DATA LABEL: Public

West Lothian Council

West Lothian Council

West Lothian Civic Centre
Howden South Road
LIVINGSTON
EH54 6FF

20 September 2017

A meeting of West Lothian Council will be held within the **Council Chambers, West Lothian Civic Centre, Livingston** on **Tuesday 26 September 2017** at **10:00am**.

For Chief Executive

BUSINESS

Public Session

1. Apologies for Absence

2. Declarations of Interest - Members should declare any financial and non-financial interests they have in the items of business for consideration at the meeting, identifying the relevant agenda item and the nature of their interest.

3. Order of Business, including notice of urgent business and declarations of interest in any urgent business

4. Members of the Scottish Youth Parliament for West Lothian (MSYP) - Presentation

5. Minutes -

   (a) Confirm Draft Minute of Meeting of West Lothian Council held on Tuesday 15 August 2017 (herewith)

   (b) Correspondence Arising From Previous Decisions (herewith)

   (c) Note Minute of Meeting of Performance Committee held on Monday 12 June 2017 (herewith)

(d) Note Minute of Meeting of Employee Appeals Committee (Private) held on Friday 07 April 2017 (herewith)

<u>Public Items for Decision</u>

6. Election Business

7. West Lothian Council - Annual Accounts

   (a) West Lothian Council - Annual Accounts Year Ended 31 March 2017 (herewith)

   (b) Report to Members and the Controller of Audit on the 2016-17 Audit - Report by Head of Finance and Property Services (herewith)

   (c) Report on the 2016-17 Audit - Report by Ernst and Young LLP (herewith)

8. Family Friendly Working Arrangements - Report by Chief Executive (herewith)

9. Notice of Motion - Remove the Tory Provost - Submitted by Councillor Johnston (herewith)

10. Notice of Motion - United Nations Inquiry Into UK Austerity Policies - Submitted by Councillor Shemilt (herewith)

11. Notice of Motion - Queensferry Crossing - Submitted by Councillor Shemilt (herewith)

12. Notice of Motion - Citizens' Basic Income - Submitted by Councillor Sarah King (herewith)

13. Notice of Motion - Burgh Beautiful Linlithgow - Submitted by Councillor David Tait (herewith)

14. Notice of Motion - Master Sheena Sutherland - Submitted by Councillor Willie Boyle (herewith)

15. Notice of Motion - NHS In Crisis - Submitted by Councillor Lawrence Fitzpatrick (herewith)

16. Notice of Motion - Period Poverty - Submitted by Councillor Kirsteen Sullivan (herewith)

17. Notice of Motion - HMRC - Submitted by Councillor Harry Cartmill (herewith)

18. Documents for Execution

Public Items for Information

19. Treasury Management Annual Report 2016/17 - Report by Head of Finance and Property Services (herewith)

20. Dyslexia - Question to the Executive Councillor for Education - Submitted by Councillor Peter Heggie (herewith)

21. Tory/Labour West Lothian Council Administration: Council Executive - Submitted by Councillor Peter Johnston (herewith)

22. Tory/Labour West Lothian Council Administration: Policy Development and Scrutiny Panels - Submitted by Councillor Johnston (herewith)

23. Void Properties - Question to Services for the Community Executive Member - Submitted by Councillor Frank Anderson (herewith)

24. B&B Accommodation - Question to the Services for the Community Executive Member - Submitted by Councillor Frank Anderson (herewith)

25. New Build Programme - Question to the Services for the Community Executive Member - Submitted by Councillor Frank Anderson (herewith)

26. Nelson Park, Armadale - Question to the Executive Councillor for Services for the Community - Submitted by Councillor Sarah King (herewith)

27. Sports Facilities Transfer to West Lothian Leisure - Question to the Leader of the Council - Submitted by Councillor Sarah King (herewith)

NOTE **For further information contact Anne Higgins, Tel: 01506 281601 or email: anne.higgins@westlothian.gov.uk**

MINUTE of MEETING of the WEST LOTHIAN COUNCIL held within Council Chambers, West Lothian Civic Centre, Livingston, on 15 August 2017.

Present – Provost Tom Kerr (Chair), Depute Provost Dave King (Vice-Chair), Leader of the Council Lawrence Fitzpatrick, Councillors Alison Adamson, Frank Anderson, Stuart Borrowman, William Boyle, Diane Calder, Janet Campbell, Harry Cartmill, Pauline Clark, Tom Conn, Robert De Bold, David Dodds, Angela Doran, Bruce Fairbairn, Peter Heggie, Chris Horne, Carl John, Peter Johnston, Charles Kennedy, Sarah King, John McGinty, Andrew McGuire, Dom McGuire, Andrew Miller, Cathy Muldoon, George Paul, Moira Shemilt, Kirsteen Sullivan, David Tait, Damian Timson

Apologies – Councillor Jim Dickson.

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. ORDER OF BUSINESS

The Provost ruled that the order of business be changed to allow Item 5 (Election Business) and Item 7 (Vacancies on Committees and Outside Bodies) to be taken together.

3. MINUTES

(a) The Council approved the minute of meeting of West Lothian Council held on 11 May 2017 and adjourned meetings held on 18 May and 25 May 2017. The minute was then signed by the Chair.

(b) The Council approved the minute of the special meeting of West Lothian Council held on Thursday 25 May 2017. The minute was then signed by the Chair.

(c) The Council approved the minute of meeting of West Lothian Council held on 7 June 2017. The minute was then signed by the Chair.

(d) The Council noted correspondence arising from previous decisions.

(e) The Council noted the minute of meeting of the Performance Committee held on 10 April 2017.

(f) The Council noted the minute of meeting of the Audit and Governance Committee held on 27 February 2017.

(g) The Council noted the minute of meeting of Education (Quality Assurance) Committee held on 28 March 2017.

4. CONSIDERATION OF STANDARDS COMMISSION FINDINGS

The Council considered a report (copies of which had been circulated) by the Monitoring Officer concerning the findings of the Standards Commission following a hearing on a complaint against a former West Lothian councillor, Angela Moohan.

The Monitoring Officer reported that on 24 May 2017, the Standards Commission held a hearing in relation to a complaint against former Councillor Angela Moohan of a breach of the Councillors' Code of Conduct. The Commission had determined that there had been a breach of the Code of Conduct in relation to the requirements to register remunerated employment and to declare non-financial interests and the financial interests of others.

A copy of the Commission's findings was attached as an appendix to the report.

It was noted that the council had a statutory duty to consider the findings of the Commission. The council then had to report the outcome of that consideration to the Commission.

The Monitoring Officer recommended that the Council:-

1. Note the findings of the Standards Commission in relation to a complaint against former Councillor Angela Moohan contained in the appendix to the report.

2. Consider those findings as required by section 18 (2) of the Ethical Standards in Public Life etc. (Scotland) Act 2000 and note that the outcome would be reported back to the Standards Commission.

Decision

To note the terms of the report.

5. VACANCIES ON COMMITTEES AND OUTSIDE BODIES

The Council considered a report (copies of which had been circulated) by the Chief Executive inviting the Council to revisit appointments made in May and June 2017 to bodies in the Scheme of Administration and to outside bodies, and to address vacancies on some of those bodies.

The report recalled that in May and June 2017, council determined the number of member appointments to each of the committees and other bodies established by the council in its internal decision-making structure and allocated them amongst political parties and the sole Independent member. Most members were appointed at the council meetings, but some were left to be notified later.

The report went on to advise that some positions had not been filled and the relevant political groups had been asked to consider making appointments to fill the remaining places which were allocated to them. Appendix 1 provided a list of the bodies in the Scheme of Administration where there were still vacancies.

Council was asked to consider what action should be taken to address these remaining appointments.

In relation to outside bodies, the council had also made appointments in May and June to a variety of outside bodies. Again, some of the members were not appointed there and then but were to be notified later.

The relevant political groups had been asked to consider making appointments to fill the remaining places which were allocated to them. Appendix 2 provided a list of the bodies in the Scheme of Administration where there were still vacancies.

It was recommended that the Council:-

1. appoint one member as the council's representative on the Children's Panel Area Support Team (Appendix 3).

2. note the vacancies in membership of the bodies in the Scheme of Administration (Appendix 1) and to consider what action should be taken.

3. note the vacancies in outside body appointments (Appendix 2) and to consider what action should be taken.

The Council then heard a statement by the SNP Group Leader that the SNP Group would not nominate to a number of Committees as the Group considered that the Committee system did not ensure political balance and did not reflect the views of the local electorate as expressed at the last West Lothian Council election.

The SNP Group Leader then nominated members to the Livingston Youth Trust and West Lothian Fairtrade Steering Group.

<u>Decision</u>

<u>Livingston Youth Trust</u> – To agree to appoint Councillor Moira Shemilt to the Livingston Youth Trust.

<u>West Lothian Fairtrade Steering Group</u> – To agree to appoint Councillor Frank Anderson to the West Lothian Fairtrade Steering Group.

<u>Education PDSP (Appendix 1)</u>

Motion

"That the composition be changed to 3 Labour, 1 Independent, 2 Conservative and 1 SNP member".

Moved by Councillor Lawrence Fitzpatrick, seconded by Councillor Kirsteen Sullivan.

Amendment

"That the composition be changed to 3 SNP, 2 Labour, 2 Conservative."

Moved by Councillor Peter Johnston, seconded by Councillor Janet Campbell.

It was agreed that a roll call vote be taken which resulted as follows:-

Motion	Amendment
Alison Adamson	Frank Anderson
Stuart Borrowman	Willie Boyle
Harry Cartmill	Diane Calder
Tom Conn	Janet Campbell
David Dodds	Pauline Clark
Angela Doran	Robert De Bold
Bruce Fairbairn	Carl John
Lawrence Fitzpatrick	Peter Johnston
Peter Heggie	Sarah King
Chris Horne	Andrew Miller
Charles Kennedy	Moira Shemilt
Tom Kerr	David Tait
Dave King	
John McGinty	
Andrew McGuire	
Dom McGuire	
Cathy Muldoon	
George Paul	
Kirsteen Sullivan	
Damian Timson	

Decision

The motion was successful by 20 votes to 12 votes and it was agreed accordingly. Councillor Borrowman was therefore appointed to fill the vacancy on the PDSP.

Licensing Board

It was noted that there was a legal requirement to appoint between 6 and 10 members to the Licensing Board. The Council had previously decided to appoint 10 members which meant the quorum for a Board meeting was five. Only six names had been forthcoming to date.

The Council then heard a motion by Councillor Lawrence Fitzpatrick and three separate amendments by Councillors Peter Heggie, Peter Johnston and Damian Timson relating to a change to the number of members to be appointed and the composition of that number. The motion and amendments were as follows:-

Motion

"To reduce the number of members to 6 comprising 3 Labour and 3 Conservative" – Moved by Councillor Lawrence Fitzpatrick, seconded by Councillor Kirsteen Sullivan.

First Amendment

"To appoint a minimum of 8 members, comprising 4 Labour and 4 Conservative" – Moved by Councillor Peter Heggie, seconded by Councillor Damian Timson.

Second Amendment

Should 6 members be appointed, the composition should be 3 SNP, 2 Labour and 1 Other; and

Should 8 members be appointed, the composition should be 4 SNP, 2 Labour and 2 Conservative" – Moved by Councillor Peter Johnston, seconded by Councillor Frank Anderson.

Third Amendment

"To appoint 8 members, comprising 4 Conservative, 3 Labour and 1 Independent" – Moved by Councillor Damian Timson, seconded by Councillor Peter Heggie.

The Governance Manager advised the Council that the number of members to be appointed should be agreed before the composition of that number could be determined. The Provost ruled that a vote be taken to reach a decision on whether the Board should comprise 6 or 8 members.

The roll call vote resulted as follows:-

6 Members	8 Members	Abstain
Harry Cartmill	Alison Adamson	Stuart Borrowman
Tom Conn	Frank Anderson	
David Dodds	Willie Boyle	
Angela Doran	Diane Calder	
Lawrence Fitzpatrick	Janet Campbell	
Dave King	Pauline Clark	
John McGinty	Robert De Bold	
Andrew McGuire	Bruce Fairbairn	
Dom McGuire	Peter Heggie	
Cathy Muldoon	Chris Horne	
George Paul	Carl John	

Kirsteen Sullivan	Peter Johnston
	Charles Kennedy
	Tom Kerr
	Sarah King
	Andrew Miller
	Moira Shemilt
	David Tait
	Damian Timson

Decision

It was agreed by 19 votes to 12 votes, with 1 abstention (and 1 member absent) that 8 members be appointed.

West Lothian Licensing Board - Composition

The motion by Councillor Lawrence Fitzpatrick then fell as it concerned the appointment of 6 members and the Council had agreed to appoint 8 members.

The first part of the amendment by Councillor Peter Johnston fell as it concerned the appointment of 6 members.

A roll call vote was taken on the first amendment against the second amendment, the terms of which were as follows:-

First Amendment

"That the composition of the Licensing Board be changed to:- 4 Labour and 4 Conservative" – Moved by Councillor Peter Heggie, seconded by Councillor Damian Timson.

Second Amendment

"That the composition of the Licensing Board be changed to:- 4 SNP, 2 Labour and 2 Conservative" – Moved by Councillor Peter Johnston, seconded by Councillor Frank Anderson.

First Amendment	Second Amendment	Abstain
Alison Adamson	Frank Anderson	Stuart Borrowman
Tom Conn	Willie Boyle	Harry Cartmill
David Dodds	Diane Calder	
Angela Doran	Janet Campbell	
Bruce Fairbairn	Pauline Clark	
Lawrence Fitzpatrick	Robert De Bold	
Peter Heggie	Carl John	
Chris Horne	Peter Johnston	
Charles Kennedy	Sarah King	
Tom Kerr	Andrew Miller	
Dave King	Moira Shemilt	
John McGinty	David Tait	
Andrew McGuire		
Dom McGuire		

Cathy Muldoon
George Paul
Kirsteen Sullivan
Damian Timson

The first amendment was successful by 18 votes to 12 votes, with 2 abstentions (and 1 member absent).

A roll call vote was taken on the first amendment against the third amendment , the terms of which were as follows:-

First Amendment

"That the composition of the Licensing Board be changed to:- 4 Labour and 4 Conservative" – Moved by Councillor Peter Heggie, seconded by Councillor Damian Timson.

Third Amendment

"To appoint 8 members, comprising 4 Conservative, 3 Labour and 1 Independent" – Moved by Councillor Damian Timson, seconded by Councillor Charles Kennedy.

First Amendment	Third Amendment	Abstain
Tom Conn	Alison Adamson	Frank Anderson
David Dodds	Stuart Borrowman	Willie Boyle
Angela Doran	Harry Cartmill	Diane Calder
Lawrence Fitzpatrick	Bruce Fairbairn	Janet Campbell
Tom Kerr	Peter Heggie	Pauline Clark
Dave King	Chris Horne	Robert De Bold
John McGinty	Charles Kennedy	Carl John
Andrew McGuire	Damian Timson	Peter Johnston
Dom McGuire		Sarah King
Cathy Muldoon		Andrew Miller
George Paul		Moira Shemilt
Kirsteen Sullivan		David Tait

Decision

The First Amendment was successful by 12 votes to 8 votes, with 12 abstentions and 1 member absent. Accordingly, it was agreed that the Licensing Board comprise 4 Labour members and 4 Conservative. The Council then appointed Provost Tom Kerr as the additional Conservative member and noted that the Labour nomination would be advised in due course.

Firefly Arts – 1 Member

Nomination

"To appoint Dom McGuire as the Council's representative" – Proposed by Councillor Lawrence Fitzpatrick, seconded by Councillor Dom McGuire.

Decision

There being no further nominations, it was agreed that Councillor Dom McGuire be appointed.

Children's Panel Area Support Team – 1 Member

Nominations

"To appoint Councillor Angela Doran" – Proposed by Councillor Lawrence Fitzpatrick, seconded by Councillor Kirsteen Sullivan.

"To appoint Councillor Andrew Miller" – Proposed by Councillor Peter Johnston, seconded by Councillor Frank Anderson.

It was agreed that a roll call vote be taken which resulted as follows:-

Angela Doran	Andrew Miller	Abstain
Harry Cartmill	Frank Anderson	Alison Adamson
Tom Conn	Willie Boyle	Bruce Fairbairn
David Dodds	Diane Calder	Peter Heggie
Angela Doran	Janet Campbell	Chris Horne
Lawrence Fitzpatrick	Pauline Clark	Charles Kennedy
Tom Kerr	Robert De Bold	Damian Timson
Dave King	Carl John	
John McGinty	Peter Johnston	
Andrew McGuire	Sarah King	
Dom McGuire	Andrew Miller	
Cathy Muldoon		
George Paul		
Kirsteen Sullivan		

Decision

It was agreed by 14 votes to 12 votes with 6 abstentions (and 1 member absent) that Councillor Angela Doran be appointed.

Election Business (Other)

St John's Hospital Stakeholder Group

The Council was informed of the resignation of Councillor Andrew McGuire from the St John's Hospital Stakeholder Group.

Decision

To agree that Councillor Andrew McGuire be replaced by Councillor Dom McGuire on the St John's Hospital Stakeholder Group.

Licensing Committee

The Council was informed of the resignation of Councillor Dave King from the Licensing Committee.

Decision

To agree that Councillor Dave King be replaced by Councillor Harry Cartmill on the Licensing Committee.

6. NOTICE OF MOTION - NEW BUILD HOUSING AND HOMELESSNESS - SUBMITTED BY COUNCILLOR FRANK ANDERSON

The Council considered a motion submitted by Councillor Anderson in the following terms:-

“The SNP Group welcomes the additional £3 billion+ committed to the new build housing and in particular, the £8.963 million allocated to West Lothian for 2017/18.

Furthermore, we welcome the allocation of a further £38.048 million to West Lothian over the next 3 years.

The SNP Group therefore calls for a report to the next SF&C PDSP detailing the sites identified for building 2000 council houses, how we can stipulate that all new build have PV capacity, and can be adapted to accept ‘storage’ batteries.

The SNP Group further calls for a report on how we are tackling homelessness. This report to include the amount spent on bed and breakfast accommodation per year, the options to alleviate using B&B (including the possible use of prefabricated tiny(?) houses, or the conversion of a suitable building). This report to also include the option of a new build ‘homeless unit’ within the Livingston area.”

Moved by Councillor Frank Anderson, seconded by Councillor Sarah King.

Amendment

“West Lothian Council recognises the funding that the Scottish Government is allocating to the funding of social affordable rented housing across Scotland. However the allocation to West Lothian is far short of what is required to achieve our target of 3000 new build affordable homes by 2022.

We have been allocated	2017/18	£8.963m
	2018/19	£11.397m
	2019/20	£12.894m
	2020/21	£13.757m
	Total	**£47.011m**

This resource planning by the Scottish Government will not meet our target for funding. It is also not guaranteed as it can be diverted elsewhere if not spent to the Scottish Governments expectations.

For future new build in West Lothian it falls far short of the £114 million that is needed to build another 1000 new homes in West Lothian as part of our

3000 new affordable homes programme over a ten year period to 2022. The Scottish Government should recognise this and fully fund our programme to address the shortage of council housing here in West Lothian.

As for photo-voltaic panels, the SNP posture as supporters of the technology, however while in office between 2007 and 2012 only installed PV in ten houses. Even in these houses they failed to make any provision for energy storage batteries.

Homelessness is a social problem not unique to West Lothian. It is a problem that is endemic to the whole of Scotland. Every major town and village is suffering from the shortage of council or affordable housing. Shelter Scotland reports that there are 30,000 homeless people in Scotland across all local authority areas. 10,000 live in temporary accommodation, tomorrow 5,000 children will wake up without a home, and every 20 minutes a household in Scotland becomes homeless. At the same time there are 150,000 on council housing waiting lists. The SNP Government has turned a housing shortage into a crisis, through ignoring their day to day responsibilities and focussing on separation from the UK instead.

West Lothian Council is in the process of preparing a report on homelessness and this will be presented to the P.D.S.P in October 2017. "

Moved by Councillor Paul, seconded by Councillor Muldoon.

The roll call voted resulted as follows:-

Motion	Amendment	Abstain
Frank Anderson	Stuart Borrowman	Alison Adamson
Willie Boyle	Harry Cartmill	Peter Heggie
Diane Calder	Tom Conn	Chris Horne
Janet Campbell	David Dodds	Charles Kennedy
Pauline Clark	Angela Doran	Damian Timson
Robert De Bold	Bruce Fairbairn	
Carl John	Lawrence Fitzpatrick	
Peter Johnston	Tom Kerr	
Sarah King	Dave King	
Andrew Miller	John McGinty	
Moira Shemilt	Andrew McGuire	
David Tait	Dom McGuire	
	Cathy Muldoon	
	George Paul	
	Kirsteen Sullivan	

Decision

The amendment was successful by 15 votes to 12 votes, with 5 abstentions (and 1 member absent) and it was accordingly agreed.

7. NOTICE OF MOTION - NEW BUILD PROGRAMME - SUBMITTED BY COUNCILOR FRANK ANDERSON

The Provost ruled that the motion would not be considered as such motions required 3 months' notice under Standing Order 2(2).

The Governance Manager provided clarification in relation to the Provost's ruling and that the motion was equivalent to the review of an appointment.

8. NOTICE OF MOTION - FAMILY FRIENDLY WORKING ARRANGEMENTS - SUBMITTED BY COUNCILLOR FRANK ANDERSON

The Council considered a motion submitted by Councillor Anderson in the following terms:-

"The SNP Group welcomes and recognises the strides made in Holyrood to make the business day/week more family friendly. The working week changes have been credited, partially, with encouraging more females to enter the political arena.

The SNP Group therefore calls for an officer report, before the end of August 2017, on how Council meetings business can better reflect 'work/life balance' and be more family friendly, this to include making the venue more accessible with crèche facilities available, if necessary."

Moved by Councillor Frank Anderson, seconded by Councillor David Tait.

Amendment

"Council recognises the importance of no barriers perceived or otherwise to entering elected office in West Lothian Council and the importance in a democracy of encouraging people to stand for office and if successful participate fully in Council matters.

To this end Council instructs the Chief Executive to bring a report to the next Council on the arrangements at Westminster, Holyrood and a sample of Scottish local authorities, as regards working arrangements which are structured to recognise family demands as regards childcare/caring responsibilities not only to members but staff and the public."

Moved by Councillor Lawrence Fitzpatrick, seconded by Councillor Damian Timson.

Councillor Shemilt had left the meeting prior to a vote being taken. The roll call vote resulted as follows:-

Motion	Amendment
Frank Anderson	Alison Adamson
Willie Boyle	Stuart Borrowman
Diane Calder	Harry Cartmill

Janet Campbell	Tom Conn
Pauline Clark	David Dodds
Robert De Bold	Angela Doran
Carl John	Bruce Fairbairn
Peter Johnston	Lawrence Fitzpatrick
Sarah King	Peter Heggie
Andrew Miller	Chris Horne
David Tait	Charles Kennedy
	Tom Kerr
	Dave King
	John McGinty
	Andrew McGuire
	Dom McGuire
	Cathy Muldoon
	George Paul
	Kirsteen Sullivan
	Damian Timson

Decision

The amendment was successful by 20 votes to 11 votes, with 2 members absent. The amendment was agreed accordingly.

9. NOTICE OF MOTION - FAIRTRADE FOUNDATION UNDER THREAT - SUBMITTED BY COUNCILLOR FRANK ANDERSON

The Council considered a motion submitted by Councillor Anderson in the following terms:-

"The SNP Group are dismayed to note that some of Britain's leading supermarkets are contemplating dropping the Fairtrade label. In fact, Sainsbury's has already started trials of its own 'Fairly Traded' label to replace their support of the Fairtrade certification scheme.

The Fairtrade Foundation is an internationally renowned and respected certification scheme, which empowers and supports farmers around the world by ensuring they are paid a minimum price for their produce, as well as a financial bonus which is reinvested in their local communities in the form of education, pension and sick pay.

Sainsbury's own scheme disempowers farmers who can work hard to produce the items we take for granted in our weekly shop such as tea, coffee, sugar and bananas. Farmers will no longer be guaranteed this bonus, which can run into thousands of pounds and make a critical difference in poorer parts of the world.

The SNP Group are concerned that these types of schemes are being introduced as a cost cutting measure to improve the company's own bottom line.

We urge Council to support this motion and write to, in particular, Tesco and Sainsbury urging them to rethink their policy and not to abandon their support of Fairtrade."

Moved by Councillor Frank Anderson, seconded by Councillor Peter Johnston.

First Amendment

"Council is dismayed to note that some leading retailers are contemplating dropping the Fairtrade label. In fact, Sainsbury's has already started trials of its own "Fairly Traded" label to replace their support of the Fairtrade certification scheme.

The Fairtrade Foundation is an internationally renowned and respected certification scheme, which empowers and supports farmers around the world by ensuring they are paid a minimum price for their produce, as well as a financial bonus which is reinvested in their local communities in the form of education, pensions and sick pay.

Indeed the Fairtrade Foundation has been supported by the Council, communities and residents of West Lothian.

West Lothian is a Fairtrade Zone with 4 Fairtrade towns (Bathgate, Linlithgow, Livingston and Whitburn), in addition Uphall is a Fairtrade Village and we have a mini Fairtrade Zone in Fauldhouse and Breich Valley.

The above form part of the West Lothian Fairtrade Zone Steering Group Partners in addition to West Lothian College, West Lothian Chamber of Commerce, West Lothian Federation of Small Businesses and Voluntary Sector Gateway West Lothian.

Council supports the annual Fairtrade Fortnight and maintains a Directory of Fairtrade in West Lothian which highlighting the retailers, cafes and restaurants selling Fairtrade products in West Lothian.

Council has supported each West Lothian Fairtrade group through the process of both gaining their Fairtrade status and maintaining it once it has been achieved.

National supermarkets introducing their own schemes and interpretations of what is "Fairtrade" will undermine and cause unnecessary division and confusion on what is "Fairtrade"

Sainsbury's own scheme disempowers farmers who can work hard to produce the items we take for granted in our weekly shop such as tea, coffee, sugar and bananas. Farmers will no longer be guaranteed this bonus, which will run into thousands of pounds and make a critical difference in poorest parts of the world.

Council is concerned that these types of schemes are being introduced as a cost cutting measure to improve the company's own bottom line.

Council therefore agrees to write to Tesco and Sainsbury urging them to rethink their policy and not to abandon their support of Fairtrade Foundation certification.

Council also agrees to write to MPs and both Constituency and List MSPs in the Lothians asking them to support the continuation of Fairtrade Foundation certification when Fairtrade products are bought at Westminster and Holyrood."

Moved by Councillor Tom Conn, seconded by Councillor Dom McGuire.

Second Amendment

"The Conservative Group note a change in many retailer's plans to continue to use the Fairtrade agreement in their projected merchandise plans. We support the practice of fair trading across the Globe.

The Fairtrade initiative was launched in the 1980's in Holland with its aim being fair trading conditions for small farmers in developing countries; this was picked up in 1992 by Oxfam and the world development movement.

Twenty five years later Fairtrade has grown in to retail mainstream and is worth £2bn annually.

This initiative is being reviewed renewed and replaced by a number of retailers and producers such as Tesco, M&S, Cadbury, Green & Blacks and Sainsbury's to "Fairly Traded".

Instead of second guessing why Sainsbury's have changed the manner in which they engage with a fair trading practice the Conservative group propose that West Lothian Council write to Sainsbury's in order to ask for clarification on their policy and why this change of practice."

Moved by Councillor Peter Heggie, seconded by Councillor Chris Horne.

The Provost invited the mover of the motion and the mover of the first amendment to consider adopting a composite motion. Councillors Frank Anderson and Tom Conn agreed that, given that the first amendment incorporated the terms of the motion, a joint position would be agreed.

A roll call vote was then taken on the joint motion against the second amendment moved. The result was as follows:-

Motion	Amendment	Abstain
Frank Anderson	Alison Adamson	Stuart Borrowman
Willie Boyle	Bruce Fairbairn	
Diane Calder	Peter Heggie	
Janet Campbell	Chris Horne	
Harry Cartmill	Charles Kennedy	
Pauline Clark	Tom Kerr	
Tom Conn	Damian Timson	
Robert De Bold		
David Dodds		
Angela Doran		
Lawrence Fitzpatrick		
Carl John		

Peter Johnston
Dave King
Sarah King
John McGinty
Andrew McGuire
Dom McGuire
Cathy Muldoon
George Paul
Kirsteen Sullivan
David Tait

Decision

The composite motion was successful by 23 votes to 7 votes, with 1 abstention (and 2 members absent). The terms of the composite motion was follows:-

"Council is dismayed to note that some leading retailers are contemplating dropping the Fairtrade label. In fact, Sainsbury's has already started trials of its own "Fairly Traded" label to replace their support of the Fairtrade certification scheme.

The Fairtrade Foundation is an internationally renowned and respected certification scheme, which empowers and supports farmers around the world by ensuring they are paid a minimum price for their produce, as well as a financial bonus which is reinvested in their local communities in the form of education, pensions and sick pay.

Indeed the Fairtrade Foundation has been supported by the Council, communities and residents of West Lothian.

West Lothian is a Fairtrade Zone with 4 Fairtrade towns (Bathgate, Linlithgow, Livingston and Whitburn), in addition Uphall is a Fairtrade Village and we have a mini Fairtrade Zone in Fauldhouse and Breich Valley.

The above form part of the West Lothian Fairtrade Zone Steering Group Partners in addition to West Lothian College, West Lothian Chamber of Commerce, West Lothian Federation of Small Businesses and Voluntary Sector Gateway West Lothian.

Council supports the annual Fairtrade Fortnight and maintains a Directory of Fairtrade in West Lothian which highlighting the retailers, cafes and restaurants selling Fairtrade products in West Lothian.

Council has supported each West Lothian Fairtrade group through the process of both gaining their Fairtrade status and maintaining it once it has been achieved.

National supermarkets introducing their own schemes and interpretations of what is "Fairtrade" will undermine and cause unnecessary division and confusion on what is "Fairtrade"

Sainsbury's own scheme disempowers farmers who can work hard to produce the items we take for granted in our weekly shop such as tea, coffee, sugar and bananas. Farmers will no longer be guaranteed this bonus, which will run into thousands of pounds and make a critical difference in poorest parts of the world.

Council is concerned that these types of schemes are being introduced as a cost cutting measure to improve the company's own bottom line.

Council therefore agrees to write to Tesco and Sainsbury urging them to rethink their policy and not to abandon their support of Fairtrade Foundation certification.

Council also agrees to write to MPs and both Constituency and List MSPs in the Lothians asking them to support the continuation of Fairtrade Foundation certification when Fairtrade products are bought at Westminster and Holyrood."

10. NOTICE OF MOTION - WEST LOTHIAN'S LABOUR/TORY DEAL - AN AFFRONT TO DEMOCRACY! - SUBMITTED BY COUNCILLOR FRANK ANDERSON

The Council considered a motion submitted by Councillor Anderson in the following terms:-

"Council congratulates Almond Valley Labour Party for their efforts in seeking their party's national executive to fully investigate the deal between the Labour and Tory political groups on West Lothian Council.

Council notes that this Tory/Labour "deal" has resulted in 5 members of the 7 strong Tory Group receiving enhanced payments and that in return Tory votes have secured 9 members of the 12 strong Labour Group similar rewards.

Council further notes that this Labour/Tory "deal" has further resulted in the political balance within this council's democratic process being farcically skewed to deliver enhanced representation for both Labour and Tory parties – in complete opposition to the views of our local electorate – with the council's largest party, the SNP, being denied the representation our electorate voted for.

Council further notes the Labour/Tory "deal" delivered by Labour and Tory members voting in concert has put in place;

1. A Council Executive with Labour Party 12 members given 7 seats, the Tory Party of 7 members given 4 seats and the SNP with 13 members given 2 seats.

2. An Education Policy Development PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats

and the SNP with 13 members given 1 seat.

3. A Partnership and Resources PDS with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

4. A Development and Transport PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

5. A Culture and Leisure PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

6. An Environment PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

7. A Social Policy PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

8. A Voluntary Organisations PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

9. A Services for the Community PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

10. A Health and Care PDSP with the Labour Party with 12 members given 4 seats, the Tories with 7 members given 2 seats and the SNP with 13 members given 1 seat.

11. A St. John’s Stakeholder Group with no SNP representation.

12. A West Lothian Integration Joint Board with no SNP representation.

13. West Lothian’s COSLA Convention representation with the Labour Party with 12 members given 2 seats, the Tories with 7 members given 1 seat and the SNP with 13 members given 1 seat.

In light of all the above this Council agrees to:-

1. Instruct officers to report to the next scheduled meeting of West Lothian Council detailing the steps necessary to ensure that the political balance of all parts of this council’s democratic process most accurately reflects with wishes of our local electorate as expressed at the last West Lothian Council election.

2. Provide full details of the collusion between the Labour and Tory council groups which has delivered the wholly undemocratic system detailed above to the national executive committee of the Labour Party in Scotland to assist them in their investigations of the deal

between the Labour and Tory parties in West Lothian.

3. Call for a report on how structure would look under a “truly” - proportional system. Write to Scottish Government asking them to consider introducing legislation to compel Councils to reflect the wishes of the electorate.

Councillors in Receipt of Additional Payments

	Provost	Tom Kerr	Conservative
	Leader of the Council	Lawrence Fitzpatrick	Labour
1	Audit Committee – Chair	Chris Horne	Conservative
2	Culture and Leisure Chair	Dave King	Labour
3	Development Management Committee – Chair	Charles Kennedy	Conservative
4	Development and Transport – Chair	Cathy Muldoon	Labour
5	Education Executive – Chair	David Dodds	Labour
6	Environment – Chair	Tom Conn	Labour
7	Governance and Risk Committee – Chair	Damien Timson	Conservative
8	Health and Care – Chair	Harry Cartmill	Labour
9	Licensing Committee – Chair	Peter Heggie	Conservative
10	Services for the Community – Chair	George Paul	Labour
11	Social Policy – Chair	Angela Doran	Labour
12	Voluntary Organisation – Chair	Kirsteen Sullivan	Labour
	NHS Lothian Health Board	John McGinty	Labour

Councillor Peter Johnston reported an amendment to the motion which involved removing Councillor Borrowman from the list of Councillors in receipt of additional payments. This amendment was reflected in the table above.

Moved by Councillor Peter Johnston, seconded by Councillor Robert De Bold.

<u>Amendment</u>

“This council re-affirms it’s already stated position of it being a minority Labour Administration with no power sharing arrangements.”

Moved by Councillor Lawrence Fitzpatrick, seconded by Councillor Kirsteen

Sullivan.

Councillor Janet Campbell had left the meeting prior to a vote being taken. The roll call vote resulted as follows:-

Motion	Amendment
Frank Anderson	Alison Adamson
Willie Boyle	Stuart Borrowman
Diane Calder	Harry Cartmill
Pauline Clark	Tom Conn
Robert De Bold	David Dodds
Carl John	Angela Doran
Peter Johnston	Bruce Fairbairn
Sarah King	Lawrence Fitzpatrick
Andrew Miller	Peter Heggie
David Tait	Chris Horne
	Charles Kennedy
	Tom Kerr
	Dave King
	John McGinty
	Andrew McGuire
	Dom McGuire
	Cathy Muldoon
	George Paul
	Kirsteen Sullivan
	Damian Timson

Decision

The amendment was successful by 20 votes to 10 votes, with 3 members absent. The amendment was agreed accordingly.

11. DOCUMENTS FOR EXECUTION

The Chief Solicitor presented 243 documents for execution.

Decision

That the deeds be executed.

TESCO

Graham Hope
West Lothian Council
Civic Centre
Howden South Road
Livingston
West Lothian
EH54 6FF

Tesco
Shire Park
Welwyn Garden City
AL7 1GA

06 September 2017

Dear Graham,

RE: MOTION – FAIRTRADE FOUNDATION UNDER THREAT

Thank you for your letter to Dave Lewis attaching your motion on Fairtrade certification.

Firstly, I would like to reassure you that we are committed to sourcing our products in an ethical and sustainable way and we work in collaboration with our suppliers as well as a number of product specific certification partners to ensure customers can buy great these quality and sustainable products. For example, we are working in partnership with the Marine Stewardship Council (MSC) to increase our range of certified sustainable fish, and we have also committed that, by the end of 2018, all our cocoa will be responsibly sourced in accordance to a number of sustainability programmes including Fairtrade.

We believe our trade is a force for good, creating jobs and opportunities for people and communities across the world. But it is important that standards are upheld concerning human rights, working conditions and fair wages. We have a robust framework in place to identify labour risks wherever they may be in the supply chain. You can find more information about our wider Responsible Sourcing approach, including several case studies, at www.tescoplc.com/tescoandsociety.

In specific reference to our support for Fairtrade, all finest* roast and ground coffee is Fairtrade, and Rainforest Alliance Certification was introduced to other own label coffee lines a number of years ago. We are now working to be able to extend such certification into our instant coffee lines too, ahead of most other retailers. We also continue to offer our customers a wide selection of other Fairtrade and Rainforest Alliance products, sourced from a range of different countries.

I hope this has reassured you of our commitment to sourcing our products with care. Customers expect great products but they also expect us to help tackle the environment and social challenges they care about. We want to have a positive impact wherever we operate and to do this we need to build strong relationships with suppliers and industry experts such as the Fairtrade Foundation.

Yours sincerely,

Tony McElroy
Head of Devolved Government Relations and Communications
Tony.McElroy@uk.tesco.com

Our Reference: ECM-34490/JW

RECEIVED
- 8 SEP 2017

5 September 2017

Sainsbury's
live well for less

Sainsbury's Supermarkets Ltd
33 Holborn
London
EC1N 2HT

Telephone 020 7695 6000
Fax 020 7695 7610
www.sainsburys.co.uk

Mr Graham Hope CEO
West Lothian Council
West Lothian Civic Centre
Howden South Road
Livingston
EH54 6FF

Dear Mr Hope,

Thank you for your letter highlighting the concerns of West Lothian Council with regards to our recently announced Fairly Traded Tea Pilot. I appreciate the Council's concerns and welcome this opportunity to discuss them alongside the reasoning behind Sainsbury's decision to undertake this pilot.

Sainsbury's is the world's biggest retailer of Fairtrade products. Ethical sourcing has always been and remains at the heart of our business. As we plan for the future, we know that the world is changing and the challenges farmers face are increasingly complex, chief amongst these is climate change which is making farming tougher and more unpredictable. Rather than stand still and watch these challenges further impact our farmers and their communities, we are choosing to tackle them. To do this we have to innovate, as doing more of the same will not be enough.

Our Fairly Traded tea pilot builds on the Fairtrade model. It provides a guarantee that our farmers will continue to receive all the funding, if not more, currently in place through the Fairtrade model- the guaranteed minimum price and social premium. However, Fairly Traded goes further and provides additional benefits to our farmers and growers over and above the Fairtrade model, including:

• Additional safeguards built in to ensure the crucial funding reaches those it is intended for.
• Longer-term commercial relationships with us- providing farmers with a guaranteed market for their products (something not assured under the Fairtrade model).
• Individually-tailored data and support to help them make their businesses more resilient and sustainable in the face of unprecedented challenges.

The programme is underpinned by new Sainsbury's Sustainability Standards that build on and go beyond existing certifications, covering the full breadth of social, economic and environmental aspects. We have been developing this approach for over three years, benchmarking over 70 existing standards and working with leading partners including standards expert, SAI Global, to co-author them. They are based on our experience with farmers across the world and will be independently audited and verified to the highest levels.

The purpose of this new approach is to empower our farmers by providing them with the support, skills, information, resource and market opportunities to grow their business sustainably, in addition to the necessary funding and accountability.
We believe that the additional benefits of our new approach, particularly the data that we will provide, will empower the farmers and their communities to secure a better quality of life. We know from working closely with them how much they value and rely on this data, to develop their businesses.

We do not pretend to have all the answers to the complex issues that our farmers and growers are facing, but we absolutely do have their support to launch this trial. As you would expect, we engaged our tea producers while developing this pilot. All seven of our tea producer groups in East Africa are wholly supportive of the pilot programme and our ambition to test what more can be done to provide an even better future for some of the world's poorest workers, their families and communities.

It is also worth adding that the pilot is cost neutral and there are no savings to our business. Additionally, the price of our tea will not change for our customers.

By far the easier choice in these resource constrained times, would be to maintain the status quo. In the face of the escalating challenges facing our farmers and farming communities, we do not see that as the responsible option. Our ambition is to go above and beyond what farmers, their families and communities currently receive, including under existing initiatives like Fairtrade. To do that we have to innovate and that's why we've launched our Fairly Traded tea pilot, and why we ask to be judged on our results.

We welcome the support we have received from our partners, who share the view that there are always ways to improve, evolve and do things differently. Rather than shout from the side lines, we would encourage any critics to be open-minded and see if the pilot can be successful and improve lives. After all, we are all striving for the same goal.

I would like to share with you a link to a video in which I respond to some of the key questions being asked about our Fairly Traded tea pilot, as well as a link to our 'Frequently Asked Questions' page: https://www.about.sainsburys.co.uk/discover-more/fairly-traded

I hope this clarifies the aims of our pilot, and please feel free to pass it on to your partners as reassurance. I am grateful to you for taking the time to contact me and giving me the opportunity to explain our position.

Yours sincerely

Mike Coupe,
CEO

Higgins, Anne

From: Erskine J (John) <john.erskine@parliament.scot>
Sent: 05 September 2017 10:26
To: Higgins, Anne
Subject: FW: Response to West Lothian Council (Fairtrade Certification)

Follow Up Flag: Follow up
Flag Status: Flagged

Dear Graham,

Thank you for your letter dated 21st August 2017 regarding the motion that was passed by West Lothian Council last month concerning the Fairtrade Foundation certification. As you know the Lothian Region Labour MSPs work as a team and my colleague Neil Findlay MSP takes the lead in the West Lothian area and would be happy, I'm sure, to discuss this with you further.

As you may be aware, my Scottish Labour colleague, Colin Smyth MSP lodged a motion in the Scottish Parliament urgeing Sainsbury's to resever the decision to drop Fairtrade Foundation certification from it's own brand tea products, which I have supported. I attach the full text of the motion at the end of this e-mail for your information.

I hope you find this information useful, however, if I can be of any further assistance to you in regards to this issue, please do not hesitate to contact me.

Kind Regards,

Kezia

Attached Motion:

Motion S5M-06689: Colin Smyth, South Scotland, Scottish Labour, Date Lodged: 11/07/2017Hide Full Motion <<

That the Parliament deeply regrets the reported decision by Sainsbury's to withdraw its own brand red and gold label tea from the Fairtrade Mark certification scheme; notes that the growth in recent years in the sales in the South Scotland region and across the country of products with the Fairtrade Mark has contributed significantly to the estimated £1.6 billion in retail sales of such products in the UK in 2015; further notes that such a level of sales generates an estimated £29.8 million in Fairtrade Premium, a communal fund for workers and farmers to use as they see fit to improve their social, economic and environmental conditions; believes that the proposal from Sainsbury's takes that decision-making power away from workers and farmers and gives it to a board in the UK; urges Sainsbury's to reverse its decision, and urges other supermarkets to keep Fairtrade certified products in their shops and develop their commitment to Fairtrade certification.

* * * * * * * * * * * *

Kezia Dugdale MSP

MSP for Lothian Region (Labour & Co-op)
M1.07, Scottish Parliament, EH99 1SP

Tel: 0131 3486894
www.keziadugdale.com
www.twitter.com/kezdugdale

Letter Sent to:-
Tesco
Sainsburys
WL MPs
Constituency MSPs
List MSPs

DATA LABEL: PUBLIC

Corporate Services

Committee Services
Carol Johnston
Chief Solicitor

Civic Centre
Howden South Road
Livingston
West Lothian
EH54 6FF
e-mail: anne.higgins@westlothian.gov.uk

Contact: Anne Higgins
Tel: 01506 281601

Hannah Bardell MP
House of Commons
London
SW1 0AA

21 August 2017

Dear Ms Bardell

MOTION – FAIRTRADE FOUNDATION UNDER THREAT

At a meeting of West Lothian Council held on 15 August 2017, the Council agreed a composite motion concerning Fairtrade Foundation certification.

I would be grateful if you could consider the terms of the motion (copy attached). I would ask that your response be directed to Graham Hope, Chief Executive, West Lothian Council.

Yours sincerely

A. Higgins

for Graham Hope
Chief Executive

Enc

MINUTE of MEETING of the PERFORMANCE COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 12 JUNE 2017.

Present – Councillors Stuart Borrowman (Chair), Andrew McGuire, Charles Kennedy, Dave King

1. DECLARATIONS OF INTEREST

Three were no declarations of interest made.

2. MINUTE

The committee confirmed the Minute of its meeting held on 10 April 2017 as a correct record. The Minute was thereafter signed by the Chair.

3. ADVICE SHOP

The Committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing an overview of the Advice Shop service and details of service performance.

The report advised that the Advice Shop provided a free, impartial and confidential service with a focus on alleviating poverty and promoting inclusion and equality through advice, assistance and advocacy. It helped individuals and families to increase their disposable income, manage debt and remain in their home and keep warm.

The Advice Shop also provided money and budgeting advice and leads on the development and delivery of the Community Planning Partnership's "Better Off" West Lothian's Anti-Poverty Strategy.

The Service dealt with 13,500 customers and 60,000 enquiries generating £27.9 million in additional benefits to citizens in West Lothian 2016/17.

The report went on to advise that the Advice Shop measured a suite of performance indicators in line with the council's performance management framework using the Covalent system. These indicators were representative of a range of services delivered by the service and included measures of both customer and staff perception. Appendix 1 to the report showed a selection of indicators in full detail including current and past performance.

In December 2014 the service undertook a WLAM Assessment and was asked to report back to the performance panel in one year on People Results. The service introduced a staff focus group and developed an action plan to develop and implement improvements.

The report recommended that the Committee:

1. Note the performance report for the Advice Shop service;

2. Provide feedback and recommendations on performance; and

3. Identify any recommendations for performance improvement.

There then followed a number of questions in relation to staff survey results, best practise, CRM forecasts, costs, outputs, relationship with other agencies and how they operate. It was also explained that bi-monthly meetings with the DWP took place to discuss a wide range of issues.

There were also questions with regard to benchmarking and it was explained that this was difficult as not all local authorities and agencies were doing the same thing.

Decision

To note the terms of the report.

4. COMPLAINT PERFORMANCE QUARTER 3 2016/17

The committee considered a report (copies of which had been circulated) by the Depute Chief Executive providing the council's annual complaints 2016/17 and to provide detailed analysis of council-wide complaints closed during 2016/17

The committee was advised that the Scottish Public Services Ombudsman (SPSO) developed and published a model Complaint Handling Procedure (CHP) on 28 March 2012. The model CHP was to ensure a standardised approach in dealing with customer complaints across the local authority sector. All local authorities were required to adopt the model CHP by 31 March 2013.

Table one provided the council's total complaints closed per 1,000 population over the past 5 years. The table showed that there had been an increase in complaints received by the council in 2016/17 when compared to the previous year from 2330 to 3414. Table two provided information on complaints closed by service and table three provided complaints information by category over the five year period.

The current service level complaint performance varied across the council and was linked to the complexity and quantity of complaints received. Housing, Customer and Building Services and Operational Services were the main complaint generators by service.

Further information was provided on the main complaint categories which were as follows:

- Standard of Service

- Policy

- Waiting Time
- Communication
- Employee Attitude

The Depute Chief Executive explained that appendix 1 contained the council wide performance against the SPSO defined measures for 2016/17 and appendix 2 provided a full breakdown of the council's complaint performance including trends and where appropriate, benchmarking information.

The Corporate Complaint Steering Board identified 4 high level indicators that provided a summary of complaint handling performance and detailed as follows:-

- Total complaints received
- Complaints closed within 5 working days
- Complaints closed within 20 working days
- Complaints partly upheld/upheld

Table 4 provided a summary of service against the 4 key indicators and table 5 provided a service trend summary of upheld/part upheld complaints as a percentage of complaints received by quarter covering 2015/16 and 2016/17. Table 6 provided indicative ratios for the number of complaints against the specific customer groups for Education Services, Housing, Customer and Building Services and Operational Services.

The report went on to advise that appendix 3 provided information on complaints that were escalated to the Scottish Public Services Ombudsman by customers and that a large number of these escalated complaints resulted in a decision by the Ombudsman not to progress, not to investigate or where not upheld.

In conclusion the report advised that in 2016/17 the council received 3,414 complaints and that this represented an increase on the number of complaints in 2015/16. This increase was primarily linked to the 126% increase in complaints closed by Operational Services and an increase of 36% by Housing, Customer and Building Services.

The Service changes carried out over 2016/17 in Waste Services had led to a range of complaints linked to the 140 litre bin replacement programme, route changes and the waiting time to provide additional/replacement bins to customers.

It was recommended that the Performance Committee :-

1. Note the corporate and service complaint performance against the standards outlined in the council's complaint handling procedure; and

2. Continue to monitor complaint performance and request additional information from services as required.

Decision

To note the terms of the report.

MINUTE of MEETING of the EMPLOYEE APPEALS COMMITTEE (PRIVATE) of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 7 APRIL 2017.

Present – Councillors John McGinty (Chair), Frank Anderson, Tony Boyle, Anne McMillan, John Muir, George Paul

Apologies – Councillor Cathy Muldoon

1. DECLARATIONS OF INTEREST

Councillor Frank Anderson declared a non-financial interest in that he was a member of the PCS union.

2. MINUTE

The committee confirmed the Minute of its meeting held on 24 March 2017 as a correct record.

3. PRIVATE SESSION

The committee resolved in terms of paragraph 1 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 that the remaining items of business be taken in private.

4. CONSIDERATION OF APPEAL

Introductions were made by all parties and the Clerk explained the procedure that would be followed.

The committee was invited to consider an appeal by a former employee of Social Policy under the Council's Disciplinary Procedure.

The management was represented by the Senior Manager Assessment and Prevention and a Senior HR Advisor. The management called three witnesses.

The appellant was present and represented by a family member. The appellant did not call any witnesses.

The committee heard the management and witnesses speak in relation to the appeal.

The appellant and her representative were given an opportunity to question the management and witnesses in turn.

The committee had an opportunity to question the management and witnesses in turn.

The committee heard the appellant and her representative speak in relation to the appeal.

The management was given an opportunity to question the appellant and her representative.

The committee had an opportunity to question the appellant and her representative.

Finally, each side summed up the merits of the case.

All parties then left the room to allow the committee to consider its decision in private.

The committee called all parties back to the room for clarification of a particular point.

All parties then left to allow the committee to conclude its deliberation in private.

After reaching its decision all parties returned to hear the decision from the Chair.

Decision

The committee found that the grounds of the appeal were not substantiated and the appeal was therefore not upheld.

West Lothian Council

Annual Accounts

Year ended 31 March 2017

CONTENTS

Accounts of West Lothian Council for the year ended 31 March 2017, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Accounts

Annual Accounts (Continued)

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of West Lothian Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of West Lothian Council ("the council") and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Council Tax Income Account, the Non-Domestic Rate Account, the Common Good Fund, the Trusts and Mortifications Account and notes to the Annual Accounts and notes to the Group Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the deficit on the provision of services of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Head of Finance and Property Services for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Finance and Property Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance and Property Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and Property Services; and the overall presentation of the financial statements.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information in the annual accounts

The Head of Finance and Property Services is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.
In our opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have the following to report in respect of these matters.

Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The council failed to comply with this statutory requirement for the three year period ending 31 March 2017 in respect of their significant trading operation, Economic Development Properties.

We have nothing further to report in respect of the other matters.

Stephen Reid, for and on behalf of Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ
29 September 2017

MANAGEMENT COMMENTARY

1. THE COUNCIL

1.1 General

West Lothian Council lies at the heart of central Scotland midway between the cities of Glasgow and Edinburgh. It sits astride the M8 and M9 motorways and contains a mixture of small rural and urban communities, including towns such as Livingston, Broxburn, Bathgate, Whitburn, Armadale and Linlithgow. It borders the City of Edinburgh, Falkirk, North Lanarkshire, South Lanarkshire and the Scottish Borders.

The council provides a diverse range of essential services, such as:

- Education
- Social services
- Housing
- Environmental health
- Planning
- Economic development
- Highways
- Transport

The quality and effectiveness of these services relies on the commitment, dedication and ability of the council's 6,808 (Full Time Equivalent) employees, who on a daily basis make a difference to the lives of our customers.

West Lothian has a total population of over 178,000, which accounts for 3.3% of the total population of Scotland. Located in the central belt of Scotland, bordered by five neighbouring authorities, West Lothian is less than 30 miles from Edinburgh and Glasgow and in 2014 had over 77,000 jobs and 4,565 registered firms. The three largest sectors in West Lothian are health, construction and retail.

With a growing younger population and a large increase in the older population, West Lothian is fairly unique in Scotland. The latest estimates are that West Lothian's population will grow to over 196,000 by 2037. While West Lothian has one of the fastest growing and youngest populations in Scotland it is also forecast to have the highest population growth in the over 75 age group in Scotland. Growth in the population of West Lothian will mean more demand for all services including waste collection, schools and support for older and vulnerable people in our communities.

The council is proud of its school estate which is one of the best in Scotland in terms of condition and suitability, and has, over a number of years, invested considerable sums to ensure school pupils have the best possible environment to learn and develop. Within the current general services capital programme for 2017/18, there are a number of significant planned improvements, projects and other investment which will sustain and improve the condition, suitability, sufficiency, accessibility and sustainability of our school estate.

The construction of a new West Calder High School through a design, build, finance and maintain (DBFM) contract will provide one of the most modern learning environments of any secondary school in Scotland and will also provide the community of West Calder with local access to facilities including a swimming pool and sports and leisure accommodation. The building will be fully operational from August 2018.

The council is committed to delivering 1,000 new council houses, which is the most significant local authority new build programme in Scotland, and will provide new council homes for rent. Expenditure on the 1,000 Houses New Build Programme amounted to £27.309 million in 2016/17. There were 105 new build completions during the financial year across West Lothian, including: Pumpherston, Bridgend, Broxburn, Blackburn, Bathgate as well as Kirkhill, Philpstoun and Linlithgow Bridge. Construction works are progressing across a range of locations, with additional handovers in the coming months.

A community benefits clause within procurement contracts provides an innovative partnership to support local suppliers and employability measures. The Housing Capital programme includes unprecedented levels of planned expenditure to support both the new build programme and continued investment in housing infrastructure to ensure that homes are suitable for 21st century living.

The council is committed to partnership working as a key to improving the quality of life for local people. Providing seamless services is at the heart of the council's ethos and this can clearly be demonstrated by an active Community Planning Partnership and other partnership arrangements such as the West Lothian Community Safety Unit partnership with Police Scotland.

MANAGEMENT COMMENTARY

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament in February 2014 and established the framework for the integration of health and social care in Scotland. In line with this, a health and social care partnership in the form of the West Lothian Integration Joint Board (IJB) has been set up in West Lothian. The new arrangements require the delegation of relevant functions and resources by the council and NHS Lothian to the West Lothian IJB. This was effective from 1 April 2016. The level of resources associated with council functions delegated to the IJB in 2016/17 is £60.584 million.

The central location, infrastructure and range of industrial and commercial properties, along with the support of the council's Enterprise Centre, property and business advisors, ensure that new businesses are attracted to invest and locate in the area.

West Lothian has three fantastic country parks, Almondell and Calderwood, Beecraigs and Polkemmet; the area boasts a range of outdoor activities from golf courses and horse-riding to a renowned skate park, while the council's partners West Lothian Leisure provide leisure, sports and swimming facilities across the area.

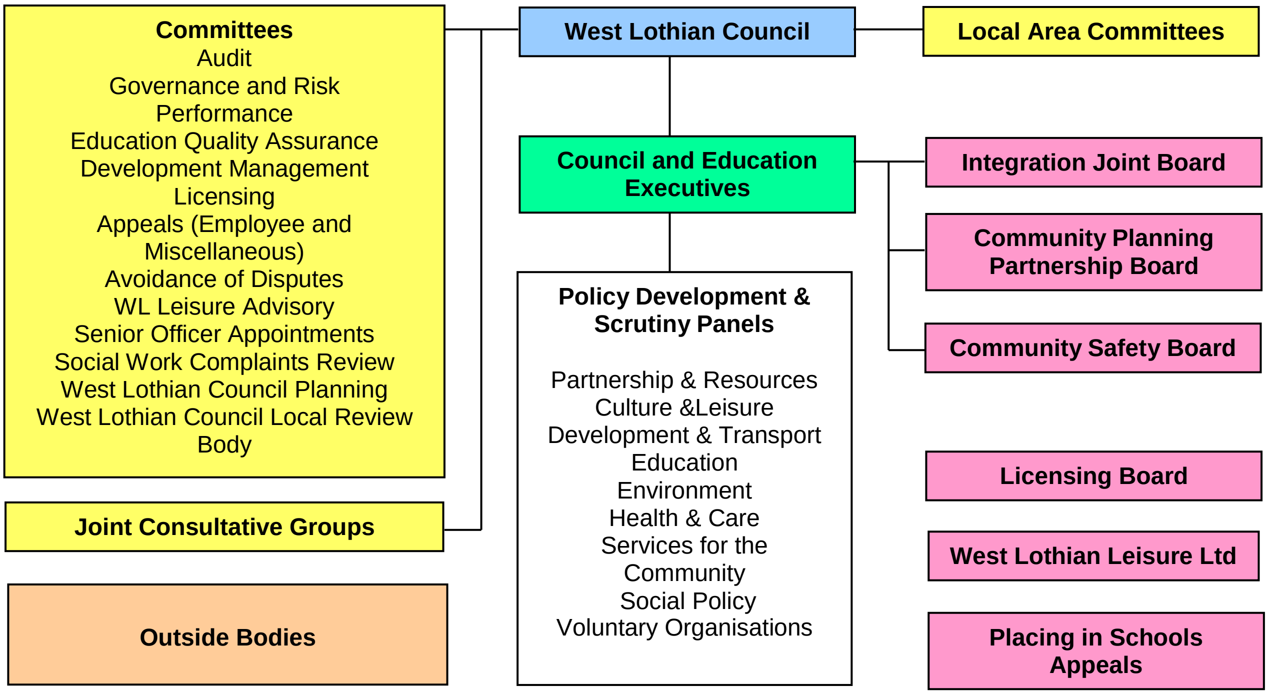
1.2 West Lothian - Decision Making Structure

The council is made up of 33 locally elected members who serve the constituents of nine multimember wards. The area also has two Scottish Parliament constituencies Almond Valley and Linlithgow, and two UK parliamentary constituencies Livingston and Linlithgow and East Falkirk.

At 31 March 2017, the council had 33 locally elected members, 16 of which were Labour, 15 Scottish National Party (SNP), 1 Conservative and 1 Independent. Following Local Elections on 4 May 2017, the make-up of the council is now 13 SNP, 12 Labour, 7 Conservative and 1 Independent.

The elected members meet every six weeks at full council. Below the full council, there is a structure of other bodies which are designed to make decisions and set council policy in an efficient and transparent way. The committee structure in place throughout the year is shown in the following diagram. Council Executive and Education Executive are the two policy-making committees.

Decision Making Structure



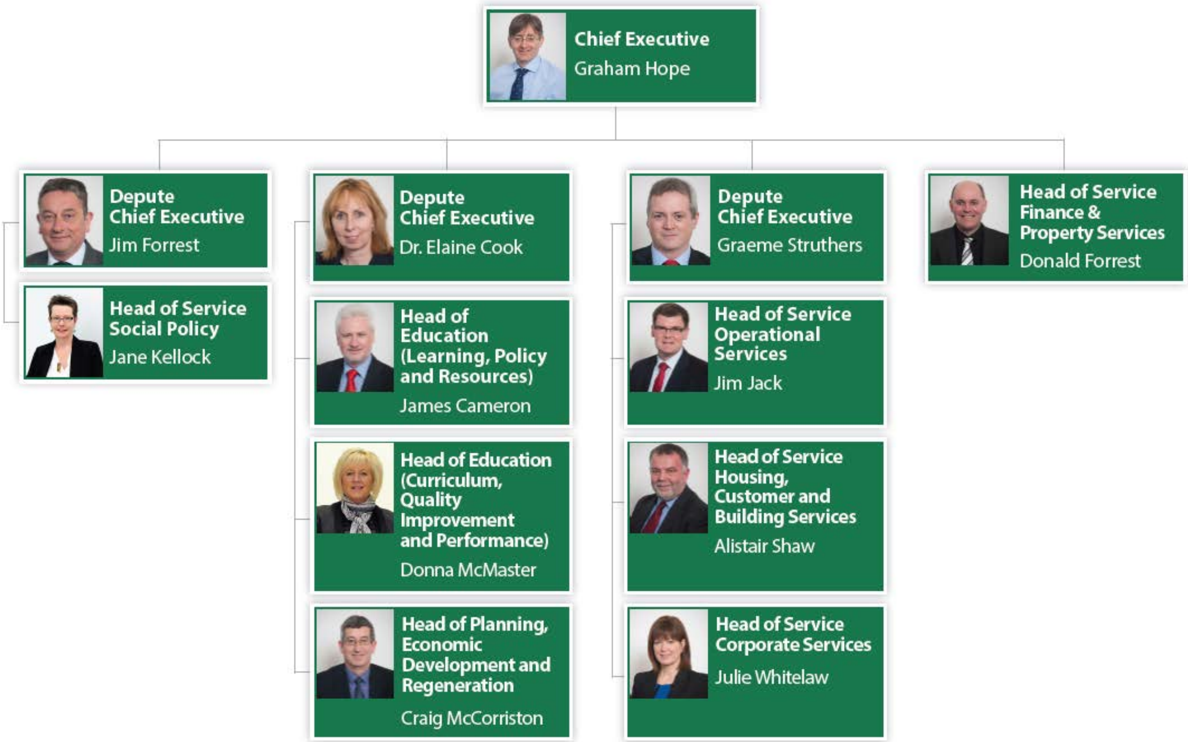
MANAGEMENT COMMENTARY

The council has a set of Standing Orders which regulate the way it goes about its business, at committee meetings and by employees. Standing Orders comprise various elements which apply to different areas of the council's decision-making:-

- The council's Scheme of Administration sets out the membership, powers and responsibilities for full council, all its committees, sub-committees, working groups, Policy Development and Scrutiny Panels and Local Area Committees.
- The Scheme of Administration is part of the councils Standing Orders for the Regulation of Meetings which contains the rules and regulations for the way council and committee meetings are organised and run
- The Scheme of Delegations to Officers lists the decisions which the council has decided to leave to employees of the council to make
- The Standing Orders for the Regulation of Contracts set out the rules which apply to the contracts the council enters into
- The Procurement Procedures set out the way the council must go about setting up contracts for the supply of goods and services
- The Financial Regulations contain the council's arrangements for the proper administration of its financial affairs

1.3 **Management Structure**

The council's Management Team consists of the Chief Executive, three Depute Chief Executives, and eight Heads of Service including the Section 95 Officer (Head of Finance and Property Services). Details of salaries and pensions for these senior officers can be found in the remuneration report on pages 20 to 25.



2. Corporate Strategy

The council's Corporate Plan can be accessed using the following link https://www.westlothian.gov.uk/media/3641/West-Lothian-Council-Corporate-Plan-2013-2017/pdf/corporateplan.pdf.

The Plan sets the strategic priorities for the council from 2013 to 2017 and the strategy for 2018 to 2022 is currently in development. The strategic priorities provide the focus for all services, as the council works to deliver better outcomes for West Lothian. The council's overall aim is to improve the quality of life for people in West Lothian. The Corporate Plan contains eight key priorities that aim to make a lasting and sustainable impact on the local area and improve the lives of residents in West Lothian. The priorities are:

- Delivering positive outcomes and early interventions for early years
- Improving the employment position in West Lothian
- Improving the quality of life for older people
- Improving attainment and positive destinations for school children
- Minimising poverty, the cycle of deprivation and promoting equality
- Reducing crime and improving community safety
- Delivering positive outcomes on health
- Protecting and built and natural environment

The council has an integrated set of strategies designed to support the delivery of the council's priorities and also to contribute to Strategic Outcomes of the West Lothian Community Planning Partnership.

Corporate Strategies are developed to support the delivery of the Corporate Plan priorities by achieving specific, linked outcomes. These strategies capture cross-cutting council activity that will affect all, or a significant proportion of, council services within the corporate planning period.

The council produces a Factfile on an annual basis which provides an essential guide to the council's performance in relation to the eight priorities. The most recent publication for 2015/16 can be found on the council's website: https://www.westlothian.gov.uk/factfile. The 2016/17 publication can be found on the same link and is scheduled for publication in October 2017.

3. Budget Strategy and Budget Setting

The annual general services and housing revenue budgets form part of the council's integrated approach to financial strategy, corporate planning, delivery of outcomes and performance monitoring. The activity budget links the council's activities, resources and outcomes and is a core element of the council's financial strategy and annual management plans. The 2017/18 activity budget is published on the council's intranet. The council's budget setting process is subject to statutory, regulatory and governance requirements. The Local Government Finance Act 1992 section 93(2) requires councils to formally agree council tax levels before 11 March each year, and the Housing (Scotland) Act 1987 requires the housing budget and rent increases to be reported to Council each year for approval.

The general services capital programme supports the delivery of the council's eight priorities incorporated in the Corporate Plan. The programme also takes into consideration comments received during budget consultations where there was support for the managing of our assets and reducing energy use workstreams. It is important that resources are prioritised on an ongoing basis to ensure investment has the maximum impact on the core assets required to sustain existing service delivery. The current Corporate Asset Management Strategy was agreed in January 2013 and individual Asset Management Plans for each asset category were approved throughout 2013. Asset management provides appropriate structures and governance arrangements to ensure the council's assets are utilised appropriately in support of service delivery.

MANAGEMENT COMMENTARY

The Prudential Code requires councils to approve, on an annual basis, a defined set of prudential

l indicators, covering both general fund and housing capital investment, at the same council meeting that approves the revenue budget for the forthcoming year. The key objective of the Prudential Code is to ensure that the capital investment plans are affordable, prudent and sustainable. The Code has nine prudential indicators designed to support and record local decision making, which require to be approved and monitored by the Council. In doing so, the council is fulfilling its duty to ensure that spending plans are affordable, prudent and sustainable and also confirming that the treasury management function operates in accordance with the requirements of the CIPFA Treasury Management in the Public Services Code of Practice.

The 2017/18 budgets for general services revenue, the housing revenue account (HRA), the general services capital programme and the housing capital programme were approved by full Council on 20 February 2017, and the treasury management plan for 2017/18 was approved on 7 March 2017.

4. Performance Overview

Performance management is the way that West Lothian Council measures achievement in key activities and processes. It enables the council to track the progress made in achieving outcomes and priorities and to demonstrate that services are delivered efficiently and effectively.

West Lothian Council has a strong, well established approach to performance management and reporting of performance. Aligned to the council priorities (and the Corporate Plan) and outcomes for West Lothian, the performance framework supports a balanced, multifaceted view of impact. The framework requires indicators that track overall impact and quality of services through measures of efficiency, effectiveness and satisfaction with the service.

A range of information is published on corporate and council service performance:

http://www.westlothian.gov.uk/article/6283/Serviceand-Public-Performance

and on comparative performance:

http://www.westlothian.gov.uk/benchmarking

The council has a rigorous programme of self-assessment – using a European Foundation for Quality Management (EFQM) based approach, which has been in place for over ten years, to ensure challenge and performance focus are embedded in the council culture. External scrutiny is also used to improve service performance and challenge practice against the best in class in the public, private and third sectors. The council retained Customer Service Excellence (CSE), Investors in People (IIP) and Investors in Young People at Gold (the highest level) accreditations following external assessment in 2016/17. The council achieved European Foundation for Quality Management (EFQM) at five-star level following an external assessment and won the overall Scottish Award for Business Excellence (SABE) in 2016/17. The council also won a special award for Leadership at the SABE in 2016/17.

A range of performance information is published on all council services, this includes:

Customer satisfaction with the service: We consult with customers on the services and the quality of the service that they receive from the council. This information that customers provide is used to identify ways to improve our services. Measurable indicators of customer satisfaction are also tracked and monitored from surveys with customers, demonstrating if the council is providing high quality customer-focused services to customers. The council holds Investor in People status across the organisation and every team is involved in service improvement and Customer Service Excellence.

How we perform against Service Standards: Service Standards are the promises that the council makes to our customers about the quality of the service that we will deliver. The standards set out what customers accessing our services can expect regarding customer service, timeliness and overall quality.

We monitor our performance against the standards with customer satisfaction results and the measurable aspects of service provision, such as time taken to deliver services and the number of complaints received or upheld. Telling people how our services are performing is important. It helps the council to demonstrate that we are open and honest with the public, and that we are working to improve the value and impact of our services for the people living, working and learning in West Lothian.

The efficiency of the service: The council has a responsibility to achieve value for money and report our performance to the public, explaining how efficiently we deliver services. There are different ways to determine the efficiency of a service and the council uses a range of indicators. This includes indicators measuring the unit cost of services and indicators measuring productivity. This information is used to increase efficiency and also to compare the cost and efficiency of our services with other similar services.

Benchmarking is an improvement process that allows West Lothian Council to compare our performance with other organisations, such as other Scottish local authorities. Benchmarking is used to identify how we are doing and what we can learn from the high performance and good practice of others.

MANAGEMENT COMMENTARY

The impact of the service: The council has set challenging outcomes and priorities for West Lothian with our Community Planning Partners. Each service will contribute to achieving those outcomes and priorities and the impact of a service is determined by the ongoing measurement of key activities and processes that they deliver.

5. Financial Performance Review

The financial performance review outlines the key financial issues affecting the council during the year and the overall financial position of the council.

5.1 Financial Ratios

The following ratios assist evaluation of the council's financial sustainability and affordability of financial plans.

Council Tax	**2016/17**	**2015/16**	**Notes on Ratios**
In-year collection rate Target for year	95.3% 95.3%	95.2% 95.0%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Council Tax income as a percentage of overall funding	18.9%	18.4%	This shows the proportion of total funding that is derived from Council Tax.
Debt and Borrowing – Prudence			
Capital Financing Requirement (£'000)	£652,361	£624,099	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets.
Debt and Borrowing – Affordability			
Financing costs to net revenue stream – General Fund	7.3%	6.7%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream – HRA	26.6%	25.3%	
Impact of capital investment on Council Tax (£'000)	£188,820	£183,293	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents (£'000)	£463,541	£440,806	

5.2 Financial Out-turn

Net expenditure on General Services is met from government grants and council tax. In 2016/17 government grants accounted for 81.1% (81.6% 2015/16) of the council's external funding with the remaining 18.9% (18.4% 2015/16) from council tax. The in-year collection rate for council tax in 2016/17 was 95.3% (95.0% 2015/16).

In 2016/17 the council incurred net expenditure of £442.610 million against a budget of £444.421 million, utilising 99.6% of available budget. The Expenditure and Funding Analysis (EFA), Statement 4, on page 26 shows how the annual net expenditure is used, how it is funded from resources and how expenditure is allocated for decision making purposes between the council's services.

The figures in the first column of the EFA detail the financial position before the charging of accounting entries such as depreciation, pensions and accumulating absences in line with the council's monitoring procedures throughout the year.

MANAGEMENT COMMENTARY

As shown in the EFA, the General Fund recorded a net deficit for the year of £0.347 million. This was made up of the following:-

- A net service underspend of £1.811 million
- A breakeven position in non-service expenditure
- A breakeven position in council tax income
- A net spend of £2.158 million in relation to General Fund committed balances

The service underspend of £1.811 million reflects additional funding of £1.736 million received from the Scottish Government in March 2017 for investment linked to employability and economic regeneration which will be carried forward to fund expenditure in 2017/18. The remaining underspend of £0.075 million is the net effect of the following movements in a number of demand led areas.

- A mild winter which resulted in savings within the winter maintenance budget.
- Partially offset by an overspend in Social Policy Children's services due to additional residential school and secure unit placements during the latter part of the financial year.
- Demand led pressures across social care which include growth in elderly care numbers and requirements and also growth in learning disability clients.
- Homelessness costs, within Housing, Customer and Building Services, increased. An action plan has been implemented to manage the costs of homelessness on a recurring basis and the financial progress against this plan will be reviewed on a regular basis during 2017/18.

Key demand led areas of the budget will be closely monitored during 2017/18 and any overspend risks will be highlighted on a timely basis to ensure action is taken to mitigate pressures.

The net deficit of £0.347 million decreases the General Fund balance to £25.262 million at 31 March 2017. Existing commitments against the balance are £23.187 million, including a Modernisation Fund of £3.764 million and time limited projects of £4.861 million. Full details of the commitments against the General Fund Balance are detailed in Note 36 on page 61. The uncommitted balance of £2.075 million (£2.070 million 2015/16) or 0.5% of budgeted net expenditure is £0.075 million above the council's target minimum uncommitted General Fund balance of £2 million.

The council holds a provision of £0.174 million to meet the remaining liabilities arising from equal pay claims. West Lothian is currently finalising discussions with claimants' representatives to establish settlement terms on the small number of claims outstanding. To date £1.276 million has been paid to claimants and their representatives. During 2016/17 £0.257 million (£0.811 million 2015/16) was paid from the provision. The remaining balance in the equal pay provision is deemed sufficient to cover any further payments which may be required.

The council has a Modernisation Fund which can be used to assist in funding potential termination costs for staff or other costs associated modernisation and change within the council. To date £14.605 million has been paid from the Modernisation Fund. As at 31 March 2017, the balance of the Modernisation Fund is £3.764 million.

Included in the Comprehensive Income and Expenditure Statement is £0.951 million of expenditure in relation to the cost of employee exit packages paid to 42 staff during 2016/17 as part of the council's strategy to balance the budget.

During the normal fixed assets revaluation cycle, community centres, day centres, old people's homes, partnership centres, pavilions, miscellaneous land and schools were revalued. As a result, £23.914 million was charged to the Comprehensive Income and Expenditure Account. £0.644 million of this relates to the downward revaluation of the Economic Development Properties and the remaining £23.270 million relates to impairment on council dwellings. The revaluation charge has no impact on the General Fund Balance carried forward.

5.3 **Revenue Budget – Housing 2016/17**

Statement 10 (page 64) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £24.214 million. Statement 11 (page 65) the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £24.214 million. The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.926 million.

MANAGEMENT COMMENTARY

For 2016/17, capital financing charges were less than budgeted resources, with underspends also noted in employee costs and supplies and services. These underspends were offset, in part, by an overspend in premises costs and an under recovery of income. The combination of these allowed an increased contribution in Capital Funded from Current Revenue (CFCR). The enhanced CFCR provision ensures not only a breakeven position, but provides a cost effective means of financing housing capital investment.

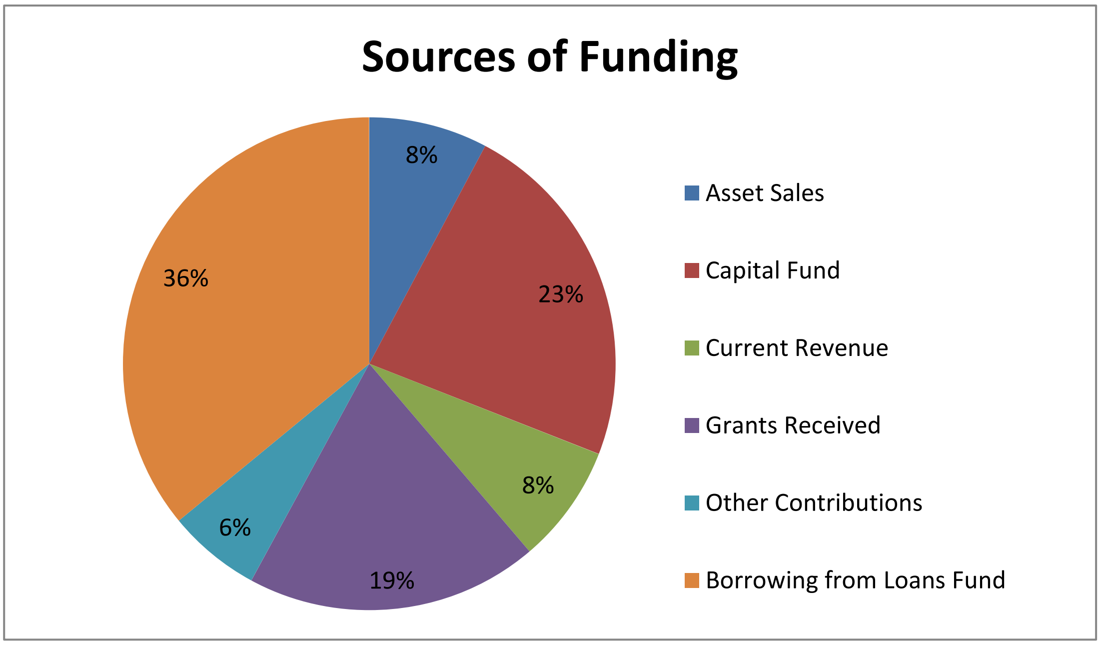
5.4 **Capital Budget 2016/17**

Under the provisions of the CIPFA Prudential Code for Capital Finance in Local Authorities, councils can decide locally on capital investment strategy on the basis that spending plans must be affordable, prudent, sustainable and meet Best Value requirements. Compliance with these criteria is demonstrated by defined prudential indicators.

Based on approved indicators, the council was able to demonstrate the affordability of capital plans. The capital financing requirement for 2016/17 was £652.361 million, £463.541 million for general services and £188.820 million for Housing Revenue Account. External debt levels were £668.084 million during 2016/17. The ratio of financing costs to net revenue stream for General Fund and HRA were 7.3% and 26.6% respectively.

Capital expenditure of £119.403 million was incurred in 2016/17. This expenditure was split between two distinct blocks with £49.787 million spent on the Housing Programme and £69.616 million on the General Services Programme.

5.5 **Capital Programme 2016/17**

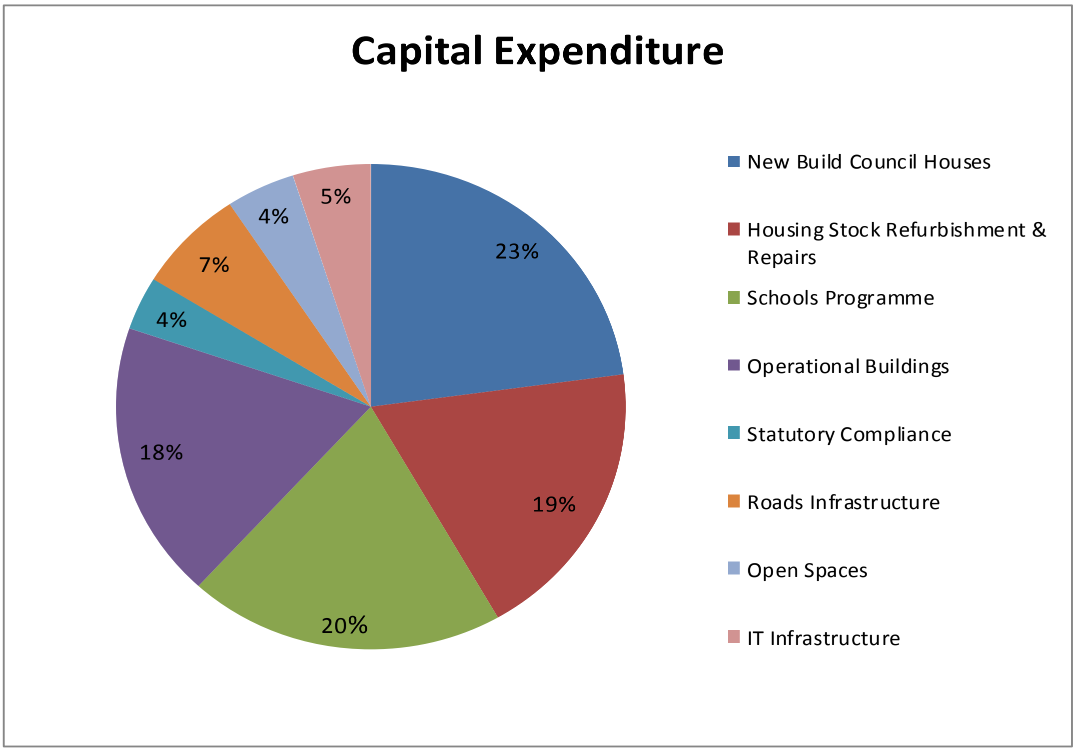


The 2016/17 General Services Capital Programme had a budget of £63.304 million and the final outturn for 2016/17 was £69.616 million. The variance of expenditure compared to budget for the year was £6.312 million due to accelerated spend on major projects from future years. There was net acceleration of £4.532 million within property projects, mainly due to better than anticipated progress in the major projects at West Calder High School and the new Whitehill Service Centre.

The HRA Capital Programme had a budget of £62.450 million and actual expenditure of £49.787 million resulting in a net variance of £12.663 million. This was mainly due to slippage on the 1,000 Houses New Build Programme, due to the timescales for statutory consents and permissions relating to planning, utilities and Scottish Water.

Of the total capital expenditure of £119.403 million, £67.180 million was funded by asset sales and contributions from third parties / funds, £9.309 million was raised from revenue contributions to capital, and the remaining £42.914 million was funded by borrowing. Total internal capital debt outstanding at 31 March 2017 was £603.931 million.

MANAGEMENT COMMENTARY



5.6 **PPP Contracts**

PPP Contracts are assessed under International Financial Reporting Standards (IFRS) which looks at aspects of control of an asset, such as specifying services and the price paid for these services. The net value of all PPP assets in the balance sheet at 31 March 2017 is £148.471 million.

The outstanding liabilities on the PPP contracts are £65.464 million of which £2.392 million is shown under current liabilities and £63.072 million under long term liabilities.

Details of the annual costs of these contracts are shown in note 37.

5.7 **Significant Trading Operations (STO)**

The Local Government in Scotland Act 2003 introduced new requirements to maintain and disclose significant trading operations. Consequently, a trading account has been prepared for the only significant trading operation, Economic Development Properties, in accordance with guidance issued by CIPFA/LASAAC.

During 2016/17 the STO achieved an in-year surplus of £0.485 million. In the three years to 31 March 2017 the trading account sustained a statutory aggregate loss of £4.855 million, therefore not achieving the statutory financial requirement to breakeven over a three year period. This was a result of accounting charges for impairment of £4.477 million in 2015/16 and £0.644 million in 2016/17 on assets from the Economic Development Property Portfolio. Note 31 provides further details.

5.8 **Pension Reserve and IAS19**

The pensions accounting standard IAS 19 is fully adopted in the accounts and details are available in Statement 9 note 1 on accounting policies. The requirement to recognise the council's share of the net liabilities of the Lothian Pension Fund in the balance sheet has resulted in a Pension Reserve debit balance of £290.290 million at 31 March 2017 (£176.148 million 31 March 2016).

The balance sheet deficit has increased during 2016/17 due to a significant decrease in the net discount rate over this period. The effect of this has been partially offset by much greater than expected asset returns achieved over this period. The negative reserve does not impact on the council's available resources.

The figures presented in the actuary's valuation are prepared only for the purposes of IAS19 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, and have no impact on the employers' pension contribution rate.

MANAGEMENT COMMENTARY

5.9 **Other Reserves**

The following table details the usable reserves held by the council for the five year period 2012/13 to 2016/17.

Fund	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Committed General Fund	23,212	20,571	23,869	23,539	23,187
Uncommitted General fund	2,000	2,000	2,000	2,070	2,075
HRA Fund	926	926	926	926	926
Capital Fund	74,338	79,008	84,765	88,214	65,527
Insurance Fund	12,270	12,193	13,570	13,715	11,835
Total	**112,746**	**114,698**	**125,130**	**128,464**	**103,550**

The reduction in the Capital Fund of £22.687 million from 2015/16 is a result of the planned usage of the fund to supplement the capital programme. The Insurance Fund reduction of £1.880 million relates to the triennial revaluation of the fund and subsequent realignment to represent the estimated insurance liability.

5.10 **Group Accounts**

Local authorities are required to consider their interests in all types of entity, including companies, joint ventures and statutory bodies such as Valuation Boards. Where they have a material interest in such entities, authorities are required to prepare a full set of group accounts in addition to their own council's accounts.

The council did not have any subsidiaries during 2016/17, with both West Lothian Leisure Ltd and the Lothian Valuation Board deemed to be associates under group accounts guidance. However during 2016/17 West Lothian Leisure Ltd converted to a company limited by guarantee and from 1 April 2017 will be treated as a subsidiary.

In addition, the council has joint venture relationships with a 50% holding in West Lothian Recycling Ltd and a joint venture in relation to the health and social care partnership in the form of the West Lothian Integration Joint Board (IJB). Full details of the group accounts are on pages 70 to 76.

6. Risk and Uncertainty

West Lothian Council approved its revenue budget for 2017/18 at the council meeting of 20 February 2017. In order to maintain a balanced budget for 2017/18, the council will be required to deliver total budget savings of £8.783 million. The annual budget report also highlighted a number of risks in 2017/18 that will be monitored, including risks surrounding pay and inflation, demand-led risks to social care budgets, and risks around the pupil teacher ratio if pupil numbers exceed forecasts.

The council has an established risk based approach to budget monitoring which ensures that effective action is taken to manage risks. During 2017/18, officers will continue to provide updates on risks as part of the quarterly budget monitoring to Council Executive.

At present, there are no confirmed Scottish Government budget allocations for local government beyond 2017/18 and there are significant risks and uncertainties associated with long term financial assumptions. Some of the key risks and uncertainties are:

- Economic uncertainty and impact on public sector expenditure arising from the impact of the vote to leave the European Union.
- Funding is not provided to fully cover the costs of introducing new legislation.
- Policy changes by the UK or Scottish Governments which restrict the council's local flexibility to decide how to deliver budget savings, or constrain how local authorities allocate their resources to delivering local priorities.
- Pay and inflation increases are not met by funding increases provided.
- Increased demands and public expectations around council services alongside funding constraints
- The impact of demographic changes particularly relevant to West Lothian which is forecast to have the highest growth in Scotland in the over 75 years age group, as well as an increasing younger population.

MANAGEMENT COMMENTARY

Despite the level of uncertainty around the level of funding the council will receive in future years, it is reasonable to assume at this stage that the council will face a very significant funding gap over the five year period 2018/19 to 2022/23.

Given the magnitude of the challenge that the council will face in delivering essential services whilst resources are constrained, and to effectively focus on medium to long tem sustainability, the council agreed on 20 February 2017 to the following:

- The council will continue to adopt the approach of integrating corporate planning and financial planning over the 2018/19 to 2022/23, with a Corporate Plan, revenue plan, capital plan and treasury management plan to be considered at the same council meeting, to ensure that a joined up approach is taken.

- In accordance with Audit Scotland and CIPFA best practice, the council will prepare a priority based revenue financial plan for 2018/19 to 2022/23, to set out how the Corporate Plan priorities will be delivered over the period.

- Officers will prepare a consultation with West Lothian citizens, to include council tax levels to be set over the next five years.

This approach will ensure that the council continues to develop its medium term financial strategy in line with best practice to ensure budgets are balanced, priority outcomes are met and performance is maintained or improved. Officers are currently developing the five year corporate and financial strategy for consideration by elected members during 2017/18.

With regard to future years, council services will be faced with significant challenges to meet demands and operate within tight financial constraints over the foreseeable future. On 20 June 2017, the council approved a report on the council's revenue budget strategy for 2018/19 to 2022/23. This set out the council's approach of integrating corporate planning and financial planning over 2018/19 to 2022/23 and that, in accordance with Audit Scotland and CIPFA best practice, the council will prepare a priority based revenue financial plan for the period.

Taking account of expenditure and funding assumptions, an estimated funding gap of £65.7 million was identified for the period 2018/19 to 2022/23. To ensure the council has balanced budgets going forward, fundamental changes may be required to some services which contribute less to council priorities and the introduction of new models of service delivery will be necessary in some areas. In the Autumn the council will consult with West Lothian citizens on proposed priorities, saving options and proposed council tax levels

Donald Forrest CPFA
Head of Finance and Property Services

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

26 September 2017

STATEMENT OF RESPONSIBILITIES STATEMENT 1

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Finance and Property Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by West Lothian Council at its meeting on 26 September 2017.

Signed on behalf of West Lothian Council

Councillor Lawrence Fitzpatrick
Leader of the Council
26 September 2017

THE HEAD OF FINANCE AND PROPERTY SERVICES' RESPONSIBILITIES

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

In preparing the Annual Accounts the Head of Finance and Property Services, has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Head of Finance and Property Services has also:

- kept adequate 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 give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2017.

Donald Forrest CPFA
Head of Finance and Property Services
26 September 2017

ANNUAL GOVERNANCE STATEMENT — STATEMENT 2

1. Corporate Governance

1.1 The governance framework is the systems, processes, culture and values by which the council is directed and controlled, and the activities through which it is accountable to, engages with and leads the West Lothian community. These are the arrangements put in place to ensure that the intended outcomes for West Lothian residents and other stakeholders are defined and delivered. They must always be used in the public interest.

1.2 The council has overall responsibility for good governance arrangements – for establishing its values, principles and culture, for ensuring the existence and review of an effective governance framework, and for putting in place monitoring and reporting arrangements.

1.3 In practice, as with most of its business, the council to a large extent entrusts the delivery of those tasks to committees and to appropriate council officers. That delegation does not remove or avoid the responsibility of all the council's elected members for governance.

1.4 In the council's Corporate Plan 2013/17 the place of corporate governance as an "enabler" is recognised and established. It is one of the essential back-office corporate services necessary to assist the setting, monitoring, achievement and reporting on corporate priorities and outcomes. The Corporate Plan acknowledges the wide understanding that good governance promotes good decision-making.

2. Governance framework

2.1 The framework is made up of corporate documents, policies and procedures which are designed to guide and assist the council in doing its business in accordance with the law and with proper standards and principles; ensuring that public money is safeguarded and used economically, efficiently and effectively; and fulfilling its statutory duty to secure best value.

3. System of internal control

3.1 A significant part of the council's governance framework is its system of internal control (financial and other). It is an ongoing process designed to identify risks to the achievement of the council's objectives; to evaluate the likelihood of those risks occurring; to consider the potential impact of the risks; and to manage them effectively. Those controls can never eliminate risk or failure to achieve objectives entirely – they can only provide reasonable and not absolute assurance. The design, development and management of the system of internal control is undertaken by managers within the council.

3.2 The system of internal financial control is designed to provide assurance on the effectiveness and efficiency of operations and the reliability of financial reporting. It is based on a framework, which includes financial regulations and a system of management supervision, delegation and accountability, supported by regular management information, administrative procedures and segregation of duties. Its key elements include a documented internal control framework relating to financial processes, procedures and regulations; a comprehensive budgeting and monitoring framework; scrutiny of periodic and annual financial and operational performance reports; performance management information; and project management disciplines.

3.3 Reporting to members on the effectiveness of the system of internal control is carried out by the Audit Risk & Counter Fraud Manager in his Internal Audit Annual Report to committee (June 2017). His conclusion is that the framework of governance, risk management and control is generally sound. He identified areas where improvements could be made and confirmed that recommendations would be followed up and reported as required. Of those, four areas were identified where the conclusion was that control was unsound - information security breaches, grants to voluntary organisations, information asset register and procurement business case exemptions. The agreed actions in relation to those areas will be followed up in the next year.

4. Audit & Governance Committee

4.1 The Audit & Governance Committee monitors the independence and effectiveness of the Audit, Risk and Counter Fraud Unit. It is given assurance in relation to non-internal audit functions through the internal audit manager of Falkirk Council. The committee considers annual reports by the Audit, Risk and Counter Fraud Manager and the Governance Manager which provide an opinion and assurance on the overall adequacy and effectiveness of the council's framework and code of governance, risk management and control. This statement forms part of that process and was approved at committee in June 2017.

4.2 The committee meets four times each year. Reports by the Audit, Risk and Counter Fraud Manager are presented and considered in public unless there is clear legal justification for excluding the public. The outcome of internal audit and counter-fraud investigations judged to be significant are reported. They express an opinion as to whether controls are satisfactory or require improvements. They set out improvement actions which have been agreed with relevant managers. The findings, actions and times for completion are presented for committee approval. The committee periodically receives a report by the Audit, Risk and Counter Fraud Manager in relation to agreed actions which have been reported to committee but which have not been fulfilled.

4.3 The committee also receives reports in relation to governance matters, principally reports issued by the Accounts Commission and/or Audit Scotland in relation to the council or local government as a whole. It can consider those reports from the councillors' perspective and recommend any action which it considers should be taken in response. The committee also receives the annual report on corporate governance and the annual governance statement for approval.

4.4 The committee includes one non-councillor member recruited for a three-year tenure. That member is entitled to the same papers and reports as councillor members of the committee and brings a different non-council and non-councillor perspective to the work of the committee.

5. Code of Corporate Governance

5.1 The council's governance arrangements are reflected in a Local Code of Corporate Governance based on a framework produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The six principles on which the Code is currently based are:-

- Focusing on the purpose of the council, outcomes for the community and a vision for the local area
- Elected members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the council and demonstrating good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of elected members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

5.2 That framework is based on governance principles and sub-principles and is informed by standards and evidence-based compliance and monitoring arrangements. The Code is maintained on the council's performance system, Covalent, with a settled scoring methodology applied and used to measure compliance and monitor progress against each of the requirements of the Code. An annual report is presented to committee annually to provide members with assurance as to the degree of compliance with the standards in the Code. The annual report will be published when it is reported to Council Executive. The annual report includes information about compliance through a list of scores against the Code's standards.

6. Compliance statements

6.1 As part of the annual report a set of compliance statements are produced. They deal with compliance with the law and with the policies, procedures and practices of significance to good governance. They are prepared after wide consultation with services and senior officers and take into account oversight by external bodies of the council's compliance. They are signed by the responsible senior officer and are designed to bring to the attention of elected members any incidents of non-compliance which are significant to the council's operations. They cover the following areas of activity:-

- Breaches of the law - Monitoring Officer
- Best Value Framework - Head of Finance & Property Services
- Procurement - Head of Corporate Services
- Fraud and Corruption - Head of Finance & Property Services
- Employee Whistleblowing - Head of Finance & Property Services
- Discipline and Grievances - Head of Corporate Services
- Occupational Health & Safety - Head of Corporate Services
- Protection of Vulnerable Groups - Head of Corporate Services
- Information Security - Head of Corporate Services
- Public Sector Equality Duty - Head of Corporate Services
- Covert Surveillance and Accessing Communications Data – Governance Manager

6.2 The statement by the Monitoring Officer is particularly important since the Monitoring Officer is one for the four statutory officer posts charged with ensuring the council's compliance with its statutory duties and responsibilities and reporting on any breaches of the law which are significant to the operation of the council.

6.3 Separate reports are provided to members in relation to the operation and compliance with the Councillors' Code of Conduct (by the Governance Manager) and in relation to compliance with the freedom of information legislation (Head of Corporate Services).

7. Scrutiny

7.1 The council deals with the remainder of its scrutiny function by members in three places.

- Policy Development & Scrutiny Panels are working groups of members and representatives from external community bodies. They consider quarterly performance reports from the service areas included in their remit. The reports are drawn from the council's well-established performance monitoring and reporting system (Covalent) and reports are presented with graphs, charts and RAG analysis together with explanatory commentary. Members and external representatives are able to question officers on service performance and make recommendations to them about improvement actions.

- The Performance Committee is established to consider the performance of service units against the council's performance appraisal system, the West Lothian Assessment Model (WLAM). It receives written reports presented at public committee meetings by senior service managers and can question them and make recommendations to them about improvement actions.

- The Education (Quality Assurance) Committee carries out a scrutiny role solely in relation to schools' performance and internal and external assessment reports. The committee includes the non-councillor members appointed by the council in relation to its education function. Representatives from the relevant school's Parent Council are invited to attend and take part in the committee's meetings.

7.2 Taking these into account for performance scrutiny the council has provided a set of forums for the effective scrutiny by members of service performance. Training on scrutiny was included in the induction programme for members to be delivered after the local government elections in May 2017.

8. Officer activity

8.1 The council is required by legislation to operate a professional and objective internal audit service. The Audit, Risk and Counter Fraud Unit includes internal audit which is an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). An annual audit plan is prepared based on an assessment of risk and is approved by the Audit & Governance Committee. Internal audit reports are issued to the committee in relation to the outcome of significant proactive and reactive reports. Reports are issued in the name of the Audit, Risk and Counter Fraud Manager who has the right, when deemed necessary, of direct access to the Chief Executive. There is annual reporting to the committee of internal audit activities and to give assurance about the independence, effectiveness and soundness of the service.

8.2 Legislation requires the council to appoint a Chief Financial Officer. That role is to be performed to conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for qualification. The council's Head of Finance & Property Services is the council's Chief Financial Officer. He operates in accordance with the council's Financial Regulations and Treasury Management plan, and reports regularly to members on revenue and capital budgetary performance and compliance. The role is undertaken in accordance with the relevant statutory rules, guidance and standards.

8.3 Governance and risk management are supervised on the officer side of the council by the Governance & Risk Board. It is chaired by a Depute Chief Executive and its members include the Monitoring Officer, the Audit Risk and Counter Fraud Manager, the Governance Manager, the Chief Solicitor and senior managers from across the council's service areas. It receives reports from officer working groups on risk and corporate governance, and monitors corporate and high risks. It considers the annual report on corporate governance and the compliance statements before they are presented to committee. It provides an effective control and conduit for risk and governance issues and matters of concern.

8.4 Risk management is embedded at a service level across the council and management teams monitor, assess and mitigate risk at service level as a matter of routine at their management team meetings. That process continues at lower levels in each service's management structure. Risk assessment and monitoring and the progress towards agreed actions are carried out using Covalent.

8.5 Similarly, management teams routinely monitor their performance through Covalent, utilising the high-level performance indicators which are reported publicly as well as lower level management performance indicators. Services are divided into WLAM units which report on an agreed cycle to a panel chaired by the Chief Executive. It considers the evidence presented and allocates a score. The service unit then proceeds to report to the Performance Committee.

9. Assurance

9.1 In addition to the activities and procedures already described, throughout the year the council has considered, reviewed and approved numerous documents, strategies, policies and procedures which are reflected and assessed in the code of corporate governance. All of these can be found in the reports and minutes of the committees and other bodies in the council's decision-making structure. The following are small lists of examples of that work:-

- Significant document reviews - Corporate Plan 2013/17; ICT, Corporate Procurement and Information Strategies; Standing Orders and Scheme of Administration; Members' Role Descriptions; Officer/Member Protocols
- Annual reports - System of Internal Control and External Auditors' Review of Key Internal Controls; Equality Outcome and Mainstreaming; Code of Corporate Governance and Annual Compliance Statements; Councillors' Code of Conduct; Chief Social Work Officer Report
- Annual plans and progress/completion reports - Treasury Management Plan and Annual Report; Internal Audit Charter, Plan and Annual Report; Corporate Procurement Plans; Management Plans; People Strategy and Staff Engagement
- Performance and scrutiny - General and HRA revenue fund and capital programme monitoring; procurement activity; complaints performance; service unit performance reports to Performance Committee; Public performance reporting, including Fact File and the End of Term Report
- *Ad hoc* reporting and issues - Independent Review of the Planning Service; Public Protection Committee Biennial Report; Audit & Governance Committee on outstanding actions from risk-based audit reports; recording and broadcasting council meetings; monitoring of performance of Police Scotland and Fire & Rescue Service

9.2 Based on the governance framework and arrangements already described, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2016/17.

10. Matters of concern from 2015/16

10.1 Two matters for action were highlighted in last year's annual governance statement and the annual report on corporate governance. They have been addressed in the last year as follows.

- Members' training was again seen as an area where improvements could be made. Especially in the current regime of reducing budgets for local government the engagement of members in a full understanding of the council's statutory duties and the impacts of budget reductions is essential. It was acknowledged in those reports that the best chance of progress would come after the local government elections in May 2017. With that in mind a working group of officers was established in September 2016 and met regularly with a view to designing and delivering the best possible post-election induction programme and ongoing training and briefing arrangements. Feedback from elected members was obtained and built into the programme. Training for all members, returning and newly-elected, was made compulsory for regulatory committees. The success of the induction programme will be assessed and experience used to inform ongoing training opportunities.
- Formal reviews of several elements of the council's constitutional arrangements were overdue. Those were Standing Orders for the Regulation of Meetings, the Scheme of Administration, the Multi-Member Ward Protocol for Officers, the Multi-Member Ward Protocol for Members and Elected Members' Role Descriptions. The review process was started in 2015/16 and was concluded for all five documents in November and December 2016. They fall to be reviewed again at least once before the next local government elections in 2022.

10.2 Another matter commented on in previous years is the streamlining of the Code of Corporate Governance to try to reduce its size and unwieldiness. That work has not progressed significantly in the current year but has been overtaken by the introduction of a new CIPFA/SOLACE Framework and Guidance (2016). That will require consideration of the extent to which the current Code requires to be amended to reflect and apply the new principles and standards. That is work to be carried out in the coming year.

11. Matters addressed and to be addressed

11.1 A selection of the issues which have been noted in the year are as follows. Actions have been taken during the year as described, and the last three of these are areas which will be taken forward to be addressed next year.

- The possibility of political change and uncertainty was recognised following the local government elections in May 2017. This was largely not capable of control. In preparation, a working group of officers was established and met from September 2016 to plan for the introduction and induction of elected members and for the legal requirements to be met in the immediate post-election period. The effectiveness of those arrangements will be reviewed in 2017/18.
- The proposed expansion of the services delivered for the council through West Lothian Leisure raised legal and governance concerns. A working group chaired by the Project Manager was set up and included the Governance Manager and Chief Solicitor. The actions identified included adequate measures to deal with the governance issues identified. The advice issued by the Standards Commission in 2016 on members' roles in ALEOs was incorporated.
- The implementation of the community empowerment regime called for new policies and procedures to be put in place in relation to asset transfer and participation requests and those were achieved.
- The continuing and developing relationship between the council and the Integration Joint Board was of potential concern. Arrangements were put in place during the year for reporting of IJB activity and decisions within the council and the provision of service delivery and financial performance information to the IJB for its meetings.
- The council's awareness of and compliance with its public sector equality duties was addressed through compulsory training at service level and increased attention to carrying out and reporting on equality impact assessments.
- The review was concluded of Standing Orders for the Regulation of Meetings, the Scheme of Administration, the Multi-Member Ward Protocol for Officers, the Multi-Member Ward Protocol for Members and Elected Members' Role Descriptions.
- The council was inspected by the Office of the Surveillance Commissioner in relation to its policies and procedures for compliance with its regulation of investigatory powers and duties. The inspection identified areas of concern and six principal actions required for improvement. An action plan has been put in place and this is covered in the annual compliance statements. They include the introduction of revised and up-to-date policy and procedures and regular training.
- Members' training remains an area of concern. It has been and will be addressed through the arrangements for post-election induction and training.

- In 2016 a new CIPFA/SOLACE Framework “Delivering Good Governance” was introduced. It replaces the principles, sub-principles and standards found in the 2007 version with revised and updated versions. The Code of Corporate Governance currently reflects the 2007 version of the Framework. Detailed consideration will be given in the next year to transferring the current Code into the framework introduced in the 2016 version. In doing so, it is likely that more specific issues requiring action will be identified as the new principles are applied in the context of the council’s present arrangements.

- The review of the system of internal control identified four areas where control was unsound (information security breaches, grants to voluntary organisations, information asset register and procurement business case exemptions). Actions for improvement have been agreed and progress will be monitored in the next year.

11.2 A list of actions and target completion dates in relation to these issues will be developed and followed up. It will incorporate the work required for consideration of translating the current code of corporate governance into the form required of the 2016 framework and guidance. Completion will be monitored through the governance and risk board and reported to committee as required.

Graham Hope **Chief Executive**	**Councillor Lawrence Fitzpatrick** **Leader of the Council**

26 September 2017

REMUNERATION REPORT — STATEMENT 3

1. INTRODUCTION

In accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2011, West Lothian Council is required to prepare a Remuneration Report to disclose remuneration information and details of West Lothian Council's remuneration policy for "relevant persons". The Regulations define "relevant persons" as senior councillors and senior employees.

The other sections of this report will be reviewed by Ernst & Young LLP and any apparent material inconsistencies with the audited financial statements will be considered as part of their audit report.

2. COUNCIL LEADER, PROVOST AND SENIOR COUNCILLORS

2.1 Remuneration Policy

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the 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 in the council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016/17 the salary for the Leader of West Lothian Council was £33,789. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2016/17 the salary of the Provost of West Lothian Council was £25,341. The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2016/17 sets the level of payment in accordance with the regulations at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £295,643. 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.

In 2016/17 (2015/16) West Lothian Council had 11 senior councillors and the basic salary paid to these councillors totalled £299,510 (£275,990). 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.

The Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses which sets out details of the salary parameters for all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the Council Executive on 1 March 2016 and is available at http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=30191

2.2 Remuneration Policy - Convenors and Vice Convenors for Police and Fire Functions and Joint Boards

In addition to the Senior Councillors of the council the Regulations also set out the remuneration payable to councillors with the responsibility of a convenor or a vice-convenor of a Joint Board. The Regulations require the remuneration to be paid by the council of which the convenor or vice-convenor is a member. The council is also required to pay any pension contributions arising from the convenor or vice-convenor being a member of the Local Government Pension Scheme.

In 2016/17 (2015/16) the amount recharged to Lothian Valuation Joint Board in respect of Councillor B Robertson until 13 December 2016 was £2,456 (£3,106) in respect of a vice-convenor position.

2.3 Total Councillors Remuneration

The council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year:-

Type of Remuneration	2016/17 £'000	2015/16 £'000
Salaries	676	666
Allowances	15	11
Expenses	31	28
Total	**722**	**705**

The annual return of Councillors' salaries and expenses for 2016/17 is available for any member of the public to view at all Council Information Services Offices and Libraries during normal working hours and is also available on the council's website at http://www.westlothian.gov.uk/article/1956/Councillors-and-Wards

REMUNERATION REPORT STATEMENT 3

2.4 **Council Leader, Provost and Senior Councillors Remuneration**

The following table provides details of the remuneration paid to the Council's Senior Councillors and remuneration paid to councillors with the responsibility of a convenor or vice-convenor of a Joint Board during 2016/17:-

Name	Post Title	Total Remuneration 2016/17 £	Total Remuneration 2015/16 £
	Council Leader, Provost and Senior Councillors		
T Kerr	Provost (Civic Leader)	25,341	25,090
A Boyle	Chair Licensing Board and Licensing Committee	25,341	25,090
H Cartmill[1]	Chair of Audit and Governance Committee	18,109	25,090
F Toner[2]	Chair of Audit and Governance Committee	24,125	-
T Conn	Executive Post – Environment	25,341	25,090
A Davidson	Chair Development Management Committee	25,341	25,090
J Dixon	Executive Post – Voluntary Organisations	25,341	25,090
L Fitzpatrick	Executive Post – Education	25,341	25,090
D King	Executive Post – Culture and Leisure (Depute Provost)	25,341	25,090
D Logue	Executive Post – Social Policy	25,341	25,090
J McGinty	Leader of Council	33,789	33,454
A McMillan	Executive Post – Health and Care	25,341	25,090
C Muldoon	Executive Post – Development and Transport (Depute Leader)	25,341	25,090
G Paul	Executive Post – Services for the Community	25,341	25,090
B Robertson[3]	Lothian and Borders Joint Valuation	19,349	19,832
Total		**374,123**	**354,366**

1. Chair of Audit and Governance Committee until 23 May 2016.
2. Chair of Audit and Governance Committee from 24 May 2016.
3. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016.

With the exception of matters reserved to the full council or remitted to committees for consideration, the Council Executive has universal decision making powers and has 12 members, of which eight councillors and the Leader of the Council have been appointed with responsibility for Executive Posts.

The amount recharged to Lothian Valuation Joint Board in 2016/17 was £2,456 in respect of Councillor B Robertson (2015/16 £3,106).

3. SENIOR EMPLOYEES

3.1 **Remuneration Policy**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/148 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2015 to 2017.

The salaries of the Depute Chief Executives are based on the nearest point on the national spinal column for Chief Officers, which equates to 87 per cent of the Chief Executive's salary in three spinal column points. Heads of Service are paid across two pay grades of three spinal column points. These pay grades are based on the nearest point on the national spinal column for Chief Officers which equates to one pay grade of 65 per cent and one of 72 per cent of the Chief Executives salary. Placing on the pay grade for Heads of Service is based on the outcome of a job evaluation exercise.

These pay arrangements were agreed through approval of the Organisational Review Report at a meeting of the Policy, Partnership and Resources Committee on 6 February 2002.

The West Lothian Integration Joint Board was legally established on 21 September 2015 and J Forrest was formally appointed as Chief Officer on 16 February 2016. The Depute Chief Executive / Chief Officer West Lothian Integration Joint Board is a joint appointment and the terms and conditions, including pay for the post, are set by NHS Lothian, who employ the post holder directly.

REMUNERATION REPORT STATEMENT 3

3.2 **Senior Employees Remuneration**

The senior employees included in the table are any local authority employee:

- Who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the council,
- Who holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989, or
- Whose annual remuneration is £150,000 or more.

The full year equivalent salary has been provided for senior employees who have been in post for part year during 2016/17 or 2015/16.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration 2016/17 £	Total Remuneration 2015/16 £
G Hope[1] Chief Executive	-	138,180	141,821
J Forrest[2] Depute Chief Executive / Chief Officer West Lothian Integration Joint Board	99,656	49,828	47,237
R G Struthers Depute Chief Executive	-	116,627	115,472
M Niven[3] Depute Chief Executive (Retired)	113,766	-	46,951
E Cook[4] Depute Chief Executive	-	113,031	103,059
D Forrest Head of Finance and Property Services	-	95,078	94,136
J Jack Head of Operational Services	-	87,890	87,020
S Field[5] Head of Area Services	-	-	87,020
A Shaw Head of Housing, Customer and Building Services	-	87,890	87,020
C McCorriston Head of Planning, Economic Development and Regeneration	-	87,890	87,020
J Whitelaw Head of Corporate Services	-	87,890	87,020
J Cameron Head of Education (Learning, Policy and Resources)	-	95,078	94,136
D McMaster[6] Head of Education (Curriculum, Quality Improvement and Performance)	-	93,269	84,322
J Kellock Head of Social Policy	-	93,269	90,573
Total		**1,145,920**	**1,252,807**

1. Remuneration includes returning officer payment of £4,509 in 2016/17 (2015/16 £9,473).
2. The Depute Chief Executive/Chief Officer West Lothian Integration Joint Board, J Forrest, is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total pension contribution paid by WLC in relation to J Forrest in 2016/17 (2015/16) is £7,424 (£7,417).
3. Depute Chief Executive until 13 September 2015.
4. Appointed to Depute Chief Executive from 17 August 2015. Previous post Head of Education (Quality Assurance) until 16 August 2015.
5. At the meeting of West Lothian Council on 23 February 2016, a report on organisational review was approved which resulted in the reduction in the number of heads of service from eight to seven from 1 April 2016. As a result, the post of Head of Area Services was removed from the Corporate Management Structure.
6. Appointed to Head of Education (Curriculum, Quality Improvement and Performance) from 1 October 2015.
7. There were no compensation payments for loss of employment or annual compensation payments in 2015/16 or 2016/17.

REMUNERATION REPORT — STATEMENT 3

3.3 **Employee Information by Pay Band**

The number of officers whose remuneration, including benefits, in the year were £50,000 or more is detailed below:-

Remuneration Bands	Number of Employees 2016/17	2015/16
£50,000 - £54,999	104	99
£55,000 - £59,999	48	49
£60,000 - £64,999	16	19
£65,000 - £69,999	13	2
£70,000 - £74,999	4	7
£75,000 - £79,999	5	3
£80,000 - £84,999	1	1
£85,000 - £89,999	4	5
£90,000 - £94,999	2	3
£95,000 - £99,999	2	-
£100,000 - £104,999	-	1
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	1	1
£120,000 - £124,999	-	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-
£140,000 - £144,999	-	1
Total	**203**	**191**

3.4 **Employee Exit Packages**

The number of employee exit packages with total cost per band is set out in the table below. There were no compulsory redundancies in 2015/16 or 2016/17.

	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
Exit package cost band	**2016/17**	**2015/16**	**2016/17 £'000**	**2015/16 £'000**
£0 - £20,000	26	27	307	256
£20,001 - £40,000	11	12	306	333
£40,001 - £60,000	2	4	103	190
£60,001 - £80,000	2	1	145	65
£80,001 - £100,000	1	1	90	100
£100,001 - £150,000	-	1	-	152
Total	**42**	**46**	**951**	**1,096**

4. PENSIONS

4.1 **Local Government Pension Scheme Details (LGPS)**

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is adjusted by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees the LGPS changed on 1 April 2015 from a final salary pension scheme to a career average scheme. In the 2015 scheme, normal retirement age for both councillors and employees is equal to the member's state pension age subject to a minimum of 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

REMUNERATION REPORT STATEMENT 3

4.1 Local Government Pension Scheme Details (LGPS) (Continued)

The members contribution rates and ranges for 2016/17 remain the same as the 2015/16 rates and ranges.

Whole time pay	Range 2016/17	Range 2015/16	Contribution rate 2016/17	Contribution rate 2015/16
On earnings up to and including	£20,500	£20,500	5.5%	5.5%
On earnings above	£20,500 and up to £25,000	£20,500 and up to £25,000	7.25%	7.25%
On earnings above	£25,000 and up to £34,400	£25,000 and up to £34,400	8.5%	8.5%
On earnings above	£34,400 and up to £45,800	£34,400 and up to £45,800	9.5%	9.5%
On earnings above	£45,800	£45,800	12.0%	12.0%

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

The Local Government Pension Scheme changed on 1 April 2015 from a Final Salary to a Career Average Scheme. For each year in the Scheme from 1 April 2015, a scheme member builds up pension at 1/49ths of pensionable pay. The pension is built up in the member's Pension Account which is revalued each scheme year by HM Treasury Revaluation Order which is currently the Consumer Prices Index (CPI).

If an employee was a member of the Scheme prior to 1 April 2015, the benefits built up under the Final Salary arrangement will continue to be worked out on the member's final pay when leaving. For scheme membership up to 31 March 2015, the pension accrues at 1/60th of final pay at leaving. There is no automatic lump sum but annual pension can be swapped for a tax free lump sum. For scheme membership up to 31 March 2009, pension accrues on the basis of 1/80th of the member's final pay at leaving plus an automatic lump sum of 3 times the pension.

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

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

4.2 Pension Benefits Senior Councillors - Local Government Pension Scheme (LGPS)

The pension entitlements of Senior Councillors for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Senior Councillor's pension during the year.

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2017	For year to 31 March 2016	As at 31 March 2017		Difference from 31 March 2016	
Name	Post Title	£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
T Kerr	Provost (Civic Leader)	5,170	5,145	4	2	(1)	(1)
A Boyle	Chair Licensing Board and Licensing Committee	5,170	5,118	2	-	-	-
H Cartmill[1]	Chair of Audit and Governance Committee	3,694	5,118	2	-	-	-
F Toner[2]	Chair of Audit and Governance Committee	4,922	-	1	-	1	-
T Conn	Executive Post – Environment	5,170	5,118	4	2	-	-
L Fitzpatrick	Executive Post – Education	5,170	5,118	4	2	-	-
D King[3]	Executive Post – Culture and Leisure (Depute Provost)	4,646	5,185	7	2	3	-
D Logue	Executive Post – Social Policy	5,170	5,118	4	2	-	-
A McMillan	Executive Post – Health and Care	5,170	5,118	2	-	-	-
C Muldoon	Executive Post – Development and Transport (Depute Leader)	5,170	5,118	4	2	-	-
G Paul	Executive Post – Services for the Community	5,170	5,237	4	2	-	-
B Robertson[4]	Lothian and Borders Joint Valuation	3,947	4,046	2	-	-	-
Total		**58,569**	**55,439**	**40**	**14**	**3**	**(1)**

1. Chair of Audit and Governance Committee until 23 May 2016.
2. Chair of Audit and Governance Committee from 24 May 2016.
3. Included in the pension scheme until 22 February 2017 up to age 75.
4. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016.

4.2 **Pension Benefits Senior Councillors - Local Government Pension Scheme (LGPS) (Continued)**

All senior Councillors shown in the tables are members of the LGPS.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, including any service with a council subsidiary body, and not just their current appointment.

Councillors A Davidson, J Dixon and J McGinty are not members of the LGPS. All Councillors under 75 years of age are eligible for participation in the LGPS.

4.3 **Pension Benefits Senior Employees - Local Government Pensions Scheme (LGPS)**

The pension entitlements of Senior Employees who are members of the LGPS for the year to 31 March 2017 are shown in the table below, together with the contribution made by the council to each Senior Employee's pension during the year.

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

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2017	For year to 31 March 2016	As at 31 March 2017		Difference from 31 March 2016	
Name	**Post Title**	**£**	**£**	**Pension £'000**	**Lump Sum £'000**	**Pension £'000**	**Lump Sum £'000**
G Hope	Chief Executive	27,269	28,933	55	108	2	1
R G Struthers	Depute Chief Executive	23,792	23,556	43	86	2	1
M Niven[1]	Depute Chief Executive (Retired)	-	9,578	-	-	-	-
E Cook[2]	Depute Chief Executive	23,058	21,024	54	-	7	-
D Forrest	Head of Finance and Property Services	19,396	19,204	37	70	2	-
J Jack	Head of Operational Services	17,930	17,752	37	75	2	1
S Field[3]	Head of Area Services	-	17,752	-	-	(41)	(91)
A Shaw	Head of Housing, Customer and Building Services	17,930	17,752	49	111	2	1
C McCorriston	Head of Planning, Economic Development and Regeneration	17,930	17,752	37	75	2	1
J Whitelaw	Head of Corporate Services	17,930	17,752	26	41	2	1
J Cameron	Head of Education	19,396	18,827	65	-	2	-
D McMaster[4]	Head of Education	19,026	9,213	50	-	28	(65)
J Kellock	Head of Social Policy	19,026	18,477	28	44	3	1
Total		**222,683**	**237,572**	**481**	**610**	**13**	**(149)**

1. Depute Chief Executive until 13 September 2015.
2. Appointed to Depute Chief Executive from 17 August 2015. Previous post Head of Education (Quality Assurance) until 16 August 2015.
3. At the meeting of West Lothian Council on 23 February 2016, a report on organisational review was approved which resulted in the reduction in the number of heads of service from eight to seven from 1 April 2016. As a result, the post of Head of Area Services was removed from the Corporate Management Structure.
4. Appointed to Head of Education (Curriculum, Quality Improvement and Performance) from 1 October 2015.

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

26 September 2017

EXPENDITURE AND FUNDING ANALYSIS — STATEMENT 4

PURPOSE	The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities 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 is presented more fully in the Comprehensive Income and Expenditure Statement.

EXPENDITURE AND FUNDING ANALYSIS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments Between the Funding and Accounting Basis (Note 6) £'000	Transfers to or from other Statutory Reserves £'000	Net Expenditure In the Comprehensive Income and Expenditure Statement £'000
2015/16					
Schools, Education Support		137,195	37,875	-	175,070
Planning, Economic Development and Regeneration		4,070	3,611	-	7,681
Operational Services		57,702	11,100	-	68,802
Housing, Customer and Building Services		5,720	11,348	-	17,068
Corporate Services		12,039	(11,463)	-	576
Social Policy – IJB, Adult and Elderly Services		10	-	-	10
Social Policy – non IJB Adult and Elderly Services		59,005	-	-	59,005
Social Policy – non IJB, Children's Services		31,450	11,806	-	43,256
Chief Executive, Finance and Property		24,103	6,225	-	30,328
Joint Boards		1,214	-	-	1,214
Time Limited Expenditure		340	-	-	340
Other Services		10,991	(1,356)	(9,340)	295
Net Cost of General Fund Services		**343,839**	**69,146**	**(9,340)**	**403,645**
Housing Revenue Account		-	70,367	-	70,367
Net Cost of Services		**343,839**	**139,513**	**(9,340)**	**474,012**
Other Income and Expenditure		(343,579)	(23,656)	(885)	(368,120)
(Surplus) or Deficit	7	**260**	**115,857**	**(10,225)**	**105,892**

	General Fund	HRA Fund	Total
Opening General Fund and HRA Balance	**(25,869)**	**(926)**	**(26,795)**
Deficit on General Fund and HRA Balance in Year	260	-	260
Closing General Fund and HRA Balance as at 31 March	**(25,609)**	**(926)**	**(26,535)**

	Note	Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments Between the Funding and Accounting Basis (Note 6) £'000	Transfers to or from other Statutory Reserves £'000	Net Expenditure In the Comprehensive Income and Expenditure Statement £'000
2016/17					
Schools, Education Support		142,039	83,748	-	225,787
Planning, Economic Development and Regeneration		5,031	1,501	-	6,532
Operational Services		57,675	12,771	-	70,446
Housing, Customer and Building Services		5,126	11,177	-	16,303
Corporate Services		11,072	(10,669)	-	403
Social Policy – IJB, Adult and Elderly Services		60,584	-	-	60,584
Social Policy – non IJB, Children's Services		28,223	6,425	-	34,648
Chief Executive, Finance and Property		23,250	6,510	-	29,760
Joint Boards		1,214	-	-	1,214
Time Limited Expenditure		-	-	-	-
Other Services		10,385	(8,261)	(2,259)	(135)
Net Cost of General Fund Services		**344,599**	**103,202**	**(2,259)**	**445,542**
Housing Revenue Account		-	18,144	-	18,144
Net Cost of Services		**344,599**	**121,346**	**(2,259)**	**463,686**
Other Income and Expenditure		(344,252)	(23,372)	(847)	(368,471)
(Surplus) or Deficit	7	**347**	**97,974**	**(3,106)**	**95,215**

	General Fund	HRA Fund	Total
Opening General Fund and HRA Balance	**(25,609)**	**(926)**	**(26,535)**
Deficit on General Fund and HRA Balance in Year	347	-	347
Closing General Fund and HRA Balance as at 31 March	**(25,262)**	**(926)**	**(26,188)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT — STATEMENT 5

PURPOSE	The Comprehensive Income and Expenditure Statement 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). Authorities 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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

		2016/17			2015/16 Restated		
	Note	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**
Schools, Education Support		231,791	6,004	225,787	181,831	6,761	175,070
Planning, Economic Development and Regeneration		11,478	4,946	6,532	15,098	7,417	7,681
Operational Services		79,497	9,051	70,446	79,052	10,250	68,802
Housing, Customer and Building Services		21,761	5,458	16,303	22,146	5,078	17,068
Corporate Services		1,067	664	403	1,178	602	576
Social Policy – IJB, Adult and Elderly Services		145,587	85,003	60,584	10	-	10
Social Policy – non IJB, Children's and Elderly Services		-	-	-	75,041	16,036	59,005
Social Policy – non IJB Children's Services		39,200	4,552	34,648	47,845	4,589	43,256
Chief Executive, Finance and Property		35,277	5,517	29,760	34,867	4,539	30,328
Joint Boards		1,214	-	1,214	1,214	-	1,214
Time Limited Expenditure		-	-	-	340	-	340
Other Services		58,171	58,306	(135)	59,285	58,990	295
Net Cost of General Fund Services		**625,043**	**179,501**	**445,542**	**517,907**	**114,262**	**403,645**
Housing Revenue Account		64,592	46,448	18,144	117,556	47,189	70,367
Net Cost of Services		**689,635**	**225,949**	**463,686**	**635,463**	**161,451**	**474,012**
Other Operating Expenditure	8	(2,559)	-	(2,559)	(1,877)	-	(1,877)
Finance and Investment Income and Expenditure	9	67,121	34,060	33,061	68,621	30,355	38,266
Taxation and Non-Specific Grant Income	10	-	398,973	(398,973)	-	404,509	(404,509)
(Surplus) or Deficit on Provision of Services		**754,197**	**658,982**	**95,215**	**702,207**	**596,315**	**105,892**
Items that will not be reclassified to the (surplus) / Deficit on the Provision of Services							
(Surplus) / Deficit on revaluation of property, plant and equipment				2,542			(490,210)
Actuarial (gains) / losses on pension assets and liabilities				102,920			(114,318)
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services				105,462			(604,528)
(Surplus) / Deficit on revaluation of available for sale financial assets				(28)			(35)
Other Comprehensive Income and Expenditure				**105,434**			**(604,563)**
Total Comprehensive Income and Expenditure				**200,649**			**(498,671)**

MOVEMENT IN RESERVES STATEMENT — STATEMENT 6

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

MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2017

	Note	General Fund £'000	Housing Revenue Account £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2015 Restated		**25,869**	**926**	**13,570**	**84,765**	**125,130**	**484,085**	**609,215**
Movement in Reserves during 2015/16 Restated								
Total comprehensive income and expenditure		(28,758)	(77,134)	-	-	(105,892)	604,563	498,671
Adjustments between accounting basis and funding basis under regulations	12	38,723	77,134	-	(6,631)	109,226	(109,226)	-
Net increase (decrease) before transfers to other statutory funds		9,965	-	-	(6,631)	3,334	495,337	498,671
Transfers to / (from) other statutory funds	11	(10,225)	-	145	10,080	-	-	-
Increase (decrease) in year		**(260)**	**-**	**145**	**3,449**	**3,334**	**495,337**	**498,671**
Balance at 31 March 2016		**25,609**	**926**	**13,715**	**88,214**	**128,464**	**979,422**	**1,107,886**
General Fund analysed over:								
Amounts Earmarked	36	**23,539**						
Amounts Uncommitted		**2,070**						
Total General Fund Balance at 31 March 2016		**25,609**						
Movement in Reserves during 2016/17								
Total comprehensive income and expenditure		(71,001)	(24,214)	-	-	(95,215)	(105,434)	(200,649)
Adjustments between accounting basis and funding basis under regulations	12	73,760	24,214	-	(27,673)	70,301	(70,301)	-
Net increase (decrease) before transfers to other statutory funds		2,759	-	-	(27,673)	(24,914)	(175,735)	(200,649)
Transfers (to) / from other statutory funds	11	(3,106)	-	(1,880)	4,986	-	-	-
Increase (decrease) in year		**(347)**	**-**	**(1,880)**	**(22,687)**	**(24,914)**	**(175,735)**	**(200,649)**
Balance at 31 March 2017		**25,262**	**926**	**11,835**	**65,527**	**103,550**	**803,687**	**907,237**
General Fund analysed over:								
Amounts Earmarked	36	**23,187**						
Amounts Uncommitted		**2,075**						
Total General Fund Balance at 31 March 2017		**25,262**						

BALANCE SHEET — STATEMENT 7

PURPOSE	The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is 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 (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority 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'.

LONG TERM ASSETS	Note	As at 31 March 2017 £'000	As at 31 March 2016 Restated £'000	As at 31 March 2015 Restated £'000
Property, Plant and Equipment				
- Council Dwelling		382,991	392,439	463,180
- Other Land and Buildings		1,055,260	1,109,578	655,048
- Vehicles, Plant, Furniture and Equipment		19,287	18,729	18,646
- Infrastructure Assets		211,219	207,853	199,148
- Community Assets		570	814	529
- Assets under construction		72,055	43,644	10,534
- Surplus Assets, not yet held for disposal		23,187	23,062	23,062
	13.1	1,764,569	1,796,119	1,370,147
Heritage Assets	14	779	677	677
Long Term Investments	16.1	277	249	213
Long Term Debtors	17	-	11	53
TOTAL LONG TERM ASSETS		**1,765,625**	**1,797,056**	**1,371,090**
CURRENT ASSETS				
Short Term Investments	16.1	125,585	100,466	90,462
Inventories	18	1,137	971	968
Short Term Debtors	19	36,012	35,979	26,726
Cash and Cash Equivalents	29	15,084	27,802	25,241
Intangible Assets	15	592	622	636
TOTAL CURRENT ASSETS		**178,410**	**165,840**	**144,033**
CURRENT LIABILITIES				
Short Term Borrowing	16.1	(100,290)	(100,066)	(89,883)
Short Term Creditors	20	(78,191)	(77,885)	(70,080)
Provisions	21	(174)	(431)	(1,242)
TOTAL CURRENT LIABILITIES		**(178,655)**	**(178,382)**	**(161,205)**
NET CURRENT ASSETS (LIABILITIES)		**(245)**	**(12,542)**	**(17,172)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,765,380**	**1,784,514**	**1,353,918**
LONG TERM LIABILITIES				
Long Term Creditors	22	(1,140)	(1,345)	(1,042)
Long Term Borrowing	16.1	(503,641)	(433,671)	(403,796)
Defined Benefit Scheme Liability	23.3	(290,290)	(176,148)	(272,204)
Other Long Term Liabilities	22	(63,072)	(65,464)	(67,661)
TOTAL LONG TERM LIABILITIES		**(858,143)**	**(676,628)**	**(744,703)**
TOTAL NET ASSETS		**907,237**	**1,107,886**	**609,215**
Financed by:				
USABLE RESERVES				
General Fund Balance	36	25,262	25,609	25,869
HRA Balance		926	926	926
Capital Fund	24.2	65,527	88,214	84,765
Insurance Fund	24.1	11,835	13,715	13,570
TOTAL USABLE RESERVES		**103,550**	**128,464**	**125,130**
UNUSABLE RESERVES	25	**803,687**	**979,422**	**484,085**
TOTAL RESERVES		**907,237**	**1,107,886**	**609,215**

The unaudited accounts were considered by the Audit Committee on 30 June 2017 and the audited accounts were authorised for issue on 26 September 2017.

DONALD FORREST CPFA, Head of Finance and Property Services **26 September 2017**

CASH FLOW STATEMENT — STATEMENT 8

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

	Note	2016/17 £'000	2015/16 Restated £'000
Net surplus or (deficit) on the provision of services		**(95,215)**	**(105,892)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	26	148,698	172,674
Net cash flows from Operating Activities		53,483	66,782
Net cash flows from Investing Activities	27	(135,990)	(103,980)
Net cash flows from Financing Activities	28	69,789	39,759
Net increase (decrease) in cash and cash equivalents		**(12,718)**	**2,561**
Cash and cash equivalents at the beginning of the reporting period		**27,802**	**25,241**
Cash and cash equivalents at the end of the reporting period	29	**15,084**	**27,802**

1. ACCOUNTING POLICIES

General

The council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) supported by International Financial Reporting Standards (IFRS).

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

Following the Telling the Story review of the presentation of local authority financial statements, the 2016/17 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement, introduced a new statement, the Expenditure and Funding Analysis, and streamlined the Movement in Reserves Statement. The changes are explained as follows:

- The requirement to report the cost of individual services in the Comprehensive Income and Expenditure Statement in accordance with the format specified in Section 3 of SeRCOP has been removed and replaced with the requirement to report on an organisational basis.
- The new Expenditure and Funding Analysis brings together the council's performance reported on the basis of expenditure measured under proper accounting practices with statutory defined charges to the General Fund and HRA.
- Both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement include a segmental analysis, which is required to allow the council to report performance on the basis of how it is structured and how it operates, monitors and manages financial performance.
- The 2016/17 Code introduces a new streamlined Movement in Reserves Statement, which presents the Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement as one line.

The 2015/16 figures in the Comprehensive Income and Expenditure Statement have been represented to organisational structure to provide comparator year figures. The 2015/16 figures in the Movement in Reserve Statement have been streamlined in keeping with the Code.

The 2015/16 financial statements have also been restated to reflect material understatement of property, plant and equipment as at 31 March 2016. This resulted in material changes to school and council dwelling asset values as detailed in Note 5 to the annual accounts.

These changes do not impact on the Net Cost of Services as they are presentational in nature and there is no impact on the Balance Sheet as a result of this change in accounting policy.

Revenue Transactions

The Revenue Accounts of the council are maintained on an accruals basis in accordance with the Code of Practice. That is, sums due to or from the council during the year are included, whether or not the cash has actually been received or paid in the year. Provision has been made for possible bad or doubtful debts in both the General Fund Account and Housing Revenue Account. There is no de minimis level for inclusion in the annual accounts for revenue transactions.

Property, Plant and Equipment - Valuation

All expenditure on the acquisition, creation or enhancement of property, plant and equipment has been capitalised on an accruals basis.

Operational Property, plant and equipment have been included in the balance sheet at either existing use value or depreciated replacement cost, depending on whether or not there is assessed to be an active market for the assets being revalued. Assets under construction and Community Assets have been included at historical cost.

Surplus assets not yet available for sale have been included in the Balance Sheet on a fair value basis using the valuation techniques for level 2 inputs, i.e. open market value.

Plant, furniture and computer equipment costing below £6,000 are not treated as long term assets but are charged to the revenue account. This de minimis limit does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

Council houses have been valued at fair value using the Beacon Principle, existing use value for social housing, in accordance with the Royal Institution of Chartered Surveyors (RICS) Guidance. During 2015/16 the council houses were revalued by DM Hall LLP, an external firm of chartered surveyors.

Valuations have been provided by the council's Property Services and an external firm of chartered surveyors. Increases in valuations from 1 April 2007 have been credited to the Revaluation Reserve.

Property, Plant and Equipment - Capital Receipts

Receipts arising from the sale of property, plant and equipment are credited to capital receipts and used to finance new capital expenditure. These transactions are then credited to the capital adjustment account.

Property, Plant and Equipment - Depreciation

Assets, other than land, are being depreciated using the straight line method over their useful economic lives as follows:-

- Council dwellings	50 years
- Council dwellings (Fixtures)	27 years
- Operational buildings	20 - 60 years
- Plant and equipment (Other)	10 - 25 years
- Plant and equipment (Books)	3 years
- Motor vehicles	4 - 10 years
- Fixtures and fittings	3 - 10 years
- Infrastructure assets	40 years

No depreciation is provided on Community Assets, Assets under construction, Surplus Assets not yet available for sale and Heritage Assets.

Under International Accounting Standard 16 (IAS 16), where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Significance is determined by comparing the cost of components against the overall cost of the asset. The significance threshold was initially set at £100,000 on assets with a value in excess of £1 million.

However, during 2016/17, all properties subject to material change in valuation; community centres, day centres, old people's homes, partnership centres, pavilions, miscellaneous land and schools were revalued. In total, they were collectively deemed to be significant in terms of their overall asset value and as such depreciation was charged on a componentised basis for all properties revalued as part of those groups regardless of the value of the asset.

The current policy of quinquennial revaluation will remain. However, in line with the requirements of the Code, only assets which were acquired, enhanced or revalued in 2016/17 had their useful lives updated, thereby achieving progressive compliance over 5 years.

In the case of council dwellings fixtures are depreciated over 27 years with the non-fixture element of council dwellings being depreciated over 50 years.

Property, Plant and Equipment - Revaluation

Where decreases in value are identified, they are accounted for as follows:-

- 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 insufficient balance, the carrying amount is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Property, Plant and Equipment - Impairment

Assets subject to revaluation that have suffered a reduction in value have been impaired. Where impairment losses are identified, they are accounted for as follows:

- 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 insufficient balance, the carrying amount is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Property, Plant and Equipment - Charges to Revenue

Service revenue accounts and the HRA have been charged with a capital charge for all property, plant and equipment assets used in the provision of the service. Such charges cover the annual provision for depreciation.

Heritage Assets

The council's Heritage Assets are held in various locations throughout the authority, there are two main categories of asset:- Artworks and Sculptures and Civic Regalia which includes Precious Metals, Fabric Items and Robes. All other assets are included in the Miscellaneous Other category.

As a general policy, heritage assets are recognised on the balance sheet where the cost or value of the asset is known. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the balance sheet.

Artworks & Sculptures

The art collection includes paintings, sketches and marble busts. These assets are reported in the balance sheet at insurance value which is based on market value. Valuations are provided by an external valuer with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions. The assets within the artwork and sculpture collections are deemed to have indeterminate lives and a high residual value hence the council does not consider it appropriate to charge depreciation.

There have been no acquisitions, one donation and no disposals during the previous five years. Two council owned additions to the Heritage Asset portfolio have been identified during the financial year 2016/17.

Civic Regalia

Civic regalia predominately relates to the council's collection of Chains of Office worn by office bearers at ceremonial and civic events (Provost, Magistrates and Convenors).

These are reported in the balance sheet at insurance value which is based on market value. Following the full valuation of civic regalia in 2017, further formal valuations will be commissioned where it is considered that there could potentially be a material change in the value of the assets held. In the absence of such circumstances a formal revaluation will be carried out on a quinquennial basis.

It would be exceptionally rare for the council to purchase or dispose of, items of civic regalia.

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Archives

These records include photographs, prints, negatives and slides, both original and copied from loans, recording the history of West Lothian.

These collections are not recognised on the balance sheet as cost information is not readily available and the council believes that the benefits of obtaining the valuation for these items would not justify the cost. Nearly all the items are believed to have an immaterial value.

The majority of items within the collections have been acquired by donation over time.

Archaeology

The council does not consider that reliable cost or valuation information can be obtained for the items held in its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the council does not recognise these assets on the balance sheet.

The council does not make any purchases of archaeological items.

Memorials, Monuments and Public Art

The authority holds and maintains memorials, public art and monuments of historic significance, some of which are tributes to the war dead. These are recognised on the balance sheet where there has been capital spend to improve or refurbish the assets. It is considered that there is a lack of available, comparable market values to establish a ‘fair value’. Assets which have not had enhancing capital spend are not recognised on the balance sheet as information on historical cost is not available.

It is unlikely that the council would procure such assets but is more likely to refurbish or enhance existing assets. In this respect, the cost of those works will be capitalised at cost.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the council’s general policies on impairment. It is likely that disposals of heritage assets will be made rarely. If this does occur, the proceeds of such items will be accounted for in accordance with the council’s general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the annual accounts and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Improvement Grants

All expenditure on improvement and other grants is charged to revenue in the year the expenditure is incurred.

Government Grants and Contributions

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account. Capital grants and contributions received to finance property, plant and equipment assets have been credited to the Comprehensive Income and Expenditure Account. They are reversed out of the General Fund Balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement and Capital Adjustment Account until conditions attached to each grant have been satisfied.

Monies advanced as revenue grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the revenue grants are credited to the service line in the Comprehensive Income and Expenditure Statement and, for capital grants, to the Capital Adjustment Account.

Redemption of Debt

The council operates a Consolidated Loans Fund under the terms of the Local Government (Scotland) Act 1975. All loans raised are paid into the fund. Capital payments made by services are financed from the Loans Fund and repaid over 30 years using the annuity method.

Premiums and discounts on debt rescheduling have been transferred to the Financial Instruments Adjustment Account and have been designated as statutory premiums and discounts under statutory guidance issued by the Scottish Government. The annual charge to the General Fund is managed by movements to and from the Financial Instruments Adjustment Account and the Movement on Reserves Statement.

Investments

Long-term investments, held in Lothian Buses Limited (Formerly Lothian Buses Plc), have been shown in the Balance Sheet at fair value (Level 2 on the fair value hierarchy) , based on the current share price multiplied by the council’s shareholding. Changes in fair value are balanced by an entry in the Available-for-sale Financial Instrument Reserve and the loss or gain is recognised in the Comprehensive Income and Expenditure Account.

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 twenty four hours. Cash equivalents are investments that mature in 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 values.

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.

Prior Period Adjustments

Prior Period Adjustments arise as a result of a change in accounting policy. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts.

In 2016/17, the Code requirement to produce the Comprehensive Income and Expenditure Statement on the basis of organisational structure has required a restatement of the 2015/16 comparator figures from the SerCOP structure. Presentational changes have also been made to the Movement in Reserves Statement in line with the Code.

Financial Liabilities

Financial liabilities are carried in the balance sheet at amortised cost using the effective interest rate method. For market stepped Lenders Option Borrowers Option (LOBO) loans this involves calculation of the effective interest rate over the life of the loan. The difference between this and the actual interest paid to date on the loan is added to the carrying value of the loan. This increase in value of financial liabilities is offset by a corresponding debit to the Financial Instruments Adjustment Account.

Reserves

The council operates the following reserves under Schedule 3 of the Local Government (Scotland) Act 1975.

General Fund - to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events the council has agreed that the uncommitted General Fund Balance will be a minimum of £2 million.

Insurance Fund - this is the funding mechanism for the control of insurable risk and includes premiums and self-funded insurance costs. The fund covers all known insurance liabilities and is independently valued on a triennial basis.

Capital Fund - established to ensure that, following the introduction of the CIPFA Prudential Code for Capital Finance in Local Authorities in April 2004, borrowing decisions and capital programme management are based on Best Value considerations. General Fund treasury management balances in any given year will normally be transferred to or from the Capital Fund. The balance in the Capital Fund at 31 March 2017 was £65.527 million.

Revaluation Reserve

The Revaluation Reserve represents the net increase in the value of fixed assets as a result of these being shown in the Balance Sheet at revalued amounts rather than historical cost. The opening balance on the Revaluation Reserve at 1 April 2007 was zero. The balances on the former Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007 were transferred into the Capital Adjustment Account.

Capital Adjustment Account

This Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation or impairment. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.

Inventories

Stocks and stores held by the council are recorded at average cost, with the exception of deer and Highland Cows which have been valued at net realisable value. The valuation is in accordance with IAS 41 - Agriculture. The use of average cost rather than lower of cost and net realisable value is a departure from the Code but is not considered material.

External Interest Payable and Loans Fund Interest

External interest has been calculated and charged to the Income and Expenditure Account on an amortised cost basis over the life of the loan. For the majority of loans this represents the interest amount payable for the year per the loan agreement. However, for stepped LOBO loans, this results in a difference between the coupon rate and the amount charged to the Income and Expenditure Account. This difference is removed from the General Fund by a transfer to the Financial Instruments Adjustment Account.

These accounting adjustments ensure that the loans fund interest is calculated and allocated to the Revenue Account in accordance with LASAAC Guidance Note No. 2.

Interest on revenue balances is allocated on the basis of the monthly balances held on the respective accounts.

Central Support Services

Time recording systems and number of employees have been used as the bases for allocating costs to direct services, with the exception of the following:-

a) Administration Buildings - The number of employees based at each building.

b) Central Telephone Service - Based on number of extensions.

c) Central Postal and Messenger Services - Based on actual usage.

d) HR Pay and Reward – based on employee numbers within each Service.

Central Support Service charges allocated to the HRA and Building Services are a fixed amount agreed at the start of the financial year.

Corporate and Democratic Core

In accordance with CIPFA Guidance the costs of corporate and democratic core and of non-distributed costs have not been allocated to General Fund Services but gathered together and separately identified in the Comprehensive Income and Expenditure Statement.

Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lesser to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, these elements are considered separately for classification.

Assets acquired under finance leases have been capitalised together with a liability to pay outstanding rentals. Payments have been apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

Employee Benefits

An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by an officer, in agreement with the council, to terminate their employment before the normal retirement date or an officer's decision to accept voluntary severance. The costs are charged on an accruals basis to the Other Services line in the Comprehensive Income and Expenditure Statement. Where the 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 or pensioners and any such amounts payable but unpaid at the year-end.

Public Private Partnership (PPP)

The treatment of PPP contracts, under International Financing Reporting Standards (IFRS) looks at aspects of control of an asset, such as specifying services and the price paid for these services. The PPP schools are recognised as property assets, with recognition of a liability for the financing of these assets. The unitary charge paid to the PPP contractor is allocated between operating costs, finance lease principal and interest, and any capitalised lifecycle costs.

Operating Leases

Current annual operating lease rentals have been charged to revenue.

Non Domestic Rates (NDR)

National Non-domestic Rate debtors were previously shown on local authority balance sheets as debtors of the authority. Following a review of all types of local taxation, CIPFA/LASAAC concluded that local authorities act as the agent of the Government when collecting NDR. The Code requires local authorities not to recognise NDR debtors in their balance sheets but instead recognise a creditor or debtor for cash collected from NDR debtors as agent of the Government but not paid or overpaid to the Government.

Pension Costs

The council participates in two different pension schemes which provide members with defined benefits related to pay and service and are as follows:-

Teachers: This is an unfunded scheme administered by the Scottish Government. Under the pensions accounting standard IAS 19 - 'Retirement Benefits' this scheme is treated as a defined contribution scheme as it does not allow the identification of liabilities consistently and reliably between participant authorities. The pension cost charged to the Accounts is the contribution rate set by HM Treasury on the basis of a notional fund.

Other Employees: Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (which is administered by the City of Edinburgh Council as the Lothian Pension Fund). The Lothian Pension Fund is a multi-employer scheme funded on the basis of triennial actuarial valuations of the required employers' contributions to ensure adequate assets in the scheme. As it is possible to identify the council's share of the assets and liabilities underlying the scheme on a consistent and reliable basis, it is accounted for as a defined benefit scheme under IAS 19.

IAS 19 is based on the premise that an organisation should account for retirement benefits when it is committed to give them, even if the actual payment will be many years in the future. The pension cost under IAS 19 is therefore not the cash contributions paid to the pension fund but the increase in the employers' attributable pensions liability during the year.

The IAS 19 actuarial valuation involves the actuary reviewing the most recent triennial actuarial valuation, updating it to reflect current conditions at the balance sheet date and apportioning assets and liabilities amongst employers. Assets are valued at fair value, principally bid value for investments. Liabilities are valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The 2016/17 discount factor was 2.6% (3.5% 2015/16). The inclusion of attributable scheme assets and liabilities in the balance sheet represents an authority's commitment to increase contributions to make up any shortfall, or its ability to benefit, via reduced contributions, from a surplus in the scheme.

The actuary identifies the following elements of pension cost charged to the Income and Expenditure account:

Actuarial gains and losses – these consist of experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effect of actuarial assumption changes in regard to financial and demographic assumptions.

Current Service Cost - the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Net Defined Benefit Liability (asset) – the present value of the defined benefit obligation less the fair value of the plan assets.

Net interest Income (expense) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time. This includes allowance for interest on the current service cost.

Past Service Costs – the change in the present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment

Any difference between the accounting cost (i.e. the IAS 19 based cost) and the funding cost (i.e. the contributions or payments made during the year) is appropriated from the Pensions Reserve to the Movement in Reserves Statement. This appropriation ensures the IAS 19 pension cost equals the pension payments funded from taxation.

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 the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable 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 the Notes to the Annual Accounts. Details of the liabilities are shown in note 32.

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 obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year the council becomes aware of the obligation, based on the best estimate of the likely settlement. 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 and appropriate adjustments made to the level of provision. Details of the provisions are shown in note 21.

Carbon Reduction Commitment Scheme

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in the second year of its second phase, which ends on 31 March 2019. The council is required to purchase allowances prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances and is measured at the best estimate of the expenditure required to meet the obligation, at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the authority’s services and is apportioned to services on the basis of energy consumption. The allowances under the CRC Scheme are accounted for as current intangible assets.

VAT

Income and Expenditure excludes any amounts related to VAT, as all VAT collected and paid is payable to, or recoverable from, Her Majesty’s Revenues and Customs (HMRC).

Fair Value Measurement

The council measures its non-financial assets such as surplus assets not yet held for sale and financial instruments equity shareholdings at fair value at each reporting date using valuation techniques. When measuring the fair value of an asset the council assumes highest and best pricing. Inputs to the valuation techniques are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2016/17 there are no accounting policy changes which require to be reported as issued but not yet adopted by the code in respect of West Lothian.

However, at its meeting on 9 November 2016 the CIPFA/LASAAC Local Authority Accounting Code Board decided to postpone the full implementation of the move to measuring the Highways Network Asset at Depreciated Replacement Cost in local authority Annual Accounts for 2016/17.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) is now proposed to take effect from 1 April 2017. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts and states that implementation will be on the same basis as planned for 2016/17.

Under the Infrastructure Code transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. This will consist of seven components: carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. The disclosure will require a transfer of assets between infrastructure and the new highways network asset categories. This is likely to result in a revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. The new valuation will reflect the current cost of replacement rather than the original cost of works, which would have been built up over a significant time period.

Therefore, there is no impact of this change on the accounts covering the 2016/17 financial year

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the annual accounts are:

- PPP - The council is deemed to control the services provided under the agreement for the provision of educational establishments in accordance with IFRC12. The council controls the services provided under the scheme and ownership of the schools will pass to the council at the end of the contract. The schools are therefore recognised on the council's balance sheet.

- 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.

- Investment Properties - All property, plant and equipment is used on the delivery of services or as part of the council's strategy for economic regeneration.

- Uncertainty over future funding - There is a high degree of uncertainty about future levels of funding for local government. However, 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.

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Annual Accounts contain estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PENSIONS LIABILITY
Uncertainties: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns, on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions: The following table shows the sensitivity of the results to the changes in the principal assumptions used to measure the scheme liabilities.

Sensitivities at 31 March 2017	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	11%	137,565
0.5% increase in the Salary Increase Rate	4%	47,798
0.5% increase in the Pension rate	7%	85,496

For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 -5%. 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).

FAIR VALUE MEASUREMENTS
Uncertainties: the fair values of Surplus Assets not yet available for sale and Financial Instruments cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation technique;

Level 2 – quoted prices for similar assets or liabilities in active markets at the balance sheet date;

Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements include considerations such as uncertainty and risk. Changes in the assumptions could affect the fair value of the council's assets and liabilities.

Information about valuation techniques and inputs used in determining the fair value of these assets is set out in note 16.

Effect if actual results differ from assumptions: Significant changes in any of the observable inputs may result in a significantly lower or higher fair value measurement for assets and liabilities.

DEBTORS
Uncertainties: At 31 March 2017, the authority had a balance of debtors of £36.012 million. A review of balances suggested that an allowance for doubtful debts of £22.093 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Effect if actual results differ from assumptions: If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £3.601 million to be set aside as an allowance.

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5. 2015/16 RESTATEMENT

For 2015/16 the council is required to restate the financial statements to reflect material understatement of property, plant and equipment in relation to schools, PPP schools and council dwellings. The Council's accounting policy for recognition and valuation of assets is to revalue the assets on a quinquennial basis with material changes in asset valuations considered to be a result of capital additions during the year. The assets identified requiring material value adjustments were schools and council dwellings. The most recent revaluations relating to these categories were 1 April 2016 and 1 April 2015 respectively.

The Code of Practice on Local Authority Accounting requires assets to be valued at fair value. The council dwelling additions for 2015/16 had not been accounted for as Existing Use Value – Social Housing and therefore capital expenditure since revaluation was carried at cost. This resulted in the council dwellings being overstated by £12.261 million. A reclassification transfer to work in progress of £16.030 million was also required in respect of the council's new build council house programme.

The school valuations had materially increased over the five year period since revaluation at 1 April 2011 resulting in a revaluation increase of £426.125 million, the PPP school revaluation contributing a further £56.210 million.

The opening General Fund Balance for 2015/16 has been adjusted to account for developer contributions of £6.562 million funded from the Housing Revenue Account to be removed from creditors and to be accounted for as an earmarked reserve in the general fund.

The 31 March 2016 Balance Sheet and 2015/16 comparative figures have been restated in the 2016/17 Statement of Accounts to apply the changes. The changes to the version published in the 2015/16 Statement of Accounts are as follows:-

	2015/16 Audited Accounts £'000	Adjustments £'000	Revised Comparatives £'000
Balance Sheet at 31 March 2016			
Council Dwellings	419,966	(27,527)	392,439
Other Land and Buildings	628,251	481,327	1,109,578
Community Assets	570	244	814
Assets under construction	27,614	16,030	43,644
PROPERTY, PLANT AND EQUIPMENT	1,326,045	470,074	1,796,119
TOTAL LONG TERM ASSETS	1,326,982	470,074	1,797,056
Short Term Creditors	(84,447)	6,562	(77,885)
TOTAL CURRENT LIABILITIES	(184,944)	6,562	(178,382)
NET CURRENT ASSETS (LIABILITIES)	(19,104)	6,562	(12,542)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,307,878	476,636	1,784,514
TOTAL NET ASSETS	631,250	476,636	1,107,886
Financed By:			
USABLE RESERVES	121,902	6,562	128,464
UNUSABLE RESERVES	509,348	470,074	979,422
TOTAL RESERVES	631,250	476,636	1,107,886
Comprehensive Income and Expenditure Statement			
HRA	58,106	12,261	70,367
Net Cost of Services	461,751	12,261	474,012
(Surplus) or Deficit on Provision of Services	93,631	12,261	105,892
Surplus on revaluation of property, plant and equipment assets	(7,875)	(482,335)	(490,210)
Other Comprehensive Income and Expenditure	(122,228)	(482,335)	(604,563)
Total Comprehensive Income and Expenditure	(28,597)	(470,074)	(498,671)
Movement in Reserves Statement			
General Fund Balance 1 April	19,307	6,562	25,869
General Fund Balance 31 March	19,047	6,562	25,609
HRA			
Total comprehensive income and expenditure	(64,873)	(12,261)	(77,134)
Adjustments between accounting basis and funding basis	64,873	12,261	77,134
Total Usable Reserves			
Balance at 1 April	118,568	6,562	125,130
Total comprehensive income and expenditure	(93,631)	(12,261)	(105,892)
Adjustments between accounting basis and funding basis	96,965	12,261	109,226
Balance at 31 March	121,902	6,562	128,464
Total Unusable Reserves			
Total comprehensive income and expenditure	122,228	482,335	604,563
Adjustments between accounting basis and funding basis	(96,965)	(12,261)	(109,226)
Net increase (decrease) before transfers to other statutory reserves	25,263	470,074	495,337
Increase (decrease) in year	25,263	470,074	495,337
Balance at 31 March	509,348	470,074	979,422
Total Authority Reserves			
Balance at 1 April	602,653	6,562	609,215
Total comprehensive income and expenditure	28,597	470,074	498,671
Net increase (decrease) before transfers to other statutory reserves	28,597	470,074	498,671
Increase (decrease) in year	28,597	470,074	498,671
Balance at 31 March	631,250	476,636	1,107,886

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6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

	Adjustments for Capital Purposes (Note 6.1) £'000	Net change for the Pensions Adjustments (Note 6.2) £'000	Other Differences (Note 6.3) £'000	Total Adjustments £'000
Adjustments between Funding and Accounting Basis 2015/16				
Schools, Education Support	29,272	2,248	6,355	37,875
Planning, Economic Development and Regeneration	532	417	2,662	3,611
Operational Services	6,471	2,325	2,304	11,100
Housing, Customer and Building Services	4,452	1,634	5,262	11,348
Corporate Services	5,297	717	(17,477)	(11,463)
Social Policy – non IJB, Children's Services	1,209	2,993	7,604	11,806
Chief Executive, Finance and Property	18,044	828	(12,647)	6,225
Other Services	(225)	(1,760)	629	(1,356)
Net Cost of General Fund Services	**65,052**	**9,402**	**(5,308)**	**69,146**
Housing Revenue Account	81,348	-	(10,981)	70,367
Net Cost of Services	**146,400**	**9,402**	**(16,289)**	**139,513**
Other income and expenditure from the Expenditure and Funding Analysis	(47,064)	8,860	14,548	(23,656)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**99,336**	**18,262**	**(1,741)**	**115,857**
Adjustments between Funding and Accounting Basis 2016/17				
Schools, Education Support	73,769	1,346	8,633	83,748
Planning, Economic Development and Regeneration	(45)	239	1,307	1,501
Operational Services	9,003	1,432	2,336	12,771
Housing, Customer and Building Services	5,346	996	4,835	11,177
Corporate Services	6,140	410	(17,219)	(10,669)
Social Policy – non IJB, Children's Services	(224)	1,774	4,875	6,425
Chief Executive, Finance and Property	8,436	479	(2,405)	6,510
Other Services	(174)	(1,700)	(6,387)	(8,261)
Net Cost of General Fund Services	**102,251**	**4,976**	**(4,025)**	**103,202**
Housing Revenue Account	30,019	-	(11,875)	18,144
Net Cost of Services	**132,270**	**4,976**	**(15,900)**	**121,346**
Other income and expenditure from the Expenditure and Funding Analysis	(47,418)	6,246	17,800	(23,372)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**84,852**	**11,222**	**1,900**	**97,974**

6.1. 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 on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision 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.

6.2. Net Change for the 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 authority as allowed by statue and the replacement with 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 CIES.

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 9

6.3 **Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** – the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** – represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

6.4 **Income received to the General Fund and HRA Balance**

	2016/17 £'000	**2015/16 £'000**
Schools, Education Support	6,004	6,761
Planning, Economic Development and Regeneration	4,981	7,451
Operational Services	16,277	16,697
Housing, Customer and Building Services	33,396	32,062
Corporate Services	1,823	1,943
Social Policy – IJB, Adult and Elderly Services	24,420	-
Social Policy – non IJB, Adult and Elderly Services	-	16,036
Social Policy – non IJB, Children's Services	4,552	4,589
Chief Executive, Finance and Property	15,590	14,539
Other Services	49,075	49,638
General Fund Services Income	**156,118**	**149,716**
HRA	46,715	47,439
Total Service Income	**202,833**	**197,155**

7. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

Expenditure	**2016/17 £'000**	**2015/16 £'000**
Employee Benefits Expenses	229,881	225,898
Other Services Expenses	303,288	240,934
Support Services Recharges	19,053	20,242
Depreciation, Amortisation, Impairment	141,748	157,275
Interest Payments	62,786	59,735
Gain on the Disposal of Assets	(2,559)	(1,877)
Total Expenditure	**754,197**	**702,207**
Income		
Fees, Charges and Other Service Income	230,769	166,169
Interest and Investment Income	29,240	25,637
Income from Council Tax	62,186	60,937
Government Grants and Contributions	336,787	343,572
Total Income	**658,982**	**596,315**
(Surplus) or Deficit on Provision of Services	**95,215**	**105,892**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 9

8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

	2016/17 £'000	2015/16 £'000
Gain on disposal of non-current assets	2,559	1,877
	2,559	**1,877**

9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	29,480	27,333
Net interest on the defined benefit liability (asset)	6,246	8,860
Interest receivable and similar income	(2,180)	(2,095)
(Surplus) / Deficit on trading operations	(485)	4,168
	33,061	**38,266**

10. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - TAXATION AND NON-SPECIFIC GRANT INCOME

	2016/17 £'000	2015/16 £'000
Council tax income	62,186	60,937
Non domestic rates distribution	87,726	94,216
Non ring-fenced government grants	218,861	217,938
Capital grants and contributions	30,200	31,418
	398,973	**404,509**

11. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2015/16

	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Transfer (to) / from Insurance Fund	(145)	-	145	-	-	-	-
Transfer (to) / from Capital Fund	(10,080)	-	-	10,080	-	-	-
	(10,225)	**-**	**145**	**10,080**	-	-	-
TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2016/17							
Transfer (to) / from Insurance Fund	1,880	-	(1,880)	-	-	-	-
Transfer (to) / from Capital Fund	(4,986)	-	-	4,986	-	-	-
	(3,106)	**-**	**(1,880)**	**4,986**	-	-	-

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 9

12. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015/16 Restated	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	67,799	89,476	-	-	157,275	(157,275)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(31,418)	-	-	-	(31,418)	31,418	-
Net loss (gain) on sale of non-current assets	(1,106)	(771)	-	-	(1,877)	1,877	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(422)	-	-	-	(422)	422	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	17,992	270	-	-	18,262	(18,262)	-
Statutory provision for repayment of debt	(9,962)	(3,806)	-	-	(13,768)	13,768	-
Statutory charge for lifecycle capital (PFI)	(93)	-	-	-	(93)	93	-
Capital expenditure charged to the General Fund and HRA	(2,748)	(8,035)	-	-	(10,783)	10,783	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(1,319)	-	-	-	(1,319)	1,319	-
Capital receipts transferred to the Capital Fund	-	-	-	(6,631)	(6,631)	6,631	-
	38,723	**77,134**	**-**	**(6,631)**	**109,226**	**(109,226)**	**-**

2016/17	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	103,833	37,915	-	-	141,748	(141,748)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(30,200)	-	-	-	(30,200)	30,200	-
Net loss (gain) on sale of non-current assets	(495)	(2,064)	-	-	(2,559)	2,559	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(422)	-	-	-	(422)	422	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	10,941	281	-	-	11,222	(11,222)	-
Statutory provision for repayment of debt	(10,551)	(4,109)	-	-	(14,660)	14,660	-
Statutory charge for lifecycle capital (PFI)	(168)	-	-	-	(168)	168	-
Capital expenditure charged to the General Fund and HRA	(1,507)	(7,802)	-	-	(9,309)	9,309	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	2,329	(7)	-	-	2,322	(2,322)	-
Capital receipts transferred to the Capital Fund	-	-	-	(27,673)	(27,673)	27,673	-
	73,760	**24,214**	**-**	**(27,673)**	**70,301**	**(70,301)**	**-**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 9

13. PROPERTY, PLANT AND EQUIPMENT

13.1 **Movements in 2015/16 Restated**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000
Cost or Valuation				
At 1 April 2015	**548,470**	**783,389**	**56,352**	**241,704**
Additions	34,893	17,825	7,175	14,573
Revaluation increases / (decreases) recognised in the Revaluation Reserve	875	353,882	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(157,222)	(27,649)	-	-
Derecognition - disposals	(3,293)	(8)	(513)	-
Other movements in cost or valuation	(16,030)	3,475	-	360
At 31 March 2016	**407,693**	**1,130,914**	**63,014**	**256,637**
Accumulated Depreciation and Impairment				
At 1 April 2015	**85,290**	**128,341**	**37,706**	**42,556**
Depreciation charge	15,831	34,095	7,093	6,228
Depreciation written out to the Revaluation Reserve	(64)	(134,913)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	(85,289)	(5,722)	-	-
Derecognition – disposals	(514)	-	(514)	-
Other movements in depreciation and impairment	-	(465)	-	-
At 31 March 2016	**15,254**	**21,336**	**44,285**	**48,784**
Net Book Value At 31 March 2016	**392,439**	**1,109,578**	**18,729**	**207,853**
At 31 March 2015	**463,180**	**655,048**	**18,646**	**199,148**

	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2015	**529**	**10,534**	**23,062**	**1,664,040**
Additions	-	21,429	-	95,895
Revaluation increase / (decreases) recognised in the Revaluation Reserve	525	-	(364)	354,918
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(168)	-	-	(185,039)
Derecognition - disposals	(72)	-	(150)	(4,036)
Other movements in cost or valuation	-	11,681	514	-
At 31 March 2016	**814**	**43,644**	**23,062**	**1,925,778**
Accumulated Depreciation and Impairment				
At 1 April 2015	-	-	-	**293,893**
Depreciation charge	-	-	-	63,247
Depreciation written out to the Revaluation Reserve	-	-	(465)	(135,442)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	(91,011)
Derecognition - disposals	-	-	-	(1,028)
Other movements in depreciation and impairment	-	-	465	-
At 31 March 2016	**-**	**-**	**-**	**129,659**
Net Book Value At 31 March 2016	**814**	**43,644**	**23,062**	**1,796,119**
At 31 March 2015	**529**	**10,534**	**23,062**	**1,370,147**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 9

13.1 **Movements in 2016/17**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000
Cost or Valuation				
At 1 April 2016	**407,693**	**1,130,914**	**63,014**	**256,637**
Additions	48,087	21,837	8,501	9,813
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	(1,809)	(105)	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(20,639)	(9,325)	-	-
Derecognition - disposals	(5,412)	(431)	(122)	-
Other movements in cost or valuation	(15,285)	15,176	-	164
At 31 March 2017	**414,444**	**1,156,362**	**71,288**	**266,614**
Accumulated Depreciation and Impairment				
At 1 April 2016	**15,254**	**21,336**	**44,285**	**48,784**
Depreciation charge	16,328	86,952	7,943	6,611
Depreciation written out to the Revaluation Reserve	-	-	(105)	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(6,510)	-	-
Derecognition - disposals	(193)	(11)	(122)	-
Other movements in depreciation and impairment	64	(665)	-	-
At 31 March 2017	**31,453**	**101,102**	**52,001**	**55,395**
Net Book Value				
At 31 March 2017	**382,991**	**1,055,260**	**19,287**	**211,219**
At 31 March 2016	**392,439**	**1,109,578**	**18,729**	**207,853**

	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2016	**814**	**43,644**	**23,062**	**1,925,778**
Additions	-	29,652	-	117,890
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	-	-	(1,914)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	-	-	(1,061)	(31,025)
Derecognition - disposals	(244)	-	-	(6,209)
Other movements in cost or valuation	-	(1,241)	1,186	-
At 31 March 2017	**570**	**72,055**	**23,187**	**2,004,520**
Accumulated Depreciation and Impairment				
At 1 April 2016	**-**	**-**	**-**	**129,659**
Depreciation charge	-	-	-	117,834
Depreciation written out to the Revaluation Reserve	-	-	-	(105)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	(601)	(7,111)
Derecognition – disposals	-	-	-	(326)
Other movements in depreciation and impairment	-	-	601	-
At 31 March 2017	**-**	**-**	**-**	**239,951**
Net Book Value				
At 31 March 2017	**570**	**72,055**	**23,187**	**1,764,569**
At 31 March 2016	**814**	**43,644**	**23,062**	**1,796,119**

13.2 Property, Plant and Equipment - PPP Schools

The value of assets held under two PPP contracts are as follows:-

	2016/17 £'000	2015/16 Restated £'000
Value as at 1 April	163,906	121,195
Additions	168	93
Revaluation adjustment	-	42,618
Value as at 31 March	**164,074**	**163,906**
Aggregate Depreciation		
Value as at 1 April	-	13,549
Charge for year	15,603	2,386
Revaluation adjustment	-	(15,935)
Value as at 31 March	**15,603**	**-**
Net Book Value		
As at 31 March	**148,471**	**163,906**

13.3 Financial Liabilities - PPP Schools

The value of financial liabilities resulting from two PPP contracts are as follows:-

	2016/17 £'000	2015/16 £'000
As at 1 April	**67,661**	**69,860**
Principal repayments	(2,197)	(2,199)
As at 31 March	**65,464**	**67,661**
Split		
Short term Creditors	2,392	2,197
Long term Creditors	63,072	65,464
	65,464	**67,661**

13.4 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below together with resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed.

	2016/17		2015/16	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		**624,099**		**595,672**
Capital Investment				
Property, Plant and Equipment		117,890		95,895
		741,989		**691,567**
Sources of Finance				
Capital Receipts	(35,280)		(11,448)	
Government Grants	(22,908)		(26,260)	
Contributions from Other Bodies	(7,292)		(5,158)	
Capital Financed from Current Revenue	(9,309)		(10,783)	
Long Term Debtors	(11)		42	
Finance Lease Principal (incl. PPP)	(2,470)		(2,533)	
Loans Fund Principal	(12,358)	**(89,628)**	(11,328)	**(67,468)**
Closing Capital Financing Requirement		**652,361**		**624,099**
Increase in Capital Financing Requirement		**28,262**		**28,427**

13.5 **Fixed Asset Valuation**

For assets included in the balance sheet at current value the undernoted valuation details apply:-

Date of Valuation	Council Dwellings £'000	Other Land & Buildings £'000	Surplus Assets £'000	Total £'000
1 April 2012	-	26,858	20,432	47,290
1 April 2013	1,030	43,863	887	45,780
1 April 2014	3,737	105,179	2,940	111,856
1 April 2015 Restated	369,738	454,058	150	823,946
1 April 2016	(35,924)	429,810	125	394,011
	338,581	1,059,768	24,534	1,422,883
Net historical cost alterations	75,863	507,121	(1,347)	581,637
Gross Valuation	**414,444**	**1,566,889**	**23,187**	**2,004,520**

Valuations of the above categories of assets were undertaken over a five year rolling programme by Chartered Surveyors of the council's Property Services Unit, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The housing stock valuation at 1 April 2015, was carried out by D.M. Hall LLP, an external firm of chartered surveyors and included all Council Housing Stock.

Properties regarded by the council as operational were valued on the current value basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. The major components of each building are separately identified in the Plant and Equipment category and depreciated based on the assessed useful life of each component. The accounting policy for Componentisation is as detailed in Statement 9 note 1.

Plant and machinery for heating and lighting purposes is included in the valuation of the buildings, however items of specialised plant have been shown separately at depreciated historic cost. Non-operational assets have been valued on a fair value basis using the valuation techniques for level 2 inputs, i.e. open market value.

For assets other than those valued at 1 April 2016 the council considers that there is no permanent material change in value in 2016/17.

13.6 **Depreciation**

Assets other than land are being depreciated using the straight line method over their useful economic lives as follows:-

Council Dwellings	50 Years
Council Dwellings (Fixtures)	27 Years
Operational Buildings	20 - 60 Years
Plant and Equipment (Other)	10 - 25 Years
Plant and Equipment (Books)	3 Years
Motor Vehicles	4 - 10 Years
Fixtures and Fittings	3 - 10 Years
Infrastructure	40 Years

No depreciation is charged on Community Assets, Heritage Assets, Assets under Construction and Surplus Assets not yet available for sale.

The total depreciation charge for 2016/17 was £117.834 million (£63.247 million 2015/16).

13.7 **Capital Commitments**

At 31 March 2017 the council has commitments on capital contracts of £42.750 million (£79.890 million 2015/16) for the Housing Programme and £15.041 million (£35.443 million 2015/16) for the Composite Programme.

The Housing commitment of £42.750 million is a result of ongoing investment in the new council house build programme for 1,000 houses.

The committed expenditure in the Composite Programme is a consequence of several significant capital investment projects namely the refurbishment of primary schools (£1.685 million), the development of two partnership centres (£1.200 million), the construction of Whitehill Service Centre (£9.782 million) and expenditure in relation to various play areas (£0.751million). The remaining £1.623 million relates to committed expenditure on numerous projects.

13.8 **Finance Leases**

Included within the analysis of fixed assets in note 13.1 are the following assets acquired by finance leases, excluding PPP assets which are detailed in note 13.2 :-

		2016/17 £'000	2015/16 £'000
Operational Buildings	- Gross Cost	1,157	1,157
	- Aggregate Depreciation	998	945
	- Depreciation for the year	53	157
Vehicles	- Gross Cost	399	344
	- Aggregate Depreciation	217	140
	- Depreciation for the year	41	38
Finance lease interest for the year		17	24

The future obligations (net of finance charges) under these finance leases are:-		2016/17 £'000	2015/16 £'000
2017/18	(2016/17)	107	102
2018/19 to 2021/22	(2017/18 to 2020/21)	277	358
2022/23 onwards	(2021 onwards)	3	13

14. HERITAGE ASSETS

14.1 **Five-Year Summary of Transactions**

For the period 2012/13 to 2016/17 there was no acquisition, impairment or disposals of Heritage Assets. The carrying value remained at £0.677 million for the period to 2015/16. Following the revaluation at 31 March 2017, the carrying value increased to £0.779 million. Details as follows:-

Reconciliation of carrying value of Heritage Assets held

Cost or Valuation	**Artworks and Sculpture £'000**	**Civic Regalia £'000**	**Other Assets £'000**	**Total Assets £'000**
1 April 2015	**337**	**279**	**61**	**677**
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	-	-	-	-
31 March 2016	**337**	**279**	**61**	**677**
1 April 2016	337	279	61	677
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	64	22	16	102
31 March 2017	**401**	**301**	**77**	**779**

The council's collection of Civic Regalia, Artworks and Other miscellaneous Heritage Assets is reported in the Balance Sheet at insurance valuation which is based on market values. These insurance valuations are updated on a quinquennial basis.

The council's external valuer for its art work (Bonhams – Fine Art Auctioneers & Valuers) carried out a valuation of the full collection as at 31 March 2017. The valuations were based on market values. The collection has not suffered any downward revaluation during the 5 years since the previous valuation but has taken ownership of one donated asset, the Jessie Brash wedding dress, which has been valued by Bonhams at £800. There have been no disposals during the year.

14.2 **Heritage Assets – Further Information**

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the council in pursuit of its overall objective in relation to the maintenance of heritage.

The council's Heritage Assets are held in various locations throughout the authority, there are two main categories of asset: - Artworks and Sculptures and Civic Regalia (which includes Precious Metals, Fabric Items and Robes). All other assets are included in the Miscellaneous Other category.

The revaluation of Artworks and Sculptures includes a mural at Lowport Outdoor Education Centre £0.030 million and a shallow relief plaster wall artwork at Howden Park Centre £0.021 million, both of which were deemed to have no value in 2012. The significant increase in the valuation of civic regalia since the previous revaluation is a direct result of the increase in the market price of precious metals.

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14.2 **Heritage Assets – Further Information (Continued)**

Heritage Assets are the responsibility of the Museums Service whose mission is to "enhance the quality of life by providing a museums service that serves the educational, cultural and leisure needs of the community now and in the future". Its key objectives include collecting objects appropriate to the heritage of West Lothian and providing access to these collections through exhibitions, reminiscence work, education and other outreach services.

A full copy of the museum Acquisition and Disposal Policy 2012 - 2017 can be viewed at http://www.westlothian.gov.uk/article/3794/Museum-Collections

Artworks & Sculptures

The art collection includes paintings (both oil and watercolour), sketches and marble busts.

The most valuable assets are a full length portrait of John, Earl of Hopetoun, by Sir Henry Raeburn (1820) valued at £0.220 million, a full length portrait of Sir Alexander Hope by Sir John Watson Gordon (1835) valued at £0.030 million and a full length portrait of John Adrian Louis by Robert Brough (1904) valued at £0.030 million. A significant revaluation increase was the mural at Lowport Outdoor Education Centre by James Cumming (1988) valued at £0.030 million and a shallow relief plaster wall artwork by Michael Visocchi Arsa (2010) valued at £0.021 million. The majority of artworks and Sculptures are on display in Operational Buildings and Arts Facilities throughout West Lothian, the remainder are in storage but remain accessible on request.

Civic Regalia

Civic regalia predominately relates to the council's collection of Chains of Office worn by office bearers at ceremonial and civic events (Provost, Magistrates and Convenors). The Regalia held relates to chains of office for predecessor authorities (West Lothian County Council, Armadale, Whitburn and Bathgate Town Councils and West Lothian District Council). Also included in this category are precious metals in the form of trophies, cups, medals and rose bowls.

The valuation of the regalia has increased significantly due to the increase in the market value of precious metals. The collection of Chains of Office are stored at secure locations and worn for events as required, the majority of the other items are on display in the council's libraries and museum.

It would be exceptionally rare for the council to purchase or dispose of items of civic regalia.

Archives

The Museums Service has responsibility for the collection and preservation of records of historical interest in relation to West Lothian in order to ensure that their heritage will survive for the future. These records include photographs, prints, negatives and slides, both original and copied from loans, recording the history of West Lothian. The majority of items within the collections have been acquired by donation over time and are held in the Archives and Records Centre and the Local History Library.

Archaeology

The council does not make any purchases of archaeological items and has a small reference collection of Bronze Age items in storage used in outreach workshops for touring exhibitions.

Memorials, Public Art and Monuments

The authority holds and maintains memorials, Public Art and monuments of historic significance, some of which are tributes to the war dead. These are recognised on the balance sheet where there has been capital spend to improve or refurbish the assets. It is considered that there is a lack of available, comparable market values to establish a 'fair value'. Assets which have not had enhancing capital spend are not recognised on the balance sheet as information on historical cost is not available.

It is unlikely that the authority would procure such assets but is more likely to refurbish or enhance existing assets. In this respect, the cost of those works will be capitalised at cost.

The details of the council's public artworks can be found at http://www.westlothian.gov.uk/publicart

15. CURRENT INTANGIBLE ASSETS - CARBON REDUCTION COMMITMENT ALLOWANCE

	Balance of Allowances at 31 March 2016 £'000	Allowances Discharged In Year £'000	Purchase of Allowances In Year £'000	Balance of Allowances at 31 March 2017 £'000
Carbon Reduction Commitment Allowance	**622**	594	564	**592**

The expenditure of £0.564 million on Intangible Assets relates to Carbon Reduction Commitment (CRC) Allowances purchased in a forecast sale in April 2016 for the purpose of settling 2016/17 CRC liabilities during 2017/18.

It is anticipated that the allowances will meet the estimated CRC liability of £0.555 million arising from the council's energy consumption during 2016/17.

16. FINANCIAL INSTRUMENTS

16.1 **Types of Financial Instrument**

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the council) shown in the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

	Long-term		Current	
Investments and Lending	**31 March 2017 £'000**	**31 March 2016 £'000**	**31 March 2017 £'000**	**31 March 2016 £'000**
Loans, receivables and interest	-	-	125,585	100,466
Investments to cash equivalents	-	-	12,675	25,725
Long term investments	277	249	-	-
	277	**249**	**138,260**	**126,191**
Borrowing				
Financial liabilities at amortised cost	503,641	433,671	100,290	100,066
	503,641	**433,671**	**100,290**	**100,066**

Long Term Investments

The council has a shareholding in Lothian Buses Ltd, the shares in this company are not traded in an active market and therefore the fair value of £0.277 million has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the current calculated share price multiplied by the council's shareholding.

16.2 **Fair Value of Assets and Liabilities carried at Amortised Cost**

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) are carried in the balance sheet at amortised cost.

Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- Interest rates at 31 March 2017 for PWLB vary from 2.09% to 10.25% depending on the maturity profile of the loans and for other market loans (LOBO's) from 3.75% to 4.85% again based on the maturity profile of the loans.
- No early repayments or impairment are recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is assumed to be the invoiced or billed amount.

For both lending and borrowing the valuation basis adopted in this report uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability. The accounting policy for the Fair Value Measurement is included in Statement 9 note 1 on page 31.

The fair values are calculated as follows:	31 March 2017		31 March 2016	
Lending	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Loans and receivables - Cash The loans and receivables valuation is made by the prevailing benchmark rates	12,675	12,680	25,725	25,736
Loans and receivables - Fixed Term Deposits The fixed term deposit valuation is made by comparison of the fixed term investment with a comparable investment with the same / similar lender for the remaining period of the deposit	125,585	125,872	100,466	100,735
	138,260	**138,552**	**126,191**	**126,471**

The fair value is more than the carrying amount because the council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above current market rates increases the amount that the council would receive if it agreed to early repayment of the loans. The fair value amount also includes accrued interest receivable on the loans of £0.585 million.

	31 March 2017		31 March 2016	
Borrowing	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial liabilities - PWLB For loans from the PWLB, Capita Asset Services have provided fair value estimates using both redemption and new borrowing (certainty rate) discount rates.	535,203	719,664	464,980	599,168
Financial liabilities - LOBO's and Temporary borrowing For non PWLB loans Capita Asset Services have provided fair value estimates using both PWLB redemption and new market loan discount rates.	68,728	103,150	68,757	89,920
	603,931	**822,814**	**533,737**	**689,088**

16.2 **Fair Value of Assets and Liabilities carried at Amortised Cost (Continued)**

The fair value is more than the carrying amount because the council's borrowing figure includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the council would have to pay if the lender requested or agreed to early repayment of the loans.

For both lending and borrowing the valuation basis adopted by Capita Asset Services uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability.

16.3 **Nature and Extent of Risks arising from Financial Instruments**

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. The council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers. It is the policy of the council to place deposits only with a limited number of high quality UK 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 following analysis summarises the council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the council expects full repayment on the due date of deposits placed with its counterparties.

	Amount at 31 March 2017 £'000	**Historical experience of non-payment adjusted for market conditions at 31 March 2017 %**	**Estimated maximum exposure to default and uncollectability £'000**
Deposits with banks and building societies	138,260	0%	-
Customers (council tax and other income)	36,782	2.25%	828

The council does not generally allow credit for customers, however, £29.818 million of the £36.782 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than three months	579
Three to six months	795
Six months to one year	3,789
More than one year	24,655
	29,818

The council has provided £22.093 million against possible bad debts at 31 March 2017 (£21.641 million at 31 March 2016).

Liquidity Risk

The council's main source of borrowing is the Treasury's Public Works Loan Board. There is no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments. The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of possible uncertainty over interest rates. The council's policy is to ensure that not more than 15% of loans are due to mature within any financial year through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments. LOBO Loans are classified as maturing at the date of the next rate review but are unlikely to be repaid at that point.

The maturity analysis of financial liabilities, including LOBO Loans, is as follows:

	31 March 2017 £'000	**31 March 2016 £'000**
Less than one year	100,290	100,066
Between one and two years	25,000	25,030
Between two and five years	40,000	55,000
More than five years	438,641	353,641
	603,931	**533,737**

16.3 **Nature and Extent of Risks arising from Financial Instruments (Continued)**

Market risk
Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates. An increase in interest rates would also mean an increase in the income received on lending at variable rates.

Changes in market rates also affect the notional "fair value" of lending and borrowing. For example, a rise in interest rates would reduce the fair value of both lending and borrowing at fixed rates. Changes in the fair value of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the council.

- It is the policy of the council to ensure its variable rate borrowing is limited to a maximum of 35% of total borrowing. At 31 March 2017 the council had no debt subject to variable rates.
- During periods of falling rates and where it is economically advantageous to do so, the council will consider the repayment and restructuring of fixed interest rate debt.
- The council takes daily advice from its specialist treasury adviser and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

To illustrate the impact of changes in interest rates upon the council, the following table shows the financial effect if rates had been 1% higher for the financial year 2016/17, with all other variables held constant.

Impact on tax-payer and rent-payers	**£'000**
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate lending	(11,571)
Net effect on Income and Expenditure Account	**(11,571)**
Housing Revenue Account's Share	**(3,622)**

Price Risk
The council has 25,000 ordinary shares in Lothian Buses Limited (formerly Lothian Buses Plc). While the value of the shares held is not significant, there remains a risk arising from the movement in the price of Lothian Bus shares.

Foreign Exchange Risk
The council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

17. LONG TERM DEBTORS

Loan Advances	**Balance at 1 April 2016 £'000**	**Advances £'000**	**Write-offs/ Repayments £'000**	**Balance at 31 March 2017 £'000**
Small Business Loans	11	-	(11)	-
	11	**-**	**(11)**	**-**

Soft Loans are defined as those where concessions are offered to borrowers such as long repayment terms, below-market rate of interest etc. The scheme detailed in the note above, Small Business Loans is categorised as a soft loan.

18. INVENTORIES

	2016/17 £'000	**2015/16 £'000**
Building Maintenance	152	164
Transport	109	127
Printing	4	4
Canteens	98	104
Roads and Grounds Maintenance	720	504
Countryside Deer / Highland Cows	54	68
	1,137	**971**

19. SHORT TERM DEBTORS

	2016/17		**2015/16**	
	£'000	**£'000**	**£'000**	**£'000**
Central Government Bodies		13,338		15,057
Other Local Authorities		1,247		458
NHS Bodies		2,267		204
Public Corporations and Trading Funds		94		1,122
Other Entities and Individuals				
• Council Tax Debtors	27,282		28,358	
• Provision for Council Tax Debtors	(20,119)		(19,709)	
• Trade Debtors	4,134		4,526	
• Provision for Trade Debtors	(1,974)		(1,932)	
• Other Entities and Individuals	9,743		7,895	
		19,066		19,138
		36,012		**35,979**

20. SHORT TERM CREDITORS

	2016/17 £'000	2015/16 Restated £'000
Central Government Bodies	8,558	8,389
Other Local Authorities	2,686	3,216
NHS Bodies	378	338
Public Corporations and Trading Funds	368	103
Other Entities and Individuals	66,201	65,839
	78,191	**77,885**

21. PROVISIONS

	Balance at 31 Mar 2016 £'000	Provision in Year £'000	Payments in year £'000	Balance at 31 Mar 2017 £'000
Equal pay settlements	431	-	257	**174**

Equal Pay Provision

The council created an Equal Pay Provision in 2013/14 to meet the liability arising from the equal pay claims following the outcome of litigation involving Dumfries and Galloway Council. West Lothian is currently finalising discussions with claimants' representatives to establish settlement terms on the small number of claims outstanding. During 2016/17 £0.257 million was paid from the provision, leaving a remaining provision of £0.174 million to meet future claims.

22. LONG TERM CREDITORS

	Sum Outstanding 2016/17 £'000	Sum Outstanding 2015/16 £'000
Finance Leases - outstanding principal	280	371
Open Space Agreements	273	288
Economic Development Business Gateway	587	686
	1,140	**1,345**
OTHER LONG TERM LIABILITIES		
PPP1 Schools	12,976	13,894
PPP3 Schools	50,096	51,570
	63,072	**65,464**

23. PENSION SCHEMES

23.1 **Pension Schemes**

As part of the terms and conditions of employment of 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 payments and to disclose them at the time that employees earn their future entitlement.

As explained in Statement 9 note 1 of the Accounting Policies the council participates in two post-employment schemes:

- **Local Government Pension Scheme**
  The Local Government Pension Scheme (Lothian Pension Fund) is administered by City of Edinburgh council in accordance with the Local Government Pension Scheme (Scotland) Regulations 2008. This is a funded defined benefit final salary scheme, meaning that the council and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with investment assets.

- **Teachers' Pension Scheme**
  The Teachers' Pension Scheme is administered by the Scottish Public Pensions Agency, an Executive Agency of the Scottish Government. It provides teachers with defined benefits upon their retirement, and the council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. However, as the Scheme is not able to identify each council's share of the underlying liabilities with sufficient reliability for accounting purposes, the pension costs are accounted for as if it were a defined contribution scheme.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to an extent by the statutory requirement to charge the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

In 2016/17 the council paid an employer's contribution of £12.430 million (2015/16 £11.588 million) at the prescribed rate 17.2% (of 14.9% pre 30 August 2015 and 17.2% from 1 September 2015) of pensionable pay to the Scottish Government in respect of teachers' pension costs. An actuarial valuation was carried out at 31 March 2005. In addition, the council is responsible for all pension payments relating to added years together with related increases. In 2016/17 (2015/16) these amounted to £0.436 million (£0.378 million) representing 0.38% (0.34%) of pensionable pay.

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

23.2 **Transactions Relating to Post-Employment Benefits**

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement:

	2016/17		2015/16	
Comprehensive Income And Expenditure Statement	**£'000**	**£'000**	**£'000**	**£'000**
Cost of Services				
Current Service cost	28,769		32,993	
Past Service Costs	269	**29,038**	266	**33,259**
Financing and Investment Income and Expenditure				
Net Interest Expense		**6,246**		**8,860**
		35,284		**42,119**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense	(147,763)		(12,772)	
Actuarial (gains) and losses arising on changes in demographic assumptions	-		-	
Actuarial (gains) and losses arising on changes in financial assumptions	251,395		(93,050)	
Other experience	(712)	**102,920**	(8,496)	**(114,318)**
Total Post-employment Benefits Charged to Comprehensive Income and Expenditure Statement		**138,204**		**(72,199)**

	2016/17		2015/16	
Movement in Reserves Statement	**£'000**	**£'000**	**£'000**	**£'000**
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with Code		**(114,142)**		**96,056**
Actual Amount charged against the General Fund Balance of pensions in the year				
Employer's contributions payable to the scheme		(22,113)		(21,717)
Contributions in respect of unfunded benefits		(1,949)		(2,140)
		(24,062)		**(23,857)**

The amount charged to taxation for the Lothian Pension Fund Scheme in 2016/17 (2015/16) was £23.808 million (£23.584 million).

23.3 **Pension Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the council's obligation in respect of Lothian Pension Fund is as follows:-	**31 March 2017 £'000**	**31 March 2016 £'000**
Fair Value of Assets	950,082	772,175
Present Value of Funded Liabilities	(1,208,740)	(916,992)
Share of net liabilities	(258,658)	(144,817)
Present value of unfunded liabilities	(31,632)	(31,331)
Net pension liabilities arising from defined benefit obligation	**(290,290)**	**(176,148)**

23.4 **Reconciliation of the Movements in the Fair Value of Lothian Pension Fund Assets**	**31 March 2017 £'000**	**31 March 2016 £'000**
Opening fair value of assets at 1 April	772,175	735,494
Interest income on plan assets	27,061	23,542
Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense	147,763	12,772
Employer's contributions payable to the scheme	22,113	21,717
Contributions by scheme participants	6,598	6,483
Benefits paid	(25,628)	(27,833)
Closing fair value of assets at 31 March	**950,082**	**772,175**

23.5 **Reconciliation of the Present Value of Lothian Pension Fund Liabilities**	**31 March 2017 £'000**	**31 March 2016 £'000**
Opening Balance at 1 April	(948,323)	(1,007,698)
Current Service costs	(28,769)	(32,993)
Interest cost	(33,307)	(32,402)
Contributions by scheme participants	(6,598)	(6,483)
Remeasurement gain / (loss):		
- Actuarial (gains) and losses arising on changes in demographic assumptions	-	-
- Actuarial (gains) and losses arising on changes in financial assumptions	(251,395)	93,050
- Other experience	712	8,496
Past service costs	(269)	(266)
Benefits paid	25,628	27,833
Unfunded benefits paid	1,949	2,140
Closing balance of liabilities at 31 March	**(1,240,372)**	**(948,323)**

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23.6 **Lothian Pension Fund Assets by Category**
The asset values below are at bid value as required by IAS 19

	2016/17		2015/16	
	£'000	%	£'000	%
Equity Securities:				
*Consumer	142,635	15%	117,598	15%
*Manufacturing	144,029	15%	91,073	12%
*Energy and Utilities	70,498	7%	61,337	8%
*Financial Institutions	66,342	7%	65,402	8%
*Health and Care	55,690	6%	51,329	7%
*Information Technology	47,021	5%	46,263	6%
*Other	65,469	7%	44,198	6%
Private Equity:				
*All	11,048	1%	8,666	1%
All	19,641	2%	25,103	3%
Investment funds and unit trusts:				
*Equities	-	-	-	-
Equities	-	-	-	-
*Commodities	2,786	-	2,142	-
Commodities	-	-	-	-
*Infrastructure	6,036	1%	4,297	1%
Infrastructure	78,982	9%	47,061	6%
*Other	-	-	-	-
Other	20,268	2%	18,500	2%
Equity	**730,445**	**77%**	**582,969**	**75%**
Debt Securities:				
*Corporate Bonds A (investment grade)	-	-	-	-
*Corporate Bonds (non-investment grade)	-	-	-	-
*UK Government	95,401	10%	49,690	6%
*Other	1,974	-	19,534	3%
Investment funds and unit trusts:				
Bonds	11,963	1%	4,184	1%
*Bonds	2,128	-	2,072	-
Derivatives:				
Inflation	-	-	-	-
Interest rate	-	-	-	-
*Foreign exchange	-	-	(45)	-
*Other	-	-	-	-
Bonds	**111,466**	**11%**	**75,435**	**10%**
Real Estate:				
UK Property	64,103	7%	66,051	9%
Overseas Property	-	-	-	-
Property	**64,103**	**7%**	**66,051**	**9%**
Cash and cash equivalents				
*All	44,068	5%	47,720	6%
Cash and cash equivalents	**44,068**	**5%**	**47,720**	**6%**
	950,082	**100%**	**772,175**	**100%**

Assets marked with an asterisk (*) have quoted prices in active markets and equate to £755.125 million (2015/16 £611.276 million) with prices not quoted in active markets totalling £194.957 million (2015/16 £160.899 million).

23.7 **Basis for Estimating Assets and Liabilities**
Liabilities are valued on an actuarial basis using the projected unit credit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2014 and updated for the following periods by Hymans Robertson, the independent actuaries to the Lothian Pension Fund. The significant assumptions used in the calculations for both the Lothian Pension Fund and discretionary payments are:

Mortality Assumptions
Life expectancy is based on the Fund's Vita Curves analysis (with improvements in line with the CMI2012 model) used in the formal funding valuation as at 31 March 2014. Based on these assumptions, the average future life expectancies at age 65 are summarised on page 55.

Investment Returns
The return on the Fund in market value terms for the period to 31 March 2017 is estimated based on actual fund returns as provided by the administering authority and index returns where necessary. Details are given below:

Actual Returns from 1 April 2016 to 31 December 2016	**17.1%**
Total Returns from 1 April 2016 to 31 March 2017	**22.6%**

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23.7 **Basis for Estimating Assets and Liabilities (Continued)**

		2016/17 Years	2015/16 Years
Current Pensioners -	Males	22.1	22.1
	Females	23.7	23.7
Future Pensioners -	Males	24.2	24.2
	Females	26.3	26.3

Financial Assumptions	2016/17 %	2015/16 %
Rate of inflation	2.4%	2.2%
Rate of increase in salaries	4.4%	4.2%
Increase in Pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%

23.8 **Sensitivity Analysis**

Accounting guidance requires disclosure of the sensitivity of the results to the methods and assumptions used. The approach taken in preparing the sensitivity analysis shown is consistent with that adopted in the previous year.

	Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	11%	137,565
0.5% increase in the Salary Increase Rate	4%	47,798
0.5% increase in the Pension Increase Rate	7%	85,496

For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 – 5%. 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 predominately apply at younger or older ages).

23.9 **Projected Pension Cost for period to 31 March 2018**

The deficit has increased due to a significant decrease in the net discount rate over the period, the negative impact of which has been partially offset by much greater than expected asset returns.

The figures presented in the actuary's valuation are prepared only for the purposes of IAS 19 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes and have no impact on the employer's pension contribution rate.

The net pensions liability does not impact on the council's available reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the council by 32% (16% 2015/16 Restated).

The projected pension expense for next year has also risen due to the lower net discount rate net of inflation, leading to a higher current service cost. The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2018, based on assumptions as at 31 March 2017:-

	31 March 2018			
	Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	-	(39,977)	(39,977)	(37.3%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	**-**	**(39,977)**	**(39,977)**	**(37.3%)**
Interest income on plan assets	24,719	-	24,719	23.1%
Interest cost on defined benefit obligation	-	(32,476)	(32,476)	(30.3%)
Total Net Interest Cost	**24,719**	**(32,476)**	**(7,757)**	**(7.2%)**
Total included in Profit or Loss	**24,719**	**(72,453)**	**(47,734)**	**(44.5%)**

The estimated Employer's contributions for the year to 31 March 2018 will be approximately £21.840 million.

23.10 **Impact on Council's Cash Flow**

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 schemes' actuary to achieve a funding level of 100% over the long term. Funding Levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

The estimated Employer's contributions for the year to 31 March 2018 will be approximately £21.840 million. Employer contributions have been set at 20.0% for 2017/18 (20.0% 2016/17).

24. USABLE RESERVES

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 11 and 12.

24.1 **Revenue Statutory Funds**	2016/17 £'000	2015/16 £'000
Insurance Fund		
Balance at 1 April	13,715	13,570
Appropriation	(1,880)	145
Balance at 31 March	**11,835**	**13,715**

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24.2 **Capital Fund**	**2016/17 £'000**	**2015/16 £'000**
Balance at 1 April	88,214	84,765
Transfer (to) / from Capital Adjustment Account	(27,673)	(6,631)
Appropriation	4,986	10,080
Balance at 31 March	**65,527**	**88,214**

25. UNUSABLE RESERVES

	2016/17 £'000	**2015/16 Restated £'000**
Revaluation Reserve	579,486	630,463
Available for Sale Financial Instruments Reserve	252	224
Capital Adjustment Account	533,501	542,245
Financial Instruments Adjustment Account	(9,260)	(9,682)
Pensions Reserve	(290,290)	(176,148)
Accumulated Absences Account	(10,002)	(7,680)
Total Unusable Reserves	**803,687**	**979,422**

25.1 **Revaluation Reserve**	**2016/17 £'000**	**2015/16 Restated £'000**
Balance at 1 April	630,463	147,840
Unrealised gains / (losses) on revaluation of fixed assets	(2,542)	490,210
Less: Depreciation on revaluations	(48,435)	(7,587)
Balance at 31 March	**579,486**	**630,463**

The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sales, and 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. The revaluations are depreciated over the life of the revalued assets with the corresponding credit charged to the Capital Adjustment Account.

25.2 **Available-for-Sale Financial Instruments Reserve**	**2016/17 £'000**	**2015/16 £'000**
Balance at 1 April	224	189
Revaluation of long-term investments at fair value	28	35
Balance at 31 March	**252**	**224**

25.3 **Capital Adjustment Account**	**2016/17 £'000**	**2015/16 Restated £'000**
Balance at 1 April	542,245	627,363
Depreciation and impairment	(141,748)	(157,275)
Government grants written off	30,200	31,418
Loans fund principal repayments	14,660	13,768
Capital financed from current revenue (General Fund)	1,675	2,841
Capital financed from current revenue (HRA)	7,802	8,035
Gain/ (Loss) on disposal of non-current assets	2,559	1,877
Revaluation Reserve - Depreciation on revaluations	48,435	7,587
Transfer of Capital Receipts to Capital Fund	27,673	6,631
Balance at 31 March	**533,501**	**542,245**

The balances on the former Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007 have been transferred into the Capital Adjustment Account. Revaluation gains up to 1 April 2007 have been accumulated in the Capital Adjustment Account. This account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.

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25.4 **Financial Instruments Adjustment Account**	**2016/17 £'000**	**2015/16 £'000**
Balance at 1 April	(9,682)	(10,104)
Appropriations (to) from Movements on Reserve Statement	422	422
Balance at 31 March	**(9,260)**	**(9,682)**

The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the council's lending and borrowing. The balance at 31 March 2017 represents:

	2016/17 £'000	**2015/16 £'000**
Deferred Premiums less Discounts from Debt Rescheduling	(6,671)	(7,064)
Market LOBO loans restated - balance sheet value	(63,169)	(63,198)
- Deduct: actual loans outstanding	60,580	60,580
	(9,260)	**(9,682)**

25.5 **Pension Fund Reserve**

The pension reserve mirrors the net pensions liability detailed in 19.3. The movements in the year are summarised as follows:	**2016/17 £'000**	**2015/16 £'000**
Balance at 1 April	(176,148)	(272,204)
Net surplus for year	(11,222)	(18,262)
Actuarial Gains (Losses) in Pension Plan	(102,920)	114,318
Balance at 31 March	**(290,290)**	**(176,148)**

25.6 **Accumulated Absences Account**	**2016/17 £'000**		**2015/16 £'000**
Balance at 1 April		(7,680)	(8,999)
Annual leave and flexitime accrual - previous year	7,680		8,999
Annual leave, maternity and flexitime accrual - current year	(10,002)		(7,680)
Statutory adjustment for the year		(2,322)	1,319
Balance at 31 March		**(10,002)**	**(7,680)**

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, maternity and flexitime 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.

26. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2016/17 £'000	**2015/16 Restated £'000**
The following amounts are included in the net cash flows from Operating Activities:-		
Interest paid	24,439	22,457
Interest element of finance lease rental payments including PPP contracts	3,818	3,983
Interest received	(1,236)	(1,204)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:-		
Depreciation	117,834	63,247
Impairment and downward revaluations	23,914	94,028
Amortisation	(30)	(28)
Increase/(decrease) in creditors	377	6,819
(Increase)/decrease in debtors	(1,811)	(8,193)
(Increase)/decrease in Short Term Intangible Assets	30	14
(Increase)/decrease in inventories	(166)	(3)
Movement in pension liability	11,222	18,262
Gain / (Loss) on disposal of non-current assets	(2,559)	(1,877)
Other non-cash items	(113)	405
	148,698	**172,674**

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27. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment	(120,268)	(97,691)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment	9,278	3,689
Net decrease (increase) in short term investments	(25,000)	(9,978)
Net cash flows from Investing Activities	**(135,990)**	**(103,980)**

28. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2016/17 £'000	2015/16 £'000
Cash receipts of short and long term borrowing	100,000	70,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(86)	(241)
Repayments of short and long term borrowing	(30,125)	(30,000)
Net cash flows from Financing Activities	**69,789**	**39,759**

29. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

	2016/17 £'000	2015/16 £'000
Cash held by officers	151	145
Bank current accounts	2,258	1,932
Short term deposits	12,675	25,725
Total Cash and Cash Equivalents	**15,084**	**27,802**

30. AGENCY SERVICES

Expenditure	2016/17 £'000	2015/16 £'000
Local Bus Services Cross boundary bus services where other local authorities contract for the services and charge West Lothian for shared cross boundary agreements.	76	67
Residential Schools and other Social Work payments Costs incurred in relation to residential care for children under the age of 18 who are deemed to be a significant risk to themselves or others in the community. Secure care is provided by third sector organisations. Secure care provides intensive support and safe boundaries whilst providing care, including health and education.	860	679
Special School Placements Costs incurred in respect of West Lothian children who are in receipt of supported education services provided by other local authorities outwith the West Lothian Area.	262	308
Other Provision of other services – Speech Therapy, Additional Needs Support, New business Start-up support, Childrens Panel etc.	1,077	1,346
Non Domestic Rates The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	93,058	85,516
Total Expenditure	**95,333**	**87,916**

Income	2016/17 £'000	2015/16 £'000
Scottish Water Collection Services The Council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of Council Tax for a collection fee.	553	576
Social Work Services Income in respect of delivery of support for people with alcohol and drug problems. This is delivered through West Lothian Council's Social Work Addictions Team and funded by National Health Service under our Alcohol and Drug Partnership contracts.	1,182	1,102
Local Bus Services Cross boundary bus services where West Lothian contract for the services and recharge other local authorities for shared cross boundary agreements.	161	226
Special School Placements Recovery of the cost of provision of supported education provided to Other Local Authority children living outwith the West Lothian boundary but receiving educational services in West Lothian.	355	377
Non Domestic Rates The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	90,619	80,308
Total Income	**92,870**	**82,589**

31. TRADING OPERATIONS

The Local Government in Scotland Act 2003 repealed the requirement to have separate DSO/DLO trading accounts and introduced a specific performance requirement for each significant trading operation to breakeven over a three year rolling basis.

Economic Development Properties have been identified as a significant trading operation. The Service involves the maintenance and letting of industrial units, office accommodation and shops. The portfolio contains around 500 individual rental units and the policy objective is to ensure an adequate supply of property to meet the requirements of business needs in West Lothian. Summarised details of the account are as follows:-

	2016/17 £'000	2015/16 £'000
Turnover	4,819	4,718
Expenditure	4,334	8,886
Surplus (Deficit) for year	**485**	**(4,168)**
Budget Surplus (Deficit) for year	**397**	**(4,225)**

Included in turnover is internal income of £0.325 million (£0.417 million 2015/16).

The requirement to charge notional interest was removed in the 2006 SORP. However, for the purposes of assessing whether the trading operation has met the statutory requirement to breakeven over a three year rolling period, interest still requires to be included in expenditure for this assessment. A share of General Fund loan interest has been made based on the net book value of Economic Development Properties fixed assets to the total net book value of General Fund fixed assets. The results are summarised as follows:-

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2014/15	912	813	99
2015/16	(4,168)	740	(4,908)
2016/17	485	531	(46)
	(2,771)	**2,084**	**(4,855)**

In the three years to 31 March 2017 the trading account sustained a statutory aggregate loss of £4.855 million, therefore not achieving the statutory financial requirement to breakeven over the three year period. This was as a result of charges for impairment of £4.477 million in 2015/16 and £0.644 million in 2016/17 on assets from the Economic Development Property Portfolio. The financial position excluding the impairment charges would have resulted in the following surplus.

	2016/17 £'000	2015/16 £'000	2014/15 £'000
Turnover	4,819	4,718	4,445
Expenditure	3,690	4,409	3,533
Surplus for year	**1,129**	**309**	**912**
Budget Surplus for year	**1,041**	**252**	**779**

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2014/15	912	813	99
2015/16	309	740	(431)
2016/17	1,129	531	598
	2,350	**2,084**	**266**

Excluding impairment charges incurred during 2015/16 and 2016/17, in the three years to 31 March 2017 the trading account would have made a statutory aggregate surplus of £0.266 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

32. EXTERNAL AUDIT COSTS

The council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:-

	2016/17 £'000	2015/16 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	318	331
The Accounts Commission for Scotland has appointed Ernst and Young LLP as the Council External Auditor for the financial years 2016/17 to 2020/21.	**318**	**331**

33. CONTINGENT LIABILITIES

West Lothian Recycling

The council, under the terms of the Shareholder's Agreement with its partner Tarmac, has guaranteed to meet any loan from Tarmac to its related company, West Lothian Recycling Ltd. up to a maximum of £96,500, plus 50% of the related financing costs. There were no loans during 2016/17.

Equal Pay Provision

Before and after the council implemented its new pay and grading structure on 1 October 2007, a number of employees raised Employment Tribunal proceedings for equal pay compensation. These cases have been managed through the tribunal process in two separate batches – for claims covering the period before implementation (These have been detailed in note 21) and for claims covering the period after implementation which are currently being handled by an employment judge.

The council has made appropriate provisions for claims covering the period before implementation, as detailed in note 21, for all known outstanding claims relating to the first wave of equal pay claims, the council does however recognise the potential for future compensation claims in respect of cases not yet presented.

There are currently 101 post implementation equal pay claims with a total claim value of £1.8 million which have been lodged and served but are not actively being managed or pursued with the employment tribunal. The claims are subject to ongoing legal review and there are ongoing discussions taking place with claims representatives. At the current time, management have not recognised a provision relating to the second wave of claims due to the uncertainty around the amount that will be used to settle these claims.

Municipal Mutual – Scheme of Arrangement

The Municipal Mutual Scheme of Arrangement was triggered in November 2012. The scheme administrator announced that the initial levy rate was 15% of claims paid since 1993. The council has paid a total of £0.198 million in respect of West Lothian District Council and Livingston Development Corporation liability and £0.035 million in respect of the council's share of Lothian Regional Council liability. The council recognises that further levies will be imposed and therefore acknowledges a potential future liability.

Holiday Pay Liability

During periods of annual leave employees receive their basic contractual pay. This means that any non-contractual additional payments e.g. overtime, are not reflected in the rate of pay the employee receives while on annual leave. A decision made by the European Court of Justice in May 2014 under the Working Time Directive 2003/88/EC has held that holiday pay should be the normal remuneration received by the employee and the matter remains under consideration by the employment tribunal system.

The council has received a number of claims for holiday pay. In accordance with Employment Tribunal procedures being applied across the UK, they are suspended until decisions are made in appeal proceedings which may clarify the legal position. No payments have been made by the council in relation to this issue.

34. POST REPORTING PERIOD EVENTS

The Head of Finance and Property Services, Donald Forrest CPFA, being the officer responsible for the council's financial affairs, authorised the issue of the unaudited annual accounts on 30 June 2017 and the audited annual accounts on 26 September 2017. Events after the balance sheet date have been considered up to 26 September 2017.

35. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

Credited to Taxation and Non Specific Grant Income	**2016/17 £'000**	**2015/16 £'000**
Capital Grants and Contributions		
- General Capital Grant	12,298	17,083
- Other Scottish Government Grant	10,610	9,177
- Developers Contributions	4,245	3,791
- Other Capital Contributions	3,047	1,367
Total Capital Grants and Contributions	**30,200**	**31,418**
Revenue Support Grant	218,861	217,938
Distribution from Non Domestic Rate Pool	87,726	94,216
Total Grants credited to Taxation and Non Specific Grant Income	**336,787**	**343,572**
Credited to Services		
Housing Benefits Grant	53,656	54,254
Administration of Benefits Grant	792	843
DWP Discretionary Housing Payment	971	287
Integration Joint Board	7,130	-
Education Maintenance Allowance	670	706
European Grants	837	3,535
Private Sector Housing Grant	732	732
Community Led Regeneration	37	34
Criminal Justice Grant	2,634	2,399
Economic Growth Plan	1,699	1,371
Home Energy Efficiency Programme for Scotland	693	2,880
Sport Scotland	388	460
Creative Scotland	224	381
Skills Development	257	89
Big Lottery Fund	212	13
Vehicle Emissions Testing	186	169
Syrian Resettlement Programme	340	120
Other Grants	2,996	1,896
Contribution from - Local Authorities	742	923
- Scottish Enterprise Edinburgh and Lothian	219	-
- NHS	7,084	7,032
Total Grants credited to Services	**82,499**	**78,124**

36. GENERAL FUND BALANCE

The following amounts have been earmarked within the General Fund Balance.

	Balance at 1 April 2015 Restated £'000	Transfers Out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'0000	Balance at 31 March 2017 £'000
General Balance at 31 March	**25,869**			**25,609**			**25,262**
Movement in Earmarked Reserves							
Balances held by schools under a scheme of delegation	1,053	-	5	1,058	-	2	1,060
Energy Efficiency Fund	358	(7)	-	351	(2)	-	349
Weather Emergency Fund	1,000	-	-	1,000	(1,000)	-	-
Modernisation Fund	4,372	-	-	4,372	(608)	-	3,764
Senior Peoples Challenge Fund	88	-	-	88	(88)	-	-
Scottish Government Grant	4,812	-	386	5,198	(1,396)	1,736	5,538
Time Limited Projects	5,414	(1,674)	1,010	4,750	(2,060)	2,171	4,861
War Memorial Fund	50	-	-	50	(6)	-	44
Local Plan	110	-	-	110	-	-	110
Developer Contribution Fund	6,562	-	-	6,562	-	-	6,562
Use of Reserves to balance Revenue Budget	-	-	-	-	-	899	899
Demand Responsive Transport	50	(50)	-	-	-	-	-
Total Earmarked Reserves	**23,869**	(1,731)	**1,401**	**23,539**	(5,160)	**4,808**	**23,187**
Uncommitted General Fund Balance at 31 March	**2,000**			**2,070**			**2,075**

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.060 million (£1.058 million 2015/16) is held within the General Fund. This sum represents the amount by which schools underspent their delegated schemes and may be used to supplement their 2017/18 budgetary provision. This sum, although held within the General Fund, must be spent on Education Services and is not available to the council for general use.

37. LEASING AND PPP PAYMENTS

Leases

The council uses leased cars, street sweeping vehicles, occupies certain offices financed under the terms of various operating leases and leases windows and doors in some of the council's housing stock. The amounts paid under these arrangements were as follows:-

	2016/17 £'000	2015/16 £'000
Plant and Vehicles	3,258	3,329
Property	361	546
	3,619	**3,875**

Assets acquired under finance leases have been capitalised and are detailed in note 13.8.

Operating Leases

The future cash payments required under operating leases are:-

			2016/17 £'000	2015/16 £'000
2017/18	(2016/17)	- Land and Buildings	353	218
		- Other Operating Leases	3,073	3,053
2018/19 to 2021/22	(2017/18 to 2020/21)	- Land and Buildings	566	644
		- Other Operating Leases	5,061	5,879
2022/23 onwards	(2021/22 onwards)	- Land and Buildings	1,476	1,575
		- Other Operating Leases	26	13

The cumulative value of leases where the council is a lessor is £5.573 million for 720 units.

Education Service PPP1 Schools Project

This is a 31 year PPP contract which was awarded in August 2001 for the construction, extension and refurbishment of existing facilities, for three high schools, three primary schools and two nursery schools in Bathgate, Broxburn, Whitburn and Linlithgow. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 7 November 2032.

The unitary charge is subject to annual RPI indexation. The PPP contractor has price risk for utilities, so the council may be due a rebate on the unitary charge and this is reviewed bi-annually. The contractor is also entitled to a change adjustment to reflect any relevant costs incurred by the contractor within the first eleven and a half years of the contract. The council is however entitled to receive a share of any Refinancing Gain in accordance with a formula linked to the Equity IRR.

37. LEASING AND PPP PAYMENTS (CONTINUED)

Education Service PPP1 Schools Project (continued)

The council has rights to access the school facilities each school day. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

Education Service PPP3 Schools Project

This is a 31 year PPP contract for the construction of new facilities, for two high schools in Livingston (Deans) and Armadale. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 16 August 2039.

The Unitary Charge is subject to annual RPI indexation. The parties share the benefit/cost of improving or not achieving the set utility consumption targets, so the council may be due a rebate on the unitary charge and this is reviewed annually. Whilst the council may have to meet any additional cost of insurance premiums, it may also benefit from their reduction. In addition, the council is entitled to receive a 50% share of a refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities each week day, and each weekend. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

PPP Payments

The future cash payments under two PPP schools contracts are analysed as follows:-

	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	2016/17 Total £'000	2015/16 Total £'000
Within one year	2,392	3,675	177	6,217	12,461	12,201
2 to 5 years	9,352	13,040	1,144	29,027	52,563	51,463
6 to 10 years	12,311	13,221	2,213	44,544	72,289	70,771
11 to 15 years	17,720	9,263	1,810	51,602	80,395	78,702
16 to 20 years	15,528	4,004	198	36,684	56,414	62,365
21 to 25 years	8,161	593	-	18,111	26,865	37,686
	65,464	**43,796**	**5,542**	**186,185**	**300,987**	**313,188**

38. 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.

Scottish Government

Scottish Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in note 35.

Councillors

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2016/17 are shown in the Remuneration Report note 2.3 on page 20. There are no related party transactions with members of the council.

Officers

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

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38. RELATED PARTIES (CONTINUED)

During the year, the council entered into a number of transactions with related parties which include Central Government, Other Local Authorities, the Joint Valuation Board and related companies.

EXPENDITURE	2016/17 £'000	Restated 2015/16 £'000
Government Payments		
PAYE and National Insurance	56,641	50,590
Superannuation – Teachers	12,430	11,588
Other Local Authority Payments		
Superannuation	23,808	23,584
Other Payments	950	1,336
Other Related Party Payments		
Joint Valuation Board	1,145	1,145
West Lothian Integration Board	60,584	10
West Lothian Municipal Bank Ltd.	-	-
West Lothian Leisure Ltd.	2,758	1,906
Councillors Remuneration	722	705
Criminal Justice Authority	3,498	3,169
SESTRAN / SESPLAN	69	69
	162,605	**94,102**
Other Related Party Income		
Other Local Authority Receipts	742	923
Criminal Justice Authority	2,634	2,399
	3,376	**3,322**
BALANCE SHEET		
The amounts due (to) or from related parties are detailed below:-		
Government departments	4,780	6,668
Other local authorities	(1,439)	(2,758)
Related companies		
- West Lothian Leisure Ltd.	13	205
- West Lothian Integration Board	(95)	-
	3,259	**4,115**

39. WEST LOTHIAN INTEGRATION JOINT BOARD (IJB)

The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. Section 71(2) of the 2014 Act expressly repealed Sections 4A and 4B of the National Health Service (Scotland) Act 1978 which made provision regarding community health partnerships. That repeal took effect on 1 April 2015 and the West Lothian Integration Joint Board (IJB) superseded the West Lothian Community Health and Care Partnership (WLCHCP) arrangement in 2015/16. The IJB operated on a shadow basis until the West Lothian IJB was legally established on 21 September 2015.

The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government. The IJB's primary purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian were delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions. The level of resources associated with council functions delegated to the IJB in 2016/17 was £60.584 million (£0.010 million 2015/16).

HRA – INCOME AND EXPENDITURE STATEMENT — STATEMENT 10

PURPOSE

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. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

		2016/17 £'000	2015/16 Restated £'000
INCOME	Dwellings Rent (gross)	(44,724)	(43,418)
	Non-Dwellings Rent (gross)	(550)	(592)
	Other Income	(1,174)	(3,179)
	TOTAL INCOME	**(46,448)**	**(47,189)**
EXPENDITURE			
	Repairs and Maintenance	15,011	13,973
	Supervision and Management	8,482	8,707
	Depreciation and Revaluation of non-current assets	37,915	89,476
	Bad or Doubtful Debts	512	517
	Other Expenditure	2,672	4,883
	TOTAL EXPENDITURE	**64,592**	**117,556**
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**18,144**	**70,367**
	HRA Services share of Corporate and Democratic Core (CDC)	94	93
	HRA Share of Accumulated Absences	(7)	-
	HRA share of Non Distributed Costs	12	8
	Net Cost of HRA Services	**18,243**	**70,468**
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(Profit) / Loss on sale of HRA assets	(2,064)	(771)
	Interest payable and similar charges	7,766	7,175
	Net interest on the net defined benefit liability	269	262
	Deficit for the year on HRA Services	**24,214**	**77,134**

MOVEMENT ON THE HRA STATEMENT — STATEMENT 11

PURPOSE

This statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

MOVEMENT

	Note	2016/17 £'000	2015/16 Restated £'000
Balance on the HRA at the end of the previous year		(926)	(926)
Deficit for the year on the HRA Income and Expenditure Statement		24,214	77,134
Adjustments between accounting basis and funding basis under regulations	1	(24,214)	(77,134)
(Increase) or decrease in year on the Housing Revenue Account		-	-
Balance on the HRA at the end of the current year		**(926)**	**(926)**

NOTES

1. **Adjustments between accounting basis and funding basis under regulations**

	2016/17 £'000	2015/16 Restated £'000
Depreciation and Revaluation	(37,915)	(89,476)
Profit / (Loss) on sale of HRA fixed assets	2,064	771
Share of Accumulated Absences	7	-
Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund	(281)	(270)
	(36,125)	(88,975)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Loans fund principal	4,109	3,806
Capital expenditure funded by HRA	7,802	8,035
Adjustments between accounting basis and funding basis under regulations	**(24,214)**	**(77,134)**

2. **Housing Stock**

The council's stock at 1 April 2016 was 13,234 houses and at 31 March 2017 was 13,169 houses. As a result the council was responsible for managing an average of 13,202 dwellings during 2016/17.

Stock movements can be summarised as follows:-

	2016/17 No of Houses	2015/16 No of Houses
Stock as at 1 April	13,234	13,275
Additions	214	88
Less Demolitions	(83)	(49)
Less Stock restated	(30)	-
Less Sales	(166)	(80)
Stock as at 31 March	**13,169**	**13,234**

Housing Stock Numbers by type are as follows:

	2016/17 No of Houses	2015/16 No of Houses
1 Bed	2,367	2,296
2 Bed	6,190	6,204
3 Bed	4,037	4,142
4 Bed	448	461
More than 4 Bed	127	131
	13,169	**13,234**

3. **Rent Arrears**

	2016/17 £'000	2015/16 £'000
Current Tenant Gross Rent Arrears at 31 March	1,220	1,247
Former Tenant Gross Rent Arrears at 31 March	1,033	980

4. **Losses on Void Properties**

	2016/17 £'000	2015/16 £'000
Losses on void properties at 31 March	266	250

5. **Bad Debt Provision**

	2016/17 £'000	2015/16 £'000
Bad Debt Provision for housing rent arrears and former tenant's debt.	1,543	1,559

COUNCIL TAX INCOME ACCOUNT — STATEMENT 12

PURPOSE

This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.

INCOME

	2016/17 £'000	2016/17 £'000	2015/16 £'000
Gross Council Tax levied and contributions in lieu		81,830	80,905
Less:			
Discounts	(6,712)		(6,705)
Provision for bad debts	(1,648)		(1,626)
Council Tax Reduction Scheme	(9,265)		(9,387)
Other deductions	(1,751)		(1,488)
		(19,376)	(19,206)
		62,454	**61,699**
Adjustments for previous years' Community Charge and Council Tax		(268)	(762)
Transfers to General Fund		**62,186**	**60,937**

NOTES

1. Calculation of the Council Tax base 2016/17

	PROPERTY BANDS								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Properties	17,636	24,705	9,944	8,154	9,507	5,830	2,655	185	78,616
Exemptions	(787)	(620)	(206)	(103)	(55)	(36)	(14)	(12)	(1,833)
Disabled Relief	173	(70)	(21)	20	(37)	(24)	(41)	-	-
Discounts (10%)	(10)	(13)	(7)	(6)	(5)	(1)	(2)	-	(44)
Discounts (25%)	(2,440)	(2,403)	(948)	(535)	(418)	(173)	(56)	(3)	(6,976)
Discounts (50%)	(79)	(74)	(52)	(27)	(19)	(10)	(7)	-	(268)
Council Tax Reduction Scheme	(4,837)	(4,261)	(1,086)	(405)	(212)	(63)	(14)	(1)	(10,879)
Effective Properties	9,656	17,264	7,624	7,098	8,761	5,523	2,521	169	58,616
Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	
Band D Equivalents	6,435	13,428	6,777	7,098	10,707	7,979	4,201	337	**56,962**
Contributions in lieu									-
Level of non-payment provided for									**(1,424)**
COUNCIL TAX BASE									**55,538**

2. The level of Council Tax depends upon the value of the property. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers i.e. single occupants. A Council Tax Scheme Reduction is available to taxpayers on a low income. Other deductions include Disabled Relief.

A bad debt provision of 2.25% of the net income from Council Tax has been provided, this represents a collection level of 97.75%.

3. The Council Tax charge for each band is as follows:-

Band	**2016/17 Council Tax £**	**2015/16 Council Tax £**
A	752.00	752.00
B	877.33	877.33
C	1,002,67	1,002.67
D	1,128.00	1,128.00
E	1,378.67	1,378.67
F	1,629.33	1,629.33
G	1,880.00	1,880.00
H	2,256.00	2,256.00

NON-DOMESTIC RATE INCOME ACCOUNT — STATEMENT 13

PURPOSE

This account shows the income from the rate levied on non-domestic property under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992.

INCOME

	2016/17 £'000		2015/16 £'000
Gross rates levied and contributions in lieu		108,458	101,518
Less			
Reliefs and other deductions	(14,783)		(19,231)
Provisions for bad and doubtful debts	(2,168)		(2,202)
		(16,951)	(21,433)
Net non-domestic rate income		**91,507**	**80,085**
Allocated:			
National non-domestic rate pool		91,648	80,218
Cost of council rate relief		(141)	(133)
		91,507	**80,085**

NOTES

1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2016/17 was £87.726 million (£94.216 million 2015/16).

2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government, and was 48.4p per £ in 2016/17 (48.0p in 2015/16). The rate was 51.0p (49.3p in 2015/16) for properties with a rateable value of more than £35,000. Properties with a rateable value of £18,000 or less are subject to a reduced charge if they meet the qualifying criteria under the small business bonus scheme.

3. Rateable values at 1 April 2016

	Number	Rateable Value £'000
Shops, Offices and other Commercial Subjects	2,981	91,709
Industrial Subjects	1,759	79,844
Miscellaneous (Schools etc.)	1,115	44,473
Total	**5,855**	**216,026**

4. There is no retained income from the Business Rates Incentivisation Scheme for 2016/17.

TRUSTS AND MORTIFICATIONS — STATEMENT 14

PURPOSE

The council acts as sole trustee for 40 Trusts and Mortifications. The funds do not represent the assets of the council and therefore they have not been included in the Balance Sheet.

The figures below summarise the Income and Expenditure arising during the year and the aggregate Assets and Liabilities of the Trusts at the year end.

	INCOME AND EXPENDITURE STATEMENT	2016/17 £'000	2015/16 £'000
EXPENDITURE	Beneficiaries	7	4
INCOME	Loans Fund and Dividend Interest	5	5
SURPLUS / (DEFICIT)	For Year	(2)	1
	At 1 April	382	381
	At 31 March	**380**	**382**

	2016/17 £'000	2015/16 £'000
BALANCE SHEET		
Current Assets		
Investments	47	47
Revenue Advances to Loans Fund	333	335
	380	382
Current Liabilities	-	-
TOTAL ASSETS	**380**	**382**
Reserves		
Capital Fund	165	165
Revenue Fund	215	217
TOTAL RESERVES	**380**	**382**

NOTES

1. In order to preserve the capital value of Trust Funds, it is council policy to disburse only revenue income arising from them. This is done one year in arrears i.e. revenue income received during 2016/17 is disbursed in 2017/18.

2. The main fund balances where the Council is sole trustee at 31 March 2017 are:-

	Capital £'000	Revenue £'000
Irene Elizabeth Miller Trust	60	3
West Lothian Trust for the Benefit of People with Disabilities	41	18
Quarter Farm Trust	17	40
James Wood Bequest	14	53
Robert Turner of Armadale Trust	11	19

3. The council also administered five other trusts in 2016/17, which have external and council trustees. At 31 March 2017 the total assets of these trusts, valued at cost, was £0.210 million (£0.208 million at 31 March 2016).

COMMON GOOD ACCOUNT — STATEMENT 15

PURPOSE

The Common Good Fund was inherited from West Lothian District Council and the former Linlithgow Town Council at the respective reorganisations of local government in 1996 and 1975 and is administered by the Council. Income from the Fund may be applied for the benefit of inhabitants of Linlithgow.

The figures below summarise the Income and Expenditure arising during the year and the Assets and Liabilities of the Fund at the year end.

INCOME AND EXPENDITURE STATEMENT	2016/17 £'000	2015/16 £'000
Expenditure		
Donations	-	-
Income		
Interest	-	-
Surplus / (Deficit)		
At 1 April	14	14
At 31 March	**14**	**14**

BALANCE SHEET	2016/17 £'000	2015/16 £'000
Non-Current Assets		
Heritable Property	1	1
Furnishings	4	4
	5	**5**
Current Assets		
Revenue Advances to Loans Fund	18	18
TOTAL ASSETS	**23**	**23**
FINANCED BY:		
Reserves		
Revenue Balance	14	14
Capital Reserve	9	9
TOTAL LOANS AND RESERVES	**23**	**23**

NOTES

1. Fixed Assets represent book values taken over from former councils as recorded in their Annual Accounts. They consist of:-

	£'000
Furnishings	4
Heritable Property	1
	5

2. LASAAC has issued guidance on the application of accounting requirements to Common Good assets. The council has not taken any action due to the insignificant amount involved (£5,000) and have not included this amount in their asset register.

3. Interest received in 2016/17 amounted to £147 (£157 2015/16).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP

STATEMENT 16

PURPOSE	The Comprehensive Income and Expenditure Statement 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). Authorities 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.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

		2016/17			2015/16		
	Group Note	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**
Schools, Education Support		231,791	6,004	225,787	181,831	6,761	175,070
Planning, Economic Development and Regeneration		11,478	4,946	6,532	15,098	7,417	7,681
Operational Services		79,497	9,051	70,446	79,052	10,250	68,802
Housing, Customer and Building Services		21,761	5,458	16,303	22,146	5,078	17,068
Corporate Services		1,067	664	403	1,178	602	576
Social Policy – IJB, Adult and Elderly Services		145,587	85,003	60,584	10	-	10
Social Policy – non IJB, Adult and Elderly Services		-	-	-	75,041	16,036	59,005
Social Policy – non IJB, Children's Services		39,200	4,552	34,648	47,845	4,589	43,256
Chief Executive, Finance and Property		35,277	5,517	29,760	34,867	4,539	30,328
Joint Boards		1,214	-	1,214	1,214	-	1,214
Time Limited Expenditure		-	-	-	340	-	340
Other Services		58,171	58,306	(135)	59,285	58,990	295
Net Cost of General Fund Services		**625,043**	**179,501**	**445,542**	**517,907**	**114,262**	**403,645**
Housing Revenue Account		64,592	46,448	18,144	117,556	47,189	70,367
Net Cost of Services		**689,635**	**225,949**	**463,686**	**635,463**	**161,451**	**474,012**
Other Operating Expenditure		(2,559)	-	(2,559)	(1,877)	-	(1,877)
Financing and Investment Income and Expenditure		67,445	34,343	33,102	68,940	30,602	38,338
Share of corporation tax of Joint Venture		-	-	-	-	-	-
Taxation and Non-Specific Grant Income		-	398,973	(398,973)	-	404,509	(404,509)
(Surplus) or Deficit on Provision of Services		**754,521**	**659,265**	**95,256**	**702,526**	**596,562**	**105,964**
Share of Operating Results of Associates and Joint Ventures		4,929	4,126	803	3,212	3,602	(390)
(Surplus) or Deficit on Group		**759,450**	**663,391**	**96,059**	**705,738**	**600,164**	**105,574**
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services							
(Surplus) / Deficit on revaluation of property, plant and equipment				2,542			(490,210)
Actuarial (gains) / losses on pension assets and liabilities				102,920			(114,318)
(Gains) / Losses on Investments in Associates and Joint Ventures				1,182			(1,264)
Items that may be reclassified to the Surplus / (Deficit) on the Provision of Services				**106,644**			**(605,792)**
(Surplus) / Deficit on revaluation of available for sale financial assets				**(28)**			**(35)**
Other Comprehensive Income and Expenditure				**106,616**			**(605,827)**
Total Comprehensive Income and Expenditure				**202,675**			**(500,253)**

MOVEMENT IN RESERVES STATEMENT - GROUP — STATEMENT 17

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

MOVEMENT IN RESERVES STATEMENT - GROUP
AS AT 31 MARCH 2017

	Group Note	Single Entity Usable Reserves (Note 1) £'000	Single Entity Unusable Reserves (Note 1) £'000	Group Reserves (Note 2) £'000	Total Group Reserves £'000
Balance at 1 April 2015		**125,130**	**484,085**	**(2,407)**	**606,808**
Movement in Reserves during 2015/16					
Total comprehensive income and expenditure		(105,892)	604,563	1,582	500,253
Adjustments between accounting basis and funding basis under regulations		109,226	(109,226)	-	-
Net increase (decrease) before transfers to other statutory funds		3,334	495,337	1,582	500,253
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		**3,334**	**495,337**	**1,582**	**500,253**
Balance at 31 March 2016	**G3**	**128,464**	**979,422**	**(825)**	**1,107,061**
Movement in Reserves during 2016/17					
Total comprehensive income and expenditure		(95,215)	(105,434)	(2,026)	(202,675)
Adjustments between accounting basis and funding basis under regulations		70,301	(70,301)	-	-
Net increase (decrease) before transfers to other statutory funds		(24,914)	(175,735)	(2,026)	(202,675)
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		**(24,914)**	**(175,735)**	**(2,026)**	**(202,675)**
Balance at 31 March 2017	**G3**	**103,550**	**803,687**	**(2,851)**	**904,386**

1. Statement 6 and notes 11 and 12 to the Annual Accounts provide details of the Single Entity Reserves.
2. Note G3 to the Group Accounts provides details of the Combining Entities Reserves.

BALANCE SHEET - GROUP — STATEMENT 18

PURPOSE	The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is 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 (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority 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 are adjustment accounts that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Group Note	As at 31 March 2017 £'000	As at 31 March 2016 £'000	As at 31 March 2015 £'000
LONG TERM ASSETS				
Property, Plant and Equipment				
- Council Dwelling		382,991	392,439	463,180
- Other Land and Buildings		1,055,260	1,109,578	655,048
- Vehicles, Plant, Furniture and Equipment		19,287	18,729	18,646
- Infrastructure Assets		211,219	207,853	199,148
- Community Assets		570	814	529
- Assets under construction		72,055	43,644	10,534
- Surplus Assets, not yet held for disposal		23,187	23,062	23,062
		1,764,569	1,796,119	1,370,147
Heritage Assets		779	677	677
Long Term Investments		277	249	213
Long Term Debtors		-	11	53
TOTAL LONG TERM ASSETS		**1,765,625**	**1,797,056**	**1,371,090**
CURRENT ASSETS				
Short Term Investments		125,585	100,466	90,462
Inventories		1,137	971	968
Short Term Debtors		36,012	35,979	26,726
Cash and Cash Equivalents		15,084	27,802	25,241
Intangible Assets		592	622	636
TOTAL CURRENT ASSETS		**178,410**	**165,840**	**144,033**
CURRENT LIABILITIES				
Short Term Borrowing		(100,290)	(100,066)	(89,883)
Short Term Creditors		(78,191)	(77,885)	(70,080)
Provisions		(174)	(431)	(1,242)
TOTAL CURRENT LIABILITIES		**(178,655)**	**(178,382)**	**(161,205)**
NET CURRENT ASSETS (LIABILITIES)		**(245)**	**(12,542)**	**(17,172)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,765,380**	**1,784,514**	**1,353,918**
LONG TERM LIABILITIES				
Long Term Creditors		(1,140)	(1,345)	(1,042)
Long Term Borrowing		(503,641)	(433,671)	(403,796)
Defined Benefit Scheme Liability		(290,290)	(176,148)	(272,204)
Other Long Term Liabilities		(63,072)	(65,464)	(67,661)
Share of Net Liabilities of Associates and Joint Venture	**G3**	(2,851)	(825)	(2,407)
TOTAL LONG TERM LIABILITIES		**(860,994)**	**(677,453)**	**(747,110)**
TOTAL NET ASSETS		**904,386**	**1,107,061**	**606,808**
Financed by:				
USABLE RESERVES				
General Funds Balance		24,648	25,862	25,580
HRA Balance		926	926	926
Capital Fund		65,527	88,214	84,765
Insurance Fund		11,835	13,715	13,570
TOTAL USABLE RESERVES		**102,936**	**128,717**	**124,841**
UNUSABLE RESERVES		**801,450**	**978,344**	**481,967**
TOTAL RESERVES		**904,386**	**1,107,061**	**606,808**

The unaudited accounts were considered by the Audit Committee on 30 June 2017 and the audited accounts were authorised for issue on 26 September 2017.

DONALD FORREST CPFA, Head of Finance and Property Services **26 September 2017**

CASH FLOW STATEMENT - GROUP — STATEMENT 19

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

	Group Note	2016/17 £'000	2015/16 £'000
Net Surplus or (Deficit) on Group		**(96,059)**	**(105,574)**
Adjust net surplus or deficit on the provision of services for non-cash movements		149,542	172,356
Net cash flows from Operating Activities		53,483	66,782
Net cash flows from Investing Activities		(135,990)	(103,980)
Net cash flows from Financing Activities		69,789	39,759
Net increase / (decrease) in cash and cash equivalents		**(12,718)**	**2,561**
Cash and cash equivalents at the beginning of the reporting period		**27,802**	**25,241**
Cash and cash equivalents at the end of the reporting period		**15,084**	**27,802**

NOTES TO THE GROUP ACCOUNTS STATEMENT 20

G1. ACCOUNTING POLICIES

The group accounting policies are those specified for the single entity financial statements as detailed in Statement 9 note 1.

G2. WEST LOTHIAN INTEGRATION JOINT BOARD

The West Lothian Integration Joint Board (IJB) was established as a body corporate by order of Scottish Ministers on 21 September 2015, and is a separate and distinct legal entity from West Lothian Council and NHS Lothian. The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government.

The IJB's purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian were delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions.

The IJB meets on a six weekly basis and is made up of eight voting members, comprising four elected members appointed by West Lothian Council and four NHS Lothian non-executive directors appointed by NHS Lothian. The IJB Audit Risk and Governance Committee and Strategic Planning Group have been set up to support integrated policy and strategic development and to ensure IJB business adheres to the principles of good corporate governance.

The IJB is defined as a joint venture. The net expenditure of the IJB for 2016/17 is £60.584 million (2015/16 £0.010 million). It should be noted that this expenditure does not include support services such as Human Resources, Legal and Financial Services which are not delegated to the IJB and are provided free of charge to the IJB. The IJB does not employ staff directly delivering services and does not hold cash resources or operate a bank account. The IJB accounts for 2016/17 show the Balance Sheet with no assets, liabilities or reserves and, as a result, no values have been consolidated into the Group Balance Sheet in respect of the IJB.

G3. COMBINING ENTITIES

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 75 and 76. For the purposes of consolidation and incorporation within the Group Accounts the council did not have any subsidiary companies during 2016/17. It was assessed as exerting significant influence but not control over West Lothian Leisure Ltd and Lothian Valuation Joint Board, therefore these interests are deemed to be associates. However, during 2016/17 West Lothian Leisure Ltd converted to a company limited by guarantee and from 1 April 2017 will be treated as a subsidiary.

The council has joint control and right to net assets in West Lothian Recycling Ltd and West Lothian Integration Joint Board, which are both defined to be joint ventures.

The following shares of the accounts of these bodies have been included within the Group Accounts.

Associates		**2016/17**	**2015/16**
West Lothian Leisure Ltd.	- basis - WLC funding to total income	22.68%	16.69%
Valuation Joint Board	- basis - WLC funding to total funding	18.72%	18.72%
Joint Venture			
West Lothian Recycling Ltd.	- basis - 50% of share capital	50%	50%
West Lothian Integration Joint Board	- basis - WLC representation on board	50%	50%

The summarised Financial Information of the associates and joint venture are detailed below:

Council share of Associates and Joint Ventures		**Valuation Joint Board £'000**	**West Lothian Leisure £'000**	**West Lothian Recycling £'000**	**Total £'000**
Total Assets	**2016/17**	451	749	220	**1,420**
	2015/16	422	659	229	**1,310**
Total Liabilities and shareholders' equity	**2016/17**	(2,499)	(1,634)	(138)	**(4,271)**
	2015/16	(1,359)	(707)	(69)	**(2,135)**
Net Assets / (Liabilities)	**2016/17**	(2,048)	(885)	82	**(2,851)**
	2015/16	(937)	(48)	160	**(825)**
Included in Surplus / (Deficit) in Group	**2016/17**	(27)	(820)	3	**(844)**
	2015/16	(117)	403	32	**318**

The summarised reserves of the associates and joint venture are detailed below:

Council share of Associates and Joint Ventures		**Valuation Joint Board £'000**	**West Lothian Leisure £'000**	**West Lothian Recycling £'000**	**Total £'000**
General Fund Balance	**2016/17**	189	(885)	82	**(614)**
	2015/16	141	(48)	160	**253**
Capital Fund	**2016/17**	-	-	-	**-**
	2015/16	-	-	-	**-**
Capital Grants Unapplied A/C	**2016/17**	-	-	-	**-**
	2015/16	-	-	-	**-**
Capital Receipts Reserve	**2016/17**	-	-	-	**-**
	2015/16	-	-	-	**-**
Total Usable Reserves	**2016/17**	189	(885)	82	**(614)**
	2015/16	141	(48)	160	**253**

G3. COMBINING ENTITIES (Continued)

Council share of Associates and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Unusable Reserves	**2016/17**	(2,237)	-	-	**(2,237)**
	2015/16	(1,078)	-	-	**(1,078)**
Total Reserves	**2016/17**	(2,048)	(885)	82	**(2,851)**
	2015/16	(937)	(48)	160	**(825)**

The accounting period for the two Associates and the IJB is the 31 March 2017 while West Lothian Recycling Ltd is the 31 December 2016. There have not been any significant transactions or events between 31 December 2016 and 31 March 2017 and therefore no adjustment is required to the position of West Lothian Recycling Ltd. The associates and joint ventures, have been accounted for using the equity method.

The Trusts, Mortifications and the Common Good Fund, which the council manage, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 14 and 15 on pages 68 and 69.

G4. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Associates and Joint Venture on the Group Balance Sheet as at 31 March 2017 (2016) is to reduce the net assets by £2.851 million (£0.825 million) representing the council's share of net liabilities of these organisations. The net liabilities are attributable to the Lothian Valuation Joint Board which has significant pension liabilities under IAS 19 of £2.320 million (£1.168 million).

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies.

G5. GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

The 2016/17 (2015/16) share of Associates pension interest cost and expected return on pension assets is £0.042 million (£0.072 million). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of Associates for the year.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES

The council has a relationship with the following companies which have been set up for specific purposes. The following companies are not consolidated into the Group Accounts as it is not considered that the council is able to exert a significant influence over any of the entities and participation is deemed to be immaterial.

Accounts of the companies may be obtained on application to the Head of Finance and Property Services.

6.1 WL Ventures Group Limited

The company is limited by guarantee and was set up to promote industry and commerce within West Lothian. The council has a right to nominate six members and directors.

The unaudited (audited) accounts for the period ended 31 March 2017 (2016) show a loss before and after tax of £1,950 (£192,000 profit) with net assets of £712,068 (£662,000).

6.2 West Lothian Enterprise Limited

The company is limited by guarantee. The principal activity is the management of funds designed for investments in industrial and commercial businesses with a view to promoting economic development. The company commenced in 2012/13.

The unaudited (audited) accounts for the period ended 31 March 2017 (2016) show losses before and after tax of £1,950 (£2,000) with net liabilities of £24,320 (£22,000).

West Lothian Enterprise Limited is in the process of being wound up and it is anticipated this will be completed by November 2017.

6.3 Visit West Lothian Limited

Visit West Lothian Limited was set up in August 2008 as a company limited by guarantee. The company consists of one employee, the Tourism Executive, and a board of 7 Directors comprising 1 council representative and 6 stakeholders. The purpose of the company is to promote and develop West Lothian as a visitor destination. As part of this the company aims to maximise the economic impact of West Lothian's visitor potential, improve the quality of the visitor experience and raise the profile of the locality. The company is funded by the council but also works to access available funding sources and generate additional revenue.

The unaudited (audited) accounts for the year ended 31 March 2017 (2016) show a breakeven position before tax (£18,747 loss) and breakeven after tax (£18,743 loss) with net assets of £25,413 (£25,413).

6.4 The West of Scotland Archaeology Service

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 11 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £12,691 (£12,691 2015/16) representing 7.19% (7.40% 2015/16) of the Committee's estimated running costs for the year to 31 March.

6.5 South East of Scotland Transport Partnership (SESTRAN)

The council is a member of SESTRAN, one of seven statutory regional transport partnerships set up under the Transport (Scotland) Act 2005. SESTRAN has a membership of 8 local authorities and they have a statutory duty to produce a Regional Transport Strategy Plan and provide the council with capital grant for West Lothian projects within the plan. During the year, the council made a contribution of £22,884 (£22,892 2015/16) and had a voting share of 12.5%.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (Continued)

6.6 SESplan is the Strategic Development Planning Authority for Edinburgh and South East Scotland (SESplan)

The council is a member of SESplan. SESplan is composed of 6 local authorities that have a statutory duty under Section 4 of the Planning (Scotland) Act 2006 to work together to prepare, and keep under review, a Strategic Development Plan (SDP) for the South East of Scotland. During the year, the council made a contribution of £46,550 (£46,550 2015/16) to the running costs of SESplan, representing 17% (17% 2015/16) of the authority's running costs. The council has a voting share of 17%.

6.7 Scotland Excel

Scotland Excel was launched in April 2008 to establish a centre of procurement expertise for the local government sector in Scotland. Its remit is to work collaboratively with the 32 local authority members and external suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. During 2016/17, the council made a contribution of £113,930 (£104,121 2015/16), 3.3% (3.3% 2015/16) of Scotland Excel's funding.

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WEST LOTHIAN COUNCIL

REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2016/17 AUDIT

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To advise Council of the outcome of the 2016/17 Audit and to provide a summary of the key points arising from the Auditor's Annual Report.

B. RECOMMENDATION

It is recommended that Council:

1. Notes Ernst and Young LLP's 2016/17 Annual Audit Report;
2. Approves for signature the audited Annual Accounts for 2016/17;
3. Notes the management response to the action plan contained with the Auditor's Report and considers if there any further actions that Council would wish officers to undertake in relation to the audit recommendations;
4. Refers the Auditor's Report and the 2016/17 Annual Accounts to the Audit Committee for information and scrutiny.

C. SUMMARY OF IMPLICATIONS

I	**Council Values**	Being honest, open and accountable, making best use of resources, working in partnership
II	**Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)**	The Auditor's Report is presented to council in accordance with the Local Government (Scotland) Act 1973.
III	**Implications for Scheme of Delegations to Officers**	None.
IV	**Impact on Performance and Performance Indicators**	The audit report contains recommendations on scrutiny of performance within the council.
V	**Relevance to Single Outcome Agreement**	None.
VI	**Resources - (Financial, Staffing and Property)**	There are no resource issues that require to be drawn to the council's attention.
VII	**Consideration at PDSP**	Not applicable.
VIII	**Consultations**	Consultation with appropriate council officers on the

II audit report and the annual accounts.

D. TERMS OF REPORT

D.1 INTRODUCTION

The report by Ernst & Young LLP on the 2016/17 audit is addressed to Members of the Council, is simultaneously forwarded to the Controller of Audit and forms part of the audit process. The Auditor's report covers an executive summary, financial statements, accounting and audit matters under the scope of the audit, other audit deliverables and appendices.

The unaudited Annual Accounts for the year ended 31 March 2017 were considered by the Audit Committee on 30 June 2017, thus achieving the statutory deadline of 30 June for submission to the council's auditors. These Accounts were the subject of the General Fund Revenue Outturn report to the Council Executive on 20 June 2017. The external audit of the Accounts and the signing of the Independent Auditor's Report will be completed by the target date of 30 September 2017 following approval of the Accounts.

As a result of Ernst & Young LLP audit findings, there were a number of changes to the figures in the unaudited accounts, however these changes did not impact on the 2016/17 revenue out-turn figures as reported to the Council Executive on 20 June 2017.

D.2 KEY MESSAGES IN THE ERNST AND YOUNG LLP REPORT

The key messages setting out the Auditor's executive summary on outcomes from the 2016/17 audit are as follows:

- There is an unqualified opinion on the financial statements and on the nine charitable trusts administered by the council;

- Financial management remains sound with a well established basis for identifying and tracking budget savings;

- There is good evidence of financial control and understanding of in year monitoring of the budget, with regular reports provided to Council Executive highlighting the major pressure areas which enable members to have appropriate oversight;

- There is good evidence of delivery and management of capital projects;

- The council recognises the future challenges in relation to approving a corporate plan and financial plan for the five year period from 2018/19 onwards. The auditors do note their view that the timescales for approval do represent a risk that needs to be managed;

- The internal audit function within the council is well respected. The report includes recommendations that the auditor believes will enhance the effectiveness of audit in the council;

- The council has a comprehensive performance improvement framework found on the well established West Lothian Assessment Model;

- The Auditor has recommended that consideration be given to changes to the Scheme of Administration to state that neither the chair of the Audit Committee and Governance and Risk Committee shall be drawn from the Administration. Officers have noted in the management response that these recommendations are a matter for consideration by elected members at the Council meeting.

D.3 SUMMARY OF 2016/17 REPORT

The main body of the report is divided into the six sections reflected in the public sector audit model.

- Financial statements and accounting;
- Approach to Best Value;
- Financial management;
- Financial sustainability;
- Governance and transparency;
- Value for money.

D.3.1 Financial Statements

There are no qualifications to the Independent Auditor's Report in relation to the council's Accounts.

International Standard on Auditing 260 requires the auditor to communicate significant findings from the audit. The valuation of Property Plant and Equipment (PPE) assets and the Economic Development Properties Significant Trading Organisation were raised as issues in the report.

There were a number of audit differences in relation to PPE assets identified which have been adjusted from the unaudited annual accounts, these resulted in corrections to the prior year comparative figures as follows:-

1. Revaluation adjustment to correct increase in value of other land and buildings in prior year (£426 million)
2. Recognition of revaluation of schools PPP assets in prior year (£56 million)
3. Impairment to carrying value of Council Dwelling additions in the period to hold at Existing Use Value – Social Housing (£12 million)

The increase in value relating to the school estate reflects the gradual increase, over the five year period since revaluation in 2011, of the application of the Scottish Government / Scottish Futures Trust (SFT) Schools for the Future matrix. The matrix figures reflect the actual construction costs of the recently delivered new school in Armadale and the financial close of the new West Calder High School. In discussions with the Auditor, the Corporate Property Manager has indicated that at no point was there an appropriate time to identify an increase in valuations without actually revaluing the school estate.

The overall impact of audit differences was to increase net assets as at 31 March 2016 by £476.6 million in the consolidated balance sheet, and increase net assets by £17.1 million as at 31 March 2017.

There was an overall increase in the general fund balance of £6.6 million (2015/16: £6.6 million), due to an amendment of treatment of developer contributions from the HRA. This was simply an accounting change and has had no impact on available resources.

In relation to the group financial statements, in 2015/16, the Council accounted for West Lothian Leisure Ltd as an associate, due to having significant influence but not outright control over the entity. During 2016/17, West Lothian Leisure converted from a registered society to an incorporated company limited by guarantee with the Council as the sole member. An updated assessment of the control arrangements was not conducted however Ernst & Young LLP consider there to be no material impact on the group financial statements, even had a change to the group relationship been made during the year. An unadjusted audit difference with a cumulative value of £3 million has therefore been identified. An updated assessment of the group relationship with West Lothian Leisure will be conducted by council officers in advance of preparation of the 2017/18 financial statements.

The auditor has also given an unqualified audit opinion on the 2016/17 financial statements of those charities registered by the council and audited under the provisions of The Charities Accounts (Scotland) Regulations 2006.

D.3.2 Approach to Best Value

Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code which comprise the wider scope audit for the public sector in Scotland. These are: financial sustainability, financial management, governance and transparency and value for money.

The report notes that the local scrutiny plan defined by various scrutiny bodies for the council was of the view that the council demonstrates its commitment to best value, with evidence of strong leadership, a clear vision and a focus on continuous improvement.

The Controller of Audit will provide a Best Value Assurance Report undertaken by Audit Scotland and Ernst and Young LLP which is due to be reported to the Accounts Commission in November 2017.

D3.3 Financial Management

The report highlights the operating performance of the council in 2016/17, the reserves and balances held by the council and the investment and performance in relation to the capital budget. The Auditor's report concludes that the council has generally sound financial management arrangements including identification and overall tracking of budget savings. The report also notes that the council is going through a period of significant capital investment and that there is good evidence of delivery and management of capital projects.

The Auditor has identified that the council currently has the lowest levels of uncommitted reserves by a local authority in Scotland. On an annual basis, management, as part of the budget setting process, considers if the level of uncommitted reserves remains appropriate and includes recommendations in the budget report for consideration by elected members. Taking account of clear financial planning arrangements, sound financial management and the level of other reserves, the Head of Finance and Property Services believes the level of uncommitted reserves is appropriate. The level of uncommitted reserves will continue to be reviewed as part of the revenue budget setting process and will continue to be subject to a specific recommendation in the annual revenue budget report enables elected members to decide on this matter on an annual basis.

In terms of the financial performance of the council, the Auditor notes the financial pressures with Housing, Customer and Building Services in relation to homelessness and the earmarked funding linked to employability and economic regeneration within Planning, Economic Development and Regeneration.

The Auditor notes that regular budget monitoring reports including those in relation to budget reductions are provided to Council Executive and that there were no major fluctuations in year which demonstrates good financial control and understanding of the key financial pressures. Key actions to address pressures are included in the monitoring reports allowing members to have appropriate oversight.

D3.4 Financial sustainability

The Auditor is required to review the council's medium to long term financial sustainability and within their report the Auditor has concluded that the council's financial position is generally sound. The report acknowledges that the council has recognised the significant demographic pressures that will be faced in respect of ageing populations and recognises the strong evidence of delivery of the financial strategy over the last five years, drawing on the major public consultation exercises in 2012 and 2014. The report does note that the council does not having a rolling budget setting programme and there is a risk around timescales between the conclusion of the consultation in Autumn 2017 and the scheduled approval of the corporate and financial plans in February 2018. It is the opinion of the Head of Finance and Property Services that this risk is mitigated by members unanimously agreeing to the approach and timetable which is similar to previous planning processes successfully delivered by the council. The consultation which will take place from mid October to mid November will provide all stakeholders in West Lothian with the opportunity to comment on proposed priorities, officer savings proposals and future council tax levels. Reports on all responses to the consultation will be presented to PDSPs in December 2017 providing the opportunity for elected members to share the direction of future priorities and service delivery ahead of approving the corporate plan and financial plan in February 2018 It is acknowledged that this is a challenging process and timescales and considerable officer resources are in place to ensure that plans are produced within agreed deadlines.

In terms of capital, the report notes the performance of the council in relation to other local authorities. West Lothian Council, despite having a high level of borrowing on the substantial investment agreed by the council, has the 11th lowest cost of borrowing indicating excellent performance in this regard.

D3.5 Governance and transparency

The Auditor has recommended that the roles of the Audit Committee and Governance and Risk and Committee should be reviewed and that the Scheme of Administration should be updated to ensure that neither chair of either committee should be drawn from the council's Administration. As noted earlier in the report, any alterations to the Scheme of Administration are a matter for elected members to consider and this is highlighted in the third recommendation in this covering report.

Ernst and Young LLP recommend actions in relation to the reporting and minuting of discussions at Performance Committee. Officers have agreed that the minute of the committee will include the discussion and questions raised at the meeting. In addition, a review of the reporting of performance information will be undertaken by the end of October 2017 to ensure that appropriate information is provided to the committee for consideration.

The Auditor report confirms that the Internal Audit function is well respected. Various recommendations have been made for consideration in relation to audit arrangements. The Auditor noted that the internal audit plan is not always delivered with some reviews being removed and/or rescheduled. This is as a result of management reacting to priority work, however, management will going forward prioritise the internal audit reviews which are included in the approved internal audit plan. The Auditor also considered that the current performance indicators for the Internal Audit function should be reviewed. In response, management have agreed to review the current performance indicators.

The auditor highlights a potential conflict of interest in the council's Audit, Risk and Counter Fraud Manager fulfilling both the role of the council's chief advisor on internal audit and risk management. The Auditor considers that there is a risk that with the significant changes that the council will be facing in the coming years, where one person advises on risk management there may be a conflict of interest if the same person conducts an internal audit on that area. The view of the council's Corporate Management Team is that the arrangements for management of risk in the council have improved significantly since responsibility for risk management was combined with Internal Audit. A review will be undertaken by the end of December 2017 to identify any potential conflicts of interest to ensure mitigating actions are implemented.

D3.6 Value for money

The auditor concludes that the council has a comprehensive performance improvement framework in place which allows for continuous improvement by using the well-established West Lothian Assessment Model. Further analysis of the council's performance in relation to value for money will be reported to the council later in Autumn after the conclusion of the Best Value Assurance Audit.

D3.7 Annual Audit Report Action Plan

An action plan including management response is attached as appendix F to the Annual Audit Report.

The first three recommendations relate to accounting matters and will be actioned by council officers.

Recommendation 4 relates to evaluating risks around budget savings measures. The council's risk manager will carry out a review of risks and this information will be included in the revenue budget papers reported to Council.

Recommendation 5 relates to the level of uncommitted general fund reserves. The Head of Finance and Property discussed this matter with Corporate Management Team colleagues and can confirm that officers view that the level of the balance remains appropriate taking account of other reserves and financial management and planning arrangements.

Recommendation 8, 9 and 10 cover scrutiny of performance in the council and the auditor has made various suggestions for enhancements to current arrangements. Officers have provided a management response and noted the areas such as the Scheme of Administration that are appropriate for consideration by elected members.

Recommendations 11, 12 and 13 relate to suggested enhancements to internal audit arrangements and these will be taken forward by council officers.

Finally recommendation 14 relates to a review of governance arrangements for West Lothian Leisure and these will be carried out by council officers.

E. CONCLUSION

The Auditor has provided an unqualified opinion on the council's financial statements for 2016/17.

The Auditor has concluded that the council has generally sound financial management arrangements in place and that there is good recognition of the challenges in the future.

The Auditor has made 14 recommendations following the audit and the management response to these is set out in appendix F. As noted, some elements of recommendations 8 and 9 are most appropriately considered by elected members of the council.

In conclusion, the audit represents the first carried out by Ernst and Young LLP for West Lothian Council. Since the start of the council in 1996, external audit has been conducted by Audit Scotland and the change has inevitability meant challenges for the council and our new auditors. Overall, council officers and auditors have worked together professionally and constructively and will review the experience this year to identify areas of learning and improvement for future years.

F. BACKGROUND REFERENCES

2016/17 Audited Annual Accounts for West Lothian Council
Ernst and Young LLP - 2016/17 Annual Audit Report to Members and the Controller of Audit

Appendices/Attachments: Ernst and Young LLP – 2016/17 Annual Audit Report to Members and the Controller of Audit

Contact Person: Donald.forrest@westlothian.gov.uk - Tel No. 01506 281294

Donald Forrest
Head of Finance and Property Services
26 September 2017

West Lothian Council

Year ended 31 March 2017

Annual Audit Report

West Lothian Council – 26 September 2017

DRAFT

Building a better
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Contents

About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of West Lothian Council (the Council) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the Council and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of West Lothian Council (the Council) for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Auditing Practices Board; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both the members of the Council and the Controller of Audit, and presented to both Council management and those charged with governance. It will be published on Audit Scotland's website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Council. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Scope and responsibilities

The Code sets out the responsibilities of both the Council and the auditor. We provided details of these in our Annual Audit Plan, which was presented to the audit committee on 27 February 2017. We summarise the responsibilities of the Council in Appendix A.

Our Annual Audit Plan also provided you with an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan with the exception of the following key change:

- Valuation of property, plant and equipment was changed to a significant audit risk from an inherent audit risk, reflecting the significance of change in valuation of certain property assets within the unaudited financial statements.

We planned our procedures using a materiality of £12 million and a Tolerable Error of £9 million. We reassessed this using the actual year-end figures contained within the unaudited financial statements, to confirm that the materiality remained appropriate for the audit. No adjustment was made to materiality amounts communicated in our Annual Audit Plan. The threshold for reporting audit differences is £250,000, in accordance with the Code.

Status of the audit

We have substantially completed our audit of the Council's financial statements for the year ended 31 March 2017. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements. However until work is complete, further amendments may arise:

- Review of the final approved version of the financial statements
- Completion of subsequent events review / receipt of signed management representation letter

Upon completion of these outstanding items and following final approval of the audited financial statements by the Council we will update and finalise this Annual Audit Report.

Key contacts

Stephen Reid, Partner
sreid2@uk.ey.com

Keith Macpherson, Head of GPS Audit, Scotland
kmacpherson@uk.ey.com

John Boyd, Senior Manager
jboyd1@uk.ey.com

Ernst & Young LLP, Ten George Street, Edinburgh EH2 2DZ

Acknowledgement

We would like to thank all members of the Council's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

Accounting and audit matters – our reporting on the Council's financial statements

Preparation of financial statements

- The unaudited financial statements were prepared to a good standard.
- There were a number of audit differences identified which were adjusted by management. Included within these were errors identified in the opening balance sheet information which resulted in management correcting the prior year comparative figures. The overall impact of audit differences was to increase net assets as at 31 March 2016 by £476.6 million in the consolidated balance sheet, and increase net assets by £17.1 million as at 31 March 2017. There was an overall increase in general fund of £6.6 million (2015/16: £6.6 million), due to the correction of treatment of developer contributions from the HRA.

Significant risks

Risk of fraud in income and / or expenditure recognition

- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of fraud in income and expenditure recognition during the financial year.

Management override of controls

- We are have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- We consider that management made good disclosure on the accounting judgements and estimates made, with some scope for further enhancement.

Valuation of property, plant and equipment

- We identified a prior year adjustment of £470 million on the carrying value of property, plant and equipment as at 31 March 2016. This comprised an increase in value of other land and buildings by £482.3 million, offset by a decrease in value of £12.3 million to council dwellings. In addition, an adjustment of £23.3 million was also required to the 31 March 2017 carrying values of council dwellings to ensure these reflected Existing Use Value – Social Housing.
- While underlying valuations are robust, the process for accounting for changes in value can be enhanced.

Other inherent risks

Retirement benefits

- Defined benefit pension scheme liabilities have been estimated using actuarial assumptions which we consider to be reasonable. The required disclosures are provided in the financial statements, including those providing details of the sensitivity of the valuation to changes in the assumptions.
- We have undertaken appropriate testing of underlying data to support the calculation of the liability.

Other matters and reporting requirements

- The new Expenditure and Funding Analysis has been presented appropriately and the Movement in Reserves Statement and Comprehensive Income and Expenditure Statement restated accordingly. We consider the disclosures provided to be appropriate to the Council's internal reporting during the year.
- We have obtained reasonable and appropriate audit evidence over the Council's group financial statements. Based on our group scoping we were not required to undertake detailed testing at components of the group. We are the appointed auditor to West Lothian Integration Joint Board.
- We undertook the audit of nine of the Council's registered charitable trusts. We have provided an unqualified audit opinions on the financial statements of the trusts.
- We have concluded that the Council has complied with the requirements of the Local Authority Accounts (Scotland) Regulations 2014. In respect of our 'Opinions on other prescribed matters', which includes the management commentary, the auditable part of the remuneration report, and the annual governance statement, our opinion is unqualified.
- We include a statement noting that the Council has failed to achieve its statutory responsibilities to ensure that its significant trading operations achieves a break even position over a three year rolling period. We have not identified any other matters on which we are required to report by exception.

Wider scope audit dimensions – our judgements and conclusions on the Council's arrangements

Financial management

- We have concluded that the Council has generally sound financial management arrangements. This has been based on identification and overall tracking of budget savings well in advance as part of two-year indicative annual budget setting.
- The Council is going through a period of significant capital investment, both in general fund services and council housing. While there has been some delay in the new build housing programme, there is good evidence of delivery and management of projects.

We have made one recommendation in the action plan (point 4) in respect of the Council's arrangements.

Financial sustainability – area of audit focus

- We have concluded that the Council's financial position is generally sound. While significant investment is required in response to demographic pressures, it has a good basis to undertake this investment.
- The Council has an established process for aligning its financial strategy to its corporate plan priorities. As a result only a one-year budget was approved for 2017/18, as this was the final year of the existing five year corporate plan. The Policy Development and Scrutiny Panels will consider the results of the public consultation in respect of officers' savings proposals in December 2017, prior to Council approval of a new five year corporate plan and underlying financial strategy in February 2018. In our view, since difficult decisions are expected to be required, the timeline for involvement of members could leave the delivery of savings in the required timescales at risk.

We have made three recommendations (points 5, 6 and 7) , two of which are graded one, in respect of the Council's arrangements.

Governance and transparency – area of audit focus

- The Council has a comprehensive framework of governance arrangements and shows clear commitment to the core principles. Internal audit is well respected, however, we have raised a number of recommendations for consideration to strengthen reporting and monitoring by the audit committee.
- We consider there is scope to strengthen the arrangements for scrutiny of corporate and service performance. The relationship between the new governance & risk and audit committees should be monitored. The Council needs to improve the controls and governance arrangements around Following the Public Pound.

We have made seven recommendations (points 8 to 14), two of which are graded one, in respect of the Council's arrangements.

Value for Money

- We have concluded that the Council has a comprehensive performance improvement framework, founded on the well established West Lothian Assessment Model. This has provided a stable and consistent framework through which services undertake self-assessment and seek to improve their performance.
- The Council monitors a suite of performance indicators through the Covalent system. Performance information shows that the Council generally performs very well compared to other councils, although the Council recognises areas where performance can be improved.

We have not identified any recommendations in respect of the Council's arrangements.

Appendices

We set out in the appendices a number of required communications we provide in accordance with auditing and ethical standards. In particular, we have confirmed our continuing independence to act as auditor of the Council. No non-audit services have been provided to the Council during the year.

We also provide a short accounting and regulatory update highlighting forthcoming changes and their potential impact on the Council.

1. Financial statements and accounting

1. Financial statements and accounting

The Council's Annual Accounts enables the Council to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom.

Audit opinion

In respect of the financial statements, we expect to issue an unqualified opinion on the truth and fairness of the state of affairs of the Council and its group at 31 March 2017 and of the deficit on provision of services for the year then ended, in accordance with applicable law and the 2016/17 Code of Practice.

The detailed form and content of our audit report, plus the requirements underpinning the report are contained in the Audit Scotland guidance at: http://www.audit-scotland.gov.uk/uploads/docs/um/tgn_2017_5_local_authorities.pdf.

We have not identified any circumstances to notify the Controller of Audit that a statutory report may be required under the Local Government (Scotland) Act 1973.

Financial statements preparation

As part of your oversight of the Council's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared predominantly by the finance team to support the audit.

The overall preparation of the financial statements appears to be a smooth process and the financial statements are, in our view, easily readable and appropriately concise in the presentation of material financial information. Based on the findings expressed later in this section, overall we believe there is scope to improve the financial reporting process further in respect of supporting evidence of key judgements. This includes clearly documented consideration and review of critical assumptions around the valuation of property, plant and equipment and consideration of the scope of group financial statements. We have agreed with the finance team to work together to continuously improve both the financial reporting and audit process.

Action plan point - 1

Materiality

We planned our procedures using a materiality of £12 million. We reassessed this using the actual year-end figures contained within the unaudited financial statements, to ensure that our level of materiality remained appropriate. We did not change our assessment of materiality as a result. Our Tolerable Error for the audit was £9 million and the threshold for reporting audit differences is £250,000.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits - we applied a materiality of £1,000 based on the potential sensitivity of these disclosures.
- Related party transactions - we considered the nature of these disclosures individually.

Audit differences

We identified one unadjusted audit differences in the draft financial statements which management has chosen not to adjust. We ask that the audit committee and Council note this and that this will be included in the Letter of Representation. The aggregated impact of unadjusted audit difference is a £ 3 million decrease in net assets. We agree with management's assessment that the impact is not material.

There were a number of audit differences identified which were adjusted by management. Included within these were errors identified in the opening balance sheet information which resulted in management correcting the prior year comparative figures. We provide details of the reasons behind these adjustments within the relevant section of the report. The overall impact of audit differences was to increase net assets as at 31 March 2016 by £476.6 million in the consolidated balance sheet, and increase net assets by £17.1 million as at 31 March 2017. There was an overall increase in general fund of £6.6 million (2015/16: £6.6 million) due to the correction of treatment of developer contributions from the HRA. Full details can be found in Appendix E – Summary of Audit Differences.

1. Financial statements and accounting

Our Audit Plan identified key areas of focus for our audit of the Council's financial statements, including significant risks. This report sets out the results of our audit procedures plus relevant observations, including our views on areas which might be conservative, and where there may be potential risk and/or exposure.

Significant risk – risk of fraud in income and expenditure recognition

What is the risk?

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We rebutted the risk of improper recognition of revenue in respect of core grant funding from the Scottish Government, as well as in respect of council tax and non-domestic rate income. This is because there is no judgement in respect of the recognition of these income streams.

Results of audit procedures

In relation to income, predominantly fees and charges, and other operating expenses where we had identified a significant risk of material misstatement, we:

- Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias.
- Reviewed transaction listings for individually material transactions as well as unusual items (debits to income, credits to expenditure etc.) to agree to supporting documentation and third party evidence.
- Tested a representative sample of transactions across the remaining untested income and expenditure population to ensure coverage of testing across all balances.
- Reviewed and tested revenue cut-off around the year end through reviewing manual journals posted to revenue and reviewing material credit notes raised after year end.
- Performed a search for material receipts received after year end and ensured these had been accounted for in the correct period.

Where we are performing procedures to address significant risks to the financial statements we do so to a lower level of materiality than for standard accounts. All procedures outlined above were completed with no material reported audit differences or other matters noted.

Other income and expenditure areas

The most significant area of revenues was taxation and non-specific grant income of £399 million. £249 million of this related to government grant income which we substantively tested to grant confirmation letters. The remainder is made up of £87.7 million of NDR redistributions and £62.2 million of Council Tax income. These were agreed either to funding correspondence, and / or through establishing detailed expectations of income and expenditure, agreeing underlying assumptions to supporting evidence, and comparison to actual income and expenditure recorded by the Council in the year.

For expenditure, £230 million relates to payroll costs. These have been subject to detailed analytical procedures and reconciliation to underlying payroll information. We have agreed PPP transaction costs to PFI contract and finance models. Depreciation and impairment charges have been subject to detailed audit testing, including reconciliation to fixed asset register.

Risk of fraud in income and expenditure recognition – what have we concluded?

- We have not identified any material weaknesses in the design and implementation of controls tested as part of our audit, or evidence of fraud in income and expenditure recognition during the financial year.

Significant risk – management override
What is the risk?
As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
Audit procedures performed and what did we find?
Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify any unusual journal types or amounts based on our identified risk areas for the audit. We then tested a sample of these journals, understood their purpose and agreed and corroborated them to supporting documentation.
Review accounting estimates for evidence of management bias, including management's retrospective consideration of prior year estimates. We identified and considered the appropriateness of key accounting estimates, including provisions, and their susceptibility to bias. Management have disclosed their consideration of the critical accounting judgements and key estimates in the financial statements. We have reviewed these and agree with the detail of the assessment performed.
Evaluate the business rationale for any significant unusual transactions We did not identify any significant unusual transactions outside the normal course of business.
Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. We reviewed expenditure on property, plant and equipment to ensure that expenditure items were not being inappropriately capitalised to defer costs to future years. Likewise we performed analytical procedures and transaction testing of HRA expenditure to ensure HRA funds were not being utilised to meet general fund expenditure. No issues were noted through our testing performed.

Risk of management override – what have we concluded?

- We are have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- We consider that management made good disclosure on the accounting judgements and estimates made, with some scope for further enhancement.

Significant risk – valuation of property, plant and equipment

What is the risk?

The Council's property portfolio totalled £1.3 billion as at 31 March 2016, with the major elements of this being in respect of council dwellings, other land and buildings and infrastructure assets. Given the size of this balance and the fact that a number of assumptions are made in the valuation, we initially assigned a higher inherent risk to the valuation of property, plant and equipment.

The unaudited financial statements included significant revaluations in respect of certain operational land and buildings, totalling over £400 million. As a result, we re-scoped this aspect of our work as a significant risk.

Audit procedures performed and what did we find

Through analysis of the source data and enquiries of management, we considered the appropriateness as to the procedures used by management's specialist to establish whether the source date was complete and concluded this was satisfactory.

We assessed the reasonableness of the assumptions and methods used in the valuation of land and buildings, including compliance with the Code of Practice on Local Authority Accounting. In doing so, we also considered the appropriateness of the timing of when management's specialist carried out the work. The Council revalue assets as part of a five year rolling programme. The Code of Practice on Local Authority Accounting requires assets to be carried at fair value. The Council considers material changes in asset valuations through consideration of significant capital additions in the year, as well as discussions with in-house valuers around potential asset impairments. This does not necessarily consider the potential impact of market movements impacting on fair value.

In line with the Council's policy, some operational land and buildings were subject to revaluation as at 1 April 2016. From assessment of market data management confirmed that the material increase in the asset valuations was due to conditions that existed as at 31 March 2016. Given the material revaluation increases, we concluded that this change should have been reflected in the prior year financial statements and that the carrying value was materially understated. We also identified that the Council had historically carried PPP school assets at cost on the balance sheet rather than at fair value. Taken together, the total value of the prior year misstatement for these elements was to understate assets by £482.3 million.

In respect of the valuation of council dwellings, we identified that these were also not appropriately valued as at 31 March 2017 or 2016. Consequently an impairment of £23.3 million (2016: £12.3 million) was required to the carrying value of theses assets to ensure these were carried at Existing Use Value – Social Housing.

In performing our work, we involved EY valuation specialists to ensure management's underlying valuation approach was appropriate and consistent with guidance. We concluded that the underlying valuation process is robust. We recommend that management enhance the existing valuation process to ensure that a full consideration of the appropriateness of asset valuations, and their recognition in the financial statements, is undertaken in a more timely manner.

Action plan point – 2

Significant risk, valuation of property, plant and equipment – what have we concluded?

- We identified a prior year adjustment of £470 million on the carrying value of property, plant and equipment as at 31 March 2016. This comprised an increase in value of other land and buildings by £482.3 million, offset by a decrease value of £12.3 million to council dwellings. In addition, an adjustment of £23.3 million was also required to the 31 March 2017 carrying values of council dwellings to ensure these reflected Existing Use Value – Social Housing.
- While underlying valuations are robust, the process for accounting for changes in value can be enhanced.

Other inherent risks – retirement benefits
What is the risk?
The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS). Accounting for the pension fund assets and liabilities involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Results of audit procedures
In planning our audit, we identified that pension liabilities at 31 March 2016 were £176.1 million. Following the result of the EU Referendum in June 2016, we saw significant changes in certain economic assumptions used in the valuation of pension liabilities leading to significant increases in reported net pension liabilities by entities with accounting year-ends after June 2016. At 31 March 2017, the Council's net pension liability had increased to £290.3 million, primarily as a result of changes in the discount rate used to value the pension obligations. Our audit procedures included: • Analysis of the payroll and pensions source data and made inquiries as to the procedures used by management's specialist to establish whether the source date was relevant and reliable. • Utilisation of EY pension specialists to challenge the appropriateness of the assumptions used in deriving the liabilities at 31 March 2017. As part of this work, our specialists considered the work undertaken by PWC on behalf of the public audit agencies to provide assurance over the major actuarial firms involved in preparing IAS 19 valuation reports. Assumptions used by the actuary and adopted by the Council are considered to be within our acceptable range. • Testing of the journal entries for the pension transactions to ensure that they have been accurately processed and agreed the required disclosures in the financial statements to relevant information provided by the actuary.

Other inherent risks, retirement benefits – what have we concluded?

- Defined benefit pension scheme liabilities have been estimated using actuarial assumptions which we consider to be reasonable and the required disclosures have been provided in the financial statements, including those providing details of the sensitivity of the valuation to changes in the assumptions.
- We have undertaken appropriate testing of underlying data to support calculation of the liability.

Our Audit Plan identified other audit matters and aspects of our work which arise either in accordance with International Standards on Auditing (UK & Ireland) or in accordance with the Code. These are set out below.

Other audit matters

Expenditure and funding analysis

In 2016/17 there were amendments to the Code as a result of the 'Telling the Story' review of the presentation of local authority financial statements. The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the Council operates, reflecting internal financial reporting structures.

This change impacted the Consolidated Income and Expenditure Statement (CIES), the Movement in Reserves Statement (MiRS) and introduced the new expenditure and funding analysis (EFA), with full retrospective restatement of the CIES and MiRS. Our audit approach has focused on:

- Reviewing the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code. Management initially presented the EFA as the first statement within the financial statements. Since it does not form one of the four primary statements, we requested that management make the narrative clear that the EFA, while displayed prominently, is a note to the financial statements.
- Reviewing the analysis of how these figures are derived, the re-mapping of the ledger system to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported.
- Agreement of restated comparative figures back to the Council's segmental analysis and supporting working papers.

Opening balances

International Standard on Auditing (UK and Ireland) 510: *Initial audit engagements – opening balances* requires auditors to obtain sufficient, appropriate audit evidence that opening balances do not contain misstatements that materially affect the financial statements. The standard also requires auditors to verify that appropriate accounting policies are reflected in the opening balances and that they have been consistently applied in the current period's financial statements.

In response, we:

- Held discussions with your former external auditor in respect of previous significant audit issues, corporate governance and general risk assessment.
- Reviewed prior year financial statements, annual audit reports and other reports issued by your former external auditor.
- Substantively tested opening balances to ensure that they agree both to the prior year audited financial statements and closing trial balance.
- Undertaken a range of testing on balances during 2016/17 which provide assurance on the judgements and estimates made as at 31 March 2016.

We have reported elsewhere on the requirement to undertake restatement of the prior period to correct errors in the valuation of property, plant and equipment. A separate adjustment was also required to correct £6.6 million of developer contributions which were accounted for in current liabilities, instead of being held in an earmarked reserve.

Other audit matters – what have we concluded?

- The EFA has been presented in accordance with the Code and the MiRS and CIES restated accordingly. We consider the disclosures provided to be appropriate to the Council's internal reporting during the year.
- We concluded our work on the opening balances as part of the requirements for initial audit engagements. As reported elsewhere, a number of adjustments to prior period figures were required.

Other audit matters (continued)
Group financial statements
In 2015/16, the Council accounted for West Lothian Leisure Ltd and Lothian Valuation Joint Board as associates, due to an assessment of having significant influence but not outright control over these two entities. The Council also identified two joint ventures, West Lothian Recycling Ltd and West Lothian Integration Joint Board (WLIJB). A number of other entities were excluded from consolidation on the grounds of either materiality or lack of significant influence. In scoping our audit work over the group, only WLIJB was scoped into our audit procedures on the grounds of materiality. We are the appointed auditor to the WLIJB and report separately on our audit of that entity. The accounting for the WLIJB was new in 2016/17. The relationship as a joint venture meant that in the Council CIES, a gross-up of expenditure funding made to WLIJB plus the expenditure on social care services should be shown, offset by the income receivable from WLIJB as part of its delegation of resources. The unaudited financial statements did not account for this correctly, leading to an adjustment in the financial statements. The overall impact of preparing group financial statements was to reduce total reserves by £2.9 million (*2015/16: £0.8 million*). During the year, West Lothian Leisure converted from a registered society to an incorporate company limited by guarantee with the Council as the sole member. An updated assessment of the control arrangements was not conducted by the finance team based on the change in circumstances during the year. We have concurred with management's assessment that there was no material impact on the group financial statements even had a change to the group relationship been made during the year. An unadjusted audit difference with a cumulative value of £3 million has been identified. From 1 April 2017, the articles of association of West Lothian Leisure were changed again. In addition, the company took on additional leisure and culture assets of the Council. An updated assessment of the group relationship with West Lothian Leisure should be conducted by management in advance of preparation of the 2017/18 financial statements. ***Action plan point - 3***
Qualitative aspects of the financial statements
With the exception of the matters discussed specifically elsewhere in this report: • We have reviewed the significant accounting policies, which are disclosed in the annual financial statements. We consider these to be appropriate to the Council. • There was no disagreement during the course of the audit over any accounting treatment or disclosure. • There were no significant difficulties encountered in the audit.

Other audit matters (continued) – what have we concluded?

- We have obtained reasonable and appropriate audit evidence over the Council's group financial statements. Based on our group scoping we were not required to undertake detailed testing at components of the group. We are the appointed auditor to West Lothian Integration Joint Board.
- Management should ensure they update their consideration of the group boundary for changes in circumstances at entities with which they have an interest.

Other audit matters
Charitable trusts
The Council acts as sole trustee for 40 trusts and mortifications, nine of which are registered charities. The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The Council's charitable trust funds are covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit. We have audited the 2016/17 financial statements of the charitable trust funds. In summary: • We have provided an unqualified audit opinion on the charitable trust funds financial statements, in accordance with applicable law and the relevant financial reporting framework. • There were no audit adjustments impacting on the net assets or income and expenditure reported for the year. • No numerical and presentational adjustments were required to the financial statements prepared for audit. • We considered and confirmed our independence to act as auditors of the charitable trust funds, in line with the procedures set out in Appendix C for the Council audit, together with the objectivity of the audit partner and staff. • Materiality for the audit was set in accordance with our audit methodology, at 2% of total income. • We encountered no significant difficulties in undertaking our work and have no other significant matters to report to you.
Significant trading operations
Under the Local Government in Scotland Act 2003, the Council has to maintain statutory trading accounts for any 'significant trading operations' (STOs). The 2003 Act also prescribes that STOs have to break even over a three year rolling period. The Council reports one significant trading operation, Economic Development Properties. The cumulative three-year result is a deficit of £4.86 million, resulting in a failure to achieve the statutory financial requirement. During 2015/16 and 2016/17 impairment charges against assets within the property portfolio were £4.48 million and £0.64 million, respectively. These impairment charges represented the reason why the statutory breakeven position was not achieved. In line with the position reported in the prior year by your former external auditor, without qualifying our audit opinion, we include an Emphasis of Matter paragraph in our audit report explaining the Council's failure to achieve a statutory objective.

Other audit matters (continued) – what have we concluded?
• We undertook the audit of nine of the Council's registered charitable trusts. We provided an unqualified audit opinions on the financial statements of the trusts. • Without qualifying our audit opinion, we include an Emphasis of Matter paragraph in our audit report due to the Council's failure to achieve a statutory objective in the operation of its statutory trading operation.

The Local Authority Accounts (Scotland) Regulations 2014 set out the statements which should be included in the Annual Report and Accounts in addition to the financial statements. These items are covered by our independent auditor's report as *Other prescribed matters*, in accordance with the requirements of the Code.

Other reporting requirements

The Local Authority Accounts (Scotland) Regulations 2014 (the Regulations)

Regulations 8 to 10 set out the statutory requirements on the Council in respect to the Annual Accounts, their availability for public inspection and the consideration and signing by the Council or a committee with an audit or governance remit. As required, we received the unaudited Annual Accounts by the 30 June. The audit committee considered the unaudited Annual Accounts on 30 June 2017, in advance of the 31 August deadline. No statutory objections were received on the unaudited financial statements.

While complying with the regulations, we consider that there is some potential inconsistency in the role and remit of the audit committee in the oversight of the financial statements which management should consider.

Action plan point – 8

Management Commentary

The requirement for the Council to include a management commentary is included in Regulation 8(2)(a). Audit Scotland requires us to read the management commentary and express an opinion on whether the information given is consistent with the financial statements and whether it has been prepared in accordance with the statutory guidance.

Guidance on the content of the management commentary was issued by the Scottish Government within Local Government Finance Circular 5/2015. We considered whether the management commentary provided a fair and balanced review of the Council's business; a description of the principal risks and uncertainties; financial and non-financial key performance indicators; a description of the Council's strategy and business model and the main trends and factors likely to affect future developments; performance and position of the Council's business and explanation of the amounts in the financial statements.

We made suggestions to provide some more detailed and specific analysis within the management commentary. Management updated the commentary appropriately to reflect key elements of our review.

Remuneration Report

Auditors are required by the Code to audit the disclosures of remuneration and pension benefit, pay bands, and exit packages and express a separate opinion within their independent auditor's report on whether they have been properly prepared in accordance with the Regulations.

No amendments were required to the draft remuneration report to ensure its consistency with underlying records and presentation in accordance with the statutory requirements. The Council has disclosed appropriately exit packages provided to 42 staff totalling £951,000 (*2015/16: 46 staff totalling £1.1 million*).

Annual Governance Statement

Audit Scotland requires us to read the information in the annual governance statement and express an opinion on whether the information given in the annual governance statements is consistent with the financial statements and whether the statement has been prepared in accordance with *Delivering good governance in local government: framework 2016*. We set out the work undertaken in respect of the Council's annual governance statement as part of the Wider Scope – Governance & Transparency section of this Report.

Other reporting requirements – what have we concluded?

- We have concluded that the Council has complied with the requirements of the Regulations.
- In respect of our 'Opinions on other prescribed matters', which includes the management commentary, the auditable part of the remuneration report, and the annual governance statement, our opinion is unqualified.
- We have not identified any other matters on which we are required to report by exception.

2. Wider scope audit

2.1 Wider scope – Approach to Best Value

Together the Accounts Commission and the Auditor General for Scotland agreed the four dimensions set out in the Code which comprise the wider scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money.

Wider scope audit

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value. As your external auditor we also participate in the Local Area Network (LAN). The LAN brings together representatives from across different scrutiny bodies to agree a Shared Risk Assessment (SRA) for each local authority. The SRA informs the local scrutiny plan (LSP) ensuring that for any risks identified there is an appropriate scrutiny response.

The 2016/17 LSP reported that the LAN were of the view that the Council demonstrates its commitment to best value, with evidence of strong leadership, a clear vision and a focus on continuous improvement. The LAN did not identify any specific areas from the risk assessment where scrutiny was required. The 2017/18 LSP confirmed this position and taken together formed a context for our audit and risk assessment.

Best Value auditing

Under the new approach to Best Value auditing in local government, the Controller of Audit will provide a Best Value Assurance Report (BVAR) for each council at least once in a five year period. The Council was selected as one of six councils to be subject to a BVAR report in the first year of the new arrangements. Joint work has been undertaken by ourselves and members of Audit Scotland's Performance Audit and Best Value team. The finalised BVAR will be heard by the Accounts Commission in November 2017.

The annual audit continues to focus on aspects of Best Value over our five year appointment. We have identified an indicative five year Best Value Plan in the table below. This will be subject to ongoing revision as priorities change or emerging risks arise.

The Accounts Commission has published its strategic audit priorities and these are mapped across, at a high level, to the Best Value audit work planned as shown below.

A. The clarity of council priorities and quality of long-term planning to achieve these.
B. How effectively councils evaluate and implement options for significant changes in delivering services.
C. How effectively councils are ensuring members and officers have the right knowledge, skills and time to lead and manage delivery of the council priorities.
D. How effectively councils are involving citizens in decisions about services.
E. The quality of council public performance reporting to help citizens gauge improvement.

Indicative five year Best Value plan	2016/17	2017/18	2018/19	2019/20	2020/21	Mapping to Strategic Audit Priority
Planned BVAR	X					
Follow up of BVAR		X				
Audit coverage:						
Performance and outcomes		X				B
Improvement		X				-
Leadership, Governance and Scrutiny			X			A
Equal Opportunities			X			E
Partnership Working and Empowering Communities				X		C, D
Financial and service planning					X	A, C
Financial governance and resource management				X		-

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial management

In undertaking our work on this audit dimension, at a high level we consider the following aspects:

- Is financial management effective?
- Are the budget setting and monitoring processes operating effectively?
- Is there sufficient financial capacity?

2016/17 financial outcomes

The 2016/17 Comprehensive Income and Expenditure Statement (CIES) shows that the Council incurred gross expenditure on the provision of services of £754.2 million (*2015/16: £702.2 million*), and incurred an accounting deficit of £95.2million (*2015/16: £105.9 million*) on those services.

The new Expenditure and Funding Analysis (EFA) note to the financial statements provides an explanation of how this expenditure is used and funded by the Council. This is different from the accounting position shown in the CIES in accordance with the Code and, together with the Movement in Reserves Statement, demonstrates how the Council's statutory reserves, including the General Fund, have changed in the year.

As shown in the EFA, the outturn for the financial year against the Council's general fund was a deficit of £0.35 million (*2015/16: £0.26 million*). In February 2016, the Council approved its 2016/17 revenue budget and provisionally approved its 2017/18 budget. Included within the budget for 2016/17 were budget reduction measures of £11.2 million to deliver a balanced budget. These were delivered.

Key financial statements movements and balances are considered below.

Focus on financial statements results	2016/17 £000	Restated 2015/16 £000	Commentary	RAG rating
(Surplus) / deficit on provision of services	**95,215**	105,892	The primary factor in the reduced deficit was the significant depreciation charged to the Housing Revenue Account in 2015/16 on revaluation of council dwellings.	G
(Surplus) / deficit on General Fund and HRA	**347**	260	No significant change. In general this result reflects on good in-year financial management and budgetary control	G
Uncommitted general fund	**2,075**	2,070	This equates to 0.5% of budgeted net expenditure and is one of the lowest levels held of any local authority in Scotland. This needs to be kept under close review.	R
Earmarked reserves	**23,187**	23,539	Earmarked reserves have broadly been maintained at the same level and provide the Council with flexibility around key initiatives.	G
Net current liabilities	**(245)**	(12,542)	Net current liabilities can reflect a potential inability to meet liabilities as they fall due. In practice, good cash flow management will ensure that this is not a risk.	A
Total Usable Reserves	**103,550**	128,464	Most of the reduction is due to utilisation of the capital fund in supporting the Council's investment in assets. However there are significant usable reserves available.	G
Total Unusable Reserves	**803,687**	979,422	Revaluation of operational land and buildings / Council's asset base remains strong.	G
Net (decrease) / increase in cash	**(12,718)**	2,561	The decrease in cash reflects the significant investment the Council is currently making in its assets and in line with plan.	G

2016/17 budget monitoring and outturn

A balanced budget was set for 2016/17. The projected outturn against budget was reported regularly to the Council Executive during the year. The outturn report in June 2017 which supported the preparation of the unaudited financial statements is summarised in the table.

Service area	Budget £000	Outturn £000	Over / (under) £000
Schools, Education Support	207,730	207,370	(360)
Planning, Economic Development and Regeneration	6,999	5,263	(1,736)
Operational Services	68,160	68,160	-
Housing, Customer and Building	10,796	11,456	660
Corporate Services	17,609	17,609	-
IJB – Adults and Elderly Services	60,584	60,584	-
Non-IJB – Children's Services	30,010	30,100	90
Chief Executive, Finance and Property	32,632	32,167	(465)
Joint Boards	1,214	1,214	-
Service Expenditure - Total	**435,734**	**433,923**	**(1,811)**

The significant variance item giving rise to the underspend was reported as due to receipt in March 2017 of additional funding of £1.74 million for investment linked to employability and economic regeneration. This has been earmarked for spend in 2017/18. The key overspend in Housing, Customer and Building Services related to homelessness.

In-year budget monitoring reports were provided to the Council Executive on a regular basis, which included forecast outturn. There were no major fluctuations in the outturn projections provided to members during the year, demonstrating good financial control and an understanding of the budget and in-year management of financial pressures. Action to address service pressures were included in monitoring reports, enabling members to have appropriate oversight.

Reporting on budget reduction measures

Monitoring reports also included in-year analysis against the budget reduction measures. For 2016/17, these totalled £11.2 million and reports included red, amber, green assessment of their achievement. By Period 6, £9.4 million (78%) had been assessed as green with the remainder as amber. This included £2.1 million of staff performance savings, to be met through management of staffing vacancies during the year.

As the budget approved in February 2016 also included indicative figures for 2017/18. At mid-year in 2016/17 management were able to report that 59% of the £8.4 million reduction measures were already green with the remainder amber. This results in a position whereby at the time of the budget approval for 2017/18, the majority of savings are all identified and understood and so can deliver full in-year savings.

Action plan point - 4

Housing Revenue Account

The HRA delivered break-even performance in the year. There were no significant movements in any of rent arrears, losses on void properties or the bad debt provision from the prior year.

2016/17 financial outcomes – capital expenditure

Capital expenditure	Budget £000	Outturn £000	Over / (under) £000
General services capital programme	**63,304**	**69,616**	**6,312**
In line with prior year, the Council delivered accelerated spend on its general services capital programme. Compared with our experience elsewhere, where slippage on capital programmes can be a regular occurrence this demonstrates appropriate management of capital projects and ability to accelerate spend where circumstances allow.			
Housing capital programme	**62,450**	**49,787**	**(12,663)**
The housing programme under-delivered against the plan, due primarily on slippage due to the 1,000 Houses New Build programme. This accounted for slippage of £17 million against budget, although £27 million of expenditure was still invested in this programme during the year.			

Overall financing of the capital programme was supported by £67.1 million of capital receipts, grants from government and contributions from third parties and/or existing capital funds; £9.3 million of capital expenditure funded by revenue with the remaining £42.9 million funded by borrowing.

Capacity of finance and standing in the organisation

The Council's section 95 officer is the head of finance and property services. We considered the role and status of the section 95 officer and are satisfied that the Council adheres to the principles laid out within CIPFA's *Statement on the role of the Chief Financial Officer in Local Government*.

We have reviewed the Council's financial regulations and are satisfied that these are comprehensive and subject to regular update. They are available through the Council's website.

Internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Our first year audit has been predominantly substantive in nature, and therefore we have not tested the operation of key controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control. We have not identified any such matters to report to you.

Financial management – what have we concluded?

- We have concluded that the Council has generally sound financial management arrangements. This has been based on identification and overall tracking of budget savings well in advance as part of two-year indicative annual budget setting.
- The Council is going through a period of significant capital investment, both in general fund services and council housing. While there has been some delay in the new build housing programme, there is good evidence of delivery and management of projects.

Financial sustainability interprets auditors' requirements under ISA 570 *Going concern* and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial sustainability

The Accounts Commission's overview report on Local Government in Scotland: Performance and Challenges 2017 sets out the increasingly demanding environment facing local authorities. In particular an overall reduction of 9.2% in Scottish Government total revenue funding since 2010/11 and demographic changes in particular in respect of aging populations. Additionally, there are a broad range of legislative and policy changes, including for example integration of health and social care, community empowerment provision and education reform.

Scottish Government funding is distributed to councils using a formula based on factors such as population, deprivation and rurality. This means that not all councils have experienced the same level of reductions in funding. Audit Scotland figures show that the Council's reduction in funding overall has been the lowest of all councils, at less than 5%. This is in the context, however, of a demographic which also shows that the Council is expected to experience the most significant increase in population over 75 years old, by over 120% in the period 2014 to 2039.

Education and social work increasingly make up a greater majority of expenditure in local government. Within the Expenditure and Funding Analysis, in terms of the amount chargeable to the general fund and HRA, 67% of spend was in respect of these areas, within a range nationally of 60 – 80%.

Level of reserves

As shown in the table below, the Council's level of usable revenue reserves as a percentage of net expenditure on cost of services has decreased over the last five years. While reserves are broadly at a similar level, the overall net expenditure of the Council has increased. Within earmarked reserves, the Council's modernisation fund has been assisting in funding potential termination costs for staff, as service delivery has been modernised.

Analysis of reserves	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	%age change
Earmarked general fund	23,212	20,571	23,869*	23,539*	23,187	(28)
Uncommitted general fund	2,000	2,000	2,000	2,070	2,075	4
HRA fund	926	926	926	926	926	-
Insurance fund	12,269	12,193	13,570	13,715	11,835	(4)
Total Usable Revenue Reserves	**38,407**	**35,690**	**40,365***	**40,250***	**38,023**	**(1)**
As a % of net expenditure on cost of services	**9.9%**	**9.1%**	**10.4%**	**8.5%**	**8.2%**	
Capital fund	74,338	79,008	84,765	88,214	65,527	(12)
Total Usable Reserves	**112,745**	**114,698**	**125,130***	**128,464***	**103,550**	**(14)**

* Restated following prior year adjustment processed in 2016/17

The Council has maintained an uncommitted general fund balance at around £2 million, representing approximately 0.5% of net expenditure. This remains one of the lowest balances of all local authorities in Scotland and while the use of earmarked balances should also be considered when reviewing the available flexibility to the Council in making budget decisions, we believe this level of uncommitted reserves represents a risk to the Council.

Action plan point - 5

The significant capital fund means that reserves in total for the Council are strong. A significant proportion of this fund has been allocated, and is being utilised, to support the significant capital investment currently being made by the Council in both housing and general fund services, thus reducing the amount of additional borrowing required at this time.

Forward financial planning

The Accounts Commission has stressed the need for long-term financial strategies, supported by medium-term financial planning, to provide councils with the ability to respond to the acknowledged demographic and fiscal pressures. The Council has traditionally aligned its financial strategy with its corporate plan, which was approved for 2012-17 in line with the timing of local elections. There is strong evidence of delivery of this financial strategy over the last five years, drawing on major public consultation exercises in 2012 and 2014.

During this period, the Council set multi-year indicative budgets, for example in January 2015 for the three year period 2015/16 to 2017/18 i.e. including the current financial year. This represents good practice. In January 2016 and January 2017 this was reduced to two-year and then just a one-year budget.

In February 2017, the Council approved the process to prepare a priority based revenue financial plan for 2018/19 to 2022/23 and to set out how the Corporate Plan priorities will be delivered over this period.

In setting the 2017/18 budget, the Council received an overview of the challenging economic outlook over the next five years. However, no detailed financial information was provided to members outlining the likely profile of the medium-term financial position. To our knowledge, this puts the Council in a minority of local authorities by not providing such information to members in advance of what was known to be a highly challenging period. The 2017/18 budget committed £2.179 million of non-recurring resources to meet the budget.

As part of the 2017/18 budget process, members agreed to the development of a financial and corporate plan for the period 2018/19 to 2022/23.

Action plan point - 6

In June 2017, management submitted a Revenue Budget Strategy 2018/19 to 2022/23 to the new Council Executive outlining the forecast budget gaps for the period.

Forecast budget gaps	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Gross expenditure	17.5	16.4	16.8	15.3	15.7	81.7
Gross Income	2.5	0.4	(7.0)	(5.9)	(6.0)	(16.0)
Forecast Budget Gap	**20.0**	**16.8**	**9.8**	**9.4**	**9.7**	**65.7**

Expenditure pressures on staffing comprised £19.8 million of the forecasts, based on a 1.25% pay rise assumption in the first two years and 1% thereafter. This is a key assumption and the paper notes that a 0.5% increase on this assumption would add a further £6 million in cost pressures. Given recent public announcements by the Scottish Government, in our view it is likely that will be a need to revisit these assumptions.

Demographic and demand led pressures account for £28.4 million, or 35% of the expenditure budget pressures. This is heavily weighted to social care costs, and the Council's demographic of an increasing elderly population.

Income assumptions are based on a 3% annual Council tax increase which, coupled with the house building programme in the area, results in the majority of the increase in gross income. The Local Government finance settlement is assumed to show further reductions in 2018/19 and 2019/20, before increasing again thereafter. Taken together, this results in the front loading of the budget gap, with 56% of savings in the first two years.

Closing the gap

Following consideration of the Revenue Budget Strategy 2018/19 to 2022/23 report, in line with the officer recommendations in the report, Council Executive agreed that officers should report back to them in late summer / early autumn on proposals for a public consultation, including proposed priorities, future spending plans and savings options, and proposed council tax levels.

The Corporate Management Team has been working through officer savings proposals to meet the forecast budget gaps. In September 2017, the Council Executive considered an update from officers which set out a revised estimated budget gap of £66.1 million. This report set out the public consultation details as follows:

- Priorities for the next five years, drawing on the existing eight priorities of the Corporate Plan 2012/17 to ask respondents to comment on their ongoing suitability for West Lothian and again asking respondents to rank the priorities in order of importance.
- Seek views on the outline officer proposals for reductions and / or changes to services provided by the Council in seeking to balance the Council's financial position over the next five years.
- Seek views on the annual Council Tax increase of 3% which had been assumed in the budget model.

The consultation period will run from 16 October to 12 November 2017, with officers reporting on the results of the consultation to the relevant Policy Development and Scrutiny Panels for consideration in December 2017.

The development of the Council's new five year corporate plan and supporting corporate strategies, including the financial strategy resulting from the public consultation and subsequent consideration by members, are due to be approved in February 2018.

At the current time, therefore, the budget proposals are not public although we understand that management categorises these by prioritisation savings and efficiency savings, essentially considering how savings can be made in what the Council does, and secondly by how it does it. The required savings are expected to be found by an approximate 50:50 split between these two aspects.

Overall, we have assessed that the Council fully recognises the need for medium-term financial planning, linked to delivery of the corporate plan priorities. However, members have not yet been involved in determining the proposed areas of transformation and targeted savings. These are expected to include difficult decisions and so in our view this could leave the delivery of savings in the required timescales at risk.

Action plan point - 7

Long-term capital programme

2017/18 represented the final year of the current capital programmes for both general and housing services.

Capital investment of £49.8 million on general fund services was approved in the budget although £21.9 million of investment already committed in 2018/19 and beyond was highlighted. By completion of the financial year 2017/18, this will bring £257 million of investment over the previous five years.

The Council is in the process of developing a 10-year capital plan to be approved along with the next round of the Corporate Plan and underpinning strategies. This will be phased for years 1-5 individually and then years 6-10 as one phase.

The Accounts Commission's 2015/16 financial overview report provided comparison levels of borrowing across councils. While the Council has a relatively high level of borrowing, in terms of affordability, it was the 11th lowest in terms of percentage of income used to service debt. The Council has accelerated elements of borrowing to fund the 2017/18 programme as interest rates continue to be low, leaving more of the Capital Fund available to fund the longer-term programme.

A housing capital budget of £77.2 million was approved for 2017/18, comprising £60.7 million on the new build housing programme and £16.5 million on other works including planned refurbishments. This is an ambitious programme, and reflects partly the under-delivery in the new build programme to date.

Funding of the housing capital programme is predominantly through borrowing of £53.5 million, with right to buy sales generating £5.6 million through completion of final sales before the legislative change which brought an end to tenants' right to buy. The retention of council housing will significantly impact on HRA rental income in the future, supporting the increased borrowing levels.

Other long-term liabilities

Retirement benefits

We reported earlier on the significant increase in the liability assessed at the balance sheet in respect of the Council's obligations for pensions. Individual council obligations, and their corresponding affordability, reflects on a number of factors:

- performance of the pension funds of which they are members
- assumptions made by actuaries of the various funds
- the maturity of the council's membership (average age of pension scheme members)
- decisions made by councils to award discretionary benefits to staff retiring early.

In the Accounts Commission's 2015/16 financial overview report, at approximately 40%, the Council had the sixth lowest ratio of pension liability to net revenue. While this ratio has increased substantially to closer to 79%, similar movements will have affected all councils and so this remains one of the lower percentages.

PPP liabilities

The Council has two PPP contracts for schools, both over 31-year periods, one of which expires in 2032 and the second in 2039. The outstanding principal on these contracts totals £65.5 million at 31 March 2017. In line with other long-term leasing obligations, the Council also makes annual payments in respect of interest, lifecycle capital costs and operating costs.

Integration of Health and Social Care

The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. The West Lothian Integration Joint Board (the WLIJB) was legally established on 21 September 2015 and from 1 April 2016 took on the relevant functions and resources delegated to it from both the Council and NHS Lothian. The Council committed £60.6 million of expenditure to the WLIJB in 2016/17 and received direction from the WLIJB in respect of use of these resources in the year. The Council's 2017/18 budget approved resource of £69.4 million, representing the growth in resources required in this area.

Edinburgh and South East Scotland City Region Deal

The Council is one of six local authorities within the Edinburgh and South East Scotland City Region Deal. The City Region Deal was approved in July 2017, with commitment from the Scottish and UK Governments to provide significant investment, along with additional investment from the councils as well as universities within the region. This provides opportunity for the Council to work with its partners to use this investment to improve economic performance in the region, deliver services more effectively and tackle inequality and deprivation.

Financial sustainability – what have we concluded?

- We have concluded that the Council's financial position is generally sound. While significant investment is required in response to demographic pressures, it has a good basis to undertake this investment.
- The Council has an established process for aligning its financial strategy to its corporate plan priorities. As a result only a one-year budget was approved for 2017/18, as this was the final year of the existing five year corporate plan. The Policy Development and Scrutiny Panels will consider the results of the public consultation in respect of officers' savings proposals in December 2017, prior to Council approval of a new five year corporate plan and underlying financial strategy in February 2018. In our view, since difficult decisions are expected to be required, the timeline for involvement of members could leave the delivery of savings in the required timescales at risk.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

Governance arrangements

During our audit, and in conjunction with the BVAR work, we have reviewed the Council's overall governance arrangements. In line with responsibilities of the Council, this has considered the Council's arrangements as they relate to standards of conduct including for the prevention and detection of fraud and error.

The Council has a set of Standing Orders which regulate the way it goes about its business, supported by the Scheme of Administration which sets out the membership, powers and responsibilities for full council, all its committees, sub-committees, working groups, Policy Development and Scrutiny Panels and Local Area committees. The Financial Regulations contain the Council's arrangements for the proper administration of its financial affairs. In line with good practice, all documents are kept up to date to reflect changes.

The full Council of 33 Members meets approximately every six weeks, with most of the Council's important decisions and policies made by the Council Executive or the Education Executive. The Council Executive meets twice between meetings of full Council, and the Education Executive once.

During 2016/17, the Council was led by a minority Labour administration. Following the May 2017 elections, which returned 13 Scottish National Party, 12 Scottish Labour Party, seven Scottish Conservative and Unionist and one Independent members of Council. The remains a minority Labour administration.

Member training

The Council offers training to elected members through the year, and make available on its website details of the 19 events hosted during 2016/17 and the number of members who attended this. The content of training was broad and covered a range of subject matters corresponding to the breadth of responsibilities held by elected members.

Following the May 2017 elections, induction training was provided for new and returning members. Discussions with members as part of the ongoing Best Value work found that members were positive about the nature and extent of training provided.

We understand that Human Resources are in the process of developing and progressing individual training plans for members and records of training undertaken. While senior officers respond to and provide informal briefings to members when they have queries, given the increasing challenges facing local government, we would encourage individual tailored plans to be developed for elected members to support them in discharging their roles in ensuring Best Value in provision of services at the Council over the coming term in office.

Annual Governance Statement (AGS)

The AGS sets out the Council's governance framework. The Council supports its arrangements through its local code of corporate governance, and assessments are undertaken regularly of compliance against this. Other core support for the AGS is through the system of compliance statements which are obtained from key individuals in the Council's management team, relating to their areas of responsibility.

The annual report from the Audit, Risk and Counter Fraud Manager is a further source of support for the AGS. This report concluded "*that the council's framework of governance, risk management and control is generally sound."* We observed that of the 19 reviews for which an audit conclusion was provided, two obtained an '*unsound'* conclusion and nine '*required improvement*'. With over half of the reviews receiving one of the bottom two gradings produced by internal audit; we considered whether the overall support for the AGS was appropriate. We judged that since areas requiring improvement were included within the AGS then there was appropriate transparency and disclosure of the underlying control framework. The Audit, Risk and Counter Fraud Manager has further advised that in reaching his conclusion, he considers other sources of assurance than that of the individual audit reviews.

Focus on Audit and Governance and Risk Committee arrangements
Prior to the local elections in May 2017, the audit and governance committee had primary responsibility for matters relating to internal and external audit, and the governance arrangements of the Council. During 2016/17 this committee continued to be chaired by a member of the administration, which as also reported by the Council's former auditor, does not accord with our own, or the Accounts Commission's, views on best practice for independence of audit committee chairs. The main change to the Council's committee structure following the elections was to split the remit of the audit and governance committee into two, replacing it with an audit committee and a governance and risk committee. Both of these committees have a membership of five (two Labour, two Conservative and 1 SNP), with in addition one lay member currently appointed to the audit committee, and a lay member due to be appointed to the governance and risk committee. At the current time, three of the five members of each committee are the same, while the SNP members are not taking up their one position on each committee. The remits of the two new committees contain some significant overlap, for example in June 2017 both committees considered the Internal Audit Annual Report. There are a number of occasions where it is likely that the same reports from officers may need to be considered by both committees in order to fully discharge their responsibilities. Management have explained that the reason for the split is to allow members to have a greater focus in particular on risk within the Council. We agree with this principle as there has been limited consideration or review of the corporate risk register at any committee of the Council during the year, as this was performed at the Governance & Risk Board during the year. While the chairs of both new committees are not currently members of the minority administration, best practice would suggest formalising the arrangement within the Scheme of Administration such that the chair, or vice-chair, of these important committees should not be drawn from the administration. Given the new arrangements, and the potential overlap in remit, we believe it will be important for officers and members to keep the operation of the committees under review during their first cycles of operation. ***Action plan point - 8***

Focus on performance and scrutiny arrangements

The scrutiny of performance by members is carried out in different places in the decision-making structure. These are two committees, Performance committee and Education (Quality Assurance) committee (EQAC) and nine Policy Development and Scrutiny Panels (PDSPs).

The Council operates a series of PDSPs. These are small groups of councillors (four Labour administration, three opposition) and up to six invited third party representatives, who develop new policies for the Council, or scrutinise the workings of existing policies to consider where changes are needed. They do not have the power to actually make decisions, but they make recommendations to the Council Executive or Education Executive for them to make decisions which are binding on the Council.

Since they report through either the Council Executive or the Education Executive, the current membership of the PDSPs is such that most have a majority of elected members who are also members of either executive committee.

The PDSPs therefore play an important role in the development and scrutiny of policy decisions. In undertaking this role, in accordance with the Scheme of Administration their remit also includes the review of periodic service performance reports. This enables them to make recommendations to officers for improvements or actions to be taken.

This is an important part of the scrutiny of policy, although in our view we do not consider this alone would represent sufficient scrutiny of service performance by elected members.

The main committees in the structure for consideration of performance are the Performance committee, and for education services, the EQAC.

The Performance committee comprises five members. In practice, it has been and is currently chaired by a non-administration member, although the Scheme of Administration does not require this, nor does it set out whether members of the Executive(s) may or may not be on the committee. According to its remit, the purpose of the committee is consideration of the Council's corporate performance, including ensuring that performance management arrangements cover Best Value considerations.

The EQAC has since its inception been chaired by a non-administration member. Its membership includes religious and parent members and parent council representatives are invited to attend for each school under review. It considers reports from external and internal school inspections and reviews and the action plans that have been developed in response. There is evidence of member involvement in scrutiny and a willingness to follow up reports at future meetings to monitor progress. Of its 13 elected member representation, 11 of these members are also on the Education Executive.

In our view, there is scope to review and potentially enhance the arrangements in the Scheme of Administration for review of performance within the committee structure, to ensure that this provides for sufficient involvement from elected members drawn from outside the decision-making committees of the Council.

Action plan point – 9

The Performance committee sets a work-plan for the year and receives an annual report on the Council's performance within the Local Government Benchmarking Framework. From our review of committee business, there has tended to be more focus on service performance reports than overall corporate performance reporting. Further, from our review of minutes there is limited evidence of challenge and oversight of corporate performance of the Council, as the minutes often record that members noted the content of reports without recording any challenge or scrutiny which may have occurred.

Robust challenge and involvement from elected members in driving improvement of Council performance at a corporate level is a key element of a commitment to delivering Best Value.

Action plan point – 10

Focus on Internal Audit

The Council has an in-house internal audit function which is designed to provide members and management of the Council with independent assurance on risk management, internal control and corporate governance processes. As part of our first year appointment, we considered aspects of internal audit's performance with relevance to their compliance with Public Sector Internal Audit Standards (PSIAS). Our work in this area was assisted by Internal Audit's own self-assessment against PSIAS, and an independent peer review of this self-assessment by the Chief Internal Auditor from Moray Council. Broad compliance with the PSIAS was noted.

Overall, the Council's Internal Audit team demonstrates a number of areas of good practice, including clear access and reporting to the leadership team and the audit committee. Review of internal audit reports and observation of audit committee meetings evidenced that management is subject to challenge.

The Audit, Risk and Counter-Fraud section consists of 7 FTE of skilled and experienced personnel, with access to more specialised IT technology support through its partnership relationship with Falkirk Council. The internal audit complement is 3 FTE. The relatively small size of the team, which is reflected in the cost of the function being benchmarked as the second lowest in Scotland, increases the inherent risk around the dependency and reliance on key individuals within the team. Our review of Internal Audit working papers found that while there was a structured quality review process, there were opportunities to enhance aspects of assignment working paper review and sign-off to be aligned with good practice which we have discussed with management.

The PSIAS assessment identified that planned audit reviews are not prioritised in the internal audit plan for the year. The Audit, Risk and Counter Fraud Manager provided the mitigation that this is due to the intention to complete the annual internal audit plan each year, giving every review the same high priority. We have observed that experience shows that this is not the case, with reviews being rescheduled into future years or removed from the plan as other pressures on resource arise.

Action plan point - 11

In line with the Council's performance management framework, Internal Audit reports against a series of performance indicators. Notable is the highly positive feedback which is consistently received from services which have been subject to audit. However, in our view, there is scope to improve the indicators identified and / or the targets for assessment of performance. For example, the 12-week target as the average time to issue draft reports on completion of assignments is not sufficiently challenging and provides a risk that control weaknesses can continue un-addressed while draft reports are being prepared. Management have advised that in practice, any significant risk or issue would be escalated out with formal reporting cycles.

Action plan point – 12

Focus on Internal Audit's role in the organisation

The Audit, Risk and Counter Fraud Manager fulfils a role both as Head of Internal Audit and also Risk Manager. The risk associated with internal audit self-review is mitigated by management ensuring that audit of the Council's risk management process is conducted independently from the in-house internal audit team. Nonetheless, our view is that this combined Risk Manager and Head of Internal Audit role creates a potential conflict of interest.

The delivery of the Council's new corporate plan is likely to bring a period of significant change as the Council works to deliver and enhance services for users, while responding to changing demographics and ongoing budgetary and funding constraints. In our view, at such times, a Risk Manager should be utilising their specialist risk experience and knowledge to provide advice and support to management across the Council in identifying and managing risks, supporting effective internal control, the risk management framework and overall good governance. This allows Internal Audit to be free from any actual or perceived conflict of interest to challenge and scrutinise management on delivery of transformation of Council working practices.

Action plan point - 13

Following the public pound

Auditors are required to consider the Council's arrangements for compliance with the Code of Guidance on Funding External Bodies and Following the Public Pound (the FtPP Code). The audit and governance committee received and considered the Accounts Commission's report "*Roles and working relationships in councils - Are you still getting it right?*" Part of this report considered the relationship of working with Arms Length External Organisations (ALEOs). The committee agreed that the contents of the report would be progressed through the Governance and Risk Board and a further report considered if any recommendations arose from that consideration.

Internal audit undertook a review of the monitoring processes in respect of grants to voluntary and not-for-profit organisations. At the time of the review, this covered payments totalling £22.8 million during 2015/16 of which approximately £20.3 million were related to social policy and £2.5 million to other areas. Internal audit concluded that controls were effective where grants were made in respect of social policy, although it highlighted that there was a risk of a lack of effective oversight by members as required information on contract performance had not been properly reported to the Social Policy PDSP.

In respect of funding of other areas, controls were found to be unsound with four 'high' graded recommendations and four 'medium' graded recommendations made by internal audit.

Focus on West Lothian Leisure

The Council has an interest in one ALEO, West Lothian Leisure Limited (WLL). West Lothian Leisure was established in 1998 but during 2016 converted, from a registered society, to a company limited by guarantee with the council as the sole member. The Council provides a management fee, which for 2016/17 amounted to £1.9 million, being approximately 20% of WLL's income. From 1 April 2017, additional leisure and cultural services were transferred from the Council to WLL.

One consequence of using more complex structures involving ALEOs in delivering services is that the public may be less clear about who is responsible for services. Maintaining transparency by having arrangements that are easy for people to get access to and understand is a key objective of good governance. This is detailed in the Accounts Commission's *How councils work: Arm's-length external organisations (ALEOs): are you getting it right?* 2011 report.

It is good practice that councils should monitor how ALEOs perform against both financial and service expectations. Internal audit undertook a review of financial monitoring and reporting in relation to WLL and concluded that the control framework required improvement. A number of recommendations were made in respect of improving the governance and control environment, which were accepted and management have advised that these have been implemented.

The West Lothian Leisure Advisory Committee is the committee responsible for oversight of the Council's relationship with WLL. As a result of the internal audit report, financial and performance reporting was separated into different reports. However, all papers considered by this committee have up until now been done so in private.

During 2016/17 three members of the advisory committee were also directors of WLL. The Accounts Commission's 2011 report identifies that such roles are incompatible or pose a real risk to governance and accountability, stating that "*the councillor or officer who scrutinises an ALEO on behalf of the council, or makes funding decisions affecting an ALEO, should not be a board member of the ALEO.*"

On 28 February 2017, the Council Executive was given explicit advice about appointment of members to ALEOs based on Standards Commission advice. Since the May elections, no member on the advisory committee is also a director of WLL. However, the Council Scheme of Administration does not set out that this should not occur. In addition to the actions identified by internal audit, therefore, the Council should review its governance arrangements to ensure they provide for a relationship with WLL that is clear and complies with best practice and relevant guidance, thus reducing the risk of conflicts of interest arising.

Action plan point – 14

Fraud and irregularity

In line with our responsibilities under the Code, we have considered the Council's high level arrangements as they relate to the prevention and detection of fraud and error. Overall we consider the Council's arrangements to be appropriate.

National Fraud Initiative

The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole to identify fraud and error. These exercises are undertaken every two years as part of the statutory audit of the participating bodies. Local authorities were required to submit datasets in autumn 2016 and matches fro investigation and follow-up were released early in 2017.

We reviewed the Council's arrangements for participation in the NFI in support of preparation of a return to Audit Scotland. We were satisfied that the Council had appropriate arrangements to respond to the NFI and had initiated their response to the most recent exercise.

Standards of conduct

Through consideration of the Council's financial regulations, standing orders and scheme of administration, supplemented by consideration of the Code of Conduct for elected members, we are satisfied that the Council has established appropriate arrangements. The Standards Commission for Scotland did consider two cases in respect of councillors during the period and in both cases found against them for relatively minor breaches in respect of disclosure of interests.

Governance and transparency – what have we concluded?

- The Council has a comprehensive framework of governance arrangements and shows clear commitment to the core principles. Internal audit is well respected, however, we have raised a number of recommendations for consideration to strengthen the reporting and monitoring by the audit committee.
- We consider there is scope to strengthen the arrangements for scrutiny of corporate and service performance. The relationship between the new governance & risk and audit committees should be monitored. The Council needs to improve the controls and governance arrangements around Following the Public Pound.

2.5 Value for money

Value for money is concerned with using resources effectively and continually improving services. This includes consideration of whether resources are being used effectively; services are improving and the Council has appropriate arrangements to demonstrate Best Value.

Performance and improvement

Framework for improvement

The Council uses the Covalent performance management software as their central performance management system. Covalent supports management and reporting of performance and includes functionality for setting and reviewing targets and thresholds to trigger intervention or action from the service.

The Council has an improvement strategy which guides how continuous improvement is pursued throughout the organisation. The strategy is well rounded in that it considers the different stages of the improvement cycle, from engagement, to planning, performance management and self-assessment. Services carry out self-assessment of their performance through the West Lothian Assessment Model (WLAM). There are two elements to the WLAM, looking at what has been done (enablers) and what has been achieved (results).

Information on the enablers is provided by the service's assessment team. Results information is lifted from the relevant performance indicators on the Covalent system by the Council's Performance and Improvement Service and analysed jointly along with the assessment team. These performance indicators are related to both processes and activities. A final score is then agreed based on both parts of the assessment.

WLAM cycles run for three years, with each WLAM unit required to carry out one assessment per cycle with the aim of achieving continuous improvement. Assessments are presented to a WLAM Review Panel, which is made up of the Chief Executive and two other senior managers (not from the service subject to review). The Review Panel is set up to provide high level scrutiny and peer review, and ensure a consistent approach to self-assessment.

The Council produced an end of programme report for the WLAM cycle 2014-17. This showed that the average score across the Council had improved from the previous cycle and all services (where comparable information was available) had improved performance in their assessment. The Council did acknowledge that the pace of improvement varied between services and that some services could benefit from swiftly addressing the recommendations from their Review Panel.

The Council is currently considering the refresh of the WLAM programme for 2017-20.

Statutory performance indicators

The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting. The 2015 Direction set out a streamlined and more flexible set of performance information for the 2016/17 financial year that the Commission required councils to collect and report in public. Councils are required to publish the required information from the financial year ended 31 March 2017 each year through to the financial year ending 31 March 2019. The schedule within the 2015 Direction sets out the required information as:

Achievement of Best Value

SP 1: Each council will report a range of information setting out its performance in:

- improving local public services (including with partners)
- improving local outcomes (including with partners)
- engaging with communities and service users, and responding to their views and concerns
- achieving Best Value, including its use of performance benchmarking; options appraisal; and use of resources

Local Government Benchmarking Framework

SP 2: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework (LGBF)

Performance and improvement (continued)

The Council utilises four categories of performance indicator in its performance management framework:

- Public Performance Reporting (PPR): A small number of key indicators – linked to the key processes / activities and / or outcomes that are reported externally, for example to meet the Accounts Commission's requirements.
- High Level: Key indicators – linked to the key processes / activities and / or outcomes that are reported to senior officers and elected members.
- WLAM: Indicators of local service performance – linked to the key processes / activities that are reported within the service.
- Management: Indicators that provide management information for use in the service to plan or forecast provision

Service plans, approved through the PDSPs at the start of the financial year, set out the performance targets for the year ahead as well as reporting on the trend performance against the indicator for the previous three years.

The Council reports annually to its performance committee on comparative performance through the LGBF. The most recent report covered the 2015/16 performance year. This shows that the Council generally performs well against its peers. Using data from the Local Government Benchmarking Framework, the Council calculates an average ranking against other Scottish Local Authorities to measure performance. Under the most recent reported figures it came fifth overall in 2015/16, down from second in 2014/15. The report identified a number of areas where performance had declined, particularly around cost pressures in adult social work.

The BVAR will report in more detail on the Council's performance, focussing in particular on trend performance and the linkage between indicators and improvements in outcomes.

Options appraisal and decision making

In advance of approving the transfer of management of facilities and functions to a modernised West Lothian Leisure, the Council Executive received a series of papers outlining the options appraisal exercise undertaken in advance of the recommended option. The move to a shared service delivery was driven by the need to generate additional savings of £0.5 million, but the appraisal decision was based on criteria which would indicate the likelihood that the option would support the Council's priorities of people living longer, healthier lives through increased participation in sport, leisure and cultural activities.

In line with the revised arrangements for Best Value, and the Accounts Commission's strategic priorities, our approach to which we set out in our indicative five year plan, we will undertake further detailed work on options appraisal and decision making in future years following the adoption and implementation of the new Corporate Plan.

Value for money – what have we concluded?

- We have concluded that the Council has a comprehensive performance improvement framework, founded on the well established West Lothian Assessment Model. This has provided a stable and consistent framework through which services undertake self-assessment and seek to improve their performance.
- The Council monitors a suite of performance indicators through the Covalent system. Performance information shows that the Council generally performs very well compared to other councils, although the Council recognises areas where performance can be improved.

3. Other audit deliverables

Under the terms of our appointment, we provide other assurance activities such as the certification of certain grant claims and the Council's Whole of Government Accounts return, as well as information returns to Audit Scotland.

Other audit deliverables

Aspect of work	What we did and what we found	Expected completion / submission date	Submitted on time
Annual Audit Plan	Reported to audit committee on 27 February 2017	31 March 2017	Yes
Audit Scotland Fraud Return submission	We submitted fraud returns summarising the reporting to audit and governance committee during the year.	26 May 2017	Yes
Submit NFI return to Audit Scotland	Reviewed the Council's arrangements and completed an information return – see conclusion elsewhere in this report	30 June 2017	No – submitted July 2017 due to EY staff illness
Submit Audit Scotland EU Funding questionnaire return	The purpose of this questionnaire was to support the development of an understanding of Scotland's reliance on EU structural funding arrangements and in particular the extent to which public bodies have been preparing themselves for the consequences of not having access to EU funds in the future. We identified that the Council is managing £5.95 million of EU funds through 2016/17 and 2017/18, with 39 staff members involved in associated projects. Updates on the risk facing the Council are reported to the Partnership and Resources PDSP.	30 June 2017	Yes
Submit certified Education Maintenance Allowance return	The return was not received by the Council submission deadline. When testing was undertaken during July, specific supporting evidence was not available for key elements of the claim, with evidence held offsite at schools. Our opinion was qualified as a result.	31 July 2017	No, due to the delays as a result of lack of evidence available from the Council
Submit certified Criminal Justice Social Work claim	Audit work has been undertaken with no significant findings arising.	29 September 2017	On target
Whole of Government Accounts assurance statement to NAO	Audit work will be undertaken on updated WGA pack, following audit adjustments made to the financial statements.	29 September 2017	On target
Certify Annual Accounts and submit Annual Audit Report	Pending formal approval of the financial statements	30 September 2017	On target
Submit Best Value Data Return to Audit Scotland	N/A for the Council due to BVAR in 2017	2 October 2017	N/A
Submit certified Non-Domestic Rates return	Audit work has been undertaken with no significant findings arising.	6 October 2017	On target
Submit certified Housing benefit subsidies claim to DWP	Work is in progress and we will discuss findings with the relevant officers prior to submission of our certification report.	30 November 2017	On target

Appendices

A – The Council's responsibilities

B – Required communications with the audit committee

C – Auditor independence

D – Accounting and regulatory update

E – Summary of audit differences

F – Action plan

A. The Council's responsibilities

The Code of Audit Practice (the Code) summarises the responsibilities on all audited bodies falling within the public sector audit framework. We summarise these on this page.

Responsibilities of audited bodies	
Corporate governance	Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.
Financial statements and related reports	Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for: • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. • maintaining proper accounting records. • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct / prevention and detection of fraud and error	Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Financial position	Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to: • such financial monitoring and reporting arrangements as may be specified • compliance with any statutory financial requirements and achievement of financial targets • balances and reserves, including strategies about levels and their future use • how they plan to deal with uncertainty in the medium and longer term • the impact of planned future policies and foreseeable developments on their financial position.
Best Value	Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions. Specified audited bodies also have to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

There are certain additional communications that we must provide to the Audit Committee, in accordance with ISA 260 and other auditing standards. These are set out below.

Required communication - what is reported?	Our reporting to you
Terms of engagement Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Annual Audit Plan – 27 February 2017
Significant findings from the audit • Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Any significant difficulties encountered during the audit • Any significant matters arising from the audit that were discussed with management • Written representations we have requested • Expected modifications to the audit report • Any other matters significant to overseeing the financial reporting process • Findings and issues around the opening balance on initial audits	This Annual Audit Report We request written representation from you in respect of key matters arising during the course of our audit, and in accordance with auditing standards. A copy of this letter is provided for your consideration and signature at the time of approval of the financial statements.
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about the Council's ability to continue for the 12 months from the date of our report.
Misstatements • Uncorrected misstatements and their effect on our audit opinion • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Significant corrected misstatements, in writing	This Annual Audit Report
Fraud • Asking the audit committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Council • Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving: (a) management; (b) employees with significant roles in internal control; or (c) others where the fraud results in a material misstatement in the financial statements. ► A discussion of any other matters related to fraud, relevant to audit committee responsibility.	This Annual Audit Report

Required communication - What is reported?	Our reporting to you
Significant deficiencies in internal controls identified during the audit • Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report
Related parties Significant matters arising during the audit in connection with the Council's related parties including, where applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and/or regulations • Difficulty in identifying the party that ultimately controls the entity	We have no matters to report.
Subsequent events • Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Other information • Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.	We have no matters to report.
External confirmations • Management's refusal for us to request confirmations • We were unable to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations.
Consideration of laws and / or regulations • Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off" • Asking the audit committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the audit committee.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Group Audits • An overview of the type of work to be performed on the financial information of the components • An overview of the group audit team's planned involvement in the component auditor's work on the financial information of significant components • Instances where the group audit team's evaluation of a component auditor's work of gave rise to a concern about its quality. Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group or component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.	Annual Audit Plan – 27 February 2017 This Annual Audit Report
Independence • Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.	This Annual Audit Report – Appendix C

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the Council.

What we are required to communicate

Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:

- The principal threats.
- Safeguards adopted and their effectiveness.
- An overall assessment of threats and safeguards.
- Information on the firm's general policies and processes for maintaining objectivity and independence.
- Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated 27 February 2017.

We complied with the APB Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your audit committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the audit committee on 25 September 2017.

Summary of fees

As part of our reporting on our independence, we set out below a summary of the fees initially agreed for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the Code requirements.

Additional auditor remuneration of £4,000 was agreed with management in respect of the audit of the Council's nine charitable trust funds.

Auditor remuneration per Annual Audit Plan	£201,333
Audit Scotland central costs	£130,480
Total fee per Annual Audit Plan	£331,813
Additional auditor remuneration	£4,000
Non-audit service fees	-
Total fees	**£335,813**

There are a number of new accounting standards and interpretations which will impact on the local authority accounting code of practice in the next two or three years. The following table provides a high level summary of those that have the potential to have the most significant impact on you.

Area	Summary	Potential impact
IFRS 9 – Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year. This new standard will change: ► How financial assets are classified and measured ► How the impairment of financial assets are calculated ► Financial hedge accounting ► The disclosure requirements for financial assets. Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains uncertainty. The Council will, however, have to: ► Reclassify existing financial instrument assets ► Remeasure and recalculate potential impairments of those assets; and ► Prepare additional disclosure notes for material items
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: ► Leases; ► Financial instruments; ► Insurance contracts; and ► for local authorities, Council Tax and NDR income. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. There are transitional arrangements within the standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.	Again CIPFA have issued initial thoughts on the approach to adopting IFRS 15, although uncertainty remains until the Code is issued. For all material income sources from customers the Council will have to: ► Disaggregate revenue into appropriate categories ► Identify relevant performance obligations and allocate income to each ► Summarise significant judgements
IFRS 16 Leases	IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. Whilst the definition of a lease remains similar to the current leasing standard, IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.

There were a number of significant adjustments processed to the unaudited financial statements as a result of our audit work. The impact of these is summarised below.

Summary of audit differences – prior period adjustments			
No.	**Account**	**Comprehensive income and expenditure statement (Increase) / Decrease**	**Balance sheet (Decrease) / Increase**
1	**Revaluation adjustment to correct increase in value of other land and buildings in prior year**		
	Property, plant & equipment – land & buildings		£426.2 million
	Revaluation reserve		£(426.2) million
2	**Recognition of revaluation of schools PPP assets**		
	Property, plant & equipment – schools PPP assets		£56.0 million
	Revaluation reserve		£(56.0)million
3	**Impairment to carrying value of Council Dwelling additions in the period to hold at Existing Use Value – Social Housing in accordance with the Code of Practice on Local Authority Accounting**		
	Property, plant and equipment – Council Dwellings		(£12.2 million)
	Impairment recognised in cost of services	£12.2 million	
4	**Adjustment to remove HRA developer contributions from creditors and reflect these as a transfer between HRA fund and General Fund.**		
	Short Term Creditors		£6.6 million
	Housing Revenue Account Expenditure	(£6.6 million)	
	Housing Revenue Account Fund		£(6.6) million
	General Fund – earmarked reserves		£6.6 million

There were a number of significant adjustments processed to the unaudited financial statements as a result of our audit work. The impact of these is summarised below.

Summary of audit differences – current year adjustments			
No.	**Account**	**Comprehensive income and expenditure statement (Increase) / Decrease**	**Balance sheet (Decrease) / Increase**
1	**Revaluation adjustment to correct increase in value of other land and buildings in prior year**		
	Property, plant & equipment – land & buildings		£(426.2) million
	Revaluation reserve		£426.2 million
2	**Impairment to carrying value of Council Dwelling additions in the period to hold at Existing Use Value – Social Housing in accordance with the Code of Practice on Local Authority Accounting**		
	Property, plant and equipment – Council Dwellings		(£20.6 million)
	Impairment recognised in cost of services	£20.6 million	
3	**Adjustment to depreciation in year to reflect depreciation on PPP assets**		
	Property, plant and equipment - depreciation		£(12.8) million
	Depreciation charged to cost of services	£12.8 million	
4	**Recognition of initial contribution to West Lothian Integration Joint Board and subsequent income received to deliver services.**		
	CIES – Service gross income	£(60.6) million	
	CIES – Service gross expenditure	£60.6 million	
5	**Adjustment to remove incorrect recognition of an accrual and prepaid income within the draft financial statements.**		
	Short-term creditors		£0.5 million
	Short-term debtors		£(0.5) million

There were a number of significant adjustments processed to the unaudited financial statements as a result of our audit work. One difference remains unadjusted as set out below.

Summary of audit differences – unadjusted differences

No.	Account	Comprehensive income and expenditure statement (Increase) / Decrease	Balance sheet (Decrease) / Increase
1	**Net estimated impact of recognising West Lothian Leisure as a subsidiary in the group financial statements instead of as an associate**		
	Group net assets		£(3.0) million
	Group reserves		£3.0 million

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the Council or management to action.

Classification of recommendations			
Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.		**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.	**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.
No.	**Findings and / or risk**	**Recommendation / grading**	**Management response / Implementation timeframe**
1	**Financial reporting process** Overall the financial reporting process is well established within the Council. However, particularly in relation to non-transactional items, we have identified that there are examples where judgements made in the financial statements process are not fully and appropriately documented and approved.	Where key judgements on items within the financial statements are being made, these should be fully documented and subject to approval by the Head of Finance and Property Services, and retained to support current and future year financial statements. *Grade 2*	Key judgements will be fully documented and approved by the Head of Finance and Property Services for the 2017/18 financial statements onwards.
2	**PPE Valuations** Our audit work identified significant movements in operational building valuations which were not being taken into account when assessing whether, in line with Code requirements, the year end values of assets could be materially different from the carrying value recorded in the financial statements.	Management requires to consider and agree an appropriate process to ensure the valuation cycle is appropriate to take into account potential material movements in key assets, as well as a means to ensure that where a 1 April valuation is undertaken, that the valuation remains appropriate as at the 31 March balance sheet. *Grade 1*	A review will be undertaken by the end of December 2017 to agree an appropriate process.
3	**Group financial statements** From 1 April 2017, the articles of association of West Lothian Leisure were changed again. In addition, the company took on additional leisure and culture assets of the Council.	An updated assessment of the group relationship with West Lothian Leisure should be conducted in advance of preparation of the 2017/18 financial statements. *Grade 2*	An assessment has been completed. West Lothian Leisure will be accounted for as a subsidiary in the 2017/18 financial statements.
4	**Financial management – risk assessment of savings** Management has an established process of risk assessing the delivering of savings within the in-year budget monitoring. Savings will, however, become increasingly difficult to deliver.	We have discussed with management the means to identify within budget papers the risk assessment associated with individual savings proposals. We recommend that an overall red/amber/green rating is provided to members on savings proposals allowing them to focus on the area of greatest financial risk. *Grade 2*	Savings proposals going forward will be assessed on a red/amber/green basis by officers. This information will be included in the revenue budget papers reported to elected members.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
5	**Level of uncommitted general fund reserves** The Council has one of the lowest levels of uncommitted general fund reserves of all Scottish local authorities. While the Council exhibits good in-year financial management, as financial savings become harder to delivery, this low level of reserves reduces the Council's flexibility around budget decisions.	Management should consider whether the target level of uncommitted reserves remains appropriate in the context of approval of the forthcoming medium-term financial strategy. *Grade 2*	Management has considered if the level of uncommitted reserves remains appropriate. Taking account of clear financial planning arrangements, sound financial management and the level of other reserves, the Head of Finance and Property Services believes the level of uncommitted reserves is appropriate. The level of uncommitted reserves will continue to be reviewed as part of the revenue budget setting process and will continue to be subject to a specific recommendation in the annual revenue budget report.
6	**Approval of 2017/18 budget** As the final year of the existing five year financial plan, the Council set a one-year budget for 2017/18. While an overview of the economic outlook was provided to members, there was no detailed information provided on the financial challenges facing the Council over the medium-term.	While we understand that the Council links the financial strategy to the corporate plan, we recommend that in setting budgets, the Council should always have a multi-year budget strategy in place so that savings are being considered in the context of a medium-term plan. *Grade 1*	Updates on the economic context at UK, Scottish and West Lothian level and an update on the council's future budget model are now being presented quarterly to the Partnership and Resources PDSP. In future, these updates will include information for at least three years in advance on the anticipated financial position of the council. This information will also be included in any reports on future financial planning.
7	**Engagement of members in long-term financial planning** In advance of public consultation, the corporate management team has been developing proposals to meet the significant forecast budget gaps. While members have approved the overall process, their detailed consideration of officer savings proposals will commence in December 2017. These are expected to include difficult decisions and could leave the delivery of savings in the required timescales at risk.	With significant challenges facing the Council over the coming years, in our view it is important that members take an early lead in shaping the direction of future priorities and service delivery. *Grade 1*	Council, in February 2017 agreed objectives, a process and a timetable for corporate and financial planning. In accordance with the agreed process and timetable a consultation is to take place from mid October to mid November and provides all stakeholders in West Lothian with the opportunity to comment on proposed priorities, officer savings proposals and future council tax levels. Reports on all responses to the consultation will be presented to PDSPs in December 2017 providing the opportunity for elected members to share the direction of future priorities and service delivery.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
8	**Operation of audit and governance & risk committees** With the remit of the audit and governance committee split across these two new committees, to introduce a greater focus on risk, there is the potential for unnecessary duplication in the work of the committees, together with a lack of clarity in respect of where reports and business are considered. In addition, while the audit committee received the unaudited accounts on 30 June 2017, its remit does not formally include the annual accounts and so there is a risk of uncertainty arising around the audit committee's role in considering the external audit report on the annual accounts.	It is recommended that, in line with best practice, these committees undertake annual self-assessments of effectiveness, including with a focus on how they have interacted with each other over a full cycle of reporting. The role of the audit committee with the annual accounts should also be clarified. In addition, best practice would suggest that the scheme of administration sets out that the chairs of these committees should not be drawn from the Council administration. *Grade 2*	It is intended to include a self assessment in the work-plan for both committees. In accordance with the agreed procedures, Council will consider for approval the auditor's annual report and audited annual accounts. Following approval, the auditor's report and the audited annual accounts will be referred to audit committee for information. Changes to the scheme of administration are a matter for elected members of the council to consider. The covering report by the Head of Finance and Property Services on the auditor's annual report will highlight these recommendations to elected members for consideration.
9	**Scrutiny of performance** The Performance committee and the Education (Quality Assurance) committee are the main committees within the scheme of administration for consideration of performance. At the current time, the scheme of administration does not set out the membership of these committees in relation to roles elected members may have on other committees.	In our view, there is scope to review and potentially enhance the arrangements in the Scheme of Administration for review of performance within the committee structure, to ensure that this provides for sufficient involvement from elected members drawn from outside the decision-making committees of the Council. *Grade 2*	Changes to the scheme of administration are a matter for elected members of the Council to consider. The covering report by the Head of Finance and Property Services on the auditor's annual report will highlight these recommendations to elected members for consideration.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
10	**Performance committee reporting** The performance committee is the key committee for independent scrutiny of overall corporate performance. Improvements could, however, be made to the information and reports received on corporate performance. Review of committee minutes, and attendance at the committee, also found that there is scope to improve evidence of member involvement in providing robust challenge and scrutiny to drive forward improvement at the Council.	As the key committee for driving improvement at a corporate level, including oversight of the key Council priorities against which the Council reports in its public performance reporting, the performance committee should receive appropriate information on corporate performance and record evidence of effective and robust challenge and scrutiny provided by the committee in respect of achievement of corporate performance targets should be recorded. *Grade 1*	A officer review will be undertaken by the end of October 2017 to consider how reporting and scrutiny on corporate performance can be improved. The documented minutes of performance committee will provide more details of questions and discussion at the committee.
11	**Prioritisation of internal audit reviews** Experience has shown that the original annual audit plan is not always delivered with reviews either rescheduled into future years or removed from the plan as other pressures on resource arise. For example, in 2016/17 four reviews were rescheduled to 2017/18 and three removed, totalling 125 days out of the original 370 day plan.	While the audit committee is asked to review a revised plan, in our judgement, prioritisation of reviews in the original plan is important to support members in discharging their oversight role on the appropriate delivery of the internal audit plan for the year. Good practice would also show the audit plan productive days as an element of total resources available. *Grade 2*	In future the audit reviews included in the annual audit plan, and presented to the audit committee for approval, will be prioritised and the productive days as an element of total resources will also be included in the plan.
12	**Internal audit performance indicators** In our view, certain targets set for measurement of the performance of internal audit are not sufficiently stretching, with for example 12 weeks to deliver a draft report providing a risk that control weaknesses continue un-addressed while the report is being prepared. Key performance indicators also indicate that 100% of the annual audit plan has been delivered, but this does not relate to a measurement of the original plan set at the start of the year.	A review of internal audit performance indicators should be undertaken to ensure that these are appropriately challenging, relevant to business needs and take account of changes in annual audit plans in the year. In addition, while internal audit reports appear to be suitably challenging of the control environment, a key indicator of the challenge provided is the percentage of recommendations which are accepted and implemented by management. *Grade 2*	Internal audit performance indicators are currently subject to ongoing review, however a further review will be undertaken by the end of December 2017.

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
13	**Role of internal audit** The Audit, Risk and Counter Fraud Manager fulfils a role both as Head of Internal Audit and also Risk Manager. This creates, in our view, a potential for conflict of interest to arise.	During a forthcoming period of potentially significant change, senior officers should consider the potential for this risk to arise and to ensure there is appropriate mitigation, such that the risk manager is not involved in activities which could subsequently affect their independence in conducting internal audit reviews in certain areas. *Grade 2*	The view of the council's Corporate Management Team is that the arrangements in the council have improved significantly since responsibility for risk management was combined with Internal Audit. A review will be undertaken by the end of December 2017 to identify any potential conflicts of interest to ensure mitigating actions are implemented.
14	**FtPP Compliance / Governance** Scrutiny of the performance of West Lothian Leisure has been undertaken in private throughout 2016/17. In addition, two members of the committee charged with scrutinising performance have also been directors of the Company. This is not in line with the Accounts Commission's guidance on working with arms-length external bodies.	In addition to addressing the weaknesses identified through an internal audit review, the Council should review the overall governance and scrutiny arrangements in respect of West Lothian Leisure to ensure these accord with best practice. *Grade 1*	A review will be undertaken by the end of February 2018 of governance and scrutiny arrangements in respect of West Lothian Leisure.

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West Lothian Council

WEST LOTHIAN COUNCIL

FAMILY FRIENDLY WORKING ARRANGEMENTS

REPORT BY CHIEF EXECUTIVE

A. PURPOSE OF REPORT

To provide an update on the working arrangements at the UK and Scottish Parliaments and a sample of Scottish local authorities which are structured to recognise family demands of elected members, staff and the public.

B. RECOMMENDATION

It is recommended that the Council:

1. Notes the information provided in terms of working arrangements; and
2. Agrees any action to be taken.

C. SUMMARY OF IMPLICATIONS

I	**Council Values**	Focusing on our customers' needs; being honest, open and accountable; providing equality of opportunities; developing employees; making best use of our resources; working in partnership
II	**Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)**	An equality impact assessment may be required for any significant proposed changes to meeting arrangements before final decisions are taken.
III	**Implications for Scheme of Delegations to Officers**	None
IV	**Impact on performance and performance Indicators**	None
V	**Relevance to Single Outcome Agreement**	None
VI	**Resources - (Financial, Staffing and Property)**	The financial implications of any significant changes to meeting arrangements should be

		assessed before any final decisions are taken.
VII	**Consideration at PDSP**	No prior consideration required.
VIII	**Consultations**	None required.

D. **TERMS OF REPORT**

D.1 **Background**

West Lothian Council agreed the following at its meeting of 15 August 2017:

"Council recognises the importance of no barriers perceived or otherwise to entering elected office in West Lothian Council and the importance in a democracy of encouraging people to stand for office and if successful participate fully in Council matters.

To this end Council instructs the Chief Executive to bring a report to the next Council on the arrangements at Westminster, Holyrood and a sample of Scottish local authorities, as regards working arrangements which are structured to recognise family demands as regards childcare/caring responsibilities not only to members but staff and the public."

D.1 **UK Parliament and Scottish Parliament Working Arrangements**

The UK Parliament offers an on-site nursery for staff who work for the House of Commons. It is available, subject to payment of a set fee, to Members, Members' staff, House of Commons and Digital Service employees, House of Lords Peers and staff, Press Gallery media pass holders, Whitehall parliamentary pass holders and contractors situated on the parliamentary estate. There are day sessions, from 8am to 6pm and also evening sessions, from 6pm to between 6.30pm and 10.30pm. The UK Parliament also offers flexible working and a childcare voucher scheme.

Details of committee meeting arrangements for the UK and Scottish Parliaments are outlined in Appendix 1. The table includes details of earliest and latest start times, frequency of meetings, and recess from council and parliamentary business.

As detailed in Appendix 1, the UK Parliament takes approximately 15 weeks recess each year, including a 6-week recess over summer, 4 weeks during September / October, 1 week in November, and 2 weeks over both Christmas and Easter.

Policies regarding working arrangements for employees of the Scottish Parliament are similar to those offered by West Lothian Council and include the Right to Request Flexible Working, Flexible Working Hours Scheme, Leave for Family Care Purposes and Emergency / Discretionary Leave where there is no automatic policy provision.

In addition, the Scottish Parliament provides a crèche, the main purpose of which is to provide supervision for children of people visiting the parliament in Edinburgh. The crèche is free to use, for up to 4 hours at a time and is open during office hours.

The Scottish Parliament takes approximately 14 weeks recess each year, including 8 weeks over summer, a 2-week recess in October, 2 weeks at Christmas and 2 weeks at Easter (Appendix 1).

D.2 **Working Arrangements across Scottish Local Authorities**

	A benchmarking exercise has been conducted across all Scottish Local Authorities, to ascertain their flexible working provisions. Ten Scottish local authorities responded to the request for information, as detailed in Appendix 2. All councils who responded have flexible working provisions for employees in their local authority. The majority of the ten councils who responded confirmed that all employees were eligible to apply for these types of flexible working arrangements. Six of the ten councils contacted make provision for family care leave. Details of committee meeting arrangements for a sample of 13 local authorities, including West Lothian, are outlined in Appendix 1. The table includes details of earliest and latest start times, frequency of meetings, and recess from council and parliamentary business. The earliest start times for the majority of committee meetings are between 9.00am and 9.30am. The earliest meeting start time is in West Lothian, with one Local Area Committee commencing at 8am and others from 8.30am. Whilst the majority of councils' committee meetings take place in normal business hours, just under half of those sampled hold evening meetings for council and ward business. West Lothian Council standard primary school hours are from 8.45am up to 3.25pm Monday to Thursday and from 8.45am to 12.20pm Friday. Most breakfast clubs are available in all primary schools from 8am and after school clubs are available to primary school age children until 6pm Monday to Friday. All of the councils noted take a minimum of 4 weeks recess over summer. In addition, all local authorities sampled, with the exception of West Lothian, break during Easter and / or October to coincide with school holidays.
D.3	**West Lothian Council Flexible Working and Family Friendly Policy Provisions** The Council has a number of employment policies and procedures which assist employees to combine their family-care responsibilities with their employment through the provision of appropriate leave facilities. These are detailed in Appendix 3 and include:- • Family Care Policy and Procedure • Reduced Working Hours Policy • Flexible Working Hours Scheme, and • Right to Request Flexible Working The Flexible Working Hours Scheme allows employees to: • Vary start, finish and lunch break times • Build up a credit of hours and take flexi leave (up to a maximum of 3 half days per 4 week accounting period, pro-rated for part-time employees) • Work less than their contracted weekly hours subject to limitations The Right to Request Flexible Working is open to all West Lothian Council employees with at least 26 weeks service. The types of flexible working available include: • Reduced working hours • Changes to working hours

	- Compressed working hours - Annualised working hours - Change to work location - Term time working - Additional unpaid leave Council employees, up to Band H, who work in the evening or at weekends can claim time off in lieu, whereby they are compensated by equivalent time off for any hours worked. The Family Care Policy details the Council's provisions in relation maternity/paternity/adoption leave and includes Parental Leave provisions which entitle an employee with at least one year continuous service to up to 4 weeks unpaid parental leave per child per year, up to a maximum of 18 weeks. This allows parents to take emergency or unplanned leave to make provision to care for their children. Council employees can access childcare vouchers to assist with payment of nursery and after school/holiday care for children. The costs of these vouchers are deducted at source, thus generating a saving for parents/carers. Childcare vouchers are accepted in nurseries and can be used to pay for after school care.
E.	**CONCLUSION**
	Council is asked to note the information provided on the working arrangements at the UK and Scottish Parliaments and a sample of Scottish local authorities which are structured to recognise family demands of elected members, staff and the public, and to consider whether any further action should be taken.

F. BACKGROUND REFERENCES

None.

Appendices/Attachments:
Appendix 1 – Parliamentary and Council Meeting Arrangements
Appendix 2 – Flexible Working Provisions – Benchmarking Summary
Appendix 3 – West Lothian Flexible Working and Family Friendly Policy Provisions

Contact Person: Morgan Callachan, Project Officer
Email morgan.callachan@westlothian.gov.uk; Telephone 01506 281080

Graham Hope
Chief Executive
26 September 2017

MEETING DATES, TIMES, FREQUENCY AND OTHERS

It is assumed that no meetings tale place over Christmas/New year, so that holiday period is not specifically mentioned.

The "frequency" column refers to full council meetings only. The number and types of committees and their meeting patterns are too diverse to easily collect or analyse. The number may include special meetings - most will have at least one for budget and council tax setting.

All these councils hold infrequent regulatory committee meetings during school holiday periods as required.

Local/ward committees are mentioned since those tend most often to meet in the evening.

The absence of local/ward committees does not mean there are no arrangements like those. It just means that they are not formal committees in the decision-making structure and so meeting arrangements are not obvious.

This table includes West Lothian plus 12 others, so covers just over one third of all councils.

Council	Earliest Committee Start	Latest Committee Start	Frequency of Full Council	Recess	Other
West Lothian	8.00 am	6.15 pm	9-10 pa	Summer (5 weeks, July plus 1 in August), Easter (none), October (none)	The 6.15 start was exceptional, and if not for that the latest meeting would have had a 3 pm start. Meetings at 8 am are few, but there is a significant number at 8.30 or 9 am. No evening meetings are timetabled
Aberdeen City	9.30 am	2.00 pm	8 pa	Summer (4 weeks, last 2 in July and first 2 on August), Easter (1 week), October (2 weeks)	The earliest starts are for planning, almost everything else is 10 am, 10.30 am or 2 pm. No local/ward committees
Angus	10.00 am	2.00 pm	12-14 pa	Summer (6 weeks, July and first 2 in August), Easter (almost 2 weeks), October (1 week)	No local/ward committees

Dundee City	9.30 am	6.00 pm	10	Spring Recess (2 weeks), Summer Recess (6 weeks), Autumn Recess (2 weeks), all to match school holidays	The 9.30 start is for an Appeals Sub-Committee. Meetings of full council and three policy-making committees take place on the same evening each month (apart from May and July), sequentially starting at 6 pm. All 29 members are on these committees. Their DMC meets at 6 pm. Others (Scrutiny, LRB, etc.) start at 10 am or 2 pm.
East Lothian	9.00 am	7.00 pm	8 pa	Summer (6 weeks, July and early August), Easter (2 weeks), October (1 week)	Local/ward committees meet in evenings, general pattern is 10 am or 2 pm
East Renfrewshire	10.00 am	7.00 pm	7-9 pa	Summer (5 weeks, July plus 1 in August), Easter (1 week), October (1 week)	Almost all committees are at 10 am or 2 pm, full council is variable amongst 10 am, 4 pm and 7 pm. No local/ward committees
Edinburgh	10.00 am	7.00 pm	11 pa	Summer (4 weeks, July), Easter (2 weeks), October (1 week)	Local/ward committees meet in evenings, others are 10 am or 2 pm
Falkirk	9.15 am	3.00 pm	8-10 pa till 2017, now 6	Summer (4 weeks, July), Easter (2 weeks), October (1 week)	No local/ward committees other than four Common Good Fund Committees
Midlothian	9.00 am	2.00 pm	10-11 pa	Summer (5 weeks, the last 2 weeks of July, first 3 weeks of August), Easter (2 weeks), October (none)	General pattern is 10 am and 2 pm, the earlier starts are for Special Cabinet Meetings only
North Lanarkshire	9.00 am	4.00 pm	7 pa	Summary (6 weeks), Easter (2 weeks), October (2 weeks)	The earliest starts are exceptional, for things like an Appointments Sub-Committee, involving small numbers of members.

					There are a few regulatory business meetings during recesses, but not many. Full council meetings are at 4 pm. There are no local area-type committees listed.
Renfrewshire	9.30 am	6.00 pm	7 pa	Summer (7 weeks, July and early August), Easter (2 weeks), October (1 week)	Local/ward committees meet locally and in evenings, others are morning or afternoon. Calendar includes (estimated?) end times for most meetings
South Lanarkshire	9.15 am	2.00 pm	5-6 pa	Summer (5 weeks, last 2 in July, first 3 in August), Easter (none), October (1 week)	General pattern is 10 am and 2 pm, earlier starts are exceptional, local area committees are daytime meetings as well
West Dunbartonshire	9.30 am	5.15 pm	9-10 pa	Summer (4 weeks, July), Easter (2 weeks), October (2 weeks)	General pattern is 10 am and 2 pm, earlier starts are exceptional, full council and some main committees meet after 5 pm

Parliament	**Earliest**	**Latest**	**Frequency**	**Recess**	**Other**
UK	2.30pm	3.30pm – 4pm		Summer (6 weeks), September / October (4 weeks- party conferences), November (1 week), Christmas (2 weeks), February (long weekend), Easter (2 weeks), May (long weekend) They also have a lengthy purdah/shut-down before their own elections every five years.	Some estimated finishing times are given that vary from 6 pm till 10 pm. They sit as long as required. Fridays are usually kept free of significant business.
Scottish	9.00 am	5 pm		Summer (8 weeks), October (2 weeks),	**Crèche**

				Christmas (2 weeks), February (long weekend), Easter (2 weeks) They also have a lengthy purdah/shut-down before their own elections every five years.	The public crèche at the Scottish Parliament is the only facility of its kind in Europe and is considered by the Scottish Parliamentary Corporate Body to be an important part of creating an open and accessible Parliament. Its main purpose is to provide supervision for children of people visiting the Scottish Parliament in Edinburgh The crèche is free to the public and provides care for children aged 6 weeks to 5 years. It is open from 08.00 - 18.00, Monday to Friday and can be used for up to 4 hours at a time.

BENCHMARKING SUMMARY

FLEXIBLE WORKING PROVISIONS

Council	Flexi-Time	Reduced Working Hours	Compressed Working Hours	Term Time Working	Buying Additional Leave	Homeworking	Carers Leave	TOIL
West Lothian	The scheme covers all council employees except certain general categories of staff who are excluded by reason of the pattern of their working hours and/or the nature of the duties that they perform.	Available to all employees with at least 26 weeks service through the right to request flexible working policy.	Available to all employees with at least 26 weeks service through the right to request flexible working policy.	Available to all employees with at least 26 weeks service through the right to request flexible working policy.	Maximum of 6 weeks additional bought leave can be requested by any employee with 26 weeks service.	No formal policy in place although ad hoc arrangements are made for homeworking on occasion.	No formal policy in place beyond provisions of the Leave for family care purposes policy which makes provision for up to 5 days paid special leave to care for an ill dependant and up to a maximum 12 months unpaid special leave to care for a seriously ill dependant.	No formal policy in place. Discretionary arrangements for TOIL in place at service level, normally applied to officers on grades A – H in line with the application of overtime. Exceptionally Head of Service discretion has been used to apply TOIL at a more senior level.

Council	Flexi-Time	Reduced Working Hours	Compressed Working Hours	Term Time Working	Buying Additional Leave	Homeworking	Carers Leave	TOIL
South Ayrshire	Flexi-time can apply to all employees as appropriate. There are no restrictions on grade.	Can be requested through our Flexible Working Policy. Uptake not quantifiable.	Can be requested through our Flexible Working Policy. Uptake not quantifiable.	Only applies to employees working in schools.	Employees can buy up to 2 weeks additional annual leave (pro rata for part time employees).	No formal policy.	No formal policy.	No formal policy.
Argyll & Bute	Flexi-time can apply to all employees with the exception of Chief Officials.	Records not kept, but uptake of reduced working hours is very low.	Records not kept, but uptake of compressed working hours is very low.	Records not kept, but uptake of term time working is very low.	No Provision	Homeworking can be carried out both by formal arrangement or informally on an ad hoc basis.	None.	TOIL must be authorised in advance as required. Senior Management excluded by nature of their post.
Scottish Borders	Flexi-time applied as appropriate.	All employees are eligible to apply for part-time or job-share working.	All full-time employees are eligible to apply for compressed hours.			Homeworking Policy in place.		

Council	Flexi-Time	Reduced Working Hours	Compressed Working Hours	Term Time Working	Buying Additional Leave	Homeworking	Carers Leave	TOIL
Falkirk	Flexi-time applied as appropriate.	All employees are eligible to apply for part-time or job-share working. No central records of uptake.	All full-time employees are eligible to apply for compressed hours. No central records of uptake.	All employees are eligible to apply for term-time working. No central records other than for those whose post is term time by default.	Employees can buy up to 5 days additional annual leave (pro-rata for part-time employees).	Homeworking can be carried out by formal arrangement under the policy and we have mobile and flexible working on an ad hoc basis.	Carers leave of up to a maximum of 5 days paid (pro-rata for part-time) per annum. Unpaid planned carers leave can also be taken.	No formal policy. Local agreement.
North Ayrshire	Flexi-time applied as appropriate.	All employees with 26 weeks service can apply for part-time working.	All employees with 26 weeks service can apply for compressed hours.	All employees with 26 weeks service can apply for term time working.		Homeworking can be carried out both contractually and on an ad hoc basis.		TOIL authorised on an ad hoc basis and accrued in plain time.
Cne Siar	Flexi-time applied as appropriate and open to all grades.	All employees can apply for reduced hours. Majority of requests come from maternity returners. 20 applications approved since Jan 2017.		Mainly restricted to school staff although a few office based employees work term time (mostly in Education)	No Provision	Formal homeworking arrangements require Committee approval.	Unpaid special leave up to 10 days pa can be taken as time off for dependants.	Application of TOIL requires senior management approval.

Council	Flexi-Time	Reduced Working Hours	Compressed Working Hours	Term Time Working	Buying Additional Leave	Homeworking	Carers Leave	TOIL
Glasgow	Flexi-time applied as appropriate and open to all grades.	All employees can apply for reduced hours. * In 2016/17 we received 4 Work Life Balance applications from within Grades 9-11 (our leadership family). Further breakdown as to whether this was for reduced hours, compressed or term time working is not available.	All employees can apply for compressed hours. *	All employees can apply for term time working. *	Purchased additional annual leave of up to 15 days per annum.	Homeworking can be carried out both by formal arrangement or informally on an ad hoc basis.	No formal policy although time off during working hours can be agreed to care for a dependant, particularly in unforeseen emergencies.	TOIL must be authorised in advance and is used on an ad hoc basis.
Dumfries & Galloway	Flexi-time applied as appropriate.	The majority of post are suitable for part-time working.	All employees are eligible to apply for compressed working hours.	Term time working is suitable where there is limited customer demand during school holidays.		Homeworking is an option included in our Smarter Working Policy.	Carers leave up to 8 (including 3 emergency days) days paid leave and up to 12 weeks unpaid leave per year.	

Council	Flexi-Time	Reduced Working Hours	Compressed Working Hours	Term Time Working	Buying Additional Leave	Homeworking	Carers Leave	TOIL
West Dumbartonshire	Flexi-time applied as appropriate.	All employees are eligible to apply for reduced working hours.	All employees are eligible to apply for compressed working hours.				Up to 12 weeks unpaid Carers Leave per annum.	
Fife	Flexi-time applied as appropriate.	Policy in place	Policy in place					

Human Resources
August 2017

FLEXIBLE WORKING AND
FAMILY FRIENDLY POLICY PROVISIONS

WEST LOTHIAN COUNCIL PROVISIONS

Below is a summary of the Flexible Working Provisions currently available within the council:

Right to Request Flexible Working open to all employees with at least 26 weeks service. The types of flexible working available include:

- Reduced working hours
- Changes to working hours
- Compressed working hours
- Annualised working hours
- Change to work location
- Term time working
- Additional unpaid leave

Flexible Working Hours Scheme which allows employees to:

- Vary start, finish and lunch break times
- Build up a credit of hours and take flexi leave (up to a maximum of 3 half days per 4 week accounting period, pro-rated for part-time employees)
- Work less than their contracted weekly hours subject to limitations

Time Off in Lieu (TOIL) is not a council policy provision, but is used on an ad hoc basis to deal with fluctuations in workload or employee attendance at a specific event. TOIL can be awarded to employees as an alternative to overtime to compensate for additional work undertaken outside normal working hours. A survey of services indicates that TOIL is normally applied to officers on grades A – H in line with the application of overtime. Exceptionally Head of Service discretion has been used to apply TOIL at a more senior level.

In addition the council makes provision for the following ‘family friendly’ policies:

Leave for Family Care Purposes includes the following provisions:

- Maternity/adoption leave with occupational elements extending statutory leave from 39 weeks to a maximum of 63 weeks and extending statutory pay by an additional 12 weeks half pay (for non-teaching employees)
- Maternity Support/Paternity Leave – up to 2 weeks paid leave
- Shared Parental Leave – allowing mothers/fathers/partners to share care for a child under the age of 12 months.
- Parental Leave – up to 12 weeks (max 4 weeks per year) unpaid parental leave for parents of children up to the age of 18
- Special Leave for the planned healthcare of a young child – up to 5 days paid leave for the purposes of post-natal care/immunisation for parents of children up to the age of 5 years.
- Special Leave for Care of an Ill Dependant – up to 5 days paid leave and 10 days unpaid leave per annum to care for an ill dependant (an adult or child dependant on the day to day care of the employee at the time of the leave application).
- Special Leave for Care of a Seriously Ill Dependant – up to 12 months unpaid leave.
- Bereavement Leave – up to 5 days paid leave.

Emergency/Discretionary Leave where there is no automatic policy provision:

- up to one days paid leave at Head of Service discretion to deal with emergency situations eg a breakdown in childcare
- in accordance with the SJC National Agreement on Pay and Conditions of Service the Depute Chief Executive has discretion to grant additional paid or unpaid special leave in exceptional circumstances that fall out with the council's formal time off and leave policies.

Uptake of Flexible Working Provisions by Senior Officers

The following table indicates the uptake of reduced working hours and compressed hours by Senior Officers on grades J and above:

Flexible Working Provision	Number of Senior Officers
Reduced Working Hours (Part-time)	4
Compressed Working Hours	8

Human Resources
August 2017

West Lothian Council SNP Group

Leader: Cllr Peter Johnston
Depute Leader: Cllr Frank Anderson
Secretary: Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum
Nunquam Servili!

Remove the Tory Provost

This Council believes that there can be no place for a representative of the Conservative Party, the party of austerity, the party of the Bedroom Tax and the Rape Clause, within the leadership structure of the council and therefore agrees to remove the current Tory Provost from office.

Peter Johnston

Cllr. Peter Johnston
Leader of the SNP Group

WEST LOTHIAN COUNCIL
19 MAY 2017
MMITTEE SERVICES

3.01 pm
AHiggins

United Nations Inquiry into UK Austerity Policies

The UK Tory Government's Austerity policies are trampling all over disabled people's human rights. A UN Inquiry has concluded that draconian changes to welfare and social care amounts to "systemic violations" of the rights of people with disabilities.

On 6 October 2016 the UN Convention on the Rights of Persons with Disabilities published a report on its inquiry into the cumulative effects of Tory austerity measures on disabled people in the UK. The UK has been a signatory to the Convention since 2007. The report was damning, stating that the Bedroom Tax, cuts to Personal Independence Payments and the abandonment of the Independent Living Fund had hindered, even prevented, disabled people from living their lives independently. The report gave 11 recommendations. A UN committee was set up in Geneva during 23 and 24 of August 2017 to establish how well, or otherwise, the Tory Westminster government were progressing these recommendations.

The answer was – very badly. Employment and Support Allowance conditions and sanctions, reductions in social support, Universal Credit, PIP as well as draconian systems of assessment were deemed to have had a highly detrimental effect on the lives of disabled people. Their human right to live independently, to work and to enjoy social protection without discrimination had been violated.

In contrast, the UN Committee praised the SNP Scottish Government for its inclusion of disabled people in the design of its Social Security System. A system which assumes that Social Security is a human right and which puts Dignity, Fairness and Respect at its heart. A cornerstone to the new system is the banning of private firms from the assessment of the needs of our most vulnerable people. No one in a civilized society should profit from establishing, or otherwise, the requirements of others to live a full and independent life.

Since 2013, the Scottish Government has spent over £400 million to protect the most vulnerable in our communities from the worst aspects of the ideologically driven Tory Austerity agenda.

West Lothian Council therefore;

1. Accepts the UN report to be an indictment on the UK Conservative Government.

2. **Welcomes the devolved responsibility for some of the benefits to disabled people to the Scottish Government.**
3. **Supports the principles underpinning the new Social Security System for Scotland.**
4. **Is committed to ensuring that those who are, or who will become, disabled in West Lothian have all the support and access to the benefits that they need to help them to live full and fruitful lives.**
5. **Agrees that this commitment will be met through the practices and procedures to be identified through the renewed anti-poverty strategy: Better Off.**

Proposed

Moira A Shemilt

Cllr. Moira Shemilt
Livingston South (SNP)

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.44am

West Lothian Council SNP Group

Leader: Cllr Peter Johnston
Depute Leader: Cllr Frank Anderson
Secretary: Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum;
Nunquam Servili!

On 4 September 2017, her majesty the Queen officially opened the Queensferry Crossing. The new bridge over the Forth was envisioned and built by the Scottish Government and came in at £245 million under budget. The Queen referred to it and its iconic neighbours as being *"feats of modern engineering and a tribute to the talents, vision and remarkable skills of those who designed and built them."*

As a local councillor who was present at the ceremony, the undoubted highlight of my day was the fantastic film that was relayed to all, containing the voices and talents of the children of our local school, Bankton Primary. Primary four and Primary five pupils wrote the song, *"Hard Hats"* with their music teacher, Yvonne Drummond. Their performance was full of energy, enthusiasm, talent and chutzpa. The children were a credit to their school, parents, teachers, community and themselves.

Pupils from the school were also invited to attend the official opening and lined the new bridge, proudly representing their community and warmly welcoming all to the communal celebration.

West Lothian council recognises the hard work of the parents, teaching staff, music teacher Yvonne Drummond and Head Teacher Jacqueline Stewart in pulling off such a spectacular and successful feat. Bankton Primary was the only school in West Lothian to be chosen to be involved in the official opening. The children were terrific. They should be as justly proud of themselves as the community is of them. West Lothian council would like to congratulate and to say well done to all involved.

Moira A Shemilt

Councillor Moira Shemilt
Livingston South (SNP)

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

A Higgins
11.44am

West Lothian Council SNP Group

Leader: Cllr Peter Johnston
Depute Leader: Cllr Frank Anderson
Secretary: Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum:
Nunquam Servili!

Motion

Citizens' Basic Income

West Lothian Council welcomes the First Minister's recent announcement that the Scottish Government will work with interested local authorities to fund research into the concept and feasibility of a citizens' basic income.

This council notes that the concept of a basic income is one which has attracted international interest and discussion over recent years, with pilot schemes taking place in a number of countries, including Finland, Canada and Brazil. This council further notes that in Scotland, trials of Citizens' Basic Income have already been planned by two local authorities.

This council recognises the potential for Citizens' Basic Income to promote fairness and equity in our society, helping us to redistribute wealth and reduce inequalities, empower people into work, training or study, reward the unpaid contributions so many make to society, and end extreme financial poverty.

This council agrees to write to the Scottish Government, expressing its interest in the scheme and its willingness to participate.

Moved

Councillor S King

Armadale & Blackridge ward

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.44am

West Lothian Council SNP Group

Leader:	Cllr Peter Johnston
Depute Leader:	Cllr Frank Anderson
Secretary:	Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum
Nunquam Servili!

Burgh Beautiful Linlithgow

West Lothian Council congratulates Burgh Beautiful Linlithgow on its outstanding success in the following categories of the 2017 Beautiful Scotland (aka 'Scotland in Bloom') awards:

1. **The 'Gold' award, one of three awarded in the 'Medium Town' category – the other Gold awards in the category went to Cupar and Haddington, two other traditional Scottish county towns.**
2. **The trophy (cup and certificate) for being the best 'Medium Town' – awarded a higher score than Haddington which actually won the Best Town Award in the UK RHS Britain in Bloom finals in 2016!**
3. **The special RHS Award (glass trophy and certificate) for Overcoming Adversity (for our 'Bye Bye Campaign highlighting the call for more volunteers and subscriptions).**

The awards were presented on Thursday 8th September in the Glen Pavilion, Dunfermline by the Provost and Depute-Provost of Fife.

In particular West Lothian Council recognises the determination and ingenuity deployed in "Overcoming Adversity" maintaining such a commendable standard, working with support from West Lothian Council, in very difficult times and notes that the town came very close indeed to winning the Rosebowl for the overall best in Scotland.

Councillor David Tait
Linlithgow Ward (SNP)

A Higgins
11.44 am

West Lothian Council SNP Group

Leader: Cllr Peter Johnston
Depute Leader: Cllr Frank Anderson
Secretary: Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum
Nunquam Servili!

Master Sheena Sutherland

West Lothian writes to Master Sheena Sutherland to recognise all of her hard work in the local community.

West Lothian's leading Tae Kwon-Do instructor Sheena Sutherland, from Bathgate and is celebrating becoming Europe's first – and only the world's second – female 9th Degree Grand Master.

This is an outstanding, as well as personal, achievement for Sheena. The Master Sutherland's Black Belt Academy was founded in 1974 and runs gyms in Bathgate and Livingston and she has been involved in the sport for more than 40 years.

West Lothian Council congratulates Sheena on her accolade and the international recognition that this brings to Scotland, West Lothian and Bathgate.

Councillor Willie Boyle
Bathgate Ward (SNP)

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.44am.

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor Lawrence Fitzpatrick
for the Council Meeting on Tuesday 26th September 2017

NHS in Crisis

The Council notes with grave concern the huge number of issues currently affecting the NHS locally and nationally. Here in West Lothian our children's ward been closed for a third time in 5 years with no committed date for re-opening demonstrating a clear lack of foresight in workforce planning by the Scottish Government who have been aware of these issues. Similar pressures exist in local GP services which have seen the recent resignation of all GPs at Deans and Eliburn Health Centre.

The Council acknowledges that these pressures are by no means unique to West Lothian but replicated across Scotland. The Council recognises that ultimate responsibility for health rests with the Cabinet Secretary for Health and Sport Shona Robison MSP who has made no substantive interventions to resolve the crises.

Lawrence Fitzpatrick

Councillor Lawrence Fitzpatrick
Leader
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
11 SEP 2017
·MITTEE SERVICES

AHiggins
11.50am

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor Kirsteen Sullivan
for the Council Meeting on Tuesday 26th September 2017

Period Poverty

The council welcomes the First Minister's recent announcement in her programme for Government that sanitary items will be made freely available within schools, colleges and universities and commends the cross party support that Monica Lennon MSP has received on highlighting the important issue of period poverty. This council calls on the Scottish Government to give additional funding to councils to meet such provision within schools.

K Sullivan

Councillor Kirsteen Sullivan
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.50 am

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor Harry Cartmill
for the Council Meeting on Tuesday 26th September 2017

HMRC

The Council condemns HMRC's recent decision to close their centres in Livingston and Bathgate and move these jobs from West Lothian to a newly built facility based in Edinburgh. The Council opposes this in the strongest possible terms as it means the loss of 1200 jobs from the County with huge impact to the local economy.

The Council commends the work of the PCS Union and the cross party group that has been set up to oppose this move and notes the hard work of local Parliamentarians from across the political spectrum at highlighting this issue and continues to offer all possible support.

The Council further notes the relatively low levels of public sector jobs based in West Lothian and calls on the Scottish and U.K. Governments to do all they can to bring similar quality Government jobs to West Lothian in the near future in recognition of the devastating impact of the economic loss of HMRC's relocation.

Harry Cartmill

Councillor Harry Cartmill
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
11 SEP 2017
TEE SERVICES

A Higgins
11.50am

WEST LOTHIAN COUNCIL

TREASURY MANAGEMENT – ANNUAL REPORT FOR 2016/17

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To inform the Council of the activities and results of treasury management operations for the year to 31 March 2017.

B. RECOMMENDATION

It is recommended that the Council:

1. Notes the attached report on the treasury management operations for 2016/17;
2. Notes the exercise of the Head of Finance and Property Services' delegated treasury management powers.

C. SUMMARY OF IMPLICATIONS

I	**Council Values**	Being honest, open and accountable, making the best use of our resources.
II	**Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)**	Complies with the council's Treasury Policy Statement, the CIPFA Prudential Code for Capital Finance in Local Authorities, the CIPFA Treasury Management in Public Services – Code of Practice and Cross Sectional Guidance Notes and the Local Government Investments (Scotland) Regulations 2010.
III	**Implications for Scheme of Delegations to Officers**	No proposed changes to the Scheme of Delegation to Officers.
IV	**Impact on performance and performance Indicators**	None.
V	**Relevance to Single Outcome Agreement**	None.
VI	**Resources - (Financial, Staffing and Property)**	The annual treasury plan provides a framework for treasury management activities that aims to minimise risk and the council's future borrowing costs.
VII	**Consideration at PDSP**	Financial monitoring reports are presented directly to the Council for consideration.

VIII Other consultations

The council's treasury advisers have been consulted in relation to the forecasts and recommendations included in the treasury plan.

D. TERMS OF REPORT

The annual report on the council's treasury management activity during 2016/17 is attached for consideration by Council.

E. CONCLUSION

The actions taken during the year complied with the Annual Plan for 2016/17 approved by Council on 23 February 2016 and the Treasury Management Policy Statement in the Financial Regulations. An adjustment to permitted investments was approved by the Council on 8 November 2016.

F. BACKGROUND REFERENCES

CIPFA Treasury Management in Public Services Code of Practice and Guidance Notes

West Lothian Council Treasury Policy Statement and Treasury Management Practices

Annual Strategy for 2016/17 (approved by West Lothian Council 23 February 2016)

Treasury Management 2016/17 Interim Report to West Lothian Council on 8 November 2016

CIPFA Prudential Code for Capital Finance in Local Authorities

Local Government Investment (Scotland) Regulations 2010

Appendices/Attachments:

Treasury Management Annual Report for 2016/17
Appendix 1: Current Portfolio
Appendix 2: Borrowing in 2016/17
Appendix 3: Approved Organisations for Investment
Appendix 4: Monitoring of Prudential Indicators 2016/17

Contact Person: Pamela Bell, Technical Accountant
Email: pamela.bell@westlothian.gov.uk, Tel: 01506 281282

Donald Forrest
Head of Finance and Property Services

Date: 26 September 2017

DATA LABEL: PUBLIC

WEST LOTHIAN COUNCIL

TREASURY MANAGEMENT

Annual Report for 2016/17

Donald Forrest

Head of Finance and Property Services

26 September 2017

INDEX

1.0 Introduction

In accordance with the council's Standing Orders, Financial Regulations, and the Local Government Investments (Scotland) Regulations 2010, an annual report on the operation of the treasury management function must be presented to the Council for consideration. The requirement to report to the Council complies with the revised Treasury Management Code and Scottish Investment Regulations.

Treasury management is defined in the CIPFA Code of Practice for Treasury Management in the Public Services as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Annual Treasury Plan approved by West Lothian Council on 23 February 2016 set out the treasury management plans for 2016/17. This report assesses the implementation and outcome of the plan for the year.

2.0 Current Portfolio Position

The council's debt and investment position at the beginning and end of 2016/17 was as follows:

1 April 2016			31 March 2017	
Principal £m	**Rate %**	**DEBT**	**Principal £m**	**Rate %**
519.4	4.4%	Fixed Rate Funding	589.3	4.1%
0.0	n/a	Variable Rate Funding	0.0	n/a
5.0	0.5%	Temporary Funding	5.0	0.6%
524.4	4.4%	Total Debt	594.3	4.1%
	33.6 years	Average Life of Debt		36.7 years
£m	**Rate %**	**INVESTMENTS**	**£m**	**Rate %**
125.7	0.90%	Cash Deposits	137.7	0.83%

Debt during the period has increased by £69.9 million. The increase comprised of new fixed rate borrowing of £95 million and £10 million in new temporary borrowing, offset by maturing fixed rate and temporary debt of £35.1 million.

Investments increased by £12 million during the year and the average rate decreased slightly by 0.07% since the start of the financial year. Although the council's average rate has decreased slightly, West Lothian Council continues to be the highest performer in the Capita Investment Benchmarking Club. This is because the council has been able to secure attractive rates from government backed banks for investments of up to one year and has also taken out some investments for a two year period. The ability to secure investments for 12 and 24 month periods attracts better rates of interest than shorter term products, although it is acknowledged that the rates available in the market are generally lower than the levels previously available. Full details of the portfolio are provided in Appendix 1.

3.0 Performance Measurement

The CIPFA Directors of Finance Best Value Working Group and the Treasury Forum Group recommend the reporting of the following performance indicators.

2015/16		2016/17
	Headline Performance Indicator	
	Average Cost of Servicing Loans Fund Advances in Year	
4.12%	∗ Loans Fund Interest Rate	4.25%
0.06%	∗ Loans Fund Expenses Rate	0.06%
4.18%		4.31%
	Local Performance Indicators	
16.34%	∗ Percentage of Debt at year end which is Short Term or Variable	15.25%
22.07%	∗ Percentage of Debt at year end repayable in each of the next two years	19.45%
2.98%	∗ Average Interest Rate of Longer Term Borrowing raised in year	2.48%
42.0 years	∗ Average Maturity of Longer Term Borrowing raised in year	45.9 years

There has been a small increase in the council's average cost of funding borrowing in 2016/17 due to the amount of borrowing undertaken at the beginning of the year to take advantage of low interest rates and secure long term value, however the council's cost of delivering the treasury function has remained the same at 0.06% of total borrowing. The percentage of debt which is short term or repayable in each of the next two years is at a level which will not expose the council to any loan maturity risks.

4.0 The Strategy

4.1 *Interest Rate Forecasts*

The basis of the treasury management strategy lies with determining appropriate borrowing and investment decisions in the light of the anticipated movement in both long and short term interest rates. The strategy for 2016/17 was structured around the general forecasts for interest rates, although there was a need for some flexibility of application dependent on prevailing economic conditions.

When the annual plan was approved, the average City view suggested that bank rates would rise from 0.5% to 0.75% in quarter four of 2016, with low short term rates expected to continue in 2016/17. Following the EU Referendum in June 2016, the bank rate was cut to 0.25% in August 2016. During the year, the projections were updated with bank rates not expected to rise back to 0.5% until quarter two of 2019. The forecast for PWLB rates in the annual treasury plan was 2.0% to 2.4% for five years and 2.6% to 3.0% for ten years.

4.2 *Capital Finance Strategy*

The annual strategy in February 2016 reported a new borrowing requirement of £88.4 million with replacement borrowing of £22.8 million. This gave a total borrowing requirement for 2016/17 of £111.2 million. Following approval of the update General Services capital programme in June 2016, the new borrowing requirement was revised to reflect the decision to reprofile borrowing for 2016/17 and 2017/18 and update programme phasing. The new borrowing requirement approved by Council on 8 November 2016 was £66.8 million which, along with replacement borrowing of £25.1 million, amended the total borrowing requirement for 2016/17 to £91.9 million.

Forecasts showed a range of options available to implement the borrowing strategy in 2016/17. Short temporary and variable rate borrowing was expected to be cheaper than longer term borrowing and, as such, would remain attractive throughout the financial year. It was planned to borrow a spread of short and medium term loans from the Public Works Loan Board (PWLB) at the most opportune moments during the year.

5.0 The Economy and Interest Rates

The following table provides details of interest rates at the start and end of the financial year:

	At 1 April 2016	**At 31 March 2017**
Bank Rates	0.50%	0.25%
5 Year PWLB	1.62%	1.24%
10 Year PWLB	2.31%	1.91%
50 Year PWLB	2.95%	2.34%

The two major events that had a significant influence on financial markets in 2016/17 were the UK EU Referendum on 23 June 2016 and the election of President Trump in the USA on 9 November 2016.

The EU Referendum had an immediate impact in terms of market expectations of when the first increase in the bank rate would happen. The Bank of England's Monetary Policy Committee (MPC) reduced the bank rate to 0.5% in March 2009 and the rate remained at this level until the outcome of the EU Referendum meant that it was cut to 0.25% on 4 August 2016. Market expectations for an increase in the bank rate back to the previous level of 0.5% moved considerably during 2016/17, starting at quarter three 2018 and moving to a forecast of late 2019 in August before finishing the year back at quarter three of 2018. Quantitative easing was also increased from £375 billion to £435 billion, and additional measures were introduced around bond purchases and a term funding scheme to provide cheap funding to banks.

After the Referendum, the Bank of England's inflation report produced forecasts warning of a major shock to economic activity in the UK which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting the bank rate again towards the end of 2016 to support growth. However, in the second half of 2016, the UK economy exceeded expectations. After a disappointing quarter one with growth of only 0.2%, the three subsequent quarters of 2016 achieved growth of 0.6%, 0.5% and 0.7% which was almost the fastest rate of growth of any of the G7 countries. This meant that the MPC did not cut the bank rate again as forecast but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the Referendum. By March 2017, CPI inflation had risen to 2.3%, above the MPC's target of 2%.

Growth in the US was very volatile during 2016, mainly due to the presidential election, but a strong performance since mid 2016 and strongly rising inflation resulted in rates rises in December 2016 and March 2017, making the US the first major Western country to start on a progressive upswing in rates. By contrast, the EU has cut rates into negative territory, provided large tranches of cheap financing and has been issuing major quantitative easing during 2016/17 in order to boost growth. Gilt yields in the UK have been caught between these two influences, the result being that the gap in yields between US treasuries and UK gilts has widened sharply.

During the year, there was major volatility in PWLB rates, with rates falling during quarters one and two to reach historically low levels in July and August after the Referendum, before rising significantly during quarter three and then partially easing back again towards the end of the year.

6.0 Capital Finance Activities

The original forecast new borrowing requirement for 2016/17 of £88.4 million was revised in the interim treasury management report to Council on 8 November 2016 to £66.8 million. Including replacement borrowing of £25.1 million, the revised borrowing position was £91.9 million. The actual borrowing requirement for 2016/17 was £92.2 million due to accelerated spend in the General Services capital programme. The accelerated expenditure created the need to accelerate borrowing planned for 2017/18 to finance the 2016/17 programme, which can be accommodated within treasury management forecasts. Full details of actual borrowing undertaken in 2016/17 are shown in Appendix 2.

7.0 Debt Rescheduling

The annual strategy stated that, due to the introduction of different rates for new borrowing and the early repayment of debt, the spread in rates significantly restricted opportunities for debt rescheduling. Based on this, there were no opportunities available to schedule long term fixed PWLB debt to short variable and temporary debt in 2016/17.

8.0 Management of Cash Flows and Investments

8.1 *Internally Managed Investments*

Cash flows are monitored daily to allow temporary investment of any surplus funds. The procedure allows for same day lending of cash surpluses to institutions approved in the Treasury Management Practices and leaves the bank current account balance at the optimum level of zero. The security of the council's funds is paramount and investment in 2016/17 was restricted to the major UK Clearing Banks, including the council's bankers Lloyds Banking Group, certain designated building societies, other local authorities, UK Government treasury bills and AAA rated money market funds.

8.2 *Investment Strategy*

The plan approved by the Council on 23 February 2016 included application of the capital fund as a General Services capital programme funding stream, however this was amended following the Council Executive decision on 20 June 2016 to defer use of the fund.

Following approval of the permitted investments for 2016/17 by West Lothian Council on 23 February 2016, an amendment was approved on 8 November 2017 to allow the option to invest in West Calder High School DBFMCo Ltd. This company was established to deliver a new West Calder High School by HUBco through the Schools for the Future Programme. This service based investment will be in the equity and subordinated debt of West Calder High School DBFMCo Ltd, allowing the council to be a shareholder in the company which will deliver a replacement high school in West Calder. The maximum level of investment by the council will be £100 in equity, with the subordinated debt element being 1% of the total eligible cost of construction. It is expected that the maximum level of subordinated debt will be £350,000.

As investment rates for short periods are low, the plan considered that a proportion of investments relating to cash backed balances and reserves not required for 2016/17 could be invested for longer than one year.

8.3 *Investment Results*

The annual plan highlighted that the council's policy of investing only in appropriately rated money market funds and UK banks and building societies was considered risk adverse, particularly in light of the recapitalisation of certain UK banks by the Government in October 2008 and January 2009. The decision of the Council Executive in June 2016 to defer use of the capital fund and maximise borrowing, automatically required the retention of investments, however it is considered, in light of a reduced number of UK financial institutions on the council's approved counterparty list, that any risk to investments are minimal. Detailed below are the results of the investment strategy undertaken during the year:

Average Investment	Rate of Return	Benchmark Return*
£154.7 million	0.83%	0.20%

* The benchmark is the seven day London Interbank Bid (LIBID) Rate, which is the benchmark suggested by Capita Asset Services

The majority of investments were fixed for up to twelve months, when interest rates were significantly higher, and have resulted in a return of 0.63% above the benchmark.

During the year, the amount lent to approved organisations ranged from a low of £102.5 million to a high of £196.1 million. Investments at 31 March 2017 were £137.7 million, which has been invested throughout the year for fixed periods of twelve or twenty four months at an average daily rate of return of 0.83%. This represents a robust return on investments as rates have continued to drop over the course of 2016/17.

Authorised institutions and investments at 31 March 2017 are detailed in Appendix 3.

9.0 Monitoring of Prudential Indicators

The CIPFA Prudential Code was introduced to ensure the capital plans of local authorities are prudent, affordable and sustainable. To demonstrate compliance with these objectives, the Code establishes nine indicators designed to support and record local authority decision making. The 2016/17 indicators were originally approved by the Council on 23 February 2016 and revised on 8 November 2016. Performance against the approved indicators for 2016/17 is included in Appendix 4.

10.0 Conclusion

This report outlines the treasury activities undertaken in 2016/17. Actions taken complied with the annual plan for 2016/17, which was approved by the Council on 23 February 2016, and the Treasury Management Policy Statement. An adjustment to permitted investments was approved by the Council on 8 November 2016. Activities completed during the year also ensured that best value was secured in the delivery of the treasury function of the council.

Donald Forrest
Head of Finance and Property Services
Date: 26 September 2017

CURRENT PORTFOLIO

1 April 2016 Principal £m	£m	Rate %	DEBT	31 March 2017 Principal £m	£m	Rate %
			Fixed Rate Funding			
458.8			PWLB	528.7		
60.6			Market	60.6		
0.0	519.4	4.4%	European Investment Bank (EIB)	0.0	589.3	4.1%
			Variable Rate Funding			
-			PWLB	-		
-			Municipal Bank	-		
-	-	-	Covenant	-	-	
			Temporary Funding			
	5.0	0.5%	Market		5.0	0.6%
	524.4	4.4%	Total Debt		594.3	4.1%
		33.6 yrs	Average Life of Debt			36.7 yrs

£m	Rate %	INVESTMENTS	£m	Rate %
125.7	0.9%	In-House	137.7	0.8%

BORROWING IN 2016/17

Date	Amount Advanced £m	Details	Repayment Period
PWLB			
01 June 2016	10.0	2.83%	45 years
01 June 2016	10.0	2.83%	47 years
08 June 2016	10.0	2.68%	46 years
27 June 2016	5.0	2.72%	45 years
28 June 2016	5.0	2.49%	45 years
28 June 2016	5.0	2.49%	47 years
28 June 2016	10.0	2.49%	48 years
04 July 2016	10.0	2.32%	44 years
04 July 2016	10.0	2.32%	45 years
05 July 2016	10.0	2.15%	46 years
08 July 2016	10.0	2.09%	47 years
Temporary Borrowing – Local Authorities			
25 May 2016	5.0	0.60%	1 year
25 May 2016 *	5.0	0.38%	1 month (repaid in year)
Total Borrowing	**105.0**		

* Temporary borrowing undertaken during the financial year for cash flow purposes

The Average Rate and Life of Long and Short Term Debt Undertaken in 2016/17

Average rate – 2.3%

Average life – 41.62 years

Appendix 3

APPROVED ORGANISATIONS FOR INVESTMENT

	2016/17 Investment Limit £	Investment at 31 March 2017 £
Council Bankers		
Lloyds Banking Group (inc Bank of Scotland)	**70,000,000**	70,000,000
Maximum fixed rate investments with the balance as overnight funds as a contingency	70,000,000 Maximum balance	
WLC Rating Category 1*	**22,000,000**	
No institutions in this category		
WLC Rating Category 2*	**19,500,000**	
No institutions in this category		
WLC Rating Category 3*	**17,000,000**	
HSBC Bank plc		0
WLC Rating Category 4*	**14,500,000**	
No institutions in this category		
WLC Rating Category 5*	**10,000,000**	
Standard Chartered		8,000,000
WLC Rating Category 6*	**7,000,000**	
Goldman Sachs		7,000,000
Nationwide Building Society		5,000,000
Santander		5,000,000
Local Authorities, Public Bodies & DMO	**10,000,000**	
All UK Local Authorities		0
UK Public Bodies		0
Debt Management Office – Deposit Account		0
UK Nationalised Banks	**35,000,000**	
Royal Bank of Scotland		30,000,000
Money Market Fund – AAA rated	**10,000,000**	
Standard Life Liquidity Money Market Fund		10,000,000
Invesco Sterling Liquidity Money Market Fund		2,675,000
Federated Sterling Money Market Fund		0
	TOTAL	**137,675,000**

* As rated by the lowest credit rating of the three agencies - Fitch, Moody's and Standard & Poors

MONITORING OF PRUDENTIAL INDICATORS – 2016/17

CAPITAL EXPENDITURE INDICATORS (Items 1 and 2)

1. CAPITAL EXPENDITURE

Purpose of the Indicator
The purpose of this indicator is to inform Council of actual capital spend in 2016/17.

	2016/17 £'000 Estimate	2016/17 £'000 Actual
General Services	62,450	69,616
Housing	68,873	49,787
Total	**131,323**	**119,403**

Performance
The indicator for General Services is greater than the revised 2016/17 estimate agreed by Council on 8 November 2016. This is a result of accelerated expenditure in the programme, with projects making good progress and advancing more quickly than anticipated. The indicator for Housing is less than the revised 2016/17 estimate, due to rephasing of major projects within the programme, and takes into account updated budgets agreed by Council on 20 February 2017. The decreased spend has been incorporated into the revised Housing capital programme for 2017/18.

2. CAPITAL FINANCING REQUIREMENT

Purpose of the Indicator
The capital financing requirement measures the council's underlying need to borrow for a capital purpose. This is, at a high level, the council's total outstanding debt required to finance planned capital expenditure.

	2016/17 £'000 Estimate	2016/17 £'000 Actual
General Services	459,104	463,542
Housing	208,779	188,820
Total	**667,883**	**652,362**

Performance
The year end capital financing requirement is higher than the estimate reported in November 2016 for General Services, due to the accelerated expenditure in the programme. The additional expenditure created the need to accelerate borrowing from 2017/18 to finance the 2016/17 General Services programme. The year end capital financing requirement is below the estimate reported in November 2016 for Housing, as the capital programme received more income to fund investment than had previously been forecast. The additional income creates a reduced level of borrowing required to finance the 2016/17 Housing programme.

AFFORDABILITY INDICATORS (Items 3 and 4)

3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

Purpose of the Indicator

This indicator provides a measure of the proportion of the budget that is being allocated to financing of capital expenditure. For the General Fund, this is the ratio of financing costs of borrowing against net expenditure financed by government grant and local taxpayers. For Housing, the indicator is the ratio of financing costs to gross house rental income.

	2016/17 Estimate	2016/17 Actual
General Fund	7.6%	7.3%
Housing	26.7%	26.6%

Performance

For both General Fund and Housing, the lower percentage reflects their share of the interest savings generated in the year and lower than anticipated overall borrowing in 2016/17.

4. ESTIMATES OF INCREMENTAL IMPACT OF NEW CAPITAL INVESTMENT DECISIONS ON COUNCIL TAX AND HOUSE RENTS

Purpose of the Indicator

This is a key indicator that demonstrates the incremental impact that planned capital expenditure and associated borrowing has on Council Tax and Rent levels.

Incremental impact of capital spending on:	2016/17	2017/18	2018/19
Council Tax (Band D)	Nil	Nil	Nil
Average Weekly House Rents	Nil	Nil	Nil

Performance

There are no monitoring implications for these indicators as they were approved by Council prior to the start of the financial year.

FINANCIAL PRUDENCE INDICATOR (Item 5)

5. GROSS BORROWING AND THE CAPITAL FINANCING REQUIREMENT

Purpose of the Indicator

This indicator records the extent that gross external borrowing is less or more than the capital financing requirement (indicator 2 above). This is a key indicator of prudence and is designed to ensure that, over the medium term, external borrowing is only for a capital purpose. The values are measured at the end of the financial year.

	2016/17 £'000 Estimate	2016/17 £'000 Actual
Gross External Borrowing	667,883	668,084
Capital Financing Requirement	667,883	652,362
Over limit by	-	15,722

Performance
The council's total gross external borrowing is above the actual capital financing requirement at 31 March 2017. The capital financing requirement for the year was calculated in June 2016 after updated capital budgets were approved for the year, and substantial borrowing was undertaken in June and July 2016 to take advantage of historically low interest rates to ensure best value for the council. After the borrowing had been undertaken, the housing capital programme encountered delays and reported substantial slippage, which resulted in an overborrowed position for 2016/17. This is a timing difference and the borrowing will fund housing capital spend in 2017/18 thus confirming that, over the medium term, external borrowing is only for capital purposes.

TREASURY AND EXTERNAL DEBT INDICATORS (Items 6 to 9)

6. AUTHORISED LIMIT FOR EXTERNAL DEBT

Purpose of the Indicator
The authorised limit for external debt is required to separately identify external borrowing and other long-term liabilities such as covenant repayments, finance lease and PPP obligations. This limit provides a maximum figure to which the Council could borrow at any given point during each financial year.

Authorised Limit for:	2016/17 £'000 Limit	2016/17 £'000 Actual
Gross External Borrowing	672,441	601,341
Other Long Term Liabilities	67,730	66,743
External Debt	740,171	668,084

Performance
The level of external debt (including long term liabilities such as finance lease and PPP obligations) at the end of the financial year was £72.087 million below the authorised limit approved by Council on 8 November 2016.

7. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

Purpose of the Indicator
This is a key management tool for in year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point during the financial year.

Operational Boundary for:	2016/17 £'000 Limit	2016/17 £'000 Actual
Gross External Borrowing	662,441	601,341
Other Long Term Liabilities	66,730	66,743
External Debt	729,171	668,084

Performance
The level of external debt, including long term liabilities such as finance lease and PPP obligations, at the end of the financial year was £61.087 million below the operational boundary approved by Council on 8 November 2016.

8. ACTUAL EXTERNAL DEBT

Purpose of the Indicator
This is a factual indicator showing actual external debt for previous financial years.

	31 March 2015 £'000	31 March 2016 £'000	31 March 2017 £'000
Actual External Borrowing	491,032	531,118	601,341
Actual Other Long Term Liabilities	70,333	69,031	66,743
Actual External Debt	561,365	600,149	668,084

Performance
The increase in actual external borrowing, excluding other long term liabilities, consists of new borrowing of £105.0 million, offset by repayment of debt of £35.1 million. Actual external borrowing includes accrued loan interest at 31 March 2017, consistent with accounting treatment for loans.

9. TREASURY MANAGEMENT INDICATOR

This indicator intends to demonstrate good professional practice is being followed.

9.1 Adoption of the CIPFA Treasury Management Code
The CIPFA Treasury Code was adopted on 25 March 1997 as an indication of good practice. In line with the fully revised Treasury Code, the council's Annual Treasury Plan is reported to full Council for approval.

9.2 Upper limits for fixed and variable rate borrowing
The limit for fixed rate borrowing is 100% and the limit for variable rate borrowing is 35%. These limits mean that fixed rate exposures will be managed within the range of 65 to 100% and the maximum exposure to variable rate borrowing will be 35% of total debt. This is a continuation of current practice.

Level of fixed rate borrowing at 31 March 2016 – 100.00%
Level of variable rate borrowing at 31 March 2016 – 0.00%

9.3 Maturity structure of fixed rate borrowing for 2016/17

	Approved Upper Limit	Approved Lower Limit
Under 12 months	35%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and over	100%	25%

The maturity levels of debt at the year end were comfortably within these upper and lower limits.

9.4 Total principal sums invested for periods longer than 364 days

Following changes from the new Investment Regulations applicable from 1 April 2010, the council can make investments for periods longer than 364 days. At 31 March 2017, the council had £10 million of investments for two years.

The treasury management indicator confirms sound professional practice is being followed by the council in undertaking treasury management. The approved values and parameters provide sufficient flexibility in undertaking operational treasury management.

CONCLUSION

In monitoring the above prudential indicators, the council is fulfilling its duty under the Prudential Code. The monitoring indicates that spending plans remain affordable, prudent and sustainable, and that treasury management is operating in line with the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services.

Full Council Meeting 26th September 2017

Question to Executive Councillor Education:

1. What is the percentage of children diagnosed with dyslexia whilst at Primary School in West Lothian?

Peter Heggie
Conservative Group
Education Spokesman
Livingston South

A Higgins
11.08am

West Lothian Council SNP Group

Cllr Peter Johnston
Deputy Leader: Cllr Frank Anderson
Secretary: Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum
Nunquam Servili!

West Lothian Council
26th September 2017

Question to the Leader of the Council

Please detail for us the democratic principles the Tory/Labour West Lothian Council Administration has used to underpin the allocation of seats on the Council Executive resulting in;

1. **the largest party on this council (SNP) being given 2 seats**
2. **the smallest party (Conservatives) being given 4 seats**
3. **the Labour party, clearly defeated by the SNP in the election, being given 7 seats**

and explain how the above allocations respect the democratically expressed views of the West Lothian electorate given that the election result was

- **SNP 23.218 votes (37.29%) and 13 councillors**
- **Labour 18,082 votes (29.04%) and 12 councillors**
- **Conservatives 14,449 votes (23.31%) and 7 councillors**

Peter Johnston

Cllr. Peter Johnston

Leader of the SNP Group

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

A Higgins
11.44am

West Lothian Council
26th September 2017

Question to the Leader of the Council

Please detail for us the democratic principles the Tory/Labour West Lothian Council Administration has used to underpin the allocation of seats on the Council's Policy Development & Scrutiny Panels resulting in;

1. **the largest party on this council (SNP) being given 1 seat**
2. **the smallest party (Conservatives) being given 2 seats**
3. **the Labour party, clearly defeated by the SNP in the election, being given 4 seats**

and explain how the above allocations respect the democratically expressed views of the West Lothian electorate given that the election result was

- **SNP 23.218 votes (37.29%) and 13 councillors**
- **Labour 18,082 votes (29.04%) and 12 councillors**
- **Conservatives 14,449 votes (23.31%) and 7 councillors**

Peter Johnston

Cllr. Peter Johnston

Leader of the SNP Group

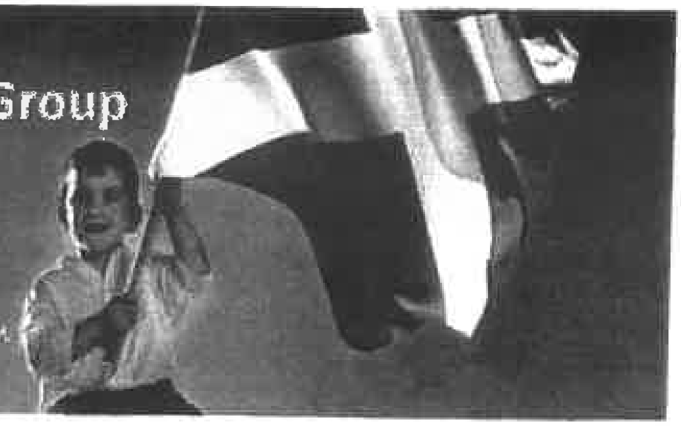
WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.44am

West Lothian Council SNP Group

Leader: Cllr Peter Johnston
Depute Leader: Cllr Frank Anderson
Secretary: Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum
Nunquam Servili!



Questions to Services for the Community Executive Member, Council Meeting 26.9.17

Bearing in mind that Council try to 'pre-allocate' our houses, why is it taking on average over 18 days to allocate our void properties? Also, what is the main reason for this delay?

Could the Executive Member tell us what are the longest periods we have had a house as void?

F Anderson

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

A Higgins
11.44am

Questions to Services for the Community Executive Member, Council Meeting 26.9.17

1. **How many people have been accommodated within B&B's, since May 1st 2017? Of these, how many have been families?**

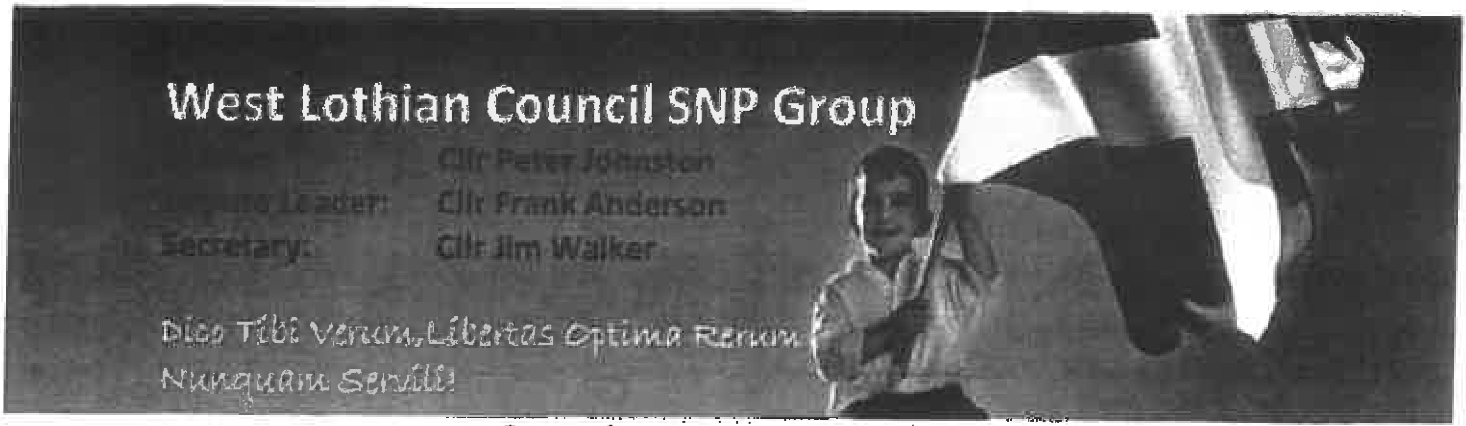
2. **Does the Council have a standard of accommodation which is acceptable to be used as a B&B?**

3. **What is the Council policy on providing transport to schools for any family which has to use B&B accommodation and are the Council reviewing their lack of provision for transport to Nursery establishments where families are in B&B?**

F Anderson

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.44am



Questions to Services for the Community Executive Member, Council Meeting 26.9.17

Sites	No of Units
Adelaide Street	6
Community Centre Pumpherston	14
Auldhill Bridgend	5
Glasgow Rd, Bathgate	9
West Main Street, Broxburn	18
Philpstoun Bowling Green	5
Redhouse	100
Kirkhill	230
Almond Link Road	20
Lammermuir	44
Eastfield, Fauldhouse	40
Mill Road, Linlithgow	15
Raw Holdings	15
Bathville Cross	18
Mayfield, Armadale	22
Drumshoreland, Pumpherston	86
Appleton Parkway, Eliburn	10
Almondell, Calderwood	36
Wester Inch, Bathgate	86
Deans South	117
Almondvale Stadium	37
Nelson Park, Armadale	26
Winchburgh CDA	41
Total:	1000

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.44am.

Above are listed the New Build programme of the previous Tory/Labour administration(2012-2017). Could the Executive member tell us for each site, since May 1st 2017, how many of the houses have been built and occupied by tenants. Could he also tell us how many of the above promised1000 have been occupied by our tenants. Also are there any sites which have not even been started, 5 years after the promise to build 1000 houses.

F Anderson

West Lothian Council SNP Group

Leader: Cllr Peter Johnston
Depute Leader: Cllr Frank Anderson
Secretary: Cllr Sarah King

Dico Tibi Verum, Libertas Optima Rerum
Nunquam Servili!

Question to the Executive Councillor for

Services to the Community

Nelson Park, Armadale

When will the planned groundworks at Nelson Park commence and what are the reasons for the delay?

S King

Councillor S King

Armadale & Blackridge ward

A Higgins
11.44 am

Question to the Leader of the Council

Sports Facilities Transfer to West Lothian Leisure

What arrangements in terms of a) staffing, b) booking, and c) pricing did West Lothian Council put in place to ensure continuity of customer service for community sports organisations such as Armadale Community Football Club, following the transfer of facilities to West Lothian Leisure?

SKing

Councillor S King

Armadale & Blackridge Ward

WEST LOTHIAN COUNCIL
11 SEP 2017
COMMITTEE SERVICES

AHiggins
11.44am