emissions by 2030.

These form the common and strategic guidance for the Council and its partners to encourage plans and measures to be developed to work towards enabling individuals and communities being able to lead healthier, safer and greener lives by 2030.

The Community Planning Partnership is led by the Community Planning Board, on which a number of organisations sit and work together to achieve key actions towards seven thematic priorities across the four years, with a more focused approach in reducing poverty and collaborating with communities to increase wealth, reflecting the wellbeing and circular economy principles using a place based model.

How we work together:



The annual Balanced Scorecard measures progress towards these outcomes and is used to demonstrate ongoing improvements and reflect the ongoing challenges within Midlothian. The full detail behind the performance indicators measured by the balanced scorecard for 2023/24 can be found on the Council's website Midlothian Council/Performance and spending.

Key Achievements and Highlights for 2023/24

Achievement	Commentary
Lasswade High School and Lawfield Primary School being awarded the Gold School Sport Award for 2023-25.	Led by Midlothian Active Schools Team, Sport Scotland School Sport Award is an assessment and planning tool which encourages schools to demonstrate an on-going commitment to increase young people's opportunities and engagement in physical education, school sport and leadership and provide clear pathways to life-long participation in sport. Lasswade is the first of Midlothian's High Schools to achieve the award. The gold school sport award is recognition of the school's achievements in putting sport at the heart of schools planning, practice and ethos and is achieved through a combined team effort from the school's Physical Education Departments, Midlothian Active Schools, the School Sports Council and the young people of the schools.
£2.2 million grant award from Zero Waste Scotland	Zero Waste Scotland is administering a £70 million Recycling Improvement Fund on behalf of Scottish Government, of which £2.2 million was offered to Midlothian Council. The grant will provide significant capital injection to affect service and transformational change. Neighbourhood Services colleagues have developed options for change to present to Council which address the population growth, the need to improve waste recycling rates and the need to reduce our carbon footprint.
Learning Places Scotland national award for Midlothian's Equipped for Learning Project	This national award is for transforming learning, teaching and the curriculum. The council's £10.5 million investment in equipping all young people with the digital skills they need for learning, life and work has seen more than 14,000 pupils benefit from a device for learning. Judges heard the project is changing lives and the good news is Midlothian families will also now be able to download free literacy support software to their own devices for free thanks to a world-first partnership between Midlothian Council and digital software supplier, Texthelp. This support, which is called Free for Families was launched during the financial year and you can find out more by watching this video.
Midlothian Community Respiratory Team (CRT) and Midlothian Performance Team who won the Asthma/ Chronic Obstructive Pulmonary Disease (COPD) Project of the Year at the Scottish Healthcare Awards 2023	Their innovative project focussed on the use of data to provide a deeper understanding of the teams' functioning and their patient cohort. It also enabled the team to illustrate the benefits of having a CRT proactively support people who previously had not been known to the team and provided a platform of information on which to grow. The team provided evidence of the contribution made by CRTs to help people with COPD to stay at home safely, reducing admissions and bed days.
Provision of Affordable Housing	The Council's Strategic Housing Investment Programme (SHIP) was submitted to the Scottish Government in October 2023. To address the need for affordable housing the SHIP details potential sites for 2,115 new affordable homes to be built during 2024-29. During 2023/24 136 new Council Houses were completed, this brings the total completed to 1,655 over the past 17 years, net of demolitions and disposals. In addition, twenty-seven properties were purchased during the year to add to the overall housing stock.

Financial Performance for 2023/24

Financial information is part of the Council's Performance Management Framework with the General Fund and Housing Revenue Account (HRA) financial performance regularly reported to Council. This section summarises our financial performance for 2023/24. Full details of the Council's financial performance were reported to Council on 25 June 2024 and is available on the Council's website.

Usable Reserves

The Council holds funds in a number of Useable Reserves for various purposes. Details of the balances and prior year comparatives are shown in the table below, more detail can be found in the Movement in Reserves Statement on Page 35:

Useable Reserve	Purpose	2023/24 £000	2022/23 £000
General Fund Non-Earmarked Reserve	Funds held as a general contingency. Service Concession Retrospection. Anticipated Settlement of VAT Claim.	9,318 16,370 0	9,877 0 6,839
General Fund Earmarked Reserve	Funds held for specific purposes (***note 8***).	20,650	18,247
Housing Revenue Account	Funds held for investment in the Council's housing stock.	33,182	32,143
Capital Fund	Funds set aside for major capital developments or asset purchases.	17,242	20,107
Repairs and Renewals Fund	Funds held for specific types of repairs and maintenance work.	4,113	4,138

General Fund Performance

The General Fund is a statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent the statutory rules provide otherwise. Government grants, council tax income, fees and charges, non-domestic rates income (subject to pooling arrangements) and interest/returns on investments provide resources for the General Fund. The General Fund is split between non-earmarked balances (the level of funding available to the Council to manage financial risks and unplanned expenditure) and balances that are earmarked for specific purposes (**see *note 8***).

Actual outturns against budget for each of the Council's General Fund Service areas as follows:

General Fund Revenue Outturn 2023/24			
Service Area	**Revised Budget £000**	**Net Expenditure £000**	**(Under)/Overspend £000**
Management and Members	1,822	1,911	89
Place:			
Corporate Solutions	25,291	24,855	(436)
Place	41,917	44,850	2,933
Central Costs	0	387	387
People & Partnerships:			
Midlothian Integration Joint Board	57,416	57,416	0
Adult Health & Social Care – Non-Delegated	664	615	(49)
Children's Services, Partnerships and Communities	18,606	18,610	4
Education	129,720	129,876	156
Lothian Valuation Joint Boards	582	562	(20)
Non-distributable Costs	899	808	(91)
General Services Net Expenditure	**276,917**	**279,890**	**2,973**
Loan Charges	4,435	1,591	(2,844)
NDR Discretionary Relief	70	78	8
Investment Income	(286)	(209)	77
Allocations to HRA, Capital Account etc.	(5,433)	(5,771)	(338)
Total Expenditure	**275,703**	**275,579**	**(124)**
Less Funding			
Scottish Government Grant	199,023	198,835	188
Council Tax	62,836	62,977	(141)
Transfer from Housing Revenue Account	2,014	2,071	(57)
Utilisation of Reserves	**11,830**	**11,696**	**(134)**
Reserve Movement	**Opening Balance**	**Movement**	**Closing Balance**
General Fund Reserve (*MIRS)*	**(34,963)**	**4,996**	**(29,967)**
Service Concessions	**(20,463)**	**4,092**	**(16,371)**
Total	**(55,426)**	**9,088**	**(46,338)**

The most significant areas contributing to the favourable variances against budget in Council service areas were in relation to:

- Volume and value of school pupil transport invoices were higher than budget by £1.157 million. A root and branch review of Council transport is underway as part of the Transformation Blueprint and the 2024/25 budget for pupil transport has increased in recognition that time is required to reduce existing costs;
- Ageing fleet vehicles and higher volumes of external contracting than planned alongside external vehicle hire to support service continuity resulted in an overspend of £0.909 million. A Fleet maintenance review is underway;
- Works to complete the Alpine coaster as part of the Destination Hillend project were not completed during the financial year due to external delays impacting on civil engineering works, resulting in an income shortfall of £0.483 million. The project team have since accelerated the coasters construction and are on target for opening in the coming weeks;
- Unit prices for electricity in 2023/24 as provided by Scotland Excel during the budget setting process are higher than budgeted, resulting in an overspend in energy costs of £0.444 million.
- Loan Charges underspent by £2.844 million in 2023/24. There are three main factors:
    - Higher than forecast and more sustained periods of surplus cash related directly to timing of capital expenditure thus providing opportunity to generate some deposit income;
    - Delays in in longer-term borrowing due to availability of existing funding to support capital programmes in 2023/24; and
    - Higher than budgeted deposit income from cash-backed reserves due to a significant increase in interest rates during 2023/24 from those expected when the budget was set.

Full details of all other variances affecting the Final Outturn position can be found in the 25 June Council report Financial Monitoring 2023/24 - General Fund Revenue.

Summary Position

The Council approved a Reserves Strategy in February 2019 setting the minimum level of uncommitted reserve of 2% of net expenditure (excluding resources delegated to Midlothian Integrated Joint Board), which now equates to £4.4 million. In 2023/24 there was an increase of £9.087 million in the General Fund Reserve comprising the £0.134 million underspend detailed above, planned utilisation of reserves of £24.123 million, service concession accounting, application of Business Transformation funding of £0.433 million and budgets to be carried forward for use in 2024/25 of £15.335 million. Further details are provided in the Movement in Reserves Statement on Page 35.

Housing Revenue Account Performance

The Council has a statutory obligation to maintain a revenue account for its housing provision in accordance with the Housing (Scotland) Act 1987. The Housing Revenue Account records all income and expenditure relating to the Council’s own housing stock. Rents paid by tenants’ funds the revenue expenditure on housing management, repairs and maintenance and in part financing of capital expenditure. The table below provides analysis of financial performance for 2023/24:

Housing Revenue Account Outturn 2023/24	Revised Budget £000	Net Expenditure £000	(Under)/Overspend £000
Expenditure:			
Repairs & Maintenance	8,389	9,306	917
Administration and Management	5,433	5,771	338
Loan Charges	14,484	13,345	(1,139)
Other Expenses	2,808	3,702	894
Total Expenditure	**31,114**	**32,124**	**1,010**
Income:			
Council House Rents	(32,819)	(32,322)	497
Other Rents & Recharges	(812)	(841)	(29)
Total Income	**(33,631)**	**(33,163)**	**468**
Net Expenditure (Income)	**(2,517)**	**(1,039)**	**1,478**
Reserve Movement	**Opening Balance**	**Movement**	**Closing Balance**
HRA Reserve	(32,143)	(1,039)	(33,182)

Overall, the HRA showed an overspend at the year-end mainly due to:

- Additional spend on repairs and maintenance in order to address Scottish Housing Quality Standard (SHQS) indicators, sustain continual improvement in void turnaround times and respond to an increase in dampness reports;
- An increase in rechargeable costs in the General Fund resulted in increased administration and management costs of £0.338 million within the Housing Revenue Account;
- An increase in levels of outstanding rent debt and an assessment of the collectability of this debt has resulted in an increase the provision for voids and irrecoverable rents of £0.375 million;
- The provision for new claims in relation to winter and fire damage has resulted in an increase in the insurance liability of £0.227 million;
- Reflection of latest New Social Housing delivery Programme resulting in lower than budgeted rental income of £0.497 million;
- Lower overall borrowing requirements during 2023/24 and deferral of any borrowing until the latter part of the year, resulting in a reduction of debt costs of £1.139 million.

The closing balance on the Housing Revenue Account reserve is £33.182 million which is committed to fund the Council's ambitious capital investment plan currently running to 2038/39, to build further new housing stock and continue to improve and upgrade its existing stock, particularly through SHQS improvement and Energy Efficiency Standard for Social Housing (EESSH) works. The majority of this plan is funded through prudential borrowing with costs of borrowing met from rental income and planned utilisation of the HRA reserve, which is projected to reduce to approximately £2 million by the end of the plan.

Reconciliation of General Fund and Housing Revenue Account Monitoring to the EFA

The table below provides a reconciliation to assist users of the accounts to navigate from the Midlothian Council Budget Monitoring position on page 7 to the first column in the Expenditure and Funding Analysis (EFA) on page 32. The Expenditure and Funding Analysis provides the link between the Final Outturn reports and the figures in the Comprehensive Income and Expenditure Statement (CIES) by removing the various statutory adjustments required under generally accepted accounting practices.

Final Outturn to EFA Reconciliation			
Service Area	**Final Outturn Net Expenditure £000**	**Internal Reporting Adjustments (see table below) £000**	**Figure Reported in EFA £000**
Management and Members	1,911	(27)	1,884
Place:			
Corporate Solutions	24,855	(8,051)	16,804
Place	44,850	(3,057)	41,793
Central Costs	387	(74)	313
People & Partnerships:			
Midlothian Integrated Joint Board	57,416	0	57,416
Adult Health & Social Care – Non-Delegated	615	(1)	614
Children's Services, Partnerships and Communities	18,610	1	18,611
Education	129,876	(9,890)	119,986
Lothian Valuation Joint Board	562	0	562
Non-distributable Costs	808	0	808
Add Back:			
Housing Revenue Account	0	(14,717)	(14,717)
Net Expenditure	**279,890**	**(35,816)**	**244,074**
Loan Charges	1,591	21,263	22,854
Investment Income	(209)	0	(209)
Allocations to HRA, Capital Account etc.	(5,771)	5,771	0
HRA Transfer	(2,071)	2,071	0
NDR Discretionary Relief	78	(78)	0
Scottish Government Grant	(198,835)	79	(198,756)
Council Tax	(62,977)	5,671	(57,306)
Service concessions	0	(2,608)	(2,608)
Other Income and Expenditure	**(268,194)**	**32,169**	**(236,025)**
Utilisation of Reserves	**11,696**	**(3,647)**	**8,049**

Internal Reporting Adjustments					
Service Area	HRA £000	PPP £000	Council Tax Reduction £000	Other £000	Total £000
Management and Members	(27)	0	0	0	(27)
Place:					
Corporate Solutions	(2,380)	0	(5,671)	0	(8,051)
Place	(3,031)	300	0	(326)	(3,057)
Central Costs	0	0	0	(74)	(74)
People & Partnerships:					
Education	0	(9,890)	0	0	(9,890)
Adult Health & Social Care	0	0	0	(1)	(1)
Children's Services, Partnerships and Communities	0	0	0	1	1
Add Back:					
Housing Revenue Account	(14,717)	0	0	0	(14,717)
Net Expenditure	**(20,155)**	**(9,590)**	**(5,671)**	**(400)**	**(35,816)**
Loan Charges	11,274	9,590	0	399	21,263
NDR Discretionary Relief	0	0	0	(78)	(78)
Allocations to HRA, Capital Account etc.	5,771	0	0	0	5,771
HRA Transfer	2,071	0	0	0	2,071
Scottish Government Grant	0	0	0	79	79
Council Tax	0	0	5,671	0	5,671
In-year Service Concessions	0	0	0	(2,608)	(2,608)
Other Income and Expenditure	**19,116**	**9,590**	**5,671**	**(2,208)**	**32,169**
Utilisation of Reserves	**(1,039)**	**0**	**0**	**(2,608)**	**(3,647)**

Capital Expenditure 2023/24

Capital expenditure represents the money spent by the Council for buying, upgrading or improving assets such as buildings and roads. The difference between capital and revenue expenditure is that the Council receives the benefit from capital expenditure over a period exceeding one year. In 2023/24 the final budget for General Services capital investment was £47.509 million (2022/23 £23.291 million), which was overspent by £0.147 million. The table below identifies actual capital spend during the financial year for key projects:

2022/23 Revised Budget £000	2022/23 Actual Spend £000	General Fund Capital Spend	2023/24 Revised Budget £000	2023/24 Actual Spend £000
5,254	5,300	School Estate	26,047	26,241
5,833	5,833	Roads, Pavements and Street Lighting	2,007	2,007
1,059	1,059	Regeneration & Development	6,263	6,263
1,911	1,911	Fleet Replacement and Upgrades	5,137	5,137
1,869	1,869	Digital Assets	2,824	2,824
551	551	Transport, Energy and Infrastructure	2,358	2,340
837	837	Centralised Property Upgrades	599	599
5,977	5,962	Other Capital Projects	2,274	2,245
23,291	**23,322**	**Total Spend**	**47,509**	**47,656**

The table below demonstrates the breakdown of the Housing Revenue Account Capital Spend for 2023/24:

2022/23 Revised Budget	2022/23 Actual Spend		2023/24 Revised Budget	2023/24 Actual Spend
£000	**£000**	**Housing Capital Spend**	**£000**	**£000**
42,142	42,142	New Social Housing and Market Purchases	39,215	39,215
8,785	8,785	SHQS Improvement Works	9,837	9,837
826	783	Other Small Capital Projects	1,396	1,360
51,753	**51,710**	**Total Spend**	**50,448**	**50,412**

A combination of government grants, external funding contributions from third parties, capital receipts, Section 75 developer contributions and prudential borrowing funded this expenditure. ***Note 32*** in the financial statements provides a full analysis of capital expenditure and the financing required.

Treasury Management and Investment

The Council is able to regulate its own capital spending limits within a prudential framework recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and endorsed by Scottish Government, provided it operates within a series of indicators. The Council's capital expenditure is a key driver of treasury management activity, and these indicators are relevant for the purposes of establishing an integrated treasury management strategy, which demonstrates that the Council's capital investment plans are affordable, prudent and sustainable.

Financial Indicator	**2022/23**	**2023/24**	**Commentary**
Capital financing requirement – underlying need to borrow (excluding PFI/PPP/DBFM)	£339.033m	£401.845m	Reflects the Council's underlying need to borrow to finance capital expenditure incurred historically by the Council that has yet to be financed.
Authorised Debt Limit	£472.662m	£534.105m	This represents the maximum amount that the authority may borrow and is set at a level that reflects capital expenditure plans but includes headroom to allow for unusual cash movements.
Actual external borrowing	£321.753m	£340.871m	The actual external debt and long-term liabilities position of the Council. The actual figures should never exceed the Council's Authorised Debt Limits, which are calculated in line with the requirements of the Prudential Code for Capital Finance in local authorities.
Under / (Over) Borrowed	£17.280m	£60.974m	This demonstrates that the Council's capital borrowing requirement has not been fully funded by loan debt and is using cash from working capital to support capital programmes whilst interest rates on long-term fixed rate borrowing are high.
Ratio of finance costs to net revenue stream – General Fund	0.38%	0.60%	This is a measure of how affordable the Council's capital plans are. It takes actual finance costs as a % of net revenue spend.
Ratio of finance costs to net revenue stream – HRA	36.03%	40.24%	As above excluding loans fund principal repayment holiday applied in 2022/23.
External Loans Fund Interest Rate	3.01%	3.00%	Average rate of interest paid on external debt.
Internal Loans Fund Interest Rate	2.41%	2.08%	This combines the interest paid by the Council on money borrowed, with the interest earned by the Council on money invested, along with other charges to arrive at a weighted average 'loans fund rate' figure for the council.

The borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council's borrowing comes from Public Works Loan Board (PWLB). ***Note 19*** and ***Note 20*** of the financial statements provides further details on the Council's borrowing.

Balance Sheet

The table below summaries the Council's Balance Sheet as at 31 March 2024. The Balance Sheet brings together assets and liabilities, year-end balances, money owed to and by the Council and reserves. More information on the balance sheet is provided on page 36.

	31 March 24 £000	31 March 23 £000	Change £000
Long-term Assets	1,246,936	1,207,334	39,602
Current Assets	101,135	158,690	(57,555)
Current Liabilities	(96,423)	(107,711)	11,288
Long-term Liabilities	(432,401)	(418,029)	(14,372)
Net Assets	**819,247**	**840,284**	**(21,037)**

The main areas of movement in the net assets of the Council relate to the following areas.

Pension Obligation

The impact of the Local Government Pension Scheme and Scottish Teachers Superannuation Scheme on the Council's accounts have been disclosed in ***Notes 34*** and ***35*** to the accounts. As at 31 March 2024, the Council's share of Lothian Pension Fund shows a net pension asset of £186.529 million (2022/23 pension asset £188.463 million). However, under the International Financial Reporting Interpretations Committee Standard 14 – The Limit of a Defined Benefit Asset (IFRIC 14) the actuary has calculated that the net present value of the future contributions of £1.485.912 billion exceeds the value of the future service costs of £1.398.119 billion, a negative contribution. As a result of this calculation, IFRIC 14 advises that no defined benefit plan asset should be recognised in the Council's Balance Sheet and there is no requirement to recognise the £87.793 million difference as a liability, however, the Council is required to reflect the liability in relation to present value of unfunded obligations of £7.612 million and this figure is contained in the Balance Sheet.

Formal actuarial valuations are conducted every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuation was March 2023 with the subsequent results based on a roll forward from the formal valuation. The movements in the pension valuation is due to a combination of applying the actual Pensions Increase order of 6.7% to the benefits, a slight increase in the discount rate of 0.05% and changes in demographic assumptions by the actuary.

Long-term Assets

Long-term Assets have increased in value by £39.602 million. This is primarily related to continued investment in new assets across the Council and increases in the value of our existing assets which have been revalued as part of our five-year rolling revaluation programme. Further details of these movements can be found in ***Notes 14-17*** of the annual accounts.

Current Assets – A reduction in short-term and liquid deposits within current assets to £57.522 million reflecting an increased level of internal borrowing in line with the Council's Treasury Strategy.

Long-term Liabilities – Long-term Borrowing

Increase in the Council's longer term borrowing of £18.481 million.

Risk and Uncertainties Facing the Council

Like all local authorities Midlothian Council is facing a period of unprecedented change and financial challenge with many factors affecting the need to adapt as an organisation. These pressures on demand for Council services are only likely to increase as it reacts to future challenges which have been exacerbated by the recent pandemic and a growing cost of living crises. Some of the challenges the Council face include:

Risk and Uncertainty	Commentary
Continued Demographic Pressures	Continued demographic pressures particularly around looked after children, people with learning disabilities, elderly care and the significant population growth in Midlothian. Increasing financial hardship is also expected due to the cost-of-living crisis resulting in an increase in the level of poverty rates. These pressures continue and present a considerable challenge to the Council in both financing them and transforming services to improve ways of managing some of the implications of these pressures.
Requirement to maintain the physical condition of major capital assets	The Council continues to monitor the impact on its capital programmes arising from supply chain difficulties and rising inflation, resulting in longer lead times and increased development costs.
Social Care Reform	Although the Scottish Government proposal is still in the early stages, such a major transformation will risk a diversion from tackling immediate challenges within the Social Care sector. There is still concern about the destination of the policy and future of funding for Councils.
Long-term impact on the local economy following the Covid-19 pandemic and leaving the European Union	It is difficult to untangle the combined impacts of leaving the European Union and Covid-19, however both have contributed to a supply shock leading to the Council facing higher prices and shortages of key resources, particularly in the construction and care sectors. The Council remains uncertain about the long-term effect of leaving the European Union and Covid-19 but are continuing to monitor the impact on its services and citizens.
Climate Change	The Council recognises that climate change is an urgent issue and has committed to be carbon neutral by 2030, this is an ambitious target and will require significant investment and resource to achieve this by the specified deadline.
Financial Pressures	Pay, other inflation and Scottish Government Grant Income projections are critical areas of modelling given their overall significance and uncertainty. For 2023/24, and again for 2024/25, the Scottish Government published a one-year budget and grant settlement. In respect of grant support to Councils indications are that settlements will remain at, or close to, a cash flat level through to 2027/28. This represents a challenging outlook for local government with a real term's reduction in grant income at a time when costs and service demands continue to rise. There are a number of factors, which will continue to influence the actual level of grant support the Council might expect. Among these will be a range of economic factors which will influence the resources Scottish Government has at its disposal, whether from the UK Government block grant or through tax revenues directly controlled by Scottish Government. The other main factors will be the taxation and spending priorities of the Scottish Government.

Whilst an assessment of economic factors can be made at this time, based on various sets of published information the impact of Scottish Government's tax and spending priorities will only become apparent when the Scottish Government's 2025/26 budget is published later in 2024.

In February 2024, the Council set a balanced budget for 2024/25 which included a council tax freeze for the financial year and use of one-off fiscal flexibilities relating to service concessions. In the context of reduced real terms external funding and growth in demand for services, the Council has a considerable challenge to ensure its future expenditure plans are financially sustainable. Updated Medium Term Financial Strategy (MTFS) forecasts show a budget gap of £20.6 million for the period to 2028/29. Further infrastructure requirements, some of which will prove essential, will increase the gap further.

How the Council Manages Risk

Action	Commentary
Service Risk Registers	The service Risk Registers contain operational risks and are managed by each Service Management Team. The Risk Management Group provides further scrutiny of service risks and significant risks are added to the corporate risk register.
The Corporate Risk Register	The Corporate Risk Register managed by the Corporate Management Team provides assurance through scrutiny and challenge and ensures that the significant risks facing the Council have been identified and effective treatment actions are implemented. The Corporate Risk Register is then submitted to Audit Committee for approval which provides effective scrutiny and challenge as part of the Council's corporate governance arrangements.
Development of a Medium-Term Financial Strategy	The Council's Long Term financial outlook highlights significant funding pressure that the Council may face over the next few years. On 27 Feb 2024 Council agreed a Medium-term Financial Strategy 2024/25-2028/29 , which set out budget projections for 2024/25-2028/29 and showed a budget gap over the period of £20.9 million. Projections continue to be refined on a regular basis with the latest figures showing a gap of £9.4m in 2025/26 rising to £20.6m by 2027/28. The MTFS sets out cost projections for pay inflation, price inflation, debt charges and the impact of demographic changes together with projections of income. As a framework to address the financial challenge, Council approved a Transformation Blueprint which contains five main strategic themes of Following the Money, 21st Century Workforce, Commercialisation and Income Generation, Workplaces of the Future and Multi-Agency Transformation. Within each theme sits a number of individual projects phased over the next two financial years with eight having commenced in quarter 1 of 2023/24. Council will also continue to explore any options to increase external funding including ongoing discussion with the Scottish Government on funding fast growing Councils.

Looking Ahead

Economic performance has a significant impact on the availability of funding and demand for public services. The February 2024 Bank of England monetary report states that although services price inflation and wage growth have fallen, key indicators of inflation persistence remain elevated. As a result monetary policy will need to remain restrictive for the sufficiently long to return inflation to the 2% target sustainability in the medium term in line with the Monetary Policy Committees remit.

In addition, Midlothian Council also faces additional pressure being the fastest growing local authority in Scotland, resulting in greater demand for services with future funding for Local Government likely to remain severely constrained. The Council's Capital Plan remains under pressure but contains further major investment in the following areas over the coming years:

Capital Expenditure	Commentary
School Infrastructure	• Equipped for Learning Programme; • Wide-ranging school building, extension and refurbishment programme; • A replacement of Beeslack Community High School and refurbishment of Penicuik High School; • Replacement schools for Mayfield Campus and Lasswade Primary.
Provision of Care Services	A new care facility in Bonnyrigg which will provide accommodation for those in need of high quality care.
Carriageway and footway infrastructure	• Continuing investment in improved roads, footpaths and lighting across Midlothian; • As part of the Edinburgh and South East Scotland City Region Deal major investment is also planned in the new A701 Relief Road and A702 link which will support planned investment in new research and technology facilities at Easter Bush.
Social Housing	• A continuation of the new build housing programme and upgrading of existing housing.

The Council has recognised the need for a strategic step change in the form of the Medium-Term Financial Plan together with resource allocation measures that will enable the Council to balance revenue budgets for each financial year.

The Council continues to regularly monitor its financial position and provide full financial updates to the Corporate Management Team and the elected members as appropriate, including options on addressing any new budgetary and spending pressures. This may include further use of reserves, reallocation of committed reserves, changes to capital spend, or other cost savings. Management is continuing to engage with Scottish Government and COSLA on providing sustainable funding going forward.

The Council will continue to assess the potential impact of the external risks and challenges facing the Council, including the possible financial and economic impacts. From a financial perspective, the potential impact on future Scottish Government grant funding levels, and from an economic perspective, the potential lack of skilled resource and the impact on the local economy.

In delivering services, it is important to recognise that people are our most important asset. Our people have the potential to have a positive impact every day and can deliver life-changing impacts for our communities. Therefore, to maximise that positive impact, it is imperative that we work as One Council by removing any institutional barriers; and eliminate silo working to enable the organisation to implement simple solutions which make a big difference. This means placing our citizens and communities at the centre of our daily work; growing our own talent and empowering our staff and thereby enabling Midlothian to fulfil its potential as a 'Green Great Place to Grow.'

Conclusion

Budget constraints and increasing cost pressures are putting Scotland's councils' finances under a severe strain; a point recently recognised by Audit Scotland in a report to the Accounts Commission on Local Government Budget 2024/25. COSLA have continued to highlight that funding in the Local Government Finance Settlement falls short of the amount required to protect local services. Adding to the challenge of constrained funding, Midlothian Council continues to face the impacts of a global pandemic as well as long-standing and growing demographic pressures and a cost-of-living crisis thus placing increasing pressures on Council resources and demand for its services. Despite these pressures, the Council made significant improvements across a range of service areas and continued to invest for the future in its asset base to provide essential infrastructure to support the growing population. It is important to appreciate these improvements.

We have concluded the year in a period of unprecedented uncertainty, facing enormous financial challenge but with a focus on meeting the financial and service challenges identified in the Medium-Term Financial Strategy and Transformation Blueprint to ensure the Council has longer term financial sustainability.

Acknowledgements

I would like to acknowledge the tremendous effort undertaken in producing the Annual Accounts and express my thanks to my own team and to colleagues throughout the Council for the significant dedication and commitment shown throughout the year in financial matters.

David Gladwin	Dr Grace Vickers	Councillor Kelly Parry
Chief Financial Officer	Chief Executive	Leader of the Council

25th June 2024

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

I certify that the Annual Accounts have been approved for signature by, or on behalf of, the authority.

____

Councillor Kelly Parry
Leader of the Council

The Chief Financial Officer Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council'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 code).

In preparing these Annual Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority code;
- Kept proper accounting records, which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements present 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 2024.

____

David Gladwin
Chief Financial Officer

25th June 2024

Annual Governance Statement

Introduction

The Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31 March 2024, sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness. The statement also covers relevant governance matters as they affect those entities included as part of the Council's Group Accounts.

Scope of Responsibility

Midlothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of Midlothian Council's affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, lead communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively, and ensuring that appropriate arrangements are in place for the management of risk.

The system can only provide reasonable and not absolute assurance of effectiveness.

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework defines the seven core principles of good governance, namely:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

B. Ensuring openness and comprehensive stakeholder engagement;

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;

D. Determining the interventions necessary to optimise the achievement of the intended outcomes;

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;

F. Managing risks and performance through robust internal control and strong public financial management; and

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Council's Local Code of Corporate Governance, which is consistent with the principles and recommendations of the CIPFA/SOLACE Framework and the supporting guidance notes for Scottish authorities (November 2016), and was approved by Council in March 2021.

The Council's Governance Framework

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance, include:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in standing orders and scheme of delegation for officers, scheme of administration, and financial regulations.

Codes of conduct are in place for and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The Standards Committee is responsible for dealing with matters relating to conduct and ethical standards.

The Council seeks feedback from the public through its complaints and comments procedures for Corporate and Social Work (statutory) service areas, responds to the outcomes, as appropriate, and reports the results annually.

Professional advice on the discharge of statutory social work duties was provided during the year to the Council by the Chief Officer Children's Services, Partnerships and Communities (Chief Social Work Officer). The CSWO promotes values and standards of professional practice and acts as the 'agency decision maker' taking final decisions on a range of social work matters including adoption, secure accommodation, guardianship, etc. The CSWO reports annually on the statutory work undertaken, regulation and inspection, workforce issues and significant social policy themes.

B. Ensuring openness and comprehensive stakeholder engagement

Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. When Council and Committee meetings are held using a virtual platform, they are live-streamed to ensure public access, and recordings can be accessed from the Council's website.

Unless confidential, decisions made by Council or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Council's vision, strategic objectives and priorities are set out in the Single Midlothian Plan developed through the Community Planning Partnership (of which the Council is a partner). The Council's Medium Term Financial Strategy and Service Plans outline how Midlothian Council will deliver its contribution to the Single Midlothian Plan. In June 2023, the Council also approved a transformation blueprint 2023-2028 to support the Medium Term Financial Strategy and help bridge s projected five-year funding gap.

Capital investment at a strategic level is structured to consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. Asset management planning is being developed to support this.

The Council supports community empowerment and recognises the importance of building community capacity and volunteering as a key factor in building stronger, safer, and supportive communities.

Implications are considered during the decision making process within the standard report template covering Resources, Risk, Single Midlothian Plan and Key Priorities, Impact on Performance and Outcomes, Adopting a Preventative Approach, Involving Communities and Other Stakeholders, Ensuring Equalities, Supporting Sustainable Development, and IT issues.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the risks, financial and other implications associated with the proposals, by way of the compulsory sections of the Committee report template.

In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community including the achievement of ‘social value’ (community benefits) through service planning and commissioning.

E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

The roles of officers are defined in agreed job descriptions. Staff performance is reviewed on an annual basis in accordance with the relevant appraisal processes in place during the year.

The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors.

The Elected Members Induction Programme took place following elections in May 2022 and is periodically supplemented by training events, seminars and briefings. Members appointed to certain committees have also received specific training related to the responsibilities on these committees e.g. licensing, planning, audit.

F. Managing risks and performance through robust internal control & strong public financial management

The Council has overall responsibility for directing and controlling the organisation. The Cabinet is the principal decision-making committee of the Council. The Performance Review and Scrutiny Committee is responsible for reviewing performance against policy objectives and commenting on decisions and policies and their impact.

The Council updated its Risk Management policy and strategy in August 2022 whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council’s ability to meet its objectives to deliver services to the public. Internal Audit’s assessment in March 2024 was that assurance is substantial in relation to the Council’s Risk Management Policy and application of the policy at a strategic level.

The Chief Financial Officer (the Section 95 officer) is responsible for the proper administration of all aspects of the Council’s financial affairs including ensuring appropriate advice is given to the Council on all financial matters.

The Council's system of internal financial control is based on a framework of financial regulations (updated in June 2022), regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. This remains reliant on the staff within the framework to ensure management supervision and accountability are diligently enforced.

The Council has an approved strategy to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively.

A Medium Term Financial Strategy was approved by Council in June 2019. The 2022/23 budget was approved by Council in February 2022. Given the significant fiscal challenges which lie ahead,

work is ongoing to agree the Council's Blueprint/Strategic Plan, aligned to the Medium Term Financial Strategy. This will then inform the revised service plans, workforce plans and the long term sustainability of services. Current assessment of a budget gap of approximately £30 million for the Council over the next 5 years will place unprecedented financial pressure on the Council which will require difficult decisions to be made in relation to both Capital and Revenue Budgets.

The previous Chief Officer Corporate Solutions carried out a self-assessment against the CIPFA FM code and reported the findings of this to CMT in September 2021 and this was subsequently reported to Audit Committee in December 2021. The Chief Officer Corporate Solutions identified six areas requiring improvement from his review of the CIPFA FM code. Actions identified included improving the resourcing of the Procurement team (Ongoing), updating the Council's Financial Regulations and Directives (Complete – approved at June 2022 Council), putting in place a multi-year financial plan (Ongoing – action relevant to two sections of the FM Code), improving the Council's approach to lessons learned from completed projects (Ongoing), and improving the Council's risk management arrangements (Ongoing). No further Committee update has been provided within the 2023/24 financial year.

Revenue and Capital Budget Monitoring reports are presented to the Council on a quarterly basis for monitoring and control purposes including the annual outturn. The Management Commentary in the Statement of Accounts provides financial and other performance information regarding the operation of the Council, its wider achievements and areas for development.

G. Implementing good practices in transparency, reporting, & audit to deliver effective accountability

The independent and objective audit opinion of the Chief Internal Auditor (Chief Audit Executive) is stated within the Internal Audit Annual Assurance Report 2023/24. This is based on work carried out by an in-house team, with supplementary support from an outsourced partner, including shared services resources from East Lothian Council, in conformance with the Public Sector Internal Audit Standards to fulfil statutory Internal Audit provision.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance.

Quarterly Performance Reports were presented to the Performance, Review and Scrutiny Committee for monitoring the achievement of strategic priorities and key performance indicators.

The Annual Accounts and Report sets out the financial position in accordance with relevant accounting regulations.

Review of Adequacy and Effectiveness of the Council's Governance Framework

An annual review of the adequacy and effectiveness of the Council's overall governance framework has been carried out. The output is this Annual Governance Statement which is presented to the Audit Committee.

The review was further informed by assurances from: assessment of compliance against the Local Code; written assurance statements from the Executive Directors; Internal Audit annual opinion, findings and recommendations; External Audit, and comments and recommendations made by External Auditor and other external scrutiny bodies and inspection agencies.

In respect of the implementation of the remaining Best Value Audit Actions (nos. 1-4 improvement areas of governance identified by the Council in 2020/21), a Best Value Assurance Update Report by the Chief Executive was presented to Council in June 2021. This set out further progress to address the recommendations made in order to demonstrate Best Value. These actions are now all materially completed. The Council however recognises improvements are required in the areas presented below.

Improvement Areas of Governance

The collective review activity outlined above has identified the following areas where improvement in governance arrangements can continue to be made to enhance compliance with the Council's Local Code of Corporate Governance and to demonstrate Best Value:

1) The previous Chief Officer Corporate Solutions carried out a self-assessment against the CIPFA FM code and reported the findings of this to CMT in September 2021 and this was subsequently reported to Audit Committee in December 2021. One of the actions identified was putting in place a multi-year financial plan. The Council's subsequently approved a 2023-2028 Strategic Blueprint in June 2023, aligned to the Medium Term Financial Strategy. This will then inform the revised service plans, workforce plans and the long term sustainability of services. Current assessment of a budget gap of approximately £20 million for the Council over the next 5 years requires putting in place an approved multi-year financial plan key to developing the Council on a sustainable basis. Dedicated Financial Management CMT meetings have been implemented on a quarterly basis to challenge and scrutinise budgets in order to improve financial discipline.

2) Improvements in the Procurement Service staff capacity have been made during the year. With increased team capacity issues of off contract spend and non-contracted spend within the organisation are being progressed, however further purchasing and procurement issues continue to be noted. Expired contracts and off contracts spend is being managed through regular review at Budget Boards who work to ensure that the risk is managed and the appropriate remedial action is being taken; with oversight from the Executive Director and Chief Officers. In addition as part of the Council's Blueprint under theme1 follow the money a sprint looking at contract management and a review of transport is being progressed.

3) Capital Plan Affordability review continues as the paper that was approved by Council on 27 February 2024, detailed that the Loan Charges arising from capital expenditure within the General Services Capital Plan, including planned Learning Estate Programme projects that are under development is expected to exceed the Loan Charges levels as per the Council's approved Medium Term Financial Strategy over the period 2024/25 to 2028/29. Work Continues to establish an approved affordable and financially sustainable Capital Plan for the Council moving forward. Whilst approval for fully funded learning estates projects has been progressed delays in decision to critical projects may result in breaches of capacity to provide education provision across the council area.

4) Workforce planning to address appropriate resource requirements, recruitment, retention, training, leadership development and resilience is taking place. However, it has been noted that there is a lack of resource within the Compliance Team to deliver the Council's statutory responsibilities under the Data Protection Act 2018. CMT approved a paper to identify additional resource on 5 June and these requirements are now being implemented along with support for the Council tax and Procurement teams to meet identified control needs and in both cases, this is a continuing process. It is the responsibility of service managers and Chief Officers to ensure that service risk registers are up to date, this is now being prioritised in order to ensure that all registers are up to date.

Conclusion and Opinion on Assurance

The conclusion from the review activity completed and subject to the successful progression of the areas for improvement highlighted above, our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Midlothian Council's systems of governance, risk management and internal control. Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in most respects to meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

_________________________ _________________________

Dr Grace Vickers	Kelly Parry
Chief Executive	Leader of the Council

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

The following report details Midlothian Council's remuneration policy for its senior councillors and senior employees, providing full details of the remuneration and pension benefits they receive. This report also provides information on the number of employees whose annual remuneration was £50,000 or more as well as summary information in relation to employees' exit packages agreed during the year.

Information disclosed in the tables in this report is subject to audit by Audit Scotland to report on whether that information has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014 (with the exception of the table in note 4.4). All other sections of the Remuneration Report, including the table in respect of Trade Union Facility Time, are read and considered to identify any material inconsistencies with the financial statements.

Remuneration of Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No 2007/183) as amended. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as Leader of the Council, Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility within the Council's political structure.

The Regulations permit the Council to remunerate one Leader of the Council and one Provost. For 2023/24 the Regulations set the salary for the Leader of Midlothian Council £33,503 (2022/23 £32,622) and the salary for the Provost was set at £25,128 (2022/23 £24,467), the maximum level.

The Regulations also set out the remuneration that may be paid to Senior Councillors and total number of Senior Councillors the Council may have. 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. For 2023/24, the maximum salary which could be paid to a Senior Councillor was £25,128 (2022/23 £24,467) with the maximum number of Senior Councillors set at eight (excluding the Provost and the Leader). The total remuneration for Senior Councillors (excluding the Provost and the Leader) should not exceed £180,905 (2022/23 £176,150). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor Members of the pension scheme.

In addition to the Senior Councillors of the Council, the regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board. The Regulations require the remuneration and any pension contributions, if a member of the Local Government Pension Scheme, to be paid by the Council of which the Convener and Vice-Convener is a member. The Council is reimbursed by the Joint Board for any additional remuneration paid to a member from being a Convener or Vice-Convener of a Joint Board.

Details of the Remuneration of Council Leader, Provost and Senior Councillors are shown in the table below:

Councillor Name and Responsibility	Salary	Expenses	Total Remuneration 2023/24	Total Remuneration 2022/23
Senior Councillor (Apr 23 – Mar 24)				
K Parry: Council Leader	£33,503	£23	£33,526	£30,758
D McCall: Provost	£25,128	£128	£25,256	£23,881
D Virgo: Group Leader	£22,614	£145	£22,759	£19,824
D Alexander: Cabinet Member	£22,614	£178	£22,792	£21,826
C McManus: Cabinet Member (1)	£22,686	£110	£22,796	n/a
E Scott: Cabinet Member	£22,614	£105	£22,719	£19,846
S McKenzie: Cabinet Member	£22,614	£0	£22,614	£21,679
D Milligan: Group Leader	£22,614	£338	£22,952	£23,189
R Imrie: Chair of Planning Committee	£22,614	£210	£22,824	£22,186
C Cassidy: Depute Leader and Group Leader	£22,614	£32	£22,646	£22,174
Total	**£239,615**	**£1,269**	**£240,884**	**£205,363**

Notes

(1) On 21 Mar 2023 D Bowen resigned as Cabinet Member and assumed the role of Depute Provost, the vacant Cabinet post was subsequently filled by C McManus.

The total remuneration of all the Council's elected members (including Senior Councillors above) and including all business expenses for 2023/24 was £0.402 Million (2022/23 £0.391 million). Detailed figures for these costs are available on the Council's website, members' remuneration details for 2023/24.

Remuneration of Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Committee (SJC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. The salaries of the Executive Directors, Chief Officers and Heads of Service are all now based on a fixed percentage of the Chief Executives salary.

The salaries of all other employees are set by reference to:

- **Teaching staff** – The Scottish Negotiating Committee for Teachers (SNCT);
- **Other staff** – The Scottish Joint Committee (SJC).

The table below details the remuneration paid to Senior Employees (as defined in the regulations) of the Council during the financial year:

Senior Employee Name and Responsibility	Total Salary, Fees and Allowances 2023/24	Total Remuneration 2022/23
Full Year (Apr 23-Mar 24)		
G Vickers: Chief Executive	£133,135	£125,540
G Vickers: Returning Officer	£0	£3,007
M Barrow: Joint Director: Health and Social Care (1)	£55,822	£52,699
K Anderson: Executive Director: Place	£116,353	£109,715
F Robertson: Executive Director: Children, Young People and Communities	£116,353	£109,715
J Tranent: Chief Officer: Children's Services, Partnerships and Communities (Chief Social Work Officer)	£98,349	£92,738
D Gladwin: Chief Financial Officer (S95 Officer)	£95,000	£81,928
A Turpie: Legal Services Manager (Monitoring Officer)	£76,661	£70,312
Total	**£691,673**	**£645,654**

Notes:

(1) Post joint funded with NHS Lothian, M Barrow Full time Equivalent £111,644.

Subsidiary Entities

None of our subsidiaries have remunerated employees.

Pension Benefits

Pension benefits for Councillors and local government employees are provided through the Local Government Pension Scheme (LGPS), which is administered by the Lothian Pension Fund. From 1 April 2015, this became a career average salary pension scheme, although it was a final salary scheme until that date. This means that pension benefits are based on an average of the pay over the number of years that a person has been a member of the scheme.

From 1 April 2009, a five-tier contribution system is in place with contributions from scheme members based on how much pay falls into each tier. This is designed to give more equality between costs and benefits of scheme membership. Part-time workers contribution rates are worked out on the whole time pay rate for the job, with actual contributions paid on actual pay earned.

The tiers and contribution rates are as follows:

Pensionable Pay 2023/24	Contribution Rate
On earnings up to and including £25,300	5.5%
On earnings above £25,301 and up to £31,000	7.25%
On earnings above £31,001 and up to £42,500	8.5%
On earnings above £42,501 and up to £56,600	9.5%
On earnings above £56,601	12%

There is no automatic lump sum on retirement. Pension scheme members may opt to commute pension for a lump sum payment up to the limits set by the Finance Act 2004. The rate and basis at which employees accrue their pension benefits has changed over time, this is shown in the table below:

Time Period	Pension Benefit Accrual Basis	Pension Benefit Accrual Rate	Lump Sum Basis
From 1 April 2015	Career Average	1/49th pensionable pay each year	n/a
From 1 April 2009 to 31 March 2015	Final Salary	1/60th pensionable pay each year	n/a
Prior to 1 April 2009	Final Salary	1/80th pensionable pay each year	3/80th final pensionable salary and years of pensionable service

The value of accrued benefits has been calculated on the basis of the age at which the person will become first entitled to receive a pension on retirement without reduction on account of its payment at that age, without exercising any option to commute pension entitlement into a lump sum, and without any adjustment for the effects of future inflation.

The pension entitlements for Senior Councillors for the year to 31 March 2024 are shown in the tables below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Senior Councillors In-Year Pension Contributions

Councillor Name and Responsibility	Year to 31 Mar 2024	Year to 31 Mar 2023
Senior Councillor (Apr 23-Mar 24)		
K Parry: Council Leader	£7,438	£6,822
D McCall: Provost	£5,578	£5,274
D Virgo: Group Leader	£5,020	£4,368
D Alexander: Cabinet Member	£0	£631
C McManus: Cabinet Member (1)	£5,036	n/a
E Scott: Cabinet Member	£5,020	£4,388
S McKenzie: Cabinet Member	£5,020	£4,809
R Imrie: Chair of Planning Committee	£3,347	£4,883
C Cassidy: Depute Leader and Group Leader	£5,020	£4,915
Total	**£41,479**	**£36,090**

Notes:

1. On 21 Mar 2023 D Bowen resigned as Cabinet Member and assumed the role of Depute Provost, the vacant Cabinet post was subsequently filled by C McManus.

Senior Councillors Accrued Pension Benefits

Senior Councillor	Pension at 31 March 2024 £000	Lump Sum at 31 March 2024 £000	Pension Difference from 31 March 2023 £000	Lump Sum Difference from 31 March 2023 £000
K Perry	4	0	0	0
D McCall	3	0	0	0
D Virgo	1	0	1	0
C McManus (2)	0	0	0	0
E Scott (2)	0	0	0	0
S McKenzie	1	0	0	0
R Imrie (1)	8	2	1	0
C Cassidy	3	0	0	0
Total	**20**	**2**	**2**	**0**

1. Member still active in post but out of the scheme due to scheme regulations, CARE pay used to calculate employer contributions £15,076;
2. Member has less than 2 years' service so there is no pension liability.

The pension entitlements for Senior Employees for the year to 31 March 2024 are shown in the tables below, together with the contribution made by the Council to each Senior Employees (as defined in the regulations) pension during the year.

Senior Employees In-Year Pension Contributions

Senior Employee Name and Responsibility	Year to 31 March 2024	Year to 31 March 2023
Full Year (Apr 23-Mar 24)		
G Vickers: Chief Executive	£29,556	£28,537
M Barrow: Joint Director: Health and Social Care	£0	£3,097
K Anderson: Executive Director: Place	£25,830	£24,357
F Robertson: Executive Director: Children, Young People and Communities	£25,830	£24,357
J Tranent: Chief Officer: Children's Services, Partnerships and Communities (Chief Social Work Officer)	£21,834	£20,588
D Gladwin: Chief Financial Officer (S95 Officer)	£21,210	£18,188
A Turpie: Legal Services Manager (Monitoring Officer)	£17,019	£15,609
Total	**£141,279**	**£134,733**

Senior Employees Accrued Pension Benefits

Senior Employee	Pension at 31 March 2024 £000	Lump Sum at 31 March 2024 £000	Pension Difference from 31 March 2023 £000	Lump Sum Difference from 31 March 2023 £000
G Vickers	22	0	3	0
K Anderson	70	115	5	6
F Robertson	16	0	3	0
D Gladwin	44	59	6	8
J Tranent	43	48	5	5
A Turpie	42	64	4	6
Total	**237**	**286**	**26**	**25**

All senior employees (as defined in the regulations) shown in the tables above except M Barrow are members of the Local Government Pension Scheme. M Barrow is employed by NHS Lothian and was a member of the NHS pension scheme. The pension figures shown relate to the benefits accrued as a consequence of total local government service, not solely on the current appointment.

Remuneration of Other Employees by Pay Bands

The Regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50,000 or above, this information is detailed in bands of £5,000 in the table below:

Total Employees 2022/23	Remuneration Band	Non-Teaching Employees 2023/24	Teaching Employees 2023/24	Total Employees 2023/24
79	£50,000-£54,999	27	53	80
92	£55,000-£59,999	21	86	107
46	£60,000-£64,999	23	40	63
20	£65,000-£69,999	4	56	60
11	£70,000-£74,999	12	35	47
4	£75,000-£79,999	4	16	20
2	£80,000-£84,999	0	5	5
3	£85,000-£89,999	2	2	4
4	£90,000-£94,999	0	2	2
2	£95,000-£99,999	6	1	7
2	£105,000-£109,999	0	0	0
0	£110,000-£114,999	0	2	2
0	£115,000-£119,999	2	0	2
1	£130,000-£134,999	1	0	1
266	**Total**	**102**	**298**	**400**

Exit Packages

Termination benefits are amounts payable because of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy. They are charged on an accruals basis to Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary redundancy. The Council is only demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund and the pensioners and any such amounts payable but unpaid at the year-end.

The cost incurred by the Council for voluntary redundancy packages in 2023/24 was £0 (2022/23 £0).

Trade Union Facility Time

The Council is now required to publish details of Trade Union facility time incurred during the year. Further information is published on the Council's website: [Trade union facility time | Midlothian Council]

For the reporting year 2023/24, the equivalent of 5.6 FTE employees (across fourteen individuals) of paid time facility was made available. The proportion of their working hours spent on facility time is as follows:

Percentage of Time	Number of Employees
1% - 50%	12
51% - 99%	1
100%	1

The percentage of the total pay bill spent on facility time (calculated as total cost of facility time ÷ total pay bill) is:

Total cost of facility time	£237,087
Total Pay Bill	£193,444,518
Percentage total	0.12%

Time spend on paid Trade Union activities as a percentage of total paid facility time: 10,519 hours = 100%.

Councillor Kelly Parry
Leader of the Council

Dr Grace Vickers
Chief Executive

Independent Auditor’s Report

Independent Auditors Report to the members of Midlothian Council and the Accounts Commission

Under arrangements approved by the Commission for Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the annual accounts of Midlothian Council for the year-end 31 March 2024 is:

Claire Gardiner
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

The certified Annual Accounts will be presented to Audit Committee for approval on completion of the audit.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It 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 are presented more fully in the Comprehensive Income and Expenditure Statement.

2022/23				2023/24		
Net expenditure chargeable to the General Fund and HRA Balances £000	**Adjustments (*see Note 6*) £000**	**Net expenditure in the CIES £000**		**Net expenditure chargeable to the General Fund and HRA Balances £000**	**Adjustments (see Note 6) £000**	**Net expenditure in the CIES £000**
1,968	130	2,098	Management & Members	1,884	(37)	1,847
18,025	741	18,766	Childrens Services, Partnerships & Communities	18,611	(53)	18,558
110,003	29,648	139,651	Education	119,986	20,849	140,835
(4,821)	792	(4,029)	Adult Health & Social Care – Non-Delegated	614	565	1,179
56,612	3,572	60,184	Midlothian Integrated Joint Board	57,416	2,464	59,880
35,756	14,793	50,549	Place	41,793	9,433	51,226
18,411	(2,002)	16,409	Corporate Solutions	16,804	832	17,636
(15,957)	30,270	14,313	Housing Revenue Account	(14,717)	54,528	39,811
565	0	565	Joint Boards	562	0	562
210	84	294	Central Costs	313	74	387
773	(11)	762	Non-distributable Costs	808	(23)	785
221,545	**78,017**	**299,562**	**Net Cost of Services**	**244,074**	**88,632**	**332,706**
(228,555)	(35,031)	(263,586)	Other Income & Expenditure	(236,000)	(53,656)	(289,656)
(7,010)	**42,986**	**35,976**	**(Surplus) or deficit**	**8,074**	**34,976**	**43,050**
(60,516)			Opening General Fund & HRA Balance	(87,569)		
(7,010)			Less/plus (Surplus) or Deficit on General Fund & HRA balance in Year	8,074		
420			Transfers to/from Other Statutory Reserves	(25)		
(67,106)			**Closing General Fund and HRA Balance at 31 March***	**(79,520)**		

** For a split of this balance between the General Fund and HRA – see the Movement in Reserves Statement.*

Principal Financial Statements

The annual accounts summarise the Council's transactions for the year, its year-end position at 31 March 2024 and its cash flows. The annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), which is based on International Financial Reporting Standards (IFRSs). Every effort has been made to use plain language; where technical terms are unavoidable, they have been explained in the Glossary.

The four principal statements and their relationships are explained in more detail below:

- **Comprehensive Income and Expenditure Statement** – this shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Councils raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the *Expenditure and Funding Analysis* and the *Movement in Reserves Statement*.
- **Movement in Reserves Statement –** this shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves.' The statement shows how the movements in the year of the Council'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 (HRA) balance movements in the year following those adjustments.
- **Balance Sheet –** this shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in *the Movement in Reserves Statement* line 'adjustments between accounting basis and funding basis under regulations.'
- **Cash Flow Statement –** this shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Group and Council Comprehensive Income and Expenditure Statement

2022/23 Gross Expenditure £000	2022/23 Gross Income £000	2022/23 Net Expenditure or (Income) £000	2022/23 Group Net Expenditure £000	Service	2023/24 Gross Expenditure £000	2023/24 Gross Income £000	2023/24 Net Expenditure or (Income) £000	2023/24 Group Net Expenditure £000	Notes
2,121	(23)	2,098	2,098	Management and Members	1,852	(5)	1,847	1,847	*EFA*
22,014	(3,248)	18,766	18,766	Children's Services, Partnerships and Communities	20,388	(1,830)	18,558	18,558	*EFA*
159,645	(19,994)	139,651	139,651	Education	163,522	(22,687)	140,835	140,835	*EFA*
7,464	(11,493)	(4,029)	(4,029)	Adult Health and Social Care – Non-Delegated	1,596	(417)	1,179	1,179	*EFA*
140,264	(80,080)	60,184	60,184	Midlothian Integration Joint Board	150,449	(90,569)	59,880	59,880	*EFA*
85,697	(35,148)	50,549	50,549	Place	110,295	(59,069)	51,226	51,226	*EFA*
41,707	(25,298)	16,409	16,409	Corporate Solutions	30,854	(13,218)	17,636	17,636	*EFA*
45,176	(30,863)	14,313	14,313	Housing Revenue Account	71,771	(31,960)	39,811	39,811	*EFA*
565	0	565	565	Lothian Valuation Joint Board	562	0	562	562	*EFA*
294	0	294	294	Central Costs	387	0	387	387	*EFA*
762	0	762	689	Non-Distributable Costs	785	0	785	782	*EFA*
505,709	**(206,147)**	**299,562**	**299,489**	**Cost of Services**	**552,461**	**(219,755)**	**332,706**	**332,703**	
		0	5,738	Associates and Joint Ventures accounted for on an Equity Basis			0	6,393	*38*
		338	338	Other Operating (Income) or Expenditure			(70)	(70)	*9*
		12,568	12,568	Financing and Investment Income and Expenditure			31	31	*10*
		(276,492)	(276,492)	Taxation and Non-specific Grant Income and Expenditure			(289,617)	(289,617)	*11*
		35,976	**41,641**	**(Surplus) or Deficit on Provision of Services**			**43,050**	**49,440**	*13*
		(63,840)	(63,840)	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,256)	(36,256)	
		(1,117)	(1,117)	Surplus or deficit on Financial Assets Measured at Fair Value through Other Comprehensive Income			165	165	
		(66,774)	(66,774)	Remeasurement of the Net Defined Benefit Liability/(Asset)			11,373	11,373	
		1,911	465	Other (Gains)/Losses			2,705	(3,504)	
		(129,820)	**(131,266)**	**Other Comprehensive (Income) and Expenditure**			**(22,013)**	**(28,222)**	
		(93,844)	**(89,625)**	**Total Comprehensive (Income) and Expenditure**			**21,037**	**21,218**	

Group and Council Movement In Reserves Statement

	General Fund	Housing Revenue Account	Capital Fund	Repairs & Renewals Fund	Total Usable Reserves	Unusable Reserves	Total Council Reserves	Councils Share of Reserves of Associates, Subsidiaries & Joint Ventures	Total Group Reserves
Current Year	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2023	(34,963)	(32,143)	(20,107)	(4,138)	(91,351)	(748,933)	(840,284)	(6,948)	(847,232)
Opening Balance Adjustment – Service concessions	(20,463)	0	0	0	(20,463)	20,463	0	7	7
Revised Balance 31 March 2023	**(55,426)**	**(32,143)**	**(20,107)**	**(4,138)**	**(111,814)**	**(728,470)**	**(840,284)**	**(6,941)**	**(847,225)**
Movement in Reserves during 2023/24									
Total comprehensive income and expenditure	(4,092)	47,142	2,865	0	45,915	(24,878)	21,037	181	21,218
Adjustments between accounting basis and funding basis under regulations ***(Note 7)***	15,276	(50,252)	0	0	(34,976)	34,976	0	0	0
Transfers to/(from) other statutory reserves	(2,096)	2,071	0	25	0	0	0	0	0
(Increase)/Decrease in Year	**9,088**	**(1,039)**	**2,865**	**25**	**10,939**	**10,098**	**21,037**	**181**	**21,218**
Balance at 31 March 2024 Carried Forward	**(46,338)**	**(33,182)**	**(17,242)**	**(4,113)**	**(100,875)**	**(718,372)**	**(819,247)**	**(6,760)**	**(826,007)**

Comparative Year	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	(32,432)	(28,084)	(22,178)	(3,718)	(86,412)	(660,028)	(746,440)	(11,203)	(757,643)
Movement between Group Unaudited and Audited Accounts	0	0	0	0	0	0	0	36	36
Revised Balance 31 March 2022	**(32,432)**	**(28,084)**	**(22,178)**	**(3,718)**	**(86,412)**	**(660,028)**	**(746,440)**	**(11,167)**	**(757,607)**
Movement in Reserves during 2022/23									
Total comprehensive income and expenditure	15,518	20,458	2,071	0	38,047	(131,891)	(93,844)	4,219	(89,625)
Adjustments between accounting basis and funding basis under regulations ***(Note 7)***	(16,400)	(26,586)	0	0	(42,986)	42,986	0	0	0
Transfers to/(from) other statutory reserves	(1,649)	2,069	0	(420)	0	0	0	0	0
(Increase)/Decrease in Year	**(2,531)**	**(4,059)**	**2,071**	**(420)**	**(4,939)**	**(88,905)**	**(93,844)**	**4,219**	**(89,625)**
Balance at 31 March 2023 Carried Forward	**(34,963)**	**(32,143)**	**(20,107)**	**(4,138)**	**(91,351)**	**(748,933)**	**(840,284)**	**(6,948)**	**(847,232)**

Group and Council Balance Sheet

31 Mar 23 Midlothian Council £000	31 Mar 23 Group £000		31 Mar 24 Midlothian Council £000	31 Mar 24 Group £000	*Notes*
1,155,972	1,155,972	Property, Plant and Equipment	1,192,254	1,192,254	*14*
34,819	34,819	Infrastructure Assets	38,423	38,423	*15*
458	458	Heritage Assets	456	456	*16*
202	202	Intangible Assets	104	104	*17*
4,190	4,137	Long-term Debtors	4,171	4,113	*18/19*
11,693	6,082	Long-term Investments	11,528	5,918	*19*
0	12,450	Share of net assets of associates & joint ventures	0	12,258	*38*
1,207,334	**1,214,120**	**Long-term Assets**	**1,246,936**	**1,253,526**	
20,122	20,122	Short-term Deposits	30,017	30,017	*19*
1,080	1,080	Assets Held for Sale	1,690	1,690	*21*
1,023	1,023	Inventories	972	972	*22*
40,811	40,861	Short-term Debtors	40,951	41,013	*19/23*
95,654	95,654	Cash and Cash Equivalents	27,505	27,505	*24*
158,690	**158,740**	**Current Assets**	**101,135**	**101,197**	
(3,195)	(3,195)	Short-term Borrowing	(3,797)	(3,797)	*19*
(58,546)	(58,434)	Short-term Creditors	(50,511)	(50,403)	*19/25*
(1,239)	(1,239)	Provisions	(1,294)	(1,294)	*26*
(44,731)	(44,731)	Grants Received in Advance	(40,821)	(40,821)	*27*
(107,711)	**(107,599)**	**Current Liabilities**	**(96,423)**	**(96,315)**	
(321,490)	(321,490)	Long-term Borrowing	(339,971)	(339,971)	*19*
		Other Long-term Liabilities			
(88,739)	(88,739)	• PPP Contracts	(84,818)	(84,818)	*19/33*
(7,800)	(7,800)	• Pension Liability	(7,612)	(7,612)	*34/35*
(418,029)	**(418,029)**	**Long-term Liabilities**	**(432,401)**	**(432,401)**	
840,284	**847,232**	**Net Assets**	**819,247**	**826,007**	
91,351	98,293	Usable Reserves	100,875	105,538	*28*
748,933	748,939	Unusable Reserves	718,372	720,469	*29*
840,284	**847,232**	**Total Reserves**	**819,247**	**826,007**	

The unaudited accounts were authorised for issue on 26 June 2024.

I certify that the Balance Sheet presents a true and fair view of the financial position of the Council and its Group at 31 March 2024, and its income and expenditure for the year ended 31 March 2024.

David Gladwin

Chief Financial Officer

25th June 2024

Group and Council Cash Flow Statement

2022/23 Midlothian Council £000	2022/23 Group £000		2023/24 Midlothian Council £000	2023/24 Group £000
(35,976)	**(41,641)**	**Net surplus/(deficit) on the provision of services**	**(43,050)**	**(49,440)**

		Operating Activities		
		Adjustments to the surplus or deficit on the provision of services for non-cash movements		
41,639	41,639	Depreciation	49,806	49,806
17,379	17,379	Impairment and downward valuations	43,161	43,161
171	171	Amortisation	124	124
(7,811)	(7,758)	(Increase)/decrease in debtors	113	175
2,372	2,261	Increase/(decrease) in creditors	(11,667)	(11,775)
(40)	(40)	(Increase)/decrease in inventories	51	51
20,414	20,414	Movement in pension liability	(11,561)	(11,561)
1,158	1,158	Carrying amounts of non-current assets sold or de-recognised	179	179
(2,071)	3,652	Other non-cash items charged to the net surplus or deficit on the provision of services	55	6,491
73,211	**78,876**	**Total non-cash movements**	**70,261**	**76,651**
		Adjustments to the surplus or deficit on the provision of services for investing and financing activities		
225,900	225,900	Proceeds from short- and long-term deposits	132,000	132,000
(991)	(991)	Proceeds from sale of property, plant, equipment and intangible assets	(249)	(249)
(27,824)	(27,824)	Any other items for which the cash effects are investing or financing cash flows	(33,554)	(33,554)
197,085	**197,085**	**Total investing and financing activities**	**98,197**	**98,197**
270,296	**275,961**	**Net Cash Flows from Operating Activities**	**168,458**	**174,848**

		Investing Activities		
(72,229)	(72,229)	Purchase of property, plant, equipment and intangible assets	(94,712)	(94,712)
(205,015)	(205,015)	Purchase of short- and long-term deposits	(142,000)	(142,000)
0	0	Other payments for investing activities	0	0
991	991	Proceeds from sale of property, plant, equipment and intangible assets	249	249
32,455	32,455	Other receipts from investing activities	27,322	27,322
(243,798)	**(243,798)**	**Net Cash Flows from Investing Activities**	**(209,141)**	**(209,141)**

		Financing Activities		
0	0	Cash receipts from short- and long-term borrowing	20,000	20,000
(3,484)	(3,484)	Cash payments for the reduction of the outstanding liabilities relating to on balance sheet PPP contracts	(3,694)	(3,694)
159	159	Other receipts from financing activities	160	160
(1,518)	(1,518)	Repayments of short- and long-term borrowing	(882)	(882)
(4,843)	**(4,843)**	**Net Cash Flows from Financing Activities**	**15,584**	**15,584**

(14,321)	**(14,321)**	**Net Increase/(Decrease) in Cash and Cash Equivalents**	**(68,149)**	**(68,149)**
109,975	109,975	Cash and Cash Equivalents at 1 April	95,654	95,654
95,654	**95,654**	**Cash and Cash Equivalents at 31 March (Note **)**	**27,505**	**27,505**

The cash flow for operating activities include the following items

£000	**£000**	**Interest Paid and Received**	**£000**	**£000**
3,161	3,161	Interest Received	4,590	4,590
(15,269)	(15,269)	Interest Paid	(16,244)	(16,244)
0	0	Dividend Received	175	175

Notes to the Accounts

The notes to the accounts provide further information about the basis of preparation of the Annual Accounts, the specific accounting policies used and where the materiality is such that further disclosure is merited.

The Council's Annual Accounts for 2023/24 have been prepared on a going concern basis. The concept of a going concern assumes that the Council's functions and services will continue in operational existence for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. The provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their annual accounts on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2023/24), the Council is required to prepare its annual accounts on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

1. Accounting Policies

i. *General principles*

The statement of accounts summarise the Council's transactions for the 2023/24 financial year and its position for the year-end of 31 March 2024. The Council is required to prepare an annual statement of accounts by the *Local Authority Accounts (Scotland) Regulations 2014*, which Section 12 of the *Local Government Scotland Act 2003* require 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 2023/24*, supported by International Financial Reporting Standards (IFRS) and the statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. *Accruals of income and expenditure*

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.
- Supplies are recorded as expenditure when they are consumed – where these is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on deposits and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. *Cash and cash equivalents*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid deposits that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

iv. *Prior period adjustments, changes in accounting policies, estimates and errors*

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior year adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. *Charges to revenue for non-current assets*

Services and support services are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off;
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Council in accordance with the statutory Repayment of Loans Fund Advances. This is known as the Loans Fund Principal Repayment. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the Loans Fund Principal Repayments in the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the *Movement in Reserves Statement* for the difference between the two.

vi. *Employee Benefits*

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and overtime for current employees. They are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wages and salary rates applicable in the following accounting year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary severance.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the pensions reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' pension scheme, administered by the Scottish Government;
- The Local Government Pensions Scheme, administered by the City of Edinburgh Council on behalf of Lothian Pension Fund.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The education services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lothian Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate as advised by the actuary, Hymans Roberson LLP.
- The assets of Lothian Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - **Quoted securities** – current bid price;
  - **Unquoted securities** – professional estimate;
  - **Unitised securities** – current bid price;
  - **Property** – market value.

The change in the net pension's liability is analysed into the following components:

Service cost comprising:

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
- **Net interest on the net defined liability (asset), i.e. net interest expense for the Council** – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements comprising:

- **The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the pensions reserve as other comprehensive income and expenditure;
- **Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the pensions reserve as other comprehensive income and expenditure;
- **Contributions paid to the Lothian Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Pension Net Asset Restriction Calculation

The actuary has calculated the Council's IAS 19 defined benefit surplus for 2023/24 to be £185.529 million as detailed in Note 35 to the accounts. IAS 19 states that when an entity has a surplus in the defined benefit plan it should measure the net defined benefit of the asset as the lower of:

- The surplus in the defined benefit plan, and
- The asset ceiling, which the actuary has calculated as the present value of any economic benefits available in the form of reductions in future contributions to the plan.

For IFRIC 14 purposes, the actuary has calculated the net present value of the future contributions which exceeds the value of the future service costs resulting in a negative contribution. As a result of this calculation IFRIC 14 advises that no defined benefit plan asset should be recognised on the Council's Balance Sheet and there is no requirement to recognise the difference as a liability, however, is required to reflect the liability in relation to present value of any unfunded obligations.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. *Events after the reporting period*

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

viii. *Financial instruments*

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund or Housing Revenue Account balances to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instruments adjustment account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The Council holds financial assets measured at:

- Amortised cost; and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the financing and investment income and expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on de-recognition of a financial asset are credited or debited to the financing and investment income and expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Fair Value Measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- **Instruments with quoted market prices** – the market price;
- **Other instruments with fixed determinable payments** – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on de-recognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

The Council designates that investments held for strategic purposes be classified as being measured as FVOCI. Any gains and losses on these investments will be held in the Financial Instruments Revaluation Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset it written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

ix. Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants received in advance. Where it has been applied, it is posted to the Capital Adjustment Account once they have been applied to fund capital expenditure.

x. *Heritage assets*

A heritage asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Heritage assets are valued at insurance replacement value where available, otherwise assets are held at depreciated historic cost since the cost of obtaining a valuation would outweigh the benefits to users of the accounts.

xi. *Intangible assets*

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as result of past events (i.e. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service(s) line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

xii. *Interests in companies and other entities*

The Council has an interest in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities. In the Council’s own single entity accounts these interests are recorded as the share of net assets.

xiii. *Inventories*

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in First out (FIFO) costing formula.

xiv. *Allocation of Support Services*

Support services will not be recharged although the costs of services provided by the Council will be charged to separate accounts such as the Housing Revenue Account. The costs of support and other services will be allocated in government returns as required.

xv. *Property, plant and equipment*

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are carried in the balance sheet using the following measurement bases:

- **Community assets** – depreciated historical cost;
- **Assets under construction** – historical cost;
- **Dwellings** - current value, determined using the basis of existing use value for social housing (EUV-SH). Gross valuations are reduced by applying the discount factor which is designed to reflect that houses are only available for social use. Any new build housing and newly purchased houses are valued at historic cost;
- **Vehicles, Plant and Equipment** – depreciated historical cost;
- **Surplus Assets** – fair value based on open market value;
- **Other land and buildings** – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued as a minimum every five years to ensure their carrying amount is not materially different from their current value at year-end. As part of the Council's plan for revaluation, a move has been made to revalue all items in a specific category in the same year, if one of the assets in the category has been revalued. Increases in valuations are matched by credits to the Revaluation Reserve to recognise any unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to the service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES).

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to establish whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is subsequently reversed, the reversal is credited to the Revaluation Reserve or the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- **Dwellings and other buildings** – straight-line allocation over the useful life of the property as estimated by the valuer;
- **Vehicles, plant and equipment** – straight-line allocation over the useful life of the assets in Balance Sheet, as advised by a suitably qualified officer).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Council policy is to only consider any asset with a gross book value of £1.5 million or above. The assessment of which components of these assets require to be recognised and depreciated separately is based on the cost of each of component. Significance is determined by comparing the cost of components against the overall cost of the asset. This threshold is set at 15% or more of the overall cost of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and non-current assets held for sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure Line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is credited to the Capital Fund and can then only be used for new capital investment or to defray debt. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xvi. Infrastructure assets

More information on the accounting for and disclosure around infrastructure assets held by the Council can be found at ***note 15***.

xvii. Public Private Partnership (PPP) and similar contracts

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under its schemes, and where ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- **Fair value of the services received during the year** – debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES);
- **Finance Cost** – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES, the interest charges are as follows:
    - Dalkeith Schools - 9.69%;
    - Midlothian Primary Schools - 7.29%;
    - Newbattle Community Campus - 5.06%;
    - Residual Waste Treatment Plant, Millerhill – 18.84%;
- **Contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- **Payment towards liability** – applied to write down the Balance Sheet liability towards the PPP operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- **Service charge and lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xviii. Provisions, contingent liabilities and contingent assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (i.e. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation, whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not definite that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xix. Reserves

Reserves are created by transferring amounts out of the General Fund Balance. When Expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xx. Revenue expenditure funded from capital under statute (Refcus)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so there is no impact on the level of council tax.

xxi. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

xxii. Fair value measurement of non-financial assets

The Council measures some of its non-financial assets, such as Surplus Assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes the transaction to sell the asset takes place either:

- In the principal market for the asset; or

- In the absence of a principal market, in the most advantageous market for the asset.

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

When measuring the fair value of a non-financial asset, the Council takes into account a 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.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which Fair Value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

2. Accounting Standards Issued, Not Yet Adopted

The code requires 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 2024/25 code.

IFRS 16 Leases

Implementation of IFRS 16 Leases will be mandatorily implemented in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2024/25. Therefore, with effect from 2024/25 the Council will adopt this new accounting standard for Leases. This standard replaces IAS 17 Leases and removes the operating classification for leases where the Council acts as lessee, eliminating the ability for organisations to keep operating leases off balance sheet, by reporting them as a note to the accounts.

This means that, for lease arrangements previously accounted for as operating leases, a right-of -use (ROU) asset and a lease liability will be brought onto the balance sheet as at 1 April 2024. Exemptions are applicable for low value (under £10,000) and short-term leases (12 months of less).

IFRS 16 will be applied retrospectively, but with a cumulative effect being recognised as at 1 April 2024. Therefore, the ROU asset and lease liabilities will be calculated as if IFRS 16 had previously been applied but will only be recognised in 2024/25 with no prior year adjustments required. The material impact of adopting this standard is still to be determined.

Other

Other standards issued not yet adopted are:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16);

- Non-current Liabilities with Covenants (Amendments to IAS 1).

The changes will be effective from the 1st April 2024 and none are expected to have a material impact on the Council's financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in ***Note 1***, the Council has to make certain judgements about complex transactions or those involving uncertainty about future events (see ***Note 4***). The accounting policies considered and critical judgements made in the annual accounts are:

- **Uncertainty over future funding** - There is a high degree of uncertainty around future levels of funding for local government, which may significantly impact the Council's ability to maintain its property, plant and equipment. The council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be impaired as a result of a reduction in funding and subsequent required changes to investment and capital strategies
- **Public-Private Partnerships (PPP) and similar type contracts** - The Council has entered into PPP and similar type contracts for the provision of educational buildings and waste facilities as detailed in ***Note 33***. For each of these contracts the Council has considered the tests under IFRIC 12 and concluded the following:

  The Council is deemed to control the services provided under the scheme and ownership of schools will pass to the Council at the end of the contract. The educational buildings are therefore all recognised as Property, Plant and Equipment on the Council's Balance Sheet.

  The Council is deemed to control 20% of the services provided under the Design, Build, Finance and Maintain (DBFM) for the Residual Waste Treatment Plant (80% controlled by Edinburgh Council) and is therefore recognised as Property, Plant and Equipment on the Council's Balance Sheet. The Council is not deemed to control the Millerhill Food Waste Treatment Plant and has therefore concluded this is a service concession.

  The Council has therefore recognised assets in relation to PPP and similar type contracts on the council's balance sheet at a net book value of £197.269 million, with a corresponding liability in relation to future payments to be made under the scheme of £88.738 million.
- **Associates** - The Valuation Joint Board is included within the group accounts under the wider definition of an "associate" although the council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements in place whereby the Council provides £0.562 million annually, and as such is considered to hold significant influence. Details of the impact on the Group accounts is provided in ***Note 38***.

4. Future Assumptions and Estimation Uncertainties

The Annual Accounts contain estimated figures that are based on assumptions made by the Council about the future or events that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the Council's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, balances cannot be determined with certainty and actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2024 for which there is significant risk of material adjustment in the forthcoming year are as follows:

Property, Plant and Equipment

Uncertainties	Effect if Actual Results Differ from Assumptions
The valuation of the Council's property, plant and equipment which are subject to revaluation are subject to significant estimation due to several factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the Council's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the Council's assets at 31 March 2024 is outlined and broken down by asset category at ***note 14***. **2023/24 Revaluations** In 2023/24, revaluations were undertaken for the following assets: 31 March - Housing stock discount factor, schools, community education properties, community centres and depots. The housing assets were revalued on a EUV-SH basis and totalled £508,765, the schools were revalued on a DRC basis and totalled schools £457,265, community education properties were revalued on a DRC basis and totalled £6,471, community centre properties were valued on a mix of market value and DRC basis and totalled £4,482, depots were valued on a DRC basis and totalled £7,449 with a valuation movement of (£47,746) for housing, £7,616 for schools, £99 for community education properties and £1,200 for community centres, £506 for depots (from previous valuation (8.58%) for housing, 1.69% for schools, 1.55 % for community education properties, 36.5% for community centres, 7.23% for depots). The changes in valuation in assets in 2023/24, compared to 2022/23, represent updated information around the assets since the most recent full valuation, in particular the cost of replacing assets based on indices for schools, the changes in adjustments for social rent discounts for housing stock, updating housing market information, and updated information on the indices used to value community education properties, community centres and depots. **Ongoing assessment of asset valuation** In addition to formal valuations of property, plant and equipment on a rolling basis over a five year period, the Council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. The council's Corporate Estates Manager has determined in his professional opinion that, at 31 March 2024, due to the inflationary impact on School indices both High Schools and Primary Schools were subject to early revaluation. The council has also continued to assess the valuation of its asset	The net book value of all council property, plant and equipment subject to revaluation through the 5 year revaluation cycle is £1.090.21 billion. Assets revalued in 2023/24 totalled £480.067 million before revaluation. The impact of a 5% change in valuation of these would be £25.165 million, either resulting in an increase or decrease in the Council's revaluation reserve or an additional impairment charge. There would be no impact on the Council's general fund. Given the wide ranging nature of the assets under revaluation, as well as the differing and overlapping estimates involved in the valuations, it is not possible for management to provide an expected range of estimate outcomes going forward. However, given the experience in past years and materiality of the asset values, it is expected that these balances will continue to be subject to change as estimates are updated annually. If the useful life of the asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge would increase by £7.189m for every year that useful lives had to be reduced.

Uncertainties	Effect if Actual Results Differ from Assumptions
base after the financial year end to ensure new information does not indicate a change in valuation at the balance sheet date. Assets are depreciated over useful lives that are dependent on several assumptions including the level of repairs and maintenance that will be incurred in relation to individual assets.	

Pension Obligation

Uncertainties	Effect if Actual Results Differ from Assumptions
Estimation of the net obligation to pay pensions depends on several 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 actuarial inputs into the pension obligation valuation are subject to annual review, and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the year-end valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension asset at 31 March 2024 following the updated actuarial valuation was £186.529 million, this is a decrease of the asset of £188.463 million on 31 March 2024. Given the history of significant changes to pension obligation valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the Council expects future liabilities to continue to change significantly going forward. For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 4%, approximately £22.012 million. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). More information on the key assumptions used in the actuarial valuation of the estimates is available in ***note 35*** to the accounts, including information on the key assumptions, risks, sensitivities and restrictions on the amount on the balance sheet arising from IFRIC 14. An update is also included in this note on the latest development around several equalisation adjustments to pension obligation which have occurred in LGPS and may continue to materially impact the valuation of the Council's obligation going forward.	The effects of the net pension obligation of changes in individual assumptions can be measured. For instance, it is estimated that a one year increase in life expectancy would approximately increase the Employers Defined Benefit Obligation by around 3-5%. However the assumptions interact in complex ways. During 2023/24 the Council's actuary advised that the net pension's obligation had decreased by £1.934 million because of estimates being corrected as a result of experience of £(17.626) million and £19.560 million attributable to updating of the financial assumptions.

Arrears

Uncertainties	Effect if Actual Results Differ from Assumptions
As at 31 March the Council has Council Tax and Non-Domestic Rates debt due of £60.080 million. Management reviewed this balance at 31 March and determined that an allowance for doubtful debts, detailed in ***Note 23***, of £44.466 million was appropriate based upon historical assessment of recoverability/review of individual balances and correspondence with third parties at year-end. However, it is recognised that in the current economic climate and taking into account the impact of Covid-19 there is increased uncertainty around the recoverability of debtor balances. Management has continued to review all material outstanding balances at the year-end subsequent to 31 March, and has not determined any further allowance is required based on recovery to date.	If collection rates were to deteriorate then this will result in an increase in the provision required i.e., 1% would require an increase of £0.445 million, 3% an increase of £1.334 million and 5% an increase of £2.223 million.

5. Events After the Reporting Period

The Unaudited Accounts were authorised for issue by the Chief Financial Officer on 26th June 2024. Events taking place after this date are not reflected in the annual financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6. Note to the Expenditure and Funding Analysis

Adjustments between funding and accounting basis				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Amounts	**Adjustments for Capital Purposes £000**	**Net Change for Pension Adjustments £000**	**Other Adjustments £000**	**Total Adjustments £000**
Current Year 2023/24				
Management & Members	0	(10)	(27)	(37)
Childrens Services, Partnerships & Communities	199	(73)	(179)	(53)
Education	22,655	(1,017)	(789)	20,849
Adult Health & Social Care – Non-Delegated	713	0	(148)	565
Midlothian Integrated Joint Board	3,155	(206)	(485)	2,464
Place	10,267	(331)	(503)	9,433
Corporate Solutions	1,964	(881)	(251)	832
Housing Revenue Account	54,539	(11)	0	54,528
Joint Boards	0	0	0	0
Central Costs	74	0	0	74
Non-distributable Costs	0	0	(23)	(23)
Net Cost of Services	**93,566**	**(2,529)**	**(2,405)**	**88,632**
Other expenditure from the Expenditure and Funding Analysis	(44,602)	(9,031)	(23)	(53,656)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit on the provision of services	**48,964**	**(11,560)**	**(2,428)**	**34,976**
Comparative Year 2022/23				
Management & Members	0	138	(8)	130
Childrens Services, Partnerships & Communities	101	751	(111)	741
Education	16,850	11,269	1,529	29,648
Adult Health & Social Care – Non-Delegated	756	0	36	792

Midlothian Integrated Joint Board	935	2,580	57	3,572
Place	8,446	3,284	3,063	14,793
Corporate Solutions	1,945	566	(4,513)	(2,002)
Housing Revenue Account	30,156	114	0	30,270
Joint Boards	0	0	0	0
Central Costs	84	0	0	84
Non-distributable Costs	0	0	(11)	(11)
Net Cost of Services	**59,273**	**18,702**	**42**	**78,017**
Other expenditure from the Expenditure and Funding Analysis	(36,732)	1,712	(11)	(35,031)
Difference between the General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit on the provision of services	**22,541**	**20,414**	**31**	**42,986**

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure –** adjusts for capital disposals with a transfer of income and disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure –** the statutory changes for capital financing i.e. loans fund repayments and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure –** Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for Pensions Adjustments

Net change for the removal of pension contributions and the addition of *IAS 19 Employee Benefits* pension related expenditure and income.

- **For services –** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with the current service costs and past service costs.
- **For financing and investment income and expenditure –** the net interest on the defined benefit liability is charged to the *Comprehensive Income and Expenditure Statement*.

Other Adjustments

Other adjustments between amounts debited/credited to the *Comprehensive Income and Expenditure Statement* and the amounts payable/receivable to be recognised under statute.

- **For services –** the amount by which officer remuneration charged to the *Comprehensive Income and Expenditure Statement* on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements.
- **For financing and investment income and expenditure –** this is the effective interest adjustment on the Council's Lender Option/Borrower Option (LOBO) debt.

7. 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 arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Housing Revenue Account (HRA) Balance

The HRA balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Current Year 2023/24 **Adjustments between funding and accounting basis**	**General Fund Reserve £000**	**Housing Revenue Account £000**	**Total Usable Reserves £000**	**Total Unusable Reserves £000**
Adjustments to revenue resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
• Pensions Costs (transferred to/from pensions reserves)	11,495	66	11,561	-11,561
• Financial Instruments (transferred to the financial instruments adjustment account)	22	0	22	(22)
• Holiday Pay (transferred to the accumulated absence reserve)	2,404	0	2,404	(2,404)
• Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)	(41,164)	(54,539)	(95,703)	95,703
Total adjustments to revenue resources	**(27,243)**	**(54,473)**	**(81,716)**	**81,716**
Adjustments between revenue and capital resources				
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	8,965	4,221	13,186	(13,186)
Total adjustments between revenue and capital resources	**8,965**	**4,221**	**13,186**	**(13,186)**
Adjustments to capital resources				
Application of capital grants to finance capital expenditure	33,554	0	33,554	(33,554)
Total adjustments to capital resources	33,554	0	33,554	(33,554)
Total adjustments	**15,276**	**(50,252)**	**(34,976)**	**34,976**

Comparative Year 2022/23 Adjustments between funding and accounting basis	General Fund Reserve £000	Housing Revenue Account £000	Total Usable Reserves £000	Total Unusable Reserves £000
Adjustments to revenue resources				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
• Pensions Costs (transferred to/from pensions reserves)	(20,290)	(124)	(20,414)	20,414
• Financial Instruments (transferred to the financial instruments adjustment account)	10	0	10	(10)
• Holiday Pay (transferred to the accumulated absence reserve)	(42)	0	(42)	42
• Reversal of entries included in the surplus or deficit on the provision of services in relation to capital expenditure (these items are charged to the capital adjustment account)	(29,455)	(30,155)	(59,610)	59,610
Total adjustments to revenue resources	**(49,777)**	**(30,279)**	**(80,056)**	**80,056**
Adjustments between revenue and capital resources				
Statutory provision for the repayment of debt (transfer from the capital adjustment account)	5553	3,693	9,246	(9,246)
Total adjustments between revenue and capital resources	**5,553**	**3,693**	**9,246**	**(9,246)**
Adjustments to capital resources				
Application of capital grants to finance capital expenditure	27,824	0	27,824	(27,824)
Total adjustments to capital resources	**27,824**	**0**	**27,824**	**(27,824)**
Total adjustments	**(16,400)**	**(26,586)**	**(42,986)**	**42,986**

8. Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet general fund expenditure in 2023/24.

	Balance at 1 April 2022 £000	Transfers out 2022/23 £000	Transfers in 2022/23 £000	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers in 2023/24 £000	Balance at 31 March 2024 £000
Scheme of Devolved Budget Management carry forwards	(18,800)	18,800	(16,012)	(16,012)	16,012	(15,335)	(15,335)
Business Transformation Programme	(1,336)	267	0	(1,069)	93	0	(976)
Devolved School Management Policy	(1,123)	1,123	0	0	0	0	0
Transformation Blueprint	0	0	0	0	340	(2,000)	(1,660)
Set aside to balance 2024/25 Budget	(5,576)	5,576	(1,166)	(1,166)	1,166	(2,679)	(2,679)
Total Earmarked Reserves	**(26,835)**	**25,766**	**(17,178)**	**(18,247)**	**17,611**	**(20,014)**	**(20,650)**
Vat Claim not yet settled	0	0	(6,839)	(6,839)	6,839	0	0
Service Concessions	0	0	0	0	4,093	(20,463)	(16,370)
Non-Earmarked Reserves	(5,597)	1,424	(5,704)	(9,877)	7,192	(6,633)	(9,318)
Total General Fund Balance	**(32,432)**	**27,190**	**(29,721)**	**(34,963)**	**35,735**	**(47,110)**	**(46,338)**

9. Other Operating Income and Expenditure

2022/23 £000	Other Operating Income and Expenditure	2023/24 £000
338	(Gains)/Losses on disposal of non-current assets	(70)
338	**Total**	**(70)**

10. Financing and Investment Income and Expenditure

2022/23 £000	Financing and Investment Income and Expenditure	2023/24 £000
15,268	Interest payable and similar charges	16,244
1,712	Net interest on the net defined benefit liability (asset)	(9,031)
(4,412)	Interest receivable and similar income	(7,182)
12,568	**Total**	**31**

11. Taxation and Non-specific Grant Income and Expenditure

2022/23 £000	Taxation and Non-specific Grant Income and Expenditure	2023/24 £000
(53,315)	Council tax income	(57,306)
(24,813)	Non-domestic rates income	(35,136)
(170,540)	Non-ringfenced government grants	(163,621)
(27,824)	Capital grants and contributions ***(note 12)***	(33,554)
(276,492)	**Total**	**(289,617)**

12. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24.

2022/23 £000	Grant Income	2023/24 £000
	Credited to taxation non-specific grant income and expenditure	
(7,850)	General Capital Grant	(7,453)
(9,822)	Affordable Housing Supply Programme	(6,135)
(5,256)	Developer Contributions	(10,617)
(664)	General Capital Grant – Early Years Childcare	(3,918)
(3,000)	Capital Fund Contribution	(2,060)
(1,017)	Scottish Government Grant – Other	(2,686)
0	Scottish Government – Net Zero Funding	(501)
(215)	Other Capital Grants and Contributions	(184)
(27,824)	**Total**	**(33,554)**
	Credited to services	
(18,172)	Housing Benefit Subsidy	(16,786)
(11,411)	Early Years Expansion Grant	(11,569)
(394)	LCITP Low Carbon Heating	(6,913)
(2,951)	Unitary Charge Funding	(2,696)
(2,424)	Pupil Equity Funding	(2,424)
(1,626)	Unaccompanied Asylum Seeking Children	(374)
(1,407)	Community Justice Grant	(1,663)
(1,172)	South East Improvement Collaborative Grant	0
(937)	Energy Efficient Scotland	(1,079)
(599)	McMillan Funding for Improving the Cancer Journey	(627)
(563)	UK Shared Prosperity Funds	(929)
0	Child Protection Grant	(608)
(475)	Penicuik Townscape Heritage Project	(526)
(3,896)	Other Entities and Individuals	(3,713)
(46,027)	**Total**	**(49,907)**

13. Expenditure and Income Analysed by Nature

The Group and Council's expenditure and income, which includes adjustments between the funding and accounting basis, is analysed as follows:

2022/23 £000	Expenditure/Income	2023/24 £000
	Expenditure	
208,496	Employee expenses	189,583
239,147	Other services expenses	260,356
59,189	Depreciation, amortisation and impairment	93,491
15,268	Interest payments	16,244
338	Gain/(Loss) on disposal of non-current assets	(70)
5,665	Share of operating results of associates and joint ventures	6,390
528,103	**Total Expenditure**	**565,994**
	Income	
(95,616)	Fees, charges and service income	**(97,665)**
(4,412)	Interest and investment income	**(7,182)**
(53,315)	Income from council tax and non-domestic rates income	**(57,306)**
(333,119)	Government grants and contributions	**(354,401)**
(486,462)	**Total Income**	**(516,554)**
41,641	**Surplus or deficit on the provision of services**	**49,440**

14. Property, Plant and Equipment

Movements on Balances

Movements in 2023/24	Council Dwellings	Buildings	Land	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment	PPP & Similar Contract Assets *
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2023	**512,805**	**576,158**	**17,380**	**49,490**	**8,832**	**50,386**	**827**	**1,215,878**	**198,022**
Additions	20,495	3,822	0	6,253	138	59,488	0	90,196	2
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,947)	12,087	58	0	(102)	0	0	7,096	2,422
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(42,799)	(767)	(1)	0	0	0	0	(43,567)	0
De-recognition – Disposals	(251)	(100)	(12)	(1,235)	0	0	0	(1,598)	0
Reclassification of Assets	33,942	2,911	(128)	0	0	(37,066)	125	(216)	0
Balance at 31 March 2024	**519,245**	**594,111**	**17,297**	**54,508**	**8,868**	**72,808**	**952**	**1,267,789**	**200,466**
Accumulated Depreciation and Impairment									
Balance at 1 April 2023	**(11,472)**	**(15,802)**	**0**	**(32,576)**	**(56)**	**0**	**0**	**(59,906)**	**(2,397)**
Depreciation Charge	(11,740)	(29,730)	0	(4,757)	(21)	0	0	(46,248)	(3,161)
Depreciation written out to the Revaluation Reserve	0	28,765	0	0	23	0	0	28,788	2,361
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	412	0	0	0	0	0	412	0
De-recognition - Disposals	251	0	0	1,168	0	0	0	1,419	0
Balance at 31 March 2024	**(22,961)**	**(16,355)**	**0**	**(36,165)**	**(54)**	**0**	**0**	**(75,535)**	**(3,197)**
Net Book Value									
At 31 March 2024	**496,284**	**577,756**	**17,297**	**18,343**	**8,814**	**72,808**	**952**	**1,192,254**	**197,269**
At 31 March 2023	**501,333**	**560,356**	**17,380**	**16,914**	**8,776**	**50,386**	**827**	**1,155,972**	**195,625**

** PPP and similar contract assets included in 'Land' and 'Buildings' total*

Movements in 2022/23	Council Dwellings	Buildings	Land	Vehicles, Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total Property, Plant & Equipment	PPP & Similar Contract Assets *
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2022	**501,545**	**527,035**	**17,289**	**45,772**	**8,604**	**27,868**	**1,077**	**1,129,190**	**182,967**
Additions	18,300	5,677	121	4,798	228	38,157	0	67,281	11
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,466)	42,642	247	0	0	0	0	40,423	15,044
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(19,227)	363	37	0	0	0	0	(18,827)	0
De-recognition – Disposals	(206)	(346)	(307)	(1,080)	0	0	0	(1,939)	0
Reclassification of Assets	14,859	787	(7)	0	0	(15,639)	(250)	(250)	0
Balance at 31 March 2023	**512,805**	**576,158**	**17,380**	**49,490**	**8,832**	**50,386**	**827**	**1,215,878**	**198,022**
Accumulated Depreciation and Impairment									
Balance at 1 April 2022	**(1,100)**	**(18,155)**	**0**	**(29,159)**	**(38)**	**0**	**0**	**(48,452)**	**(1,598)**
Depreciation Charge	(11,166)	(22,508)	0	(4,442)	(18)	0	0	(38,134)	(2,870)
Depreciation written out to the Revaluation Reserve	350	23,450	0	0	0	0	0	23,800	2,071
Depreciation written out to the Surplus/Deficit on the Provision of Services	238	1,211	0	0	0	0	0	1,449	0
De-recognition - Disposals	206	200	0	1,025	0	0	0	1,431	0
Balance at 31 March 2023	**(11,472)**	**(15,802)**	**0**	**(32,576)**	**(56)**	**0**	**0**	**(59,906)**	**(2,397)**
Net Book Value									
At 31 March 2023	**501,333**	**560,356**	**17,380**	**16,914**	**8,776**	**50,386**	**827**	**1,155,972**	**195,625**
At 31 March 2022	**500,445**	**508,880**	**17,289**	**16,613**	**8,566**	**27,868**	**1,077**	**1,080,738**	**181,369**

** PPP and similar contract assets included in 'Land' and 'Buildings' total*

Depreciation

The following useful lives are used in the calculation of depreciation for the categories of assets, except where the useful like is known to be different from these as a consequence of a Council decision:

- **Council Dwellings** – 40 to 60 years;
- **Buildings** – 10 to 60 years;
- **Vehicles, Plant and Equipment** – 5 to 10 years.

Capital Commitments

Capital Commitments	Original Contractual Commitment £000	Outstanding at 31 March 24 £000
Housing Revenue Account Programme (HRA)		
• Phase 3/4 New Social Housing - Site 32-34 Newbyres	8,110	6,511
• Phase 3/4 New Social Housing – Morris Road (Newbattle HS)	25,038	22,049
• Phase 5 New Social Housing – Crichton Road	2,090	1,047
• Energy Efficiency Standard for Social Housing 2 (EESSH 2)	2,590	1,719
• Other HRA Capital Commitments	19,937	1,579
General Fund		
• Woodburn PS Extension	11,368	6,685
• Other General Fund capital commitments	8,103	933
Total Contractual Commitment	**77,236**	**40,523**

Revaluations

Valuations of the above categories of assets are undertaken by independent expert valuers engaged by the Council over a five-year rolling programme by Chartered Surveyors of the Council's Estates department, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

In 2023/24 valuations were undertaken for Housing stock discount factor, schools, community education, community centres and depots. The majority of asset valuations were based on either a depreciated replacement cost (DRC) basis or market value and resulted in a net downwards revaluation of assets of £7.266 million.

In addition to formal valuations of property, plant and equipment on a rolling basis over a five year period, the Council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period. The council's Corporate Estates Manager has determined in his professional opinion that, at 31 March 2024, due to the inflationary impact on School indices both High Schools and Primary Schools were subject to early revaluation. The Council has continued to assess the valuation of its asset base subsequent to the financial year end as summarised in ***note 4*** to these financial statements.

15. Infrastructure Assets

The Council's infrastructure assets have been recorded on the Balance Sheet at depreciated historic cost. A useful life of 15 years is applied to these assets and used in the calculation of the annual depreciation charge, based on the Council's assessment of the average useful economic life of these assets, with the exception of where the useful life is known to be different from this amount as a consequence of a Council decision.

On 29 August 2022, the Scottish Government confirmed in Local Government Finance Circular 09/2022 that it has provided a temporary statutory override to the accounting and disclosure requirements related to infrastructure assets in local government financial statements, whilst more permanent updates are developed within the CIPFA/LASAAC Code of Practice for Local Authority Accounting ("the Code"). The allowed changes are applicable for the 2021/22 financial year through to the 31 March 2024 financial year.

The Council has applied both statutory overrides for infrastructure assets:

- Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.

- Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as zero. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

2022/23 £000	Infrastructure Assets	2023/24 £000
31,375	**Net carrying amount at 1 April**	**34,819**
(3,501)	Depreciation	(3,956)
6,945	Additions	7,560
34,819	**Balance outstanding at 31 March**	**38,423**

16. Heritage Assets

The Council's chains and badges of office are the main heritage assets and have been included in the Balance Sheet at reinstatement cost, obtained from the Council's insurer.

2022/23 £000	Heritage Assets	2023/24 £000
329	**Net carrying amount at 1 April**	**458**
(3)	Depreciation	(2)
7	Additions	0
125	Revaluations and restatements	0
458	**Balance outstanding at 31 March**	**456**

17. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item Property, Plant and Equipment. The intangible assets include software licences, warranties and internally generated assets.

The movement on Intangible Asset balances during the year is as follows:

2022/23 £000	Intangible Assets	2023/24 £000
	Balance at start of year	
2,921	• Gross carrying amounts	**2,946**
(2,573)	• Accumulated amortisation	**(2,744)**
348	**Net carrying amount at 1 April**	**202**
25	Additions - purchases	26
(171)	Amortisation for the period	(124)
202	**Net carrying amount at 31 March**	**104**
	Comprising	
2,946	• Gross carrying amounts	2,972
(2,744)	• Accumulated amortisation	(2,868)
202		**104**

18. Long-term Debtors

2022/23 £000	Long-term Debtors	2023/24 £000
4,138	Prepayment to PPP contractor	4,113
52	Pacific Shelf	58
4,190	**Balance outstanding at 31 March**	**4,171**

19. Financial Instruments

Categories of Financial Instruments

31 Mar 2023					31 Mar 2024		
Non-Current £000	**Current £000**	**Total £000**	**Financial Assets**	**Category**	**Non-Current £000**	**Current £000**	**Total £000**
0	20,122	20,122	Short/long-term deposits ***(below)***	Amortised Cost	0	30,017	30,017
0	36,994	36,994	Debtors ***(Note 23)***	Amortised Cost	0	25,715	25,715
11,693	0	11,693	Long-term investments ***(below)***	Fair value through other comprehensive income	11,528	0	11,528
11,693	**57,116**	**68,809**	**Total Financial Assets**		**11,528**	**55,732**	**67,260**
0	3,817	3,817	Debtors not defined as financial instruments		0	15,236	15,236
11,693	**60,933**	**72,626**	**Total**		**11,528**	**70,968**	**82,496**

The short and long-term deposits on the balance sheet comprises:

31 Mar 2023				31 Mar 2024		
Long-term £000	**Short-term £000**	**Total £000**	**Deposits**	**Long-term £000**	**Short-term £000**	**Total £000**
0	0	0	Other local authorities	0	0	0
0	20,122	20,122	Commercial banks/building societies	0	30,017	30,017
0	**20,122**	**20,122**	**Total Deposits**	**0**	**30,017**	**30,017**

31 Mar 2023					31 Mar 2024		
Non-Current £000	Current £000	Total £000	Financial Liabilities	Category	Non-Current £000	Current £000	Total £000
321,490	3,195	324,685	Borrowings ***(below)***	Amortised Cost	339,971	3,797	343,768
76,699	3,121	79,820	PPP Liability ***(Note 33)***	Amortised Cost	73,347	3,348	76,695
12,040	573	12,613	PPP Donated Asset Liability ***(Note 33)***	Amortised Cost	11,471	572	12,043
0	29,623	29,623	Creditors	Amortised Cost	0	37,108	37,108
410,229	**36,512**	**446,741**	**Total Financial Assets**		**424,789**	**44,825**	**469,614**
0	28,923	28,923	Creditors not defined as financial instruments		0	13,403	13,403
410,229	**65,435**	**475,664**	**Total**		**424,789**	**58,228**	**483,017**

The Council's borrowing is presented in the Balance Sheet as the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Borrowing is classed as either a long-term liability, repayable after twelve months or longer, or a current liability if it is repayable within twelve months. The external borrowing as shown in the Balance Sheet comprises:

31 Mar 2023				31 Mar 2024		
Long-term £000	Short-term £000	Total £000	External Borrowings	Long-term £000	Short-term £000	Total £000
284,580	2,008	286,588	PWLB Loans	303,897	2,630	306,527
20,549	284	20,833	Lender Option/Borrower Option (LOBO) Loans	20,526	286	20,812
16,361	903	17,264	Loans from commercial banks and other local authorities	15,548	881	16,429
321,490	**3,195**	**324,685**	**Total Deposits**	**339,971**	**3,797**	**343,768**

Loans Fund Deferral of Repayments

Loans Fund Principal repayments were deferred in 2022/23 under the Local Government Finance Circular 5/2022 provisions. The term over which deferred repayments will be repaid are in line with the provisions of the circular, as follows:-

Deferred Principal Repayments – Loans Fund	£000's
Within 1 year	287
Within 2 to 5 Years	835
Within 6 to 10 Years	711
Within 11 to 15 Years	317
Within 16 to 20 Years	274
Total	**2,424**

Investments Designated at Fair Value through Other Comprehensive Income

Fair value of equity instruments designated at Fair Value through Other Comprehensive Income include the following:

31 Mar 2023 £000	Non-current Assets (Long-term)	Input Level in Fair Value Hierarchy *(see note 1 viii)*	31 Mar 2024 £000
5,758	Equity Shareholding in Lothian Buses	Level 2	5,594
325	Subordinated Debt Subscription in Newbattle DBFMCo	Level 3	324
5,610	Midlothian Energy Limited Shareholding	Level 3	5,610
11,693	**Total**		**11,528**

Lothian Buses Plc

Midlothian Council holds a 5.5% shareholding in Lothian Buses plc, a company incorporated in January 1986 under the terms of the Transport Act 1985 to operate buses in the City of Edinburgh and its surrounding area.

The valuation basis for the Council's shareholding (350,000 £1 ordinary shares) is calculated as net share of equity attributable to equity holders, in line with the published results for the year ended 31 December 2023. The IAS 19 Pension Asset/Liability has now been removed from calculations due to its volatility, as demonstrated in the on-year movement in the transfer to/from reserves figure in the table below. ***Note 36*** provides more detail on the potential guarantee liability associated with investment.

Year to 31 Dec 23 £000	Lothian Buses	Year to 31 Dec 24 £000
	Profit/(Loss):	
5,978	Profit/(Loss) before taxation	16,760
(1,443)	Taxation	(2,178)
4,535	**Profit/(Loss) after Tax**	**14,582**
	Other Relevant Financial Information:	
165,844	Revenue	183,508
0	Ordinary Dividend	3,200
(5,271)	Transfer to/(from) reserves	25,841
105,277	Equity attributable to equity holders (excluding IAS 19 Pension Asset/Liability)	102,266

Newbattle DBFMco Ltd

In 2017/18, the Council subscribed £0.333 million of subordinated debt in Newbattle DBFMco Limited, a company set up specifically to deliver the Council's Schools Newbattle Community Campus project.

Whilst the investment is sellable in the secondary market, the valuation basis for the Council's shareholding (nominal value of loan stock £0.333 million) is calculated based on the subscription value as there is no equivalent market data to estimate resale value.

The principal on this investment will be repaid fully over the 25-year project life. Interest will be paid biannually at 10.5% coupon based on the average principal outstanding over the relevant 6-month period.

Midlothian Energy Ltd

In 2021/22, the Council entered into a 50:50 joint venture with Vattenfall Heat UK to create Midlothian Energy Limited, a company set up specifically to generate, distribute and supply energy within Midlothian.

The carrying value of the Council investment in Midlothian Energy Limited represents the funds invested in 2022. The published results for Midlothian Energy Limited for the year ended 31 December 2023 are summarised below.

Year to 31 Dec 23 £000	Midlothian Energy Ltd	Year to 31 Dec 24 £000
	Profit/(Loss):	
(945)	Profit/(Loss) before taxation	(295)
0	Taxation	0
(945)	**Profit/(Loss) after Tax**	**(295)**
	Other Relevant Financial Information:	
3,020	Shares Issued During the Period	11,220
(2,752)	Accumulated Losses	(3,061)
268	**Total Equity**	**8,159**

Income, Expenses, Gains and Losses

	2022/23		2023/24	
Income, Expenses, Gains and Losses	**Surplus or deficit on the provision of services £000**	**Other comprehensive income and expenditure £000**	**Surplus or deficit on the provision of services £000**	**Other comprehensive income and expenditure £000**
Net gains/losses on:				
• Investments in equity instruments designated at fair value through other comprehensive income	1,117	0	(165)	0
Total net gains/(losses)	**1,117**	**0**	**(165)**	**0**
Interest revenue:				
• Financial assets measured at amortised cost		3,260		4,590
• Other financial assets measure at fair value through other comprehensive income	0	0	0	
Total Interest Revenue	**0**	**3,260**	**0**	**4,590**
Interest Expense	**0**	**9,868**		**9,752**
Fee Expense:				
• Financial assets or financial liabilities that are not at fair value through profit and loss	0	122		167
Total Fee Expense	**0**	**122**		**167**

Fair Values of Financial Assets and Financial Liabilities

Except for the financial assets carried at fair value through other comprehensive income, all other financial liabilities and financial assets held by the Council are carried in the Balance Sheet at amortised cost. The fair values calculated for these instruments are as follows:

31 Mar 2023			31 Mar 2024	
Carrying Amount £000	Fair Value £000	` Financial Liabilities	Carrying Amount £000	Fair Value £000
286,588	205,583	PWLB Loans (Level 2)	306,526	209,199
20,833	20,282	Lender Option/Borrower Option (LOBO) Loans (Level 2)	20,812	18,666
17,264	14,716	Loans from commercial lenders and other local authorities (Level 2)	16,430	13,469
29,623	29,623	Creditors	37,108	37,108
79,819	79,819	PPP Finance Lease Liability	76,695	76,695
12,613	12,613	PPP Donated Asset Account Liability	12,043	12,043
446,740	**362,636**	**Total Financial Liabilities**	**469,614**	**367,180**

The fair value for borrowings have been arrived at using a discounted cash flow analysis, with the most significant inputs being the discount rate.

The fair value of borrowing is lower than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is lower than the prevailing rates at the balance sheet date. The commitment to pay interest below current market rates reduces the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

31 Mar 2023			31 Mar 2024	
Carrying Amount £000	Fair Value £000	` Financial Assets	Carrying Amount £000	Fair Value £000
20,122	20,122	Short/Long-term Deposits	30,017	30,017
36,994	36,994	Debtors	25,715	25,715
57,116	**57,116**	**Total Financial Assets**	**55,732**	**55,732**

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

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Financial Assets	Financial Liabilities
- The valuation of fixed term deposits (maturity deposits) is made by comparison of the fixed term deposit with a comparable deposit with the same/similar lender for the remaining period of the deposit.	- No early repayment is recognised.
- The fair value of receivables is taken to be the invoiced or billed amount.	- Estimated ranges of interest rates at 31 March 2024 for loans payable based on new lending rates for equivalent loans at that date.
	- The fair value of payables is taken to be the invoiced or billed amount.

20. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks including:

- **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;
- **Market risk** – the possibility that financial loss might arise for the Council as a result of the changes in such measures as interest rates and stock market movements.

The Council has fully adopted CIPFA's Code of Treasury Management in the Public Services Code of Practice and set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Council's Treasury Management Strategy, which is set annually and is monitored throughout the year. The strategy sets out the limits on both duration and maximum levels of deposits. The lower an institution's creditworthiness the lower the maximum duration and level of deposit will be. These Counterparties are chosen, by officers, using credit data supplied by the Council's treasury advisers (based on data from the three main credit rating agencies, overlaid by:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

It is the policy of the Council to place deposits only with a limited number of banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits to £15 million per institution, other than for UK Nationalised and Part-Nationalised institutions where the maximum is extended to £30 million. No credit limits were exceeded during the financial year.

The expected credit loss for the Council's financial assets held at amortised cost has been calculated to be £0.010 million (2022/23 £0.013 million). The Council deems this immaterial and therefore has not included any impact of this with the Comprehensive Income and Expenditure Statement (CIES).

The expected credit loss for the Council's financial assets held at FVOCI is expected to be zero, calculated on the following basis:

- **Lothian Buses Shareholding** – dividend of £0.175 million was received during the year, the first since 2019, it was previously estimated that dividend would not be received until 2026;
- **Subordinated Debt Investment in Newbattle DBFM Co SPV** – Whilst there is no directly observable indicators which would allow an expected credit loss for this investment to be accurately calculated, there are no indications of adverse performance with the DBFM Co or any indications that future scheduled lifecycle maintenance will not be able to take place or senior and/or subordinated debt will

not be able to be repaid. The Council will continue to review the performance of the SPC on an annual basis;

- **Midlothian Energy Ltd** – Whilst there is no directly observable indicators which would allow an expected credit loss for this investment to be accurately calculated, there are no indications of adverse performance. The Council will continue to review the performance of the company on an annual basis.

An age analysis of cash and cash equivalents and short-term deposits is shown in the table below:

2022/23 2022/23 £000	Financial Assets	2022/23 2023/24 £000
87,228	Less than three months	27,505
0	Between three and six months	10,006
20,122	Between six months and one year	20,011
0	More than one year	0
107,350	**Total Financial Assets**	**57,522**

Liquidity Risk

The Council manages its liquidity position through the approval of treasury investment strategy reports and through a comprehensive cash flow management system as required by CIPFA Code of Practice. This seeks to ensure that cash is available as needed.

If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is that loan maturities are spread across financial years to mitigate refinancing risk, through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

2022/23 £000	Financial Liabilities	2023/24 £000
3,195	Less than one year	3,797
1,506	Between one and two years	1,275
2,832	Between two and five years	22,362
45,208	Between five and ten years	45,184
32,439	Between ten and twenty years	42,582
39,904	Between twenty and thirty years	41,681
84,601	Between thirty and forty years	81,887
110,000	Between forty and fifty years	100,000
5,000	More than fifty years	5,000
324,685	**Total Financial Liabilities**	**343,768**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to interest rate risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

The current interest rate risk for the Council is summarised below:

- **Borrowings at variable rates** - the interest charged to the surplus or deficit on the provision of services will rise;
- **Borrowings at fixed rates** – the fair value of the liabilities will fall;
- **Deposits at variable rates** - the interest income credited to the surplus or deficit on the provision of services will rise;
- **Deposits at fixed rates** - the fair value of the assets will fall.

Borrowings are not carried at fair value, so normal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the provision of services of other comprehensive income and expenditure. However, changes in interest payable and receivable on variable rate borrowings and deposits will be posted to the surplus or deficit on the provision of services and affect the General Fund balance.

The Council has a number of strategies for managing interest rate risk. The Council's policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

2022/23 £000		2023/24 £000
	Impact on taxpayer and rent payer:	
0	Increase in interest payable on variable rate borrowings	0
1,599	Increase in interest receivable on variable rate instruments	1,047
1,599	**Impact on Surplus/Deficit on the Provision of Services**	**1,047**
	Other presentational changes:	
(31,176)	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(28,791)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

There is no price risk associated with the Council's available for sale investments specified in ***Note 19*** of the Financial Statements.

Foreign Exchange Risk

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

21. Assets Held for Sale

2022/23 £000	Assets Held for Sale	2023/24 £000
1,480	**Balance outstanding at 1 April**	**1,080**
250	Assets newly classified as held for sale	216
0	Revaluations and restatements	394
(650)	Assets sold	0
1,080	**Balance outstanding at 31 March**	**1,690**

22. Inventories

2022/23 £000	Inventories	2023/24 £000
983	**Balance outstanding at 1 April**	**1,023**
1,123	Purchases	973
(1,083)	Recognised as an expense in the year	(1,024)
1,023	**Balance outstanding at 31 March**	**972**

23. Debtors

2022/23 £000	Short-Term Debtors	2023/24 £000
17,207	Central Government Bodies	7,096
1,538	Other Public Sector Bodies	4,305
	Other Entities and Individuals (net of Impairment for bad debts)*:	
9,082	• Council Tax and Non-Domestic Rates	15,614
3,613	• Rents	3,608
9,371	• Other trade debtors	10,328
40,811	**Total Short-Term Debtors**	**40,951**

* For impairment, significant individual balances are considered before a collective impairment of all remaining debtors based on their age profile. Impairment is applied to all outstanding debt at the balance sheet date for Council Tax and Non-Domestic Rates of £44.466 million (2022/23 £41.213 million) and Rents of £3.380 million (2022/23 £2.710 million). For sundry debtors, all debts that are over six months past their payment date impairment will be applied of £2.689 million (2022/23 £2.552 million), of which £1.761 million relates to housing benefit overpayments (2022/23 £1,752 million).

24. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2022/23 £000	Cash and Cash Equivalents	2023/24 £000
408	Cash held by the Council	441
95,183	Short-term Deposits	26,793
63	Bank Current Accounts	271
95,654	**Total Cash and Cash Equivalents**	**27,505**

25. Creditors

2022/23 £000	Creditors	2023/24 £000
447	Central Government Bodies	311
10,124	Other Public Sector Bodies	2,199
47,975	Other Entities and Individuals	48,001
58,546	**Creditors**	**50,511**

26. Provisions

	Uninsured Losses (1)	Total
	£000	**£000**
Balance at 1 April 2023	**1,239**	**1,239**
New provisions made during the year	648	648
Increase/(decrease) to existing insurance provisions during the year	(55)	(55)
Amounts used during the year	(538)	(538)
Balance at 31 March 2024	**1,294**	**1,294**

Notes:

(1) This relates to potential uninsured losses arising from insurance claims made against the Council.

27. Grants Received in Advance

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the grantor. The balances at year-end are as follows:

2022/23 £000	Grants Received in Advance (Capital Grants)	2023/24 £000
43,432	**Balance at 1 April**	**44,731**
	New capital grants received in advance, conditions of use not met:	
461	Scottish Government Place Based Investment Programme	366
7,940	Section 75 contributions from private developers	8,327
0	Other Grants Received in Advance	25
8401	**Total Grants Received in Advance During the Financial Year**	**8,718**
(7,102)	Amounts realised to CIES, conditions of use met	(12,628)
44,731	**Balance at 31 March**	**40,821**

28. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

29. Unusable Reserves

2022/23 £000	Unusable Reserves	2023/24 £000
(325,527)	Revaluation Reserve	(340,554)
(5,408)	Financial Instruments Revaluation Reserve	(5,244)
(435,891)	Capital Adjustment Account	(387,694)
1,491	Financial Instruments Adjustment Account	1,310
7,800	Pensions Reserve	7,612
8,602	Accumulated Absences Account	6,198
(748,933)	**Total Unusable Reserves**	**(718,372)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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 only revaluation gains accumulated since 1st April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2022/23 £000	Revaluation Reserve	2023/24 £000
(272,696)	**Balance at 1 April**	**(325,527)**
(69,575)	(Surplus) or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(37,634)
16,081	Difference between fair value depreciation and historical cost depreciation	22,502
	Amounts written off to the Capital Adjustment Account	
663	Accumulated (gains)/losses on assets sold or scrapped	105
663	**Amount written off to the Capital Adjustment Account**	**105**
(325,527)	**Balance at 31 March**	**(340,554)**

Financial Instruments Revaluation Reserve

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

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

2022/23 £000	Financial Instruments Revaluation Reserve	2023/24 £000
(4,292)	**Balance at 1 April**	**(5,408)**
(1,116)	(Upward)/Downward Revaluation of Investments	164
(5,408)	**Balance at 31 March**	**(5,244)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs such as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent expenditure.

The account contains revaluation gains accumulated on property, plant and equipment before the 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides further details of transactions posted to the account, apart from those involving the revaluation reserve.

2022/23 £000	Capital Adjustment Account	£000	2023/24 £000
(447,420)	**Balance at 1 April**		**(435,891)**
	Opening Balance adjustment – Service concessions		**20,463**
	Revised Opening Balance		**(415,428)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):		
25,558	• Charges for depreciation and impairment on non-current assets	27,704	
22,603	• Revaluation movements on property, plant and equipment	44,511	
171	• Amortisation of intangible assets	124	
84	• Revenue expenditure funded from capital under statute	74	
1,158	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	179	
49,574			**72,592**
(663)	Adjusting amounts written out of the Revaluation Reserve		(105)
48,911	**Net written out amount of the cost of non-current assets consumed in the year**		**72,487**
	Capital financing applied in the year:		
(991)	Use of capital receipts to finance new capital expenditure	(249)	
(27,824)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(33,554)	
(7,178)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(11,116)	
0	Application of Service concessions	2,608	
(1,078)	Use of Capital Fund reserve to finance Capital Expenditure	(1,822)	
(37,071)			**(44,133)**
(311)	Other movements		(620)
(435,891)	**Balance at 31 March**		**(387,694)**

Financial Instruments Adjustment Account

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

2022/23 £000	Financial Instruments Adjustment Account	2023/24 £000
1,660	**Balance at 1 April**	**1,491**
(159)	Premiums incurred in the year	(159)
(10)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in year in accordance with statutory requirements	(22)
1,491	**Balance at 31 March**	**1,310**

Pensions Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement (CIES) as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds or eventually pays any pensions for which it is directly responsible. The pension reserve mirrors the net pension asset/liability, as detailed in ***Note 35.***

2022/23 £000	Pensions Reserve	2023/24 £000
54,160	**Balance at 1 April**	**7,800**
(255,237)	Re-measurements of the net defined benefit liability/(asset)	(182,768)
39,147	Reversal of items relating to net changes for retirement benefits charged to Surplus or Deficit on the Provision of Services in the CIES	8,453
(18,733)	Employers' pension contributions	(20,014)
188,463	Restriction Adjustment under IFRIC 14	194,141
7,800	**Balance at 31 March**	**7,612**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2022/23 £000	Accumulated Absences Account	£000	2023/24 £000
8,560	**Balance at 1 April**		**8,602**
(8,560)	Settlement or cancellation of accrual made at the end of the preceding year	(8,602)	
8,602	Amounts accrued at the end of the current year	6,198	
42	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(2,404)**
8,602	**Balance at 31 March**		**6,198**

30. External Audit Costs

The estimated fee payable by the Council to Audit Scotland in respect of the work conducted for external audit services is £0.290 million (2022/23 £0.273) million). Where further additional work is required, fees will be agreed with management and reported to the Audit Committee.

31. Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The Scottish Government

The Scottish Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides much of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (such as Council Tax bills and Housing Benefits). Further information is contained with ***Note 11 Taxation and Non-specific Grant Income*** and ***Note 12 Grant Income*** in the Annual Accounts.

Elected Members

Elected members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown in the Remuneration Report.

Members' Register of Interests can be viewed on the Council's website. A review of these interests has been conducted. Related party interests for which transactions exist in 2023/24 were declared by nine members:

- With voluntary bodies or charitable organisations that received funding totalling an estimated value of £0.231 million;
- With businesses or other organisations that have contracted for goods and services with the Council to the estimated value of £0.710 million.

In addition to the above many members have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship but with which the Council has a financial or influential relationship.

Officers

There are no related party transactions with officers of the Council.

Other Public Bodies

The Council has a number of joint working arrangements with other local authorities. In 2023/24 payments of £1.942 million were made to other local authorities and income of £0.705 million was received from other local authorities.

Midlothian Integration Joint Board

The Council works in partnership with NHS Lothian, providing a range of Health and Social Care services across Midlothian. NHS Lothian transferred £4.903 million of resource transfer funding to the Council in 2023/24 in respect of activities delegated to the Midlothian Integration Joint Board, as well as an additional £4.816 million in relation to Social Care Fund, £1.324 million from the Integrated Care Fund. The funding supports various Adult Social Care services, both purchased and in-house.

NHS Lothian employs the Joint Director of Health and Social Care. Midlothian Council is recharged for 50% of the cost of this post. Details are included in the Remuneration Report.

The Council delegated resources totalling £57.416 million to the Midlothian Integration Joint Board in 2023/24. These resources were allocated to the Council for the provision of Adult Social Care services. NHS

Lothian also delegated financial resources to the Board. The Board provides the strategic direction in relation to the delivery of Health and Adult Social Care Services in Midlothian. The Council provides assistance in kind in terms of Board staff (Chief Officer) and administrative support for the operation of the Board. In addition no charge is made for central support functions provided over and above the resources delegated which relate specifically to Adult Social Care. As at 31 March 2024 the Council held £0.418 million on behalf of the Board.

Other Entities Controlled or Significantly Influenced by the Council

During the year, the Council entered into material transactions with the Lothian Valuation Board. This amounted to £0.562 million (2022/23 £0.565 million). There was no balance due to or from the Lothian Valuation Board as at 31 March 2024.

Midlothian Energy Limited was set up in 2021/22 as a 50:50 joint venture with Vattenfall Heat UK to generate, distribute and supply energy. The company has been consolidated into the Group Accounts and details of all other entities in which the Council has significant interest are explained in the Group Accounts in ***Note 38***.

32. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance them.

2022/23 £000	Capital Expenditure and Capital Financing	2023/24 £000
394,504	**Opening Capital Financing Requirement**	**431,462**
	Capital Investment:	
74,232	Property, Plant and Equipment	97,356
0	Assets Held for Sale	0
26	Intangible Assets	26
85	Revenue Expenditure funded by Capital Under Statute	74
0	Public, Private Partnership (PPP)	0
0	Long-term Investments	0
74,343	**Total Capital Investment**	**97,456**
	Sources of Finance:	
(3)	Capital Receipts	(60)
0	Application of Service Concessions	23,071
(3,000)	Capital Fund Applied	(2,000)
(24,824)	Government Grants and Other Contributions	(31,494)
(9,558)	Loans fund and PPP Finance lease repayments	(13,408)
(37,385)	**Total Sources of Finance**	**(23,891)**
36,958	**Increase/(decrease) in Capital Financing Requirement**	**73,565**
431,462	**Closing Capital Financing Requirement**	**505,027**

33. Public Private Partnership (PPP) and Similar Contracts

The Council has entered into five such contracts:

Dalkeith Schools Campus

This is a 30-year PPP contract with Dalkeith SPV Ltd for the provision and facilities management of the Campus. When the agreement ends in 2034 the Campus facilities will transfer to the Council with a guaranteed maintenance - free life of five years. The contractor does not have any right of renewal on contract expiry. Termination of contract is either at contract end date or following the issue of a contractor default notice of voluntary termination with one contract months’ notice.

Midlothian Schools Ltd

This is a PPP contract for the provision and facilities management of Stobhill, Gorebridge, Tynewater, Moorfoot, Loanhead and St Margaret's, Lawfield and Strathesk Primary Schools. When the agreement ends in 2037 the facilities will transfer to the Council in a usable condition as defined by the contract. The contractor does not have any right of renewal on contract expiry. Termination of contract is either at contract end date or following the issue of a contractor default notice of voluntary termination with six months' notice.

Newbattle Community Campus

This is a 25-year Not for Profit Distributing Model (NPDM) contract with hubCo for the provision and lifecycle maintenance of the Campus. The facility opened in the financial year 2018/19 on 25th May 2018. When the agreement ends in 2043 the facilities will transfer to the Council in a useable condition as defined by the contract. The contractor does not have any right of renewal on contract expiry. Termination of contract is either at contract end date or following the issue of a contractor default notice of voluntary termination with variable notice periods as defined in the contract.

Food Waste Treatment Plant, Millerhill

This is a 20- year Design, Build, Finance and Maintain (DBFM) contract which was jointly procured between Midlothian and the City of Edinburgh Council. At the end of the concession period in 2036 the asset will not revert back to the partner Councils and will remain under the full control of the DBFO operator, who has the option to continue to operate the asset from year 20 through to year 40, paying the market rent for the lease of the land over this period. At the end of the 40th year, the asset will be decommissioned and the decommissioned site transferred back to the ownership of the Councils. Termination of contract is either at contract end date or following the issue of a contractor default notice or voluntary termination with 40 days' notice.

Residual Waste Treatment Plant, Millerhill

This is a 25- year DBFM contract which was jointly procured between Midlothian and the City of Edinburgh Council. At 1 April 2020, the contract was in the commissioning phase, with full service commencement achieved on 17 April 2019. The asset will be fully maintained throughout the life of the contract in accordance with the Partner Council's requirements and will be inspected 18 months prior to the end of the contract (contract end date 6 May 2044) to ensure that it has been maintained. The asset will then be handed back to the Partner Councils in a condition that is commensurate with such maintenance. The contractor does not have any right of renewal on contract expiry. Termination of contract is either at contract end date or following the issue of a contractor default notice, the issue of a Partner Council Default notice, or voluntary termination by the Partner Councils with variable notice periods as defined in the contract.

Property, Plant and Equipment

The assets used to provide the services at the Dalkeith Schools Community Campus, the Primary Schools, the Newbattle Community Campus and the Millerhill Residual Waste Plant are recognised in the Council's Balance Sheet under the Property, Plant and Equipment category in ***Note 14***.

Payments

The council makes an agreed payment each year that is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

There is also a donated asset account associated with the financing of the Millerhill Residual Waste asset. The recognition of donated asset income is on a flat line basis over the 25 years of the contract.

Payments remaining to be made under these contracts at 31 March 2024 are as follows:

	Liability	Interest	Service Charge	Total
Dalkeith Schools Campus	**£000**	**£000**	**£000**	**£000**
Within 1 Year	1,213	1,713	2,655	5,581
Within 2 to 5 Years	6,149	5,559	11,296	23,004
Within 6 to 10 Years	10,322	2,944	14,236	27,502
Total Remaining Contract	**17,684**	**10,216**	**28,187**	**56,087**

	Liability	Interest	Service Charge	Total
Midlothian Primary Schools	**£000**	**£000**	**£000**	**£000**
Within 1 Year	1,148	1,821	2,639	5,608
Within 2 to 5 Years	5,489	6,385	11,233	23,107
Within 6 to 10 Years	9,436	5,406	15,695	30,537
Within 11 to 15 Years	8,897	1,530	12,260	22,687
Total Remaining Contract	**24,970**	**15,142**	**41,827**	**81,939**

	Liability	Interest	Service Charge	Total
Newbattle Community Campus	**£000**	**£000**	**£000**	**£000**
Within 1 Year	937	1,473	159	2,569
Within 2 to 5 Years	4,246	5,394	676	10,316
Within 6 to 10 Years	6,633	5,417	945	12,995
Within 11 to 15 Years	8,488	3,561	1,071	13,120
Within 16 to 20 Years	8,824	1,171	994	10,989
Total Remaining Contract	**29,128**	**17,016**	**3,845**	**49,989**

	Donated Asset	Liability	Interest	Service Charge	Total
Millerhill Residual Waste	**£000**	**£000**	**£000**	**£000**	**£000**
Within 1 Year	572	50	923	1,308	2,853
Within 2 to 5 Years	2,293	201	3,597	5,628	11,719
Within 6 to 10 Years	2,866	522	4,215	7,775	15,378
Within 11 to 15 Years	2,867	1,242	3,445	8,735	16,289
Within 16 to 20 Years	2,867	2,829	1,731	9,891	17,318
Within 21 to 25 Years	578	69	1	224	872
Total Remaining Contract	**12,043**	**4,913**	**13,912**	**33,561**	**64,429**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable while the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractors for capital expenditure incurred is as follows:

2022/23				2023/24		
Liability £000	Donated Asset £000	Total £000	Liabilities	Liability £000	Donated Asset £000	Total £000
82,729	13,187	95,916	Balance Outstanding at 1 April	79,819	12,613	92,432
(2,910)	0	(2,910)	Payments during the year	(3,120)	0	(3,120)
0	(574)	(574)	Other Movements	0	(574)	(574)
79,819	**12,613**	**92,432**	**Balance at 31 March**	**76,699**	**12,039**	**88,738**

2022/23 £000	Included in the Balance Sheet	2023/24 £000
3,693	Current (Short-term Creditors)	3,920
88,739	Non-Current (Other Long-term Liability)	84,818
92,432	**Balance at 31 March**	**88,738**

34. Pension Schemes Accounted for as Defined Benefit Contribution Schemes

Teachers employed by the Council are members of this Scottish Teachers Superannuation scheme, administered by the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate by local authorities. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24 the Council paid £12.439 million (2022/23 £12.149 million) to the Scottish Government in respect of teachers' pension costs. The rate of contribution was 23.68% for 2023/24 (2022/23 23%).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on defined benefit basis (detailed in ***note 35***).

The Council is not liable to the scheme for any other entities' obligations under the plan.

35. Defined Benefit Pension Schemes

As part of the terms and conditions of employment and its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension (Scotland) Scheme. Employees other than teachers are eligible to join this scheme. The scheme is administered by City of Edinburgh Council through Lothian Pension Fund. This is a funded defined benefit final salary scheme, meaning the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with the investment assets.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Transactions Relating to Post-Employment Benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

2023/24 £000	Comprehensive Income and Expenditure Statement (CIES)	2022/23 £000
	Cost of services:	
	Service Cost Comprising:	
37,435	• Current service cost	17,484
0	• Past service cost (including curtailments)	0
	Financing and Investment Income and Expenditure:	
1,712	• Net interest (income)/expense	(9,031)
39,147	**Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**8,453**
	Other Post Employment Benefit charged to the Other Comprehensive Income & Expenditure Statement:	
	Re-measurement of the Net Defined Benefit Liability Comprising:	
3,555	• Return on plan assets	(9,603)
(108,302)	• Actuarial (gains)/losses arising on changes in financial and demographic assumptions	(24,087)
37,973	• Other	45,063
(66,774)	**Total post-employment benefits charged to the Other Comprehensive Income & Expenditure Statement**	**11,373**
(27,627)	**Total post-employment benefits charged to the CIES**	**19,826**

2022/23 £000	Movement in Reserves Statement	2023/24 £000
(39,147)	Reversal of net charges made to the surplus or deficit for the provision of services for post-employment benefits in accordance with the code	(8,453)
18,733	Employers Contributions payable to the scheme	20,014
(20,414)	**Total Charged to the Movement in Reserves**	**11,561**

Pension Assets and Liabilities Recognised in the Balance Sheet

Net Asset Restriction

The actuary has calculated the Council's IAS 19 defined benefit surplus for 2023/24 to be £186.529 million (2022/23 £188.463 million) as detailed in the tables below. IAS 19 states that when an entity has a surplus in the defined benefit plan it should measure the net defined benefit of the asset as the lower of:

- The surplus in the defined benefit plan, and
- The asset ceiling, which the actuary has calculated as the present value of any economic benefits available in the form of reductions in future contributions to the plan.

For IFRIC 14 purposes, the actuary has calculated the net present value of the future contributions of £1.485.912 billion exceeds the value of the future service costs of £1.398.119 billion, a negative contribution of £87.793 million. As a result of this calculation IFRIC 14 advises that no defined benefit plan asset should be recognised in the Council's Balance Sheet and there is no requirement to recognise the difference as a liability, however, is required to reflect the liability in relation to present value of unfunded obligations of £7.612 million.

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

2022/23 £000	Pensions Assets and Liabilities Recognised in the Balance Sheet	2023/24 £000
(510,236)	Present value of the defined benefit obligation	(550,295)
698,699	Fair value of Plan Assets	736,824
188,463	**Net (liability)/asset arising from defined benefit obligation**	**186,529**
(196,263)	Restriction Adjustment under IFRIC 14	(194,141)
(7,800)	**Revised Net (liability)/asset arising from defined benefit obligation**	**(7,612)**

2022/23 £000	Reconciliation of the present value of the scheme liabilities (defined benefit obligation)	2023/24 £000
731,499	**Opening Balance at 1 April**	**510,236**
37,435	Current service cost	17,484
20,075	Interest Cost	24,316
4,788	Contributions by Scheme Participants	5,105
	Re-measurement (gains)/losses	
(304,565)	• Changes in financial and demographic assumptions	(30,567)
37,973	• Other	45,063
0	Past service cost (including curtailments)	0
(706)	Estimated Unfunded Benefits Paid	(751)
(16,263)	Estimated Benefits Paid	(20,591)
510,236	**Closing Balance at 31 March**	**550,295**

2022/23 £000	Reconciliation of the movements in the fair value of scheme assets	2023/24 £000
677,339	**Opening fair value of scheme assets**	**698,699**
18,363	Interest Income	33,347
	Re-measurement gains/(losses):	
(3,555)	• Return on assets excluding amounts included in net interest	9,603
0	• Other	(8,602)
18,027	Contributions from Employer	19,263
4,788	Contributions from employees into the scheme	5,105
(16,263)	Benefits Paid	(20,591)
706	Contributions in respect of Unfunded Benefits	751
(706)	Unfunded Benefits Paid	(751)
698,699	**Closing Balance at 31 March**	**736,824**

Local Government legislation provides that Local Authorities have an obligation to meet their share of the expenditure of the Joint Boards of which they are constituent members. At 31 March 2024, the asset for Pensions sits at £22.809 million (2022/23 £6.250 million). As a consequence the Council has additional assets arising from the pension surplus of the Lothian Valuation Joint Board.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years are dependent on assumptions about mortality rates, salary levels etc.

The Local Government Pension Scheme liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries and estimates for the pension fund are based on the latest full valuation of the scheme as at 31 March 2024.

The significant assumptions used by the actuary have been:

2022/23	Mortality Assumptions	2023/24
	Longevity at 65 for Current Pensioners:	
19.9	- Men (Years)	20.1
22.9	- Women (Years)	23
	Longevity at 65 for Future Pensioners:	
21.2	- Men (Years)	20.9
24.7	- Women (Years)	24.6
	Financial Assumptions	
2.95%	Rate of Inflation/increase in pensions	2.8%
3.45%	Rate of increase in salaries	3.5%
4.75%	Rate for discounting scheme liabilities	4.8%
2.2%	Actual Rate of Investment Returns	6.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Pension Sensitivities at 31 March 24	Approximate % increase to the Employer Obligation	Approximate monetary amount £000
0.1% decrease Real Discount Rate	2%	10,197
1 year increase in member life expectancy	4%	22,012
0.1% increase in the Salary Increase Rate	0%	579
0.1 % increase in the Pension Increase Rate (CPI)	2%	9,792

Local Government Pension Schemes Comprised

2022/23			2023/24			
Fair Value of Scheme Assets	Percentage of Total Assets		Quoted prices in active markets	Quoted prices not in active markets	Total Fair Value of Scheme Assets	Percentage of Total Assets
£000		**Pension Fund Assets**	£000	£000	£000	
32,999	5%	Cash and Cash Equivalents	27,363	0	27,363	4%
		Equity Instruments:				
85,663	12%	Consumer	87,027	0	87,027	12%
96,314	14%	Manufacturing	101,191	0	101,191	14%
42,148	6%	Energy and Utilities	40,028	0	40,028	5%
42,030	6%	Financial Institutions	43,382	0	43,382	6%
51,322	7%	Health and Care	47,614	0	47,614	6%
29,018	4%	Information Technology	36,530	0	36,530	5%
47,709	7%	Other	45,196	0	45,196	6%
394,204	**56%**	**Sub-total Equity**	**400,968**	**0**	**400,968**	**54%**
		Bonds:				
10,897	2%	Corporate	11,893	0	11,893	2%
81,001	12%	Government	99,052	0	99,052	13%
14,592	2%	Other	12,757	0	12,757	2%
106,490	**16%**	**Sub-total bonds**	**123,702**	**0**	**123,702**	**17%**
		Property:				
31,474	5%	UK	0	37,652	37,652	5%
1,122	0%	Overseas	2,494	7	2,501	0%
32,596	**5%**	**Sub-total Property**	**2,494**	**37,659**	**40,153**	**5%**
		Investment Trusts and Unit Trusts:				
9,843	1%	Equities	0	0	0	0%
0	0%	Commodities	0	8,165	8,165	1%
20,230	3%	Bonds	0	18,742	18,742	3%
99,578	14%	Infrastructure	1,667	109,414	111,081	15%
129,651	**18%**	**Sub-total Trusts**	**1,667**	**136,321**	**137,988**	**19%**
2,729	0%	Private Equity (all)	3,767	3,000	6,767	1%
30	0%	Derivatives: Forward Foreign Exchange Contracts	(117)	0	(117)	0%
698,699	**100%**	**Total Assets**	**559,844**	**176,980**	**736,824**	**100%**

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 fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100% of the overall liabilities of the fund in the longer term. Funding levels are monitored on an annual basis. The next triennial valuation will be performed at 31 March 2026, with results being published by 31 March 2027 and will impact contribution rates from 1 April 2027. The Council anticipates to pay £14.937 million in contributions to the scheme to 31 March 2025.

The weighted average duration of the defined benefit obligation scheme members is 17 years for 2023/24 (20 years 2022/23).

36. Contingent Liabilities

The assimilation of the stand-alone Lothian Buses Pension Fund into the general Lothian Pension Fund required all four Council shareholders in Lothian Buses Limited to enter into a deed of guarantee and function as guarantors for Lothian Buses Limited contributions to the general fund. Previously, whilst there was no formal guarantee in place for the stand alone Lothian Buses Fund, in the event of a default then the City of Edinburgh Council (as administering authority) would have looked to the four Council shareholders to make good any liability.

37. Trusts, Bequests, Common Good and Community Funds

There are some 15 active trusts, bequest and community funds of varying size managed by the Council, each of which has specific objectives and conditions. None of the funds are currently registered charities.

The main funds are:

2022/23 £000	Trusts, Bequests, Common Good and Community Funds	2023/24 £000
8	Dalkeith Common Good Fund	8
2	Penicuik Common Good Fund	2
51	Community Mining Funds	52
101	Other Funds	108
162	**Total**	**170**

A total £0.108 million (2022/23 £0.100 million) has been committed to be spent from these funds.

The funds do not represent assets of the Council and are included in the Balance Sheet as creditors except the Community Mining Funds that are held in separate bank accounts.

38. Notes to the Group Accounts

The Code of Practice on Local Council Accounting in the United Kingdom 2023/24 (The Code) applies to Local Authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Integration Joint Boards and Valuation Boards. Authorities are required to prepare a full set of group accounts in addition to their own Council's accounts where they have a material interest in such entities. The Group Accounts of Midlothian Council are prepared in accordance with the accounting policies of the Council with the additions and exceptions shown below. The Group Accounts consolidate the results of the Council with other entities. These organisations are entirely independent of the Council under law and for taxation.

Valuation of Property, Plant and Equipment

The basis of valuation across the combining entities is in accordance with the Code and there are no material inconsistencies with the policies adopted by Midlothian Council. The Integration Joint Board has no Property, Plant or Equipment.

Depreciation

The basis of valuation across the combining entities is in accordance with the Code and there are no material inconsistences with the policies adopted by Midlothian Council.

Goodwill

The Council has acquired its share of the net assets of its associates for nil consideration and no goodwill has been included in the Group Balance Sheet.

Basis of Consolidation

Subsidiaries are consolidated on a line-by-line basis. All other entities are accounted for under the accounting conventions of the “acquisition basis” using the equity method – the Council’s share of the entities results and its share of other gains and losses (recognised in the Group CIES). With the Exception of Midlothian Energy Ltd, whose reporting date is 31 Dec, all entities have the same reporting date as the Council.

Restrictions of the Transfer of Funds

The Council’s share of the reserves of its associate and joint ventures is unusable i.e. it cannot be used to fund the Council’s services to reduce taxation. Further details for each entity are as follows:

Entity	Percentage Share in Entity	Share of Assets £000	Share of Liabilities £000	Net Share of Assets £000	Share of Revenues £000	Share of (Profit)/Loss £000
Subsidiaries:						
Trusts, Bequests, Common Good and Community Funds	100	170	(170)	0	**8**	**(8)**
Pacific Shelf 826 Ltd	100	0	(58)	(58)	**0**	**5**
		170	**(228)**	**(58)**	**8**	**(3)**
Associates:						
Lothian Valuation Joint Board	9	2,448	(280)	2,168	(1,475)	66
Joint Ventures:						
Midlothian Integration Joint Board	50	400	0	400	(99,471)	6,179
Midlothian Energy Ltd	50	11,955	(2,265)	9,690	(148)	148
Total Joint Ventures & Associates		**14,803**	**(2,545)**	**12,258**	**(101,094)**	**6,393**
Total for Group		**14,973**	**(2,773)**	**12,200**	**(101,086)**	**6,390**

The information above agrees to the group accounts after the elimination of inter-company transactions.

Combining Entities

The following table provided further details about the entities incorporated into the Council’s Group Accounts:

Group Entities	Nature of Body	Accounts Available From
Subsidiaries:		
Trusts, Bequests, Common Good and Community Funds	To award grants across Midlothian.	Midlothian Council, Midlothian House, Buccleuch Street, Dalkeith
Pacific Shelf 826 Ltd	Property Development.	Midlothian Council, Midlothian House, Buccleuch Street, Dalkeith
Associates:		
Lothian Joint Valuation Board	Maintains the electoral, council tax and non-domestic rates registers for the Edinburgh, Midlothian, West Lothian and East Lothian Councils.	The Treasurer, Lothian Joint Valuation Board, Edinburgh Council, Waverly Court, Edinburgh
Joint Ventures:		
Midlothian Integration Joint Board	Its purpose is to improve the well-being of families, our communities and of people who use health and social care services. The Integration Scheme determines when the Council will have shared responsibility for additional funding with NHS Lothian and is linked to demographic shifts and demand volumes linked to service delivery.	Midlothian Council, Midlothian House, Buccleuch Street, Dalkeith
Midlothian Energy Limited	Energy generation, distribution and supply.	Midlothian Council, Midlothian House, Buccleuch Street, Dalkeith

Non-Material Interests in Other Entities

In addition to the organisations outlined above, the Council also has an interest in Seemis Group LLP who provide Scottish Local Authorities with an Education Management System. Midlothian have a 1.90% interest in Seemis.

Supplementary Statements

Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis which rents are raised, is shown in the movement on the Housing Revenue Account Statement.

2022/23 £000	HRA Income and Expenditure Statement	£000	2023/24 £000
	Expenditure:		
7,531	Repairs and Maintenance	8,739	
4,948	Supervision and Management	5,427	
30,157	Depreciation, impairment and revaluation non-current assets	54,539	
270	Movement in the allowance for bad debtors	670	
2,270	Other Expenditure	2,396	
45,176	**Total Expenditure**		**71,771**
	Income:		
(30,130)	Dwelling Rents		(31,372)
(335)	Non-dwelling Rents		(342)
(364)	Service Charge Income		(155)
(34)	Other Income		(91)
(30,863)	**Total Income**		**(31,960)**
14,313	**Net Expenditure or (Income) of HRA services as included in the Comprehensive Income and Expenditure Statement**		**39,811**
311	HRA Share of Corporate and Democratic Core		332
14,624	**Net (Income)/expenditure for HRA Services**		**40,142**
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
0	(Gain) or Loss on sale of HRA non-current assets	0	
6,373	Interest payable and similar charges	8,589	
(548)	Interest and investment income	(1,534)	
10	Net interest on the net defined liability benefit liability (asset)	(55)	
5,835			**7,000**
20,459	**(Surplus)/Deficit for the year on HRA Services**		**47,142**

Movement in the Housing Revenue Account

2022/23 £000	Movement on the HRA Statement	£000	2022/23 £000
(28,084)	***Balance on the HRA at the end of the previous reporting period***		**(32,143)**
20,459	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		47,142
	Adjustments between accounting basis and funding basis under statute:		
(30,156)	Depreciation, impairment and revaluation non-current assets	(54,539)	
0	Gain or (Loss) on sale of HRA non-current assets	0	
3,693	Loans Fund Principal	4,221	
(124)	Net charges made for retirement benefits in accordance with IAS 19	66	
(26,587)	**Total Adjustments between accounting basis and funding basis under statute**		**(50,252)**
2,069	Transfer to General Fund Reserve		2,071
(4,059)	**(Increase) or Decrease in year on the HRA**		**(1,039)**
(32,143)	**Balance on the HRA at the end of the current reporting period**		**(33,182)**

Notes to the Housing Revenue Account

Housing Stock

The number of council dwellings for the year can be analysed as follows:

2022/23	Housing Stock	2023/24
1,024	1 Bedroom	1,083
4,062	2 Bedroom	4,128
1,948	3 Bedroom	1,975
323	4 Bedroom	332
11	5/6 Bedroom	11
7,368	**Total Housing Stock at 31 March**	**7,529**

This represents an increase in the year of 161 units (2022/23 106), which is represented in the table below:

2022/23	Increase/(decrease) in Housing Stock	2023/24
97	New Build Completions	136
28	Open Market Purchases	27
(18)	Re-purposed units for temporary accommodation	(2)
(1)	Demolition/Disposal	0
106	**Total Housing Stock at 31 March**	**161**

Other Information

2022/23 £000	Other Information	2023/24 £000
5,490	Total Rent Arrears	6,979
2,710	Bad Debt Provision	3,380
896	Void Rent Loss (netted against rental income)	949

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 of the Council.

Local Authorities raise taxes from its residents through Council Tax, which is based on property values. Each dwelling in a local Council area is placed into one of eight valuation bands, A to H. The Council declares a tax for Band D properties and all other properties are charged a proportion of this, lower valued properties (Bands A to C) pay less; higher valued properties (Bands D to F) pay more.

2022/23 £000	Council Tax Income Account	2023/24 £000
67,229	**Gross Council Tax levied and Contributions in Lieu**	**72,406**
	Less:	
(5,265)	Council Tax Reduction Scheme	(5,671)
(6,746)	Other Discounts and Reductions	(6,942)
(2,106)	Write-off of Uncollectable Debts and Allowances for impairment	(2,443)
204	Prior year adjustments	(44)
53,316	**Net Council Tax Income transferred to General Fund**	**57,306**

Midlothian Council Tax Charge and Properties by Band

2022/23 Property Numbers	2022/23 £ per Property	Band	2023/24 Property Numbers	2023/24 £ per Property
1	801	A - Disabled	1	842
541	962	A	603	1,010
8,016	1,122	B	8,532	1,178
8,376	1,282	C	8,741	1,346
5,044	1,443	D	5,231	1,515
4,892	1,895	E	5,056	1,990
4,218	2,344	F	4,397	2,461
2,706	2,825	G	2,896	2,966
174	3,534	H	178	3,711
33,968			**35,635**	

Calculation of Council Tax Base (shown as numbers of properties)

2023/24	A (Disabled)	A	B	C	D	E	F	G	H	Total No of Properties
Number of Properties	0	986	12,751	11,316	5,997	5,665	4,655	3,026	186	44,582
Properties subject to Empty Homes Premium	0	12	69	56	45	29	20	17	5	253
Properties subject to Disabled Relief	2	38	37	(46)	12	1	(12)	(29)	(3)	0
Less:										
Exempt Properties	0	75	448	259	92	180	53	23	5	1,135
Properties Entitled to 25% Discounts	0	143	1,480	968	449	316	156	76	5	3,593
Properties Entitled to 50% Discounts	0	0	5	5	1	3	2	1	0	17
Properties Entitled to Other Discounts	0	2	33	20	7	5	2	1	0	70
Reduction in Tax Base due to Council Tax Reduction	1	213	2,359	1,333	274	135	53	17	0	4,385
Total Equivalent Properties 2023/24	**1**	**603**	**8,532**	**8,741**	**5,231**	**5,056**	**4,397**	**2,896**	**178**	**35,635**
Ratio to Band D	**0.56**	**0.67**	**0.78**	**0.89**	**1**	**1.31**	**1.63**	**1.96**	**2.45**	
Band D Equivalent Properties	**0**	**402**	**6,636**	**7,770**	**5,231**	**6,3**	**7,145**	**5,671**	**437**	**39,935**
Contributions in Lieu - Band D Equivalents										**199**
Sub-total										**40,134**
Less Bad Debt Provision at 3.75%										**(1,613)**
Total Council Tax Base										**38,521**

2022/23	A (Disabled)	A	B	C	D	E	F	G	H	Total No of Properties
Band D Equivalent Properties	**0**	**361**	**6,234**	**7,446**	**5,044**	**6,428**	**6,855**	**5,299**	**427**	**38,094**
Contributions in Lieu - Band D Equivalents										198
Sub-total										**38,292**
Less Bad Debt Provision at 3.5%										(1,460)
Total Council Tax Base										**36,832**

Non-Domestic Rate Account

The Non-domestic Rate Account (Scotland) is a 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.

2022/23 £000	Non-Domestic Rate Income Account	2023/24 £000
44,743	**Gross Council Tax levied and Contributions in Lieu**	**47,637**
	Less:	
(10,682)	Reliefs and other deductions	(10,790)
(784)	Write-off of Uncollectable Debts and Allowances for impairment	(938)
33,277	**Net Non-Domestic Rates Income**	**35,909**
(4,671)	Prior year adjustments	(711)
0	Non-domestic rates income retained by the council (BRIS)	0
28,606	**Contribution to Non-Domestic Rate Pool**	**35,198**
	Allocated:	
28,688	Contribution to non-domestic rate pool	35,954
(82)	Council Rate Income - non-pool	(756)
28,606		**35,198**
24,895	Amount distributed to Midlothian Council from non-domestic rate pool	32,215

The Business Rate Incentivisation Scheme (BRIS) permits the Council to retain 50 percent share of the Non-domestic rates income, which exceeds the income target set by Scottish Government.

Net Rateable Value Calculation

Occupiers of non-domestic property pay rate based on the valuation of the property within the valuation roll for Midlothian. The NNDR poundage is determined by the Scottish Government and was 49.8p (2022/23 49.8p) per £, where the rateable value was less than £51,000 (2022/23 £51,000), 51.1p where the rateable value is between £51,000 and £100,000 (2022/23 51.1p between £51,000 and £95,000,) and 52.4p per £ where the rateable value exceeded £100,000 (2022/23 52.4p greater than £95,000).

2022/23 Numbers	2022/23 £000	Analysis of Rateable Values and Number of Premises	2023/24 Numbers	2023/24 £000
1,828	49,279	Shops, Offices and Other Commercial Subjects	1,831	49,831
954	19,777	Industrial and Freight Transport	973	19,913
303	22,931	Miscellaneous (Schools, etc.)	304	23,379
3,085	**91,987**	**Total**	**3,108**	**93,123**

Glossary of Terms

While much of the terminology used in this report is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

Actuarial Gains and Losses (Pension)

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

Amortisation

Amortisation is the cost of reducing the value of an intangible asset over its useful economic life. A charge is made against services for the value of the assets they have used during the year.

Assets

An asset is any item that has value including cash, investments, properties, vehicles, etc. Assets are classified as current, which will be consumed within the current year, or non-current, which will be used to provide services over more than one year.

Associate

An entity other than a subsidiary or joint venture in which the reporting Council has a participating interest and over whose operating and financial policies, the reporting Council is able to exercise significant influence.

Capital Expenditure

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by using the income from the sale of existing assets.

Capital Financed from Current Revenue

This heading covers the costs of creating, acquiring or improving assets where the expenditure is charged directly to the Revenue Account.

Corporate and Democratic Core

Corporate and Democratic Core costs include the costs of policymaking and all other Councillor based activities together with costs that relate to the general running of the Council. The Best Value Accounting Code of Practice stipulates that such costs are to be excluded from the “total cost” relating to service activity.

Community Assets

Long-term assets that have no determinable useful economic life and are held in perpetuity by the Council, including parks and open spaces.

Creditors

Creditors are a kind of liability. They represent payments owed by the Council to another person or organisation for past events.

Debtors

Debtors are a kind of asset. They represent payments owed to the Council by another person or organisation for past events.

Defined Benefit Pension Scheme

A Defined Benefit Pension Scheme is a scheme where the benefits due to participants are predetermined based on earnings, length of service and age and are not directly dependant on the contributions paid or investment returns realised.

Depreciation

Depreciation is the measure of the cost of wearing out, consuming or reducing the useful life of the Council's assets. A charge is made against services for the value of the assets they have used during the year.

Entity

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single-entity accounts.

Fair Value

The fair value of an asset or liability is the price at which it could be exchanged or settled in an arm's length transaction between two willing, knowledgeable parties.

Financial Instrument

A financial instrument is any contract, which gives rise to a financial asset or liability or an equity instrument in another entity, this includes cash, debtors, creditors, loans, borrowings and shares in other companies.

Infrastructure Assets

Non-current assets that cannot be transferred or sold, including roads, bridges and footpaths.

Inventories

Inventories are raw materials or goods which have been purchased but which have not yet been consumed in the delivery of Council services.

Liabilities

A liability represents a payment owed to another person or organisation including loans, outstanding invoices, provisions, contributions owed to third parties, etc. Short-term liabilities are due to be paid within the current year. Long-term liabilities are amounts that will not be paid until a later year.

Non-Distributable Costs

Non Distributable Costs represent costs that cannot be allocated to specific services and again, under the Best Value Accounting Code of Practice, are excluded from the total cost relating to service activity. Examples of Non Distributable Costs are charges for added pension years and early retirement.

Other Costs

This heading covers items of expenditure that cannot be accommodated in any of the other categories.

Provisions

A provision is a kind of liability. Where a payment for a liability is certain or highly likely to occur but the exact amount and timing is not known, an amount must be put aside to meet the estimated future costs.

Revaluation / Impairment

Revaluations and impairments are adjustments to the value of an asset, either positively or negatively, to align the carrying value of an asset to an independent assessment of the asset’s fair value.

Revenue Expenditure

Revenue expenditure includes the day-to-day costs of providing services including salaries and wages, property costs, transport costs, supplies, and services. It also includes the costs of the repayment of loans used to finance capital expenditure.