DATA LABEL: Public

West Lothian Council

West Lothian Civic Centre
Howden South Road
LIVINGSTON
EH54 6FF

19 September 2018

A meeting of West Lothian Council will be held within the **Council Chambers, West Lothian Civic Centre** on **Tuesday 25 September 2018** 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. Minutes -

   (a) Confirm Draft Minutes of Meeting of West Lothian Council held on Tuesday 22 May 2018 (herewith)

   (b) Correspondence arising from previous decisions (herewith)

   (c) Note Minutes of Meeting of Audit Committee held on Monday 19 March 2018 (herewith).

   (d) Note Minutes of Meeting of Employee Appeals Committee (Private) held on Friday 02 March 2018.

   (e) Note Minutes of Meeting of Employee Appeals Committee (Private) held on Friday 20 April 2018 (herewith)

(f) Note Minutes of Meeting of Employee Appeals Committee (Private) held on Friday 04 May 2018 (herewith).

(g) Note Minutes of Meeting of Employee Appeals Committee (Private) held on Friday 15 June 2018 (herewith).

(h) Note Minutes of Meeting of Governance and Risk Committee held on Monday 09 April 2018 (herewith).

(i) Note Minutes of Meeting of Governance and Risk Committee held on Monday 18 June 2018 (herewith).

(j) Note Minutes of Meeting of Performance Committee held on Monday 28 May 2018 (herewith).

(k) Note Minutes of Meeting of Education (Quality Assurance) Committee held on Tuesday 24 April 2018 (herewith).

(l) Note Minutes of Meeting of Education (Quality Assurance) Committee held on Tuesday 12 June 2018 (herewith).

(m) Note Minutes of Meeting of West Lothian Leisure Advisory Committee held on Thursday 12 April 2018 (herewith).

(n) Note Minutes of Meeting of West Lothian Leisure Advisory Committee held on Thursday 21 June 2018 (herewith).

Public Items for Decision

5. Election Business

6. West Lothian Council - Annual Accounts :-

   (a) Annual Audit Report to Members and the Controller of Audit - Year ended 31 March 2018 - Report by Head of Finance and Property Services (herewith)

   (b) Annual Audit Report to Members and the Controller of Audit - Year ended 31 March 2018 - Report by Ernst & Young LLP (herewith)

   (c) West Lothian Council - Annual Accounts Year Ended 31 March 2018 (herewith)

7. Notice of Motion - Review of Appointments - Submitted by Councillor Peter Johnston (herewith)

8. Notice of Motion - School Examination Results 2018 - Submitted by Councillor David Dodds (herewith)

9. Notice of Motion - Head of Scouts Scotland - Submitted by Councillor

George Paul (herewith)

10. Notice of Motion - Poppyscotland's Count Them In Campaign - Submitted by Councillor Lawrence Fitzpatrick (herewith)

11. Notice of Motion - Scotland's Best Junior Debaters 2018 - Submitted by Councillor Angela Doran (herewith)

12. Notice of Motion - West Lothian 50+ Network - Submitted by Councill Kirsteen Sullivan (herewith)

13. Notice of Motion - Homeless Crisis - Submitted by Councillor Frank Anderson (herewith)

14. Notice of Motion - Rent Pressure Zone - Submitted by Councillor Frank Anderson (herewith)

15. Notice of Motion - Tackling Poverty in West Lothian - Submitted by Councillor Frank Anderson (herewith)

16. Notice of Motion - Wheelchair Accessible Taxis - Submitted by Councillor Frank Anderson (herewith)

17. Notice of Motion - Armed Forces Day - Submitted by Councillor John McGinty (herewith)

18. Notice of Motion - Busines Rates Relief from Independent Schools - Submitted by Councillor David Dodds (herewith)

19. Notice of Motion - Nursing Students' Minimum Income - Submitted by Councillor Dominic McGuire (herewith)

20. Documents for Exection

Public Items for Information

21. Treasury Management - Annual Report for 2017-18 - Report by Head of Finance and Property Services (herewith)

22. Heating in Westfield - Question to Executive Councillor for Services for the Community - Submitted by Councillor Stuart Borrowman (herewith)

23. Armadale Cross - Question to Executive Councillor for Development & Transport - Submitted by Councillor Stuart Borrowman (herewith)

NOTE **For further information please contact Val Johnston, Tel No.01506 281604 or email val.johnston@westlothian.gov.uk**

MINUTE of MEETING of the WEST LOTHIAN COUNCIL held within Council Chambers, West Lothian Civic Centre, Livingston, on 22 May 2018.

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

Apologies – Councillors Chris Horne, Peter Johnston and Moira Shemilt

1. DECLARATIONS OF INTEREST

1. Agenda Item 7 (Scheme of Administration - WLL Advisory Committee) - The Provost declared an interest in that he was a council appointed member to the WLL Board of Directors;

2. Agenda Item 7 (Scheme of Administration - WLL Advisory Committee) - Councillor Harry Cartmill declared an interest in that he was a council appointed member to the WLL Board of Directors

3. Agenda Item 7 (Scheme of Administration - WLL Advisory Committee) - Councillor Angela Doran declared an interest in that she was a council appointed member to the WLL Board of Directors;

4. Agenda Item 7 (Scheme of Administration - WLL Advisory Committee) - Councillor Andrew Miller declared a non-financial interest in that he was a council appointed member to the WLL Board of Directors;

5. Councillor Janet Campbell declared that she was a paid employee of NHS Lothian;

6. Agenda Item 8 (Motion - GP Service in Stoneyburn) - Councillor John McGinty declared an interest in that he was a council appointee to NHS Lothian Health Board; and

7. Agenda Item 8 (Motion - GP Service in Stoneyburn) - Councillor Andrew McGuire declared an interest in that he was a paid employee of Neil Findlay MSP

2. ORDER OF BUSINESS, INCLUDING NOTICE OF URGENT BUSINESS

The Council was informed of a request for an Urgent Motion by Councillor Lawrence Fitzpatrick and a second Urgent Motion by Councillor Frank Anderson both of which concerned Livingston Football Club.

The Provost ruled that both Motions would be dealt immediately following Agenda Item 7 (Scheme of Administration – West Lothian Leisure

Advisory Committee).

The Provost also wished to record a note of thanks to Committee Officer, Anne Higgins, who was retiring from the council after 22 years services.

3. MINUTES -

a) The Council approved the minute of the meeting of West Lothian Council held on 20 March 2018;

b) The Council approved the minute of the special meeting of West Lothian Council held on 3 April 2018;

c) The Council approved the minute of the special meeting of West Lothian Council held on 1 May 2018;

d) The Council noted correspondence arising from previous decisions;

e) The Council noted the minute of the meeting of the Employees Appeals Committee held on 15 December 2017

f) The Council noted the minute of the meeting of the Employees Appeals Committee held on 2 February 2018

g) The Council noted the minute of the meeting of the Education (Quality Assurance) Committee held on 30 January 2018

h) The Council noted the minute of the meeting of the Education (Quality Assurance) Committee held on 27 February 2018

i) The Council noted the minute of the meeting of the Audit Committee held on 18 December 2017

j) The Council noted the minute of the meeting of the Governance and Risk Committee held on 22 January 2018

k) The Council noted the minute of the meeting of the West Lothian Planning Committee held on 25 April 2018

l) The Council noted the minute of the meeting of the West Lothian Council (Planning) held on 25 April 2018

m) The Council noted the minute of the meeting of the Joint Consultative Group held on 12 February 2018

4. ELECTION BUSINESS

Education Quality Assurance Committee (EQAC)

The Council was informed that the Labour Group wished to replace Councillor Lawrence Fitzpatrick with Councillor Andrew McGuire as their representative on the Education (Quality Assurance) Committee.

Licensing Board

The Council was informed that the Conservative group wished to replace Councillor Peter Heggie with Councillor Charles Kennedy as their representative on the Licensing Board.

Asset Transfer Committee

The Council was informed that the Conservative Group wished to appoint Councillor Alison Adamson and Councillor Charles Kennedy to the Asset Transfer Committee

Asset Transfer Review Body

The Council was informed that the Conservative Group wished to appoint Councillor Chris Horne to the Asset Transfer Review Body.

Decision

To agree that :-

1. Councillor Lawrence Fitzpatrick be replaced by Councillor Andrew McGuire as the Labour Group Member to the Education (Quality Assurance) Committee;

2. Councillor Peter Heggie to be replaced by Councillor Charles Kennedy as the Conservative Group Member to the Licensing Board;

3. Councillor Alison Adamson and Councillor Charles Kennedy be appointed to the Asset Transfer Committee; and

4. Councillor Chris Horne be appointed to the Asset Transfer Review Body

5. EDINBURGH AND SOUTH EAST SCOTLAND CITY DEAL JOINT COMMITTEE

The Council considered a report (copies of which had been circulated) by the Chief Executive seeking approval of the proposed governance arrangements for the Edinburgh and South East Scotland City Deal through the establishment of a joint committee.

The report recalled that local authorities could discharge their functions by delegating power to a committee or sub-committee, to officers, to another local authority in Scotland or to a joint committee made up of two or more local authorities.

In June 2016 the six local authorities involved in the City Region Deal agreed to the principle of establishing a joint committee for the City Region Deal Programme. Since then an officer group and shadow committee had been meeting. It was now proposed to formally establish the committee and for the council to become a member,

The agreement between the partners and the joint committees remit and powers were set out in the appendices attached to the report with the key points summarised in the report. This included the joint committee's membership and its governance arrangements.

Supporting the joint committee would be the responsibility of the Head of Planning, Economic Development and Regeneration and the Scheme of Delegation would be amended accordingly. He would represent the council's interest at officer level and in dealings with the Project Manager.

Council Executive had also recently agreed that the Leader of the Council should be the council's named representative and that if necessary a substitute could attend in his place.

The Development and Transport Policy Development and Scrutiny Panel had been kept up to date with progress on establishing the City Region Deal and Council Executive had recently considered the matter at various different stages of its development.

The report concluded that the establishment of the joint committee was a legally competent approach and represented the best approach to the partnership working and decision-making needed to deliver the City Region Deal.

It was recommended that Council :-

1. Agree that the council becomes a member of the joint committee to oversee the governance arrangements for the Edinburgh and South East of Scotland City Region Deal in terms of the appendices to the report;

2. Note that the joint committee would have representations from all the City Region Deal partners (City of Edinburgh, East Lothian, Fife Midlothian and Scottish Borders Council and the higher education, further education and business sectors)

3. Note that Council Executive appointed the Council Leader (or substitute) to represent the council on the joint committee should the council become a member; and

4. Agree that the joint committee's activity be reported regularly to the Development and Transport Policy Development and Scrutiny Panel, with an annual report to Council Executive and a formal review carried out every two years to ensure the governance arrangements remained fit for purpose.

Decision

To approve the terms of the report

6. SCHEME OF ADMINISTRATION - WEST LOTHIAN LEISURE ADVISORY COMMITTEE

The Council considered a report (copies of which had been circulated) by the Chief Executive seeking approval to changes to the Scheme of Administration to update and strengthen the remit and powers of the West Lothian Leisure Advisory Scheme.

The Chief Executive explained that West Lothian Leisure (WLL) was regarded as the council's only arms' length external organisation (ALEO) with the main forum of scrutiny of WLL being the West Lothian Leisure Advisory Committee (WLLO). Its remit and powers had remained unchanged for many years.

In their annual report for 2016-17 EY had made recommendations in relation to governance arrangements for WLL. The council's Best Value Assurance Report referred to and adopted EY's comments. It recommended that the council ensure that governance arrangements for WLL were robust and fit for purpose. Updating and strengthening the remit and powers of the WLLAC were part of the actions agreed when council accepted those recommendations.

The proposed revised remit for WLLAC was shown in Appendix 2 attached to the report with the current remit shown in Appendix 1 also attached to the report. Once approved the Scheme of Administration would be amended accordingly.

The proposed changes were summarised in the report.

The changes had not been considered at a PDSP. Instead they were considered by WLLAC on 23 March 2018 and Council Executive on 17 April 2018. Both committees agreed with the changes.

In conclusion the proposed changes to the remit of the WLLAC would assist and improve monitoring and scrutiny of WLL's financial service performance. It would also help demonstrate compliance with the Audit Report, BVAR Report, Code of Corporate Governance and Audit Scotland guidance.

It was recommended that Council :-

1. Agree the proposed changes to the remit of the West Lothian Leisure Advisory Committee shown in Appendices 1 and 2; and

2. Note the contribution the improved remit and powers would make to enhanced monitoring and scrutiny arrangements and to compliance with recommendations and actions arising from the external auditors' report for 2016-17 and the council's Best Value Assurance Report.

Decision

To approve the terms of the report.

7. URGENT MOTION - LIVINGSTON FOOTBALL CLUB

The Provost having received two Urgent Motions in relation the promotion of Livingston Football Club proceeded to advise council of the contents of the two motions which were similar in nature and concerned congratulating Livingston FC on their promotion to the Scottish Premiership.

Decision

To unanimously agree a composite Motion for the Provost to write to Livingston Football Club to congratulate them on their success on being promoted to the Scottish Premiership and arranges a Civic Reception for the players and management in recognition of their success.

8. NOTICE OF MOTION - GP SERVICES IN STONEYBURN - SUBMITTED BY COUNCILLOR CATHY MULDOON

The Council considered a motion (copies of which had been circulated) submitted by Councillor Cathy Muldoon in the following terms :-

“West Lothian Council notes and supports the concerns expressed by the community of Stoneyburn over the imminent loss of GP services as part of the Breich Valley Medical Practice.

It has been reported that this situation is because of the loss of two GP partners in recent years and difficulty in recruiting new GPs. The remaining two GPs have also given notice to leave the practice. This is against a backdrop of national recruitment issues.

Council believes that it is essential that local GP services are retained in Stoneyburn and as national issues pertain, as well as local circumstances, resolves to write to both the Scottish Government Cabinet Secretary for Health and Sport, Shona Robinson MSP and NHS Lothian to urge their intervention to ensure that the Breich Valley Medical Practice is returned to a full complement of GPs in order for it to be able to deliver a local GP services on both of its current sites.

We also resolve to write to the constituency MSP for Almond Valley and the Regional MSPs for the Lothians urging them to unite around a motion in the Scottish Parliament that presses for the retention of the Stoneyburn GP service”.

- Moved by Councillor Cathy Muldoon and seconded by Councillor David Dodds

Amendment

“West Lothian Council upholds the concerns expressed by the community of Stoneyburn with regards to the impending loss of GP services within the village of Stoneyburn.

West Lothian Council further notes that full and ongoing responsibility for Primary Care, including GP services rests with the West Lothian Integrated Joint Board (IJB). The formation of the IJB had at its core the integration of expertise and resources of health and social care, in order to improve both the quality and consistency of health and care ***and to increase wellbeing and reduce health inequalities*** across all communities in West Lothian. West Lothian Council also notes the Integrated Joint Board is a separate legal entity from both West Lothian Council and NHS Lothian.

West Lothian Council believes that it is essential that GP services are not only retained but improved in Stoneyburn, which has a number of circumstances giving it a unique situation within the West Lothian IJB:

- 1 out of every 3 neighbourhoods in Stoneyburn are within the 20% most deprived neighbourhoods in Scotland;

- The annual median income in Stoneyburn is almost 25% below the West Lothian average;

- Child poverty in Stoneyburn is 18% above the average for West Lothian as a whole.

West Lothian Council resolve therefore to write to the Chair of the West Lothian IJB to instruct his intervention to ensure that Breich Valley Medical Practice is returned to a full complement of GPs in order to ensure that the full range of Primary Care services is both retained and improved upon for the people of Stoneyburn.

West Lothian Council further requests both an immediate report from the Chair of West Lothian IJB detailing the steps he and his Board have taken to resolve this situation for the benefit of the people of Stoneyburn and requests that he attends a full meeting of West Lothian Council to present his report and inform elected representatives what he, and his Board are doing to support the people of Stoneyburn".

- Moved by Councillor Janet Campbell and seconded by Councillor Pauline Clark

A roll call vote was taken which resulted as follows :-

Motion	Amendment
Alison Adamson	Frank Anderson
Stuart Borrowman	William Boyle
Harry Cartmill	Diane Calder
Tom Conn	Janet Campbell
David Dodds	Pauline Clark
Angela Doran	Robert De Bold
Bruce Fairbairn	Jim Dickson
Lawrence Fitzpatrick	Carl John
Peter Heggie	Sarah King

Charles Kennedy	Andrew Miller
Tom Kerr	David Tait
Dave King	
John McGinty	
Andrew McGuire	
Dom McGuire	
Cathy Muldoon	
George Paul	
Kirsteen Sullivan	
Damian Timson	

Decision

Following a vote the Motion was successful by 19 votes to 11 votes, with 3 members absent, and it was agreed accordingly.

9. NOTICE OF MOTION - MINIMUM UNIT PRICE - SUBMITTED BY COUNCILLOR HARRY CARTMILL

The Council considered a motion (copies of which had been circulated) submitted by Councillor Harry Cartmill in the following terms :-

"Council notes that the Scottish Government have introduced a minimum price of 50 pence for alcohol which commenced on May 1st 2018. Additional revenues generated will remain with retailers and will not be directed into local initiatives on early intervention/prevention and on the wide ranging impacts of alcohol abuse on individuals, families and communities.

Council notes that if the aim of Minimum Unit Pricing is to improve public health, this is substantially undermined by cuts to local alcohol and drug initiatives over recent years.

Council notes a 23% reduction in funding by the Scottish Government in 2016-17 has resulted in a reduction of £310,000 in the sum available to West Lothian Council to invest in supporting individuals with Alcohol and Drug addiction. West Lothian Council managed to reinstate the funding gap for a one-year period in 2017-18 using one-off resources, but cannot afford to do this on an ongoing basis. The Scottish Government reduction will mean cuts on both internal services and services commissioned from external partners.

If serious about reducing the number of alcohol related illnesses and deaths, then a consistent approach must be adopted by the Scottish Government, where mutually compatible measures work towards the common aim of improving public health and wellbeing in this area.

As such Council instructs officers to :

- Prepare a report detailing the current alcohol and drug services offered/supported by West Lothian Council, including the specific impact of cuts to funding (as outlined above)

Council further instructs the Chief Executive to write to the Cabinet Secretary for Health & Sport and the Cabinet Secretary for Finance to request the following :

- Extra monies raised by minimum unit pricing be ring fenced and given to Local Authorities to help target the misuse of alcohol and the crippling effect this has on families and communities.

- Funding cuts to alcohol and drug initiatives be reversed so that local authorities can effectively tackle the problems faced in our local communities and provide the support individual and families desperately need".

- Moved by Councillor Harry Cartmill and seconded by Councillor Andrew McGuire

Amendment

"West Lothian Council notes that the minimum unit price of 50 pence for alcohol was introduced by the Scottish Government on 1st May 2018. Council notes that the policy, which is backed by public health professionals, the police and alcohol charities, forms part of the Scottish Government's efforts to address Scotland's unhealthy relationship with alcohol by tackling the source of cheap, high strength drinks. Council notes that excessive consumption of alcohol is estimated to cost the Scotland's economy £3.6 billion each year – the equivalent of £900 for every adult living in Scotland.

Council recognises the extensive analysis undertaken into the impacts on and benefits to individuals, businesses and revenues of minimum unit pricing, including the financial memorandum which was produced at Bill stage, and the research conducted by Sheffield University. Council notes that the financial memorandum detailed the potential impacts on personal spending, business administrative costs and revenues, as well as benefits of up to £2.813 billion over ten years as a result of reducing alcohol-related harms to health, crime and employment. Council also notes the modelling undertaken by Sheffield University which estimates additional revenue for the industry as a whole; however, it is unclear where this revenue will sit in the supply chain. Council acknowledges that there is a monitoring and evaluation programme in place which includes analysing the impact upon the market.

Council notes the opinion of the Supreme Court of the United Kingdom, which concluded that the minimum unit price is 'a proportionate means of achieving a legitimate aim'. Council also notes that it is a measure which falls within the Scottish Government's devolved legislative competence, unlike other mechanisms which could be employed to tackle alcohol misuse whilst raising public funds, notably alcohol duty which is reserved to the UK Government.

Council notes that in 2009 the Scottish Government published its Alcohol Framework with the aims of reducing alcohol consumption, supporting families and communities, facilitating positive attitudes and choices, and improving treatment and support. Council notes that to date considerable progress has been made in implementing key aspects of this framework, including:

- £689 million invested in tackling alcohol and drug misuse since 2008
- Delivery of over 754,000 alcohol brief interventions by NHS Scotland
- Establishment of 30 Alcohol and Drug partnerships
- Introduction of the quantity discount ban
- Improved substance misuse education
- Introduction of the lower drink-drive limit

In addition, Council notes that in the most recent programme for government, the Scottish Government committed to invest an additional £20 million in alcohol and drug treatment and support services. Council therefore congratulates the Scottish Government on its continued commitment to tackling alcohol and substance misuse in Scotland".

A roll call vote was taken which resulted as follows :-

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

Decision

Following a vote the Motion was successful by 19 votes to 11 votes, with 3 members absent, and it was agreed accordingly.

10. NOTICE OF MOTION - COMMONWEALTH GAMES ATHLETES - SUBMITTED BY COUNCILLOR PAULINE CLARK

The Council considered a motion (copies of which had been circulated) submitted by Councillor Pauline Clark in the following terms :-

"West Lothian Council formally congratulates all West Lothian athletes who competed for Scotland at the recent Commonwealth Games in The Gold Coast, Australia.

Shannon Archer	Gymnastics
Craig Benson	Swimming
Sean Campsie	Swimming
Colin Dalgleish	Table Tennis
Craig McLean	Swimming
Sharon Niven	Trap Shooting
Ellie Russell	Gymnastics

The 44 medals won by the Scottish Team was a fantastic result undoubtedly reflecting the hard work and commitment of every athlete which resulted in their selection to represent their country.

We would ask the Provost, Tom Kerr, to write to Commonwealth Games Scotland on behalf of West Lothian Council, offering our congratulations to all of Team Scotland".

Decision

To unanimously approve the terms of the Motion

11. NOTICE OF MOTION - USE OF UNALLOCATED GENERAL FUND BALANCE - SUBMITTED BY COUNCILLOR FRANK ANDERSON

The Council considered a motion (copies of which had been circulated) submitted by Councillor Frank Anderson in the following terms :-

"West Lothian Council SNP Group notes that on 6th march 2018, following a "change in circumstances", Council Executive took a decision to reduce the funding available for WLL to offset their forecast 18/19 deficit position to **"a maximum of up to £1.2 million".** Following this "change in circumstances" though, there was a reduction in the funds previously agreed for WLL, resulting in this Council now having an additional one-off sum of £200,000 available from the projected 2017/18 underspend, which had been set aside for WLL. There are also further monies in the unallocated General Fund Balance, in excess of the minimum £2 million balance required by the Council. This money was not available, for other purposes, at the time of the budget in February.

The SNP group also notes the worry and anxiety that has been caused to our constituents, with many of the proposed cuts to service and the extremely short notice that has been sent to people affected. Therefore, the SNP group propose that the unallocated one-off money is utilised to postpone the following savings measures:

- Introduction of a £20 charge for the issuing of a Blue Badge (£60,000, 18/19)

- Proposal to cease the Taxicard Scheme (£145,000, 18/19)

- Proposal to amalgamate the Lanthorn and Almondbank libraries into a central location in Livingston, and close Pumpherston Library to the general public (£50,000, 20/21)

The cost of postponing these measures for one year would be met from the £200,000 previously earmarked for West Lothian Leisure and £55,000 from the unallocated General Fund Balance.

These proposals if accepted, would ensure that we as a Council, have the needs of our most vulnerable at the heart of any decisions we take.

- Moved by Councillor Frank Anderson and seconded by Councillor Diane Calder

First Amendment

“West Lothian Council Conservative Group note the issues that will be faced by West Lothian residents and the impact that cuts have had which have been made as a result of the SNP Scottish Government underfunding West Lothian Council as they have other Councils across Scotland.

It is noted that even with a slight reduction in funding to West Lothian Leisure, West Lothian Council still face a further £5m to save over this administrative period.

Instead of a temporary fix West Lothian Council Conservative Group seek to allay fears caused by the planned closing of libraries, some of which give vital services to their local communities and will not be replaced.

Therefore the West Lothian Council Conservative Group propose Officers are instructed to identify how the planned savings can be gained by other means and report back to Council”.

Moved by Councillor Damian Timson

Second Amendment

“Council notes that on the 20 February 2018 Council Executive approved the 2017/18 month 9 revenue monitoring report preserving the underspend in the unallocated general fund balance, increasing available one-off resources to £1.485 million, pending consideration of the West Lothian Leisure financial position.

Council further notes that on 6 March 2018 Council Executive agreed to provide financial support to West Lothian Leisure of up to a maximum of

£1.4 million on a one-off basis to help them balance their budget in 2018/19, and that Council Executive on 26 March 2018 subsequently agreed to reduce the one off financial support to West Lothian Leisure a maximum of £1.2 million in 2018/19.

Council notes that this leaves resources of £2.285 million in the unallocated general fund balance, which is £285,000 above the minimum level approved by Council on 13 February 2018. Council notes that it would not be sustainable to utilise this one-off amount to address recurring pressures or to substitute for agreed budget savings.

Council agrees that it is important that this one-off surplus is allocated to key priorities of the council, and notes that priority 3 in the Corporate Plan is minimising poverty, the cycle of deprivation and promoting equality. Council notes that the Anti-poverty Strategy for 2018 to 2023 will shortly be reported to Partnership and Resources PDSP and therefore agrees that the one-off sum of £285,000 should be allocated to an anti-poverty fund to support the outcomes in the new anti-poverty strategy. Council agrees officers should report to Council Executive setting out detailed proposals on how the £285,000 could be utilised to anti-poverty measures in West Lothian.

Council further notes that as part of its commitment to addressing poverty it is important to ensure the continued provision of key public services in areas of disadvantage.

Council instructs officers to examine ways to ensure the continuation of library provision at Lanthorn, Almondbank and Pumpherston through the identification of alternative efficiencies within library services. Officers should report back to Culture & Leisure PDSP and Council Executive in September 2018.

In the meantime, council agrees that any unallocated general fund balance should be held in reserve until officers have reported as instructed and decisions have been taken as to how to proceed in response".

Moved by Councillor Lawrence Fitzpatrick

Prior to consideration of the two Amendments the Provost invited Councillor Lawrence Fitzpatrick and Councillor Damian Timson to consider adopting a joint amendment. The suggestion was accepted and it was agreed that a short adjournment would take place to consider the contents of the joint amendment.

<u>Joint Amendment</u>

"Council notes that on the 20 February 2018 Council Executive approved the 2017/18 month 9 revenue monitoring report preserving the underspend in the unallocated general fund balance, increasing available one-off resources to £1.485 million, pending consideration of the West Lothian Leisure financial position.

Council further notes that on 6 March 2018 Council Executive agreed to provide financial support to West Lothian Leisure of up to a maximum of £1.4 million on a one-off basis to help them balance their budget in 2018/19, and that Council Executive on 26 March 2018 subsequently agreed to reduce the one off financial support to West Lothian Leisure a maximum of £1.2 million in 2018/19.

Council notes that this leaves resources of £2.285 million in the unallocated general fund balance, which is £285,000 above the minimum level approved by Council on 13 February 2018. Council notes that it would not be sustainable to utilise this one-off amount to address recurring pressures or to substitute for agreed budget savings.

Council agrees that it is important that this one-off surplus is allocated to key priorities of the council, and notes that priority 3 in the Corporate Plan is minimising poverty, the cycle of deprivation and promoting equality. Council notes that the Anti-poverty Strategy for 2018 to 2023 will shortly be reported to Partnership and Resources PDSP and therefore agrees that the one-off sum of £285,000 should be allocated to an anti-poverty fund to support the outcomes in the new anti-poverty strategy. Council agrees officers should report to Council Executive setting out detailed proposals on how the £285,000 could be utilised to anti-poverty measures in West Lothian.

West Lothian Council note the issues that will be faced by West Lothian residents and the impact that cuts have had which have been made as a result of the SNP Scottish Government underfunding West Lothian Council as they have other Councils across Scotland.

It is noted that even with a slight reduction in funding to West Lothian Leisure, west Lothian Council still face a further £5m to save over this administrative period.

Instead of a temporary fix West Lothian Council seek to allay fears caused by the planned closing of libraries, some of which give vital services to their local communities and will not be replaced.

Council further notes that as part of its commitment to addressing poverty it is important to ensure the continued provision of key public services in areas of disadvantage.

Council instructs officers to examine ways to ensure the continuation of library provision at Lanthorn, Almondbank and Pumpherston through the identification of alternative efficiencies within library services. Officers should report back to Culture & Leisure PDSP and Council Executive in September 2018.

In the meantime, council agrees that any unallocated general fund balance should be held in reserve until officers have reported as instructed and decisions have been taken as to how to proceed in response".

- Moved by Councillor Lawrence Fitzpatrick and seconded by Councillor Damian Timson

A roll call vote was taken which resulted as follows :-

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

Decision

Following a vote the Amendment was successful by 19 votes to 11 votes, with 3 members absent, and it was agreed accordingly.

12. DOCUMENTS FOR EXECUTION

The Chief Solicitor presented 120 documents for execution.

Decision

That the deeds be executed

13. LIVINGSTON LIBRARIES - QUESTION TO THE EXECUTIVE COUNCILLOR FOR CULTURE AND LEISURE - SUBMITTED BY COUNCILLOR ANDREW MILLER

A question to the Executive Councillor for Culture and Leisure was submitted by Councillor Andrew Miller in the following terms ;-

1) What is the floor space of Carmondean library globally and broken down into arear by area, particularly the custom designed children's library, the internet and computer access areas and the McMillan support and advice service

2) What is the area identified spare floor space in the Carmondean ability centre and how does this match/fit with the separate and distinct sections of the current carmondean library.

3) What work has or will be done in terms of equality and accessibility of any proposal to merge and centralise the Lanthorn and Almondbank libraries in terms of physical disability access, public transport and parking and impact on our most socially deprived communities of any move that makes access more difficult in any way.

The Executive Councillor for Culture and Leisure provided verbal responses to the written questions.

Councillor Miller indicated that he wished to put supplementary questions as provided for in Standing Orders. He did so and the Executive Councillor for Culture and Leisure undertook to provide answers to the supplementary questions in due course.

Decision

1. To note the written questions and the verbal answers given; and

2. To note the supplementary questions put and that Councillor Andrew Miller would be provided with written answers to his supplementary questions in due course.

14. COMMITTEE VACANCIES - QUESTION TO THE LEADER OF THE COUNCIL - SUBMITTED BY COUNCILLOR ANDREW MCGUIRE

A question to the Leader of the Council, Councillor Lawrence Fitzpatrick, was submitted by Councillor Andrew McGuire in the following terms :-

“Following the Council Election in May 2017 can the Leader of the Council, Councillor Lawrence Fitzpatrick, advise the number of committee places still required to be populated?”

Councillor Lawrence Fitzpatrick provided a verbal answer to the written question.

Decision

To note the written question put and the verbal answer given

15. COMMUNITY ALARMS - QUESTION TO THE EXECUTIVE COUNCILLOR FOR SOCIAL POLICY - SUBMITTED BY COUNCILLOR SARAH KING

A question to the Executive Councillor for Social Policy was submitted by Councillor Sarah King in the following terms :-

"1) Since the introduction of the new charge, 355 out of a total of 4384 users of the community alarms service have requested the removal of their equipment. The represents an 8% decrease in the numbers of individuals using this service. What reasons have service users given for wishing to cancel their service?

2) What assessment has the Council made of the risks to the health and wellbeing of service users who have requested the removal of their equipment, particularly those service users who are deemed to be at high risk?

3) In terms of the overall percentage of service users returning their equipment, at what point would the Council consider this new charging policy to be untenable?"

The Executive Councillor for Social Policy provided verbal answers to the written questions.

Councillor Sarah King indicated that she wished to put supplementary questions as provided for in Standing Orders. She did so and the Executive Councillor for Social Policy provided verbal answers.

Decision

1) To note the written questions put and the verbal answers given; and

2) To note the supplementary questions put and the verbal answers given.

16. ROADS FUNDING - QUESTION TO EXECUTIVE COUNCILLOR FOR THE ENVIRONMENT - SUBMITTED BY COUNCILLOR FRANK ANDERSON

A question to the Executive Councillor for Environment was submitted by Councillor Frank Anderson in the following terms :-

"Does the Executive Councillor welcome the additional money from the Scottish Government, over £10Million for the 32 councils, to be "invested" in our roads here in West Lothian?"

The Executive Councillor for Environment provided a verbal response to the written question.

Decision

To note the written question put and the verbal answer given.

West Lothian Council

Letter also sent to:-
West Lothian Constutuency MSP's
Lothian List MSP's
West Lothian MP's

DATA LABEL: PUBLIC

Corporate Services

Committee Services
Carol Johnston
Chief Solicitor

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

Contact: Val Johnston
Tel: 01506 281604

Sent by email to:- jeremy.balfour.msp@scottish.parliament.uk

Jeremy Balfour MSP
The Scottish Parliament
Edinburgh
EH99 1SP

23 May 2018

Dear Mr Balfour

NOTICE OF MOTION – GP SERVICES IN STONEYBURN

A meeting of West Lothian Council was held on 22 May 2018, at which the Council agreed a Notice of Motion concerning GP Services in Stoneyburn.

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

Yours sincerely

V. Johnston

for Graham Hope
Chief Executive

Enc

West Lothian Council

DATA LABEL: PUBLIC

Corporate Services

Committee Services
Carol Johnston
Chief Solicitor

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

Contact: Val Johnston
Tel: 01506 281604

Sent by email to:- CabSecHS@gov.scot

Shona Robison MSP
Cabinet Secretary for Health and Sport
The Scottish Government
St. Andrew's House
Regent Road
Edinburgh
EH1 3DG

23 May 2018

Dear Cabinet Secretary

NOTICE OF MOTION – GP SERVICES IN STONEYBURN

A meeting of West Lothian Council was held on 22 May 2018, at which the Council agreed a Notice of Motion concerning GP Services in Stoneyburn.

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

Yours sincerely

V. Johnston

for Graham Hope
Chief Executive

Enc

DATA LABEL: PUBLIC

Corporate Services

Committee Services
Carol Johnston
Chief Solicitor

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

Contact: Val Johnston
Tel: 01506 281604

Sent by email to:- elaine.watters@nhslothian.scot.nhs.uk

Brian Houston
Chair of NHS Lothian Board
Office of the Chair
Waverley Gate
2-4 Waterloo Place
EDINBURGH
EH1 3EG

23 May 2018

Dear Mr Houston

NOTICE OF MOTION – GP SERVICES IN STONEYBURN

A meeting of West Lothian Council was held on 22 May 2018, at which the Council agreed a Notice of Motion concerning GP Services in Stoneyburn.

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

Yours sincerely

V. Johnston

for Graham Hope
Chief Executive

Enc

West Lothian Council

DATA LABEL: PUBLIC

Corporate Services

Committee Services
Carol Johnston
Chief Solicitor

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

Contact: Val Johnston
Tel: 01506 281604

Sent by email to:- CabSecFC@gov.scot

Derek Mackay MSP
Cabinet Secretary for Finance
The Scottish Government
St. Andrew's House
Regent Road
Edinburgh
EH1 3DG

23 May 2018

Dear Cabinet Secretary

NOTICE OF MOTION – MINIMUM UNIT PRICE

A meeting of West Lothian Council was held on 22 May 2018, at which the Council agreed a Notice of Motion concerning Minimum Unit Pricing.

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

Yours sincerely

V. Johnston

for Graham Hope
Chief Executive

Enc

West Lothian Council

DATA LABEL: PUBLIC

Corporate Services

Committee Services
Carol Johnston
Chief Solicitor

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

Contact: Val Johnston
Tel: 01506 281604

Sent by email to:- CabSecHS@gov.scot

Shona Robison MSP
Cabinet Secretary for Health and Sport
The Scottish Parliament
Edinburgh
EH99 1SP

23 May 2018

Dear Cabinet Secretary

NOTICE OF MOTION – MINIMUM UNIT PRICE

A meeting of West Lothian Council was held on 22 May 2018, at which the Council agreed a Notice of Motion concerning Minimum Unit Pricing.

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

Yours sincerely

V. Johnston

for Graham Hope
Chief Executive

Enc

West Lothian Council

Tom Kerr - Provost
West Lothian Civic Centre, Howden South Road, Livingston, West Lothian EH54 6FF
Tel 01506 281728

Commonwealth Games Scotland

Via email

28 May 2018

Dear Team Scotland

I am writing on behalf of West Lothian Council and the people of West Lothian to congratulate the West Lothian Athletes, named below who competed for Scotland at the recent Commonwealth Games in The Gold Coast Australia.

Shannon Archer – Gymnastics
Craig Benson – Swimming
Sean Campsie - Swimming
Colin Dalgleish – Table Tennis
Craig McLean - Swimming
Sharon Niven – Trap shooting
Ellie Russell - Gymnastics

Please also convey my compliments to all who participated and contributed to Team Scotland for winning a total of 44 medals, a remarkable achievement of which we can all be very proud.

Well done all!

Yours sincerely

Provost Tom Kerr

Dear Chief Executive,

I refer to the correspondence attached and am also responding on behalf of my Regional MSP colleagues Gordon Lindhurst and Jeremy Balfour.

We share the concerns of local residents and Councillors about the loss of GP services at Stoneyburn.

I confirm that all 3 of us have now supported the motion tabled by Neil Findlay MSP on this subject following the recent public meeting.

In addition I enclose below a recent written Parliamentary answer which I received from the Scottish Government for information.

Kind regards,

Miles Briggs MSP

Question S5W-16340: Miles Briggs, Lothian, Scottish Conservative and Unionist Party, Date Lodged: 02/05/2018

To ask the Scottish Government what action it is taking in response to the reported concerns raised by residents in the area regarding the impact of the closure of the **Stoneyburn** Health Centre GP service in West Lothian, and what discussions it has had with NHS Lothian about this.

Answered by Shona Robison (15/05/2018):

The West Lothian Health and Social Care Partnership (HSCP) is planning on consolidating GP services for all patients registered at Breich Valley Medical Practice to the Fauldhouse Partnership Centre site as of 1 June 2018 and to re-advertise the practice on this basis. Applicants would be offered the option of using the **Stoneyburn** branch for medical provision if they wished.

Additional support will continue in the form of the specially trained Paramedics to support home visits and GP Advanced Physiotherapy Practitioners. Community services will continue to be provided in **Stoneyburn** and housebound patients will receive exactly the same service as they do at the moment.

A letter has gone out last week to the whole practice population to advise them of the situation and the HSCP are continuing to work with the Practice to enable a smooth transition.

Our ambition is to increase the number of GPs by at least 800 over ten years to ensure a sustainable service that meets increasing demand.

Current Status: Answered by Shona Robison on 15/05/2018

Dear Graham,

Thank you for the letter regarding GP services at Stoneyburn.

I attended the very large public meeting at Stoneyburn just a few weeks ago. The message from the people was clear and unambiguous – they reject the proposal to move GP services (even temporarily) to Fauldhouse as it would disproportionately impact on the elderly, the low paid and people who not have their own transport. There is also a lack of a footpath for those who want to walk and bus services are poor.

Since the meeting I have raised this with the Scottish Government through oral and written Parliamentary Questions, motions and letters to Ministers and to NHS Lothian. So far the responses have been wholly inadequate.

According to the Royal College of GPs, Scotland requires 856 GPs just to stand still. The system currently relies on locums and it would collapse without them.

The blame for this mess lies with the complete failure of adequate workforce planning by the Scottish Government and I fear we will see this situation repeated in other towns and villages before long.

Please be assured I will be taking every opportunity to keep up the pressure on the Scottish Govt and NHS Lothian to get this mess sorted out.
In the meantime the minimum that should be provided is part time provision at Stoneyburn (maybe mornings only) until a sustainable full time GP presence can be established.

Best wishes

Neil Findlay MSP

Scottish Parliament
Room M1 06
Edinburgh
EH99 1SP

Telephone 0131 348 6896

Regional Office 4 Northfield Court
West Calder
West Lothian
EH55 8DS

01506 873242

www.neilfindlaymsp.com

Constituency Office
Unit 4, Beveridge Square
Ochil House
Livingston
West Lothian
EH54 6QF
Tel: 01506 460403

The Scottish Parliament
Pàrlamaid na h-Alba

Angela Constance MSP

Mr Graham Hope
Chief Executive
West Lothian Council
WL Civic Centre
Livingston
EH54 6FF

Ref: AC/KG 1 June 2018

Dear Mr Hope,

At the recent public meeting organised by Stoneyburn Community Council, I was able to listen to the many local concerns regarding the news that GP appointments with Breich Valley Medical Practice will be carried out from Fauldhouse for the foreseeable future.

I have been actively involved in working closely with Stoneyburn Community Council to do all I can towards finding solutions, and I have also been in regular contact with Jim Forrest of West Lothian Health and Social Care partnership regarding the issue.

The Cabinet Secretary for Health is also fully aware of the situation, and I have written to her again to ask if the Scottish Government £7.5 million GP recruitment and retention fund could be utilised to help in this situation, including the possibility of assisting with any relocation costs for GPs interested in taking over the contract.

This includes increased funding of 9.5% for the Breich Valley Medical Practice, which I hope will encourage new GP applications, and I will continue to press NHS Lothian to ensure that the re-advertising of the practice contract is effective and comprehensive.

I asked NHS Lothian to write directly to all patients to inform them about how this situation would affect them, and reiterated to them that they must greatly improve the way in which they listen to, and consult with the local community. I also requested that NHS Lothian carry out a comprehensive review of all community health services available in Stoneyburn as quickly as possible.

Our local community has my full commitment and support in this matter, and I maintain to continue this support through my ongoing representations with all involved.

With kind regards,

Angela Constance MSP

Almond Valley Constituency
Representing: Addiewell, Bellsquarry, Bents, Breich, East Calder, Fauldhouse, Kirknewton, Livingston, Loganlea, Longridge, Mid Calder, Polbeth, Pumpherston, Seafield, Stoneyburn, Uphall Station, West Calder, Wilkieston

Angela.Constance.msp@scottish.parliament.uk

Cabinet Secretary for Health and Sport
Shona Robison MSP

Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Graham Hope
Chief Executive
West Lothian Council
West Lothian Civic Centre
Howden South Road
Livingston
United Kingdom
EH54 6FF

Our ref: 2018/0016176
19th June 2018

Dear Mr Hope,

GP SERVICES IN STONEYBURN

Thank you for your letter of 23 May raising your concerns around the GP services in Stoneyburn and Fauldhouse. - 32 -

I am aware of the current situation in Stoneyburn and I am being kept up to date by officials on the situation.

It is important to note that whilst Scottish Ministers set the strategic policy for the NHS in Scotland, statutory responsibility for service delivery rests locally with Health Boards and GP practices. Practices are contracted to provide general medical services by their local health board and not the Scottish Government.

As I understand the practice has experienced the loss of two GP partners in recent years and historically, has found it difficult to recruit new GPs to the area. The practice has been unable to recruit replacements for the exiting GP partners and is working on a reduced number of GPs with locum support.

I believe that West Lothian HSCP has been providing additional support to the practice in the form of specially trained Paramedics to support home visits and GP Advanced Physiotherapy Practitioners.

I know that GPs have expressed concern that operating over two sites with insufficient GP cover could pose a risk to clinical safety, therefore, offering appointments from the main practice in Fauldhouse seems like a viable option while the practice is re-advertised for the second time. Patient safety is always paramount in these situations.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

INVESTOR IN PEOPLE
POSITIVE ABOUT DISABLED PEOPLE

I am encouraged to hear that NHS Lothian feel confident of recruiting due to the new GMS contract providing a 9.5% increase in GMS funding to the practice making it more attractive to potential applicants.

Any decision to shift GP services back to Stoneyburn will ultimately lie with any incoming GP Partners. I believe the surgery is still open and all non GP services continue to be available in Stoneyburn.

The new contract which came into effect this April will refocus the GP's role as an expert medical generalist, increasing the attractiveness of the career for new and existing GPs. This role builds on the core strengths and values of general practice to enable GPs to do the job they train to do and enable patients to have better care. Some tasks currently carried out by GPs will be carried out by members of a wider primary care multi-disciplinary team – where it is safe, appropriate, and improves patient care.

Our ambition is to increase the number of GPs by at least 800 over ten years to ensure a sustainable service that meets increasing demand. The recently published *National Health and Social Care Workforce Plan Part 3 - improving workforce planning for primary care in Scotland* sets out how we plan to achieve this.

Yours sincerely,

Shona Robison

SHONA ROBISON

- 33 -

Cabinet Secretary for Health and Sport
Shona Robison MSP

Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

Mr Graham Hope

Your ref: NOTICE OF MOTION – MINIMUM UNIT PRICE
Our ref: 2018/0017529
26th June 2018

Dear Mr Hope,

Thank you for your letter of 23 May regarding potential revenue generated from Minimum Unit Pricing as well as levels of funding for alcohol & drug treatment services.

I am proud that we have implemented Minimum Unit Pricing, a key milestone on our journey to tackling alcohol misuse in Scotland. This is a world first, it is bold and proves that once again we are leading the way in introducing innovative solutions to public health challenges. Minimum Unit Pricing will save lives, reduce hospital admissions and, ultimately, have positive impacts across the whole health system in Scotland and our wider society.

The Scottish Government commissioned the University of Sheffield to model the impact of the introduction of a Minimum Unit Price. Four reports were published between 2009 and 2016. This Modelling has consistently shown there is a strong and consistent link between the price of alcohol and the demand for alcohol. It demonstrates that Minimum Unit Pricing will have most impact on those who drink the most alcohol, and that they will drink less. It is estimated that this reduction in consumption will lead to 392 fewer alcohol-related deaths and 8,254 fewer alcohol-related hospital admissions over a five year period.

The Modelling also estimates that there will be an increase in revenue for the alcohol industry as a whole of around £34 million each year as a consequence of Minimum Unit Pricing at 50 pence per unit. This is because, although less alcohol will be sold, some of it will be sold at higher prices. This is a high level estimate of revenue, <u>not profit</u>, and we do not know who will benefit most from this revenue – retailer, wholesaler, producer or a combination. We will be considering this as part of monitoring and evaluating the impact of Minimum Unit Pricing going forward.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTOR IN PEOPLE
POSITIVE ABOUT DISABLED PEOPLE

Alcohol misuse costs Scotland as a whole £3.6 billion each year, of which £270 million is specifically attributable to the NHS. Although any additional revenue will not accrue to the Scottish Government, the reduction in consumption expected will result in fewer resources in the public sector having to be spent on alcohol related harm

In terms of resourcing, since 2008 we have invested over £746 million to tackle problem alcohol and drug use with the bulk of our funding, £682 million, being provided to Alcohol and Drug Partnerships (ADPs). Since 2017-18 funding for Alcohol and Drugs Partnerships has been provided to NHS Boards as part of their baseline budget for onward delegation to Integration Authorities. We have been clear that we expect this funding to be protected.

Our 2018-19 Budget increased investment in health by more than £400 million and also committed an additional £20 million of investment specifically for alcohol and drug services. We will be writing to stakeholders, including Local Authorities, in the coming weeks with details of how this new £20 million investment will be allocated to support new and innovative approaches which respond to the needs of patients in a more joined up person centred way.

I hope that this information is helpful and would like to re-assure you that we are committed to fully supporting alcohol & drug treatment services.

Yours sincerely

Shona Robison

SHONA ROBISON

- 35 -

MINUTE of MEETING of the AUDIT COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 19 MARCH 2018.

Present – Councillors Chris Horne (Chair), Tom Conn (substituting for John McGinty), Lawrence Fitzpatrick, David Tait and Damian Timson

Apologies – Councillor John McGinty and Noel Lawlor

In attendance
Graham Hope (Chief Executive), Graeme Struthers (Depute Chief Executive), James Cameron (Head of Education - Learning, Policy & Resources), Donald Forrest (Head of Finance and Property Services), Craig McCorriston (Head of Planning, Economic Development & Regeneration), Rebecca Kelly (Performance and Improvement Manager), James Millar (Governance Manager), Alice Mitchell (Community Planning Development Officer), Alison Raeburn (Service Officer), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), Stuart Saunders (Senior Compliance Officer), Andrew Sneddon (Business Change Lead), Grant Taylor (Building Services Manager), S Reid (EY).

1. DECLARATIONS OF INTEREST

Agenda Item 5 – Best Value Assurance Report

Councillor Chris Horne declared a non-financial interest as a council appointed member of West Lothian Leisure Board of Directors - a specific exclusion applied.

2. MINUTE

The committee approved the minute of its meeting held on 18 December 2017 as being a correct record.

3. BEST VALUE ASSURANCE REPORT

The committee considered a report (copies of which had been circulated) by the Chief Executive providing details of the council's Best Value Assurance Report and the progress on the actions agreed in response. The council's Best Value Assurance Report (BVAR) was attached at appendix 1 to the report.

The report advised that the council has a legal duty to secure "best value". Best Value is continuous improvement in the performance of the council's functions. It is measured through improvements in outcomes which involves maintaining a balance amongst quality of performance, cost to the authority, and cost to service users. In maintaining that balance the council must consider efficiency, effectiveness, economy, equal opportunity and sustainable development.

A new approach for auditing Best Value was launched in 2016. The council's last Best Value audit report was in 2005, under the previous arrangements. The council was one of six councils due to receive a Best Value Assurance Report in 2017.

The council's Best Value audit was carried out by a combined audit team of Audit Scotland and Ernst and Young, the council's external auditors. The audit focussed on vision and priorities; financial sustainability; financial governance and resource management; performance management and self-evaluation framework and measurement of outcomes; community engagement; partnership working; and ALEO governance arrangements.

The BVAR was considered by the Accounts Commission and published in November 2017. It contained recommendations for the council to consider. The necessary newspaper notice was published on 21 December 2017. Council considered the report and its recommendations on 16 January 2018. Council accepted the recommendations and agreed the proposed actions in response to them. It referred the BVAR on to the Audit Committee for further consideration and monitoring of progress on the actions agreed. A summary of the decision was agreed with the Accounts Commission and published on 1 February 2018.

The report outlined the recommendations by the Accounts Commission and the actions taken. The agreed actions were entered into Pentana and responsible officers assigned. A report from Pentana was attached at appendix 2 to the report.

The report recommended that the committee:

1. Considers the council's Best Value Assurance Report following its referral to the committee by council on 16 January 2018 (Appendix 1);

2. Notes the progress made against the actions agreed in response to its recommendations (Appendix 2); and

3. Identify additional information or actions required arising from the BVAR and completion of the agreed actions, including any further reporting to future meetings of the committee.

Officers then responded to questions from members of the committee in relation to the recently-revised scrutiny arrangements for West Lothian Leisure, the revised target dates for some of the agreed actions and sought assurance on the projected completion dates. The committee was informed that the major strategies to support the Corporate Plan were to be reported for approval in June 2018 with end-of strategy reports to PDSP just before that. During the course of the discussion it was recommended that a report on the implementation of agreed actions be submitted to the October meeting of the committee. It was agreed that recommendation 3 would be amended accordingly.

In conclusion, the committee noted that substantial progress has been made towards completion of the agreed actions. The actions would continue to be monitored and reported through Pentana. EY would continue to monitor and report on best value through the annual audit process.

Decision

1. To approve recommendations 1 and 2 within the report; and

2. To amend recommendation 3 as follows:

   - To agree that a report on the implementation of agreed actions be submitted to the October meeting of the committee.

4. INTERNAL AUDIT PLAN 2018/19

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the 2018/19 internal audit plan.

The report explained that the Public Sector Internal Audit Standards (PSIAS) requires a risk based audit plan to be prepared. The internal audit plan for 2018/19 was attached as an appendix to the report and set out the planned internal audit work for the year to 31 March 2019.

The audit plan contained an appendix which set out the methodology for including audits in the plan. In summary, audits were included in the plan on the basis of a review of the risks within the corporate risk register, discussions with senior managers, previous audit work, and local knowledge of the council and its operations. Audits included in the plan were referenced to the relevant risk in the corporate risk register.

In their 2016/17 annual audit report EY recommended that internal audits in the plan be prioritised. This has been done, and the basis for prioritisation was set out on page four of the plan. EY also recommended that the plan set out productive days as an element of total resources available, and this was set out on page 3 of the plan.

In their annual audit report EY also commented that the Audit, Risk and Counter Fraud Manager fulfils the role of both head of internal audit and risk manager. This creates, in their view, a potential for a conflict of interest to arise. The arrangements for dealing with potential conflicts of interest are set out in paragraphs 1.6 and 1.7 on page 1 of the plan.

Finally, it was noted that the internal audit plan ensures that internal audit work was properly planned and focused on areas of greatest risk.

In relation to implementation of the GDPR the committee was informed that arrangements were included in the project plan for briefings and training for elected members.

It was recommended that the Audit Committee approves the 2018/19 internal audit plan.

Decision

To approve the terms of the report.

5. COUNTER FRAUD PLAN 2018/19

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing the committee of the 2018/19 counter fraud plan.

The report advised that the counter fraud plan for 2018/19 set out the counter fraud work to be undertaken for the year to 31 March 2019, details of which was attached as an appendix to the report. The report outlined the main elements of the plan which were:

- To maintain the council's whistleblowing hotline and mailbox;
- To record, assess and investigate fraud referrals, whether received via whistleblowing methods or via direct referrals from management;
- To review counter fraud policies and procedures for continued effectiveness;
- To administer the biennial National Fraud Initiative data matching exercise, and co-ordinate the investigation of data matches be services; and
- To continue to provide counter fraud advice and fraud awareness training to services.

Finally, it was noted that the counter fraud plan is an essential component of the council's counter fraud arrangements.

It was recommended that the Audit Committee approves the 2018/19 counter fraud plan.

Decision

To approve the terms of the report.

6. AUDIT COMMITTEE WORK PLAN

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the committee's proposed work-plan for 2018/19.

The report explained that the regular work of the committee was prescribed by the annual cycle of internal audit, external audit, and counter fraud work. The appendix to the report set out the regular items which were due to be submitted to the committee during 2018/19. These items were all submitted annually with the exception of reporting in relation to the National Fraud Initiative (NFI) data matching exercise which was undertaken every two years. Other items of business were submitted to the committee as considered appropriate, for example internal audit report, counter fraud reports, and relevant external audit reports including national audit reports.

It was recommended that the Audit Committee approves the work-plan appended to the report.

Decision

To approve the work-plan.

7. COMMITTEE SELF-ASSESSMENT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager inviting the committee to consider arrangements for carrying out a periodic self-assessment of its administrative arrangements and activity.

The report recalled that the external auditors report on the council's annual accounts was considered at full council on 26 September 2017. It included findings in relation to the Audit Committee and the Governance and Risk Committee. The auditors recommended that these committees undertake annual self-assessments of effectiveness, including how they have interacted with each other over a full cycle of reporting. They considered that to be best practice. Council agreed to include a self-assessment in the work-plan for both committees.

The committee was advised that a self-assessment questionnaire was submitted to the Governance and Risk Committee for approval on 22 January 2018. A similar questionnaire was attached as an appendix to the report for the Audit Committee's consideration. Members were invited to advise if any changes were required to the questionnaire. Once finalised, it was the intention to issue the questionnaire electronically to members for completion. The results would be reported back to the June meeting of the committee so that they could be considered, and areas for improvement identified and agreed.

The self-assessment process has been incorporated into the committee's work-plan and it was intended that it be carried out annually.

Finally, it was noted that the self-assessment questionnaire was intended to enhance the effectiveness of the committee and assist it discharge its responsibility for the effective scrutiny of the council's control environment.

It was recommended that the committee:

- Notes the recommendation in the external auditor's annual audit report about carrying out self-assessment of the committee's effectiveness, and the council's decision in response;

- Considers the questionnaire in the appendix and whether there were any additional areas that might be covered or questions asked;

- Agrees that the questionnaire should be circulated to committee members for completion with the results reported back to the June meeting of the committee; and

- Notes that a similar arrangement was being carried out for Governance and Risk Committee as part of the response to the auditor's recommendation.

Decision

To approve the terms of the report.

8. INTERNAL AUDIT OF BUILDING SERVICES - OVERTIME PAYMENTS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing the committee of the outcome of an internal audit of overtime payments within Building Services.

In accordance with the internal audit plan for 2017/18, an audit was undertaken of the administration of overtime payments within Building Services.

The resultant audit report was attached as an appendix to the report and included an action plan containing agreed management actions.

In conclusion, it was noted that the audit of the administration of overtime payments within Building Services has concluded that control was satisfactory.

It was recommended that the Audit Committee notes that control was considered to be satisfactory.

In response to questions from members, officers provided information on measures taken and planned to maintain an appropriate and efficient balance between permanent staffing levels and core working arrangements and overtime payments. The steps taken to avoid employees exceeding working time regulation limits on working hours were explained.

Decision

To note the contents of the report.

9. REPORT ON PAYMENTS TO VOLUNTARY AND NOT FOR PROFIT ORGANISATIONS

The committee considered a report (copies of which had been circulated) by the Head of Planning, Economic Development and Regeneration providing an update on the progress in carrying out annual health checks of funded organisations, and to advise of improvements made to the health check process. The Health Check 2017 list of organisations was attached at appendix 1 and the Health Check 2017 report was attached at appendix 2 to the report.

The report followed on from an earlier Internal Audit report presented to the Audit Committee on 30 June 2017, covering payments to voluntary and not for profit organisations. The report identified that the level of control in relation to organisations funded by the council was unsound. The report then outlined the main areas reported as ‘high’ importance. An action plan was prepared to address these issues and the report updated the Audit Committee on progress with implementation of the action plan.

Members were advised that the main area of focus was to update the health checks and service funding agreements. This process has allowed officers to bring key paperwork up to date and provided a base from which to look forward. However, the effect of the council’s budget setting and funding review needed to be considered and recommendations for funding and processes being put in place in 2018/19 were set out in the report. Appendix 3 to the report provided details of the Link Officer Role and the updated Health Check list of organisations.

Members were asked to note that the issues highlighted by an Internal Audit in May 2017 have been addressed and new processes were being put in place for 2018/19. Members were further asked to note the general review of funding that would take place in 2018/19 and that there was potential to make further changes to monitoring and health check processes going forward.

It was recommended that the committee notes the work done to address the issues raised in the Internal Audit Report and by Audit Committee on 30 June 2017.

Decision

To note the contents of the report.

10. INTERNAL AUDIT OF THE ADMINISTRATION OF SCHOOL MEDICATION

The committee considered a report (copies of which had been circulated) by the Head of Education (Learning, Policy and Resources) providing an update on the progress of agreed actions following the outcome of an internal audit of the administration of school medication within Education Services.

In accordance with the council's Internal Audit Plan for 2017/18, an audit was undertaken of the administration of school medication within Education Services. The Audit, Risk and counter Fraud Manager concluded in a report to the Audit Committee on 18 December 2017 that control in this area of service delivery was unsound. An Action Plan containing agreed management actions was agreed and Education Services was instructed to report back to committee on the progress of the implementation of the Action Plan in March 2018. A summary of the Action Plan and progress to date was attached as an appendix to the report.

The agreed Action Plan to address the control measures within Education Services in relation to the Management of Medication in Schools was in progress and in line with agreed timescales.

It was recommended that the Audit Committee notes the progress to date.

The committee was assured that the training to be delivered to all head teachers would be cascaded within each school and monitored through the council's validated self-evaluation procedures. It was planned to add it to the training given to all teaching staff through in-service day arrangements.

Decision

To note the contents of the report.

11. AUDIT SCOTLAND REPORT - EARLY LEARNING AND CHILDCARE

The committee considered a report (copies of which had been circulated) by the Head of Education (Learning, Policy and Resources) providing a summary of the report produced by Audit Scotland on the Scottish Government's policy to increase funded early learning and childcare, and the position in West Lothian.

The report outlined the key messages contained in the Audit Scotland report 'Early Learning and Childcare' published in February 2018. Information relating to the West Lothian position was then provided.

The committee noted that West Lothian Council has undertaken significant investment in the early learning and childcare estate and workforce, and could provide a high quality early learning and childcare place to every child whose parent requested it. Placement in council establishments maximises continuity at transition to P1, and continuity of delivery of the early stage of the 3-18 curriculum. Council establishments work closely with community planning partners to prove a whole child approach and effective early intervention, thus ensuring the best start for children.

Through its regular surveying of parents, the council has built up a good picture of their needs and preferences, and has expanded full day provision and wraparound care significantly as a result. The council has plans to continue this expansion.

Finally, West Lothian Council has pupil placement robust data on demand and parental preference which was used to inform staffing, capacity and purchasing decisions, resulting in an efficient provision, as measured by the Local Government Benchmarking Framework.

It was recommended that the committee notes the summary of the report produced by Audit Scotland on the Scottish Government's policy to increase funded early learning and childcare, and the position in West Lothian.

Officers gave an assurance to the committee that a delivery plan was in place to ensure the council's compliance. However, the plan had been made on the presumption that the Scottish Government's commitment would be fully funded. Funding arrangements and delivery on the plan would be reported to Education Executive.

Decision

To note the contents of the report.

12. EXTERNAL AUDIT PLAN 2017-18

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager providing details of the external auditor's 2017/18 annual audit plan.

The report recalled that in May 2016, the Accounts Commission appointed EY as the council's external auditor for the five year period to 2020/21. EY's annual plan, which was attached as an appendix to the report, set out the work they proposed to undertake in relation to the financial year ending 31 March 2018.

EY's annual audit plan set out their approach to their 2017/18 audit.

It was recommended that the Audit Committee notes the external auditor's 2017/18 annual audit plan.

In discussions comments were made by members about the difficulty in understanding the technical language used and the inclusion of information which may be required by guidance and good practice but which was nevertheless relevant for this council. The committee noted that the council's five year financial strategy, approved in February 2018, and the improvements flowing from the Best Value Assurance Report, should be significant in future reporting.

Decision

To note the contents 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 2 MARCH 2018.

Due to adverse weather conditions the meeting of the Employee Appeals Committee was cancelled.

MINUTE of MEETING of the EMPLOYEE APPEALS COMMITTEE (PRIVATE) of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 20 APRIL 2018.

Present – Councillors George Paul, Chris Horne, Dave King, Andrew McGuire, Dom McGuire and Appointed Representative Myra MacPherson

Apologies – Councillor Damian Timson

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTES

a) The committee confirmed the Minute of its meeting held on 15 December 2017 as a correct record. The Minute was thereafter signed by the Chair.

b) The committee noted that the meeting did not proceed due to the appellant’s personal circumstances.

3. PRIVATE SESSION

The committee resolved in terms of paragraphs 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 against dismissal under the council’s Procedure for Consideration of Appeals Against Disciplinary Action.

The management was represented by the Head of Education (Learning, Policy and Resources) and a Senior HR Adviser. The management was also calling 3 witnesses.

The appellant was in attendance and represented by his Union Representative and were calling one witness.

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

The appellant and his 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 management was given an opportunity to re-examine each witness in turn after they had answered questions from the appellant, his representative and the committee.

The committee heard the appellant, his representative and witness speak in relation to the appeal.

The management had an opportunity to question the appellant, his representative and witness in turn.

The committee had an opportunity to question the appellant, his representative and witness in turn.

The appellant and his representative were given the opportunity to re-examine their witness after she had answered questions from the management and the committee.

Finally, each side had the opportunity to sum up the merits of the case.

All parties then left the room to allow the committee to deliberate in private.

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

Decision

That the grounds of the appeal were not substantiated and the appeal was not upheld.

MINUTE of MEETING of the EMPLOYEE APPEALS COMMITTEE (PRIVATE) of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 4 MAY 2018.

Present – Councillors George Paul, Angela Doran, Dave King, Andrew McGuire

Apologies – Councillors Peter Heggie, Dom McGuire, Damian Timson

1. DECLARATIONS OFINTEREST

There were no declarations of interest made.

2. PRIVATE SESSION

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

3. 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 against dismissal under the council's Procedure for Consideration of Appeals Against Disciplinary Action.

The management was represented by the Head of Operational Services and a Senior HR Adviser. The management was also calling one witness.

The appellant was in attendance and accompanied by a friend. The appellant did not have any witnesses.

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

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

Following questions by the appellant the Chair called a short adjournment.

All parties then left the room to allow the committee to deliberate in private.

Following private deliberations all parties returned.

The Chair explained that the committee was concerned that the appellant was not represented and asked if he would require an adjournment to allow him an opportunity to obtain representation.

The appellant advised that he would require an adjournment.

The management had no objection to an adjournment.

Decision

To adjourn the hearing to a date yet to be determined to allow the appellant an opportunity to obtain representation.

MINUTE of MEETING of the EMPLOYEE APPEALS COMMITTEE (PRIVATE) of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 15 JUNE 2018.

Present – Councillors Tom Conn (Chair), Chris Horne, Dave King, Andrew McGuire, Dom McGuire, Damian Timson

Apologies – Councillor Peter Heggie

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTES

a) The committee confirmed the Minute of its meeting held on 2 March 2018 as a correct record.

b) The committee confirmed the Minute of its meeting held on 20 April 2018 as a correct record. The Minute was thereafter signed by the Chair.

c) The committee confirmed the Minute of its meeting held on 4 May 2018 as a correct record. The Minute was thereafter signed by the Chair.

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

The Clerk advised the committee that the appellant had called to advise that she would not be attending the hearing.

The committee noted that this was the second occasion that the appellant had advised that she cancelled the hearing.

Decision

The committee agreed that it would not be appropriate to proceed with the hearing in the appellant's absence.

The committee also agreed that the Clerk contact the appellant giving her 14 days to advise whether she wished to proceed with the appeal and that failure to respond would be taken as an indication that she no longer wished to proceed and the case would be closed.

MINUTE of MEETING of the GOVERNANCE AND RISK COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 9 APRIL 2018.

Present – Councillors Damian Timson (Chair), Lawrence Fitzpatrick, Harry Cartmill, Pauline Clark and Chris Horne

In attendance
Graham Hope (Chief Executive), James Cameron – (Head of Education - Learning, Policy and Resources), Donald Forrest (Head of Finance and Property Services), Craig McCorriston (Head of Planning, Economic Development and Regeneration), Donna Adam (Strategic Resource Manager, Education - Learning, Policy and Resources), Alan Bell (Senior Manager, Social Policy), David Goodenough (Manager, Operational Services), Kim Hardie (HR Manager – Health and Safety), Jo MacPherson (Senior Manager, Social Policy), James Millar (Governance Manager), Alice Mitchell (Economic Development Manager), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), Kenny Selbie (Performance and Change Manager, Housing Customer and Building Services).

1. DECLARATIONS OF INTEREST

Agenda Item 8: High Risks – relating to West Lothian Leisure

Councillor Cartmill declared an interest as a council appointed member of West Lothian Leisure Board of Directors, however specific exclusions applied.

Councillor Horne declared an interest as a council appointed member of West Lothian Leisure Board of Directors, however specific exclusions applied.

2. MINUTE

The committee approved the minute of its meeting held on 22 January 2018. The minute was thereafter signed by the Chair.

3. GALLAGHER BASSETT RISK REVIEW - EDUCATION SERVICES

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing details of the outcome of Gallagher Bassett's risk review of personal safety in Education Services and the action plan developed.

The report recalled that in accordance with the decision of the Governance and Risk Board on 5 June 2017, Gallagher Bassett risk review of personal safety in Education was commissioned. The resultant report for Education Services was attached at appendix 1 to the report. The report concluded that Education Services had good systems in place for the management of personal safety. The report noted that there was room for minor improvement and five recommendations for improvement were set out within the report.

An action plan was prepared following the Gallagher Bassett review and progress of these actions was being monitored using the Pentana Performance Management System. It was noted that the first three recommendations from the report were included within one risk action.

Education Services considered the recommendation to review the risk assessment for transport arrangements on a termly basis and in consultation with the corporate health and safety team it was agreed that once a year was sufficient.

The actions were being monitored and updated regularly and should be complete within the agreed timescales.

The Head of Education (Learning, Policy and Resources) then responded to questions from members of the committee.

During the course of the discussion the committee recommended that teaching staff, other than Head Teachers, be involved in similar risk reviews in Education Services in future. The committee acknowledged the positive report and requested an update to be provided to a future meeting on the progress made in relation to the agreed actions in response to the five recommendations outlined within the Gallagher Basset Risk Control Report.

It was recommended that the Governance and Risk Committee:

- notes the contents of the report and the action plan; and
- notes that, in accordance with the agreed protocol, agreed actions have been included in Pentana as risk actions and monitored for progress.

Decision

Agreed the recommendation in the report subject to including the following:

- that the committee be informed on the progress of the agreed actions in response to the five recommendations outlined within the Gallagher Basset Risk Control Report.

4. MANAGEMENT OF HEALTH & SAFETY REPORT

The committee considered a report (copies of which had been circulated) by the Head of Corporate Services providing information relating to health and safety incidents reported for all service areas.

The report recalled that at the Governance and Risk Committee held on 22 January 2018 a request was made for standing reports to be presented to future meetings of the committee providing information on health and safety incidents reported for all service areas. It was also agreed that year-end figures be reported.

The report explained that in accordance with corporate requirements, health and safety risks were maintained in the risk register in Pentana Performance, the council's corporate risk management tool.

The council has implemented robust risk management processes with the aim of ensuring that risks to the achievement of key objectives were mitigated as far as possible. The management of health and safety risks was currently under review.

The HR Manager, Health and Safety, then responded to questions from members of the committee. Members highlighted the high number of cumulative physical abuse incidents recorded within Education Services compared to the same period the previous year and recommended that further information should be reported to a future meeting in relation to mental health and well-being of staff. An update was also provided on the number of lone working devices being used during January and February 2018 to ensure staff safety.

It was recommended that the committee:

1. considers the format and content of the report and suggest amendments wanted for future reports; and

2. considers any other health and safety issues they would wish to see explored in more detail within the report.

During the course of the discussion members of the committee recommended that future reports should include more detailed information relating to incidents recorded by reference to time, location and type of incident, which would highlight any trends within the health and safety statistics.

Decision

1. To note the contents of the report;

2. To agree that a report would be submitted to a future meeting in relation to mental health and well-being of staff; and

3. To agree that future reports would include more detailed information relating to incidents recorded by reference to time, location and type of incidents, as appropriate.

5. RISK MANAGEMENT WITHIN PLANNING, ECONOMIC DEVELOPMENT AND REGENERATION SERVICES

The Head of Planning, Economic Development and Regeneration Service provided a presentation on the effect of risks to the service and the corporate arrangements in place to identify risks. Risks were kept under continuous review and new risks identified in response to changes to the political, regulatory, economic and demographic environment. In accordance with corporate requirements, Planning, Economic Development and Regeneration maintained a risk register in Pentana Performance, the council's corporate risk management tool. The risks set out within Pentana represented the key risks to the service achieving objectives. The committee was advised that each risk had a risk score. Details of the scoring matrix used to assess risk and a summary of the service risks were provided. No risks were identified as high level risks, six were identified as medium level risks and 15 identified as low level risks.

Following conclusion of the presentation the committee considered a report (copies of which had been circulated) by the Head of Planning, Economic Development and Regeneration providing details of the approach to risk management within the service.

The Head of Planning, Economic Development and Regeneration then responded to questions from members of the committee. He confirmed that the original, current and target risks were recorded which highlighted the potential consequences if current controls failed or were not effective. Comprehensive reviews were carried out monthly and annually to ensure controls were in place to mitigate risks. Any additional mitigating actions identified by the service management team during the monthly risk review were also added to Pentana as risk actions.

During the course of the discussion the committee agreed that an update on Brexit-related risks in Planning, Economic Development and Regeneration Services wold be appropriate to be included on the work-plan for the coming year.

Finally, the committee was advised that the report set out the identified risks in Planning, Economic Development and Regeneration Services and detailed the approach taken to identify and manage risks. The service has implemented robust risk management processes with the aim of ensuring that risks to the achievement of key objectives were mitigated as far as possible.

It was recommended that the Governance and Risk Committee notes the approach taken by Planning, Economic Development and Regeneration to the management of risk.

Decision

1. To note the presentation and contents of the report by the Head of Planning, Economic Development and Regeneration Services: and
2. To agree that Brexit-related risks be included on the work-plan for the coming year.

6. HIGH RISKS

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing details of the council's high risks and the actions being taken to mitigate them.

The Head of Finance and Property Services advised the committee that there were 10 high risks recorded when the report was produced, which were outlined within the report. The high risks were set out in detail in appendix one to the report. Appendix 2 to the report set out the council's standard risk assessment methodology.

The council's high risks were reported on a regular basis to the Governance and Risk Board. Regular review by the Governance and Risk Committee would assist in ensuring that the council's risks were effectively managed.

The Head of Finance and Property Services then responded to questions from members of the committee. He advised that a review of risk CF001 – Assault or injury to staff by service user within children's residential houses, had been carried out and was now completed. He also confirmed that since the report was prepared risk WLC008 – Failure to prepare, or effectively deploy, up to date corporate occupational health and safety policies and procedures, had been reviewed and now assessed as a medium risk.

It was recommended that the Governance and Risk Committee:

1. Notes the council's high risks and the action being taken to mitigate them; and

2. Provides feedback to officers on the risks and the mitigating actions.

Decision

To note the contents of the report and the update from the Head of Finance and Property Services.

7. BUSINESS CONTINUITY

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing details of the council's business continuity arrangements.

The report explained that there was a statutory requirement under the Civic Contingencies Act 2004 for the council to maintain plans for the purpose of ensuring, so far as was reasonably practicable, that if an emergency occurred it was able to continue to perform its functions. Co-ordination of business continuity was the responsibility of the council's Audit, Risk and Counter Fraud Manager who maintained corporate guidance on business continuity matters and provided advice and information to services to enable them to prepare business continuity plans.

The council has three approved categories of activity for business continuity purposes: WLC1, WLC2 and WLC3, which were defined within the report. Appendix 1 to the report provided details of WLC1, Activities and the Corporate Business Continuity Plan was attached at appendix 2 Each Head of Service was responsible for preparing effective business continuity plans for their activities. The council maintains a Corporate Business Continuity Plan which set out the high level approach to dealing with an event which had the potential to disrupt key council services.

The Head of Finance and Property Services then responded to questions from members of the committee. During the course of the discussion members were advised that a review was being carried out of the Severe Weather Policy and it was agreed that an update would be provided to a future meeting of the committee.

The committee recommended that a third location should be added at 1.4 in the Corporate Business Continuity Plan in the event of the Civic Centre and Bathgate Partnership Centre being inaccessible. It was also recommended that contact details for emergency services should be included at appendix 8 – External Contacts, in the Corporate Business Continuity Plan to include St John's Ambulance Service.

It was recommended that the Governance and Risk Committee notes the council's business continuity arrangements.

Decision

To note the contents of the report subject to the following:

1. To note that an update of the Severe Weather Policy would be submitted to a future meeting of the Governance and Risk Committee when the current review process had been completed;

2. To agree that a third location be included within the Corporate Business Continuity Plan; and

3. To agree that contacts for emergency services be included in Appendix 8, External Contacts, within the Corporate Business Continuity Plan.

8. NEW LOCAL CODE OF CORPORATE GOVERNANCE

The committee considered a report (copies of which had been circulated) by the Governance Manager providing details of the transition to a revised Local Code of Corporate Governance based on the CIPFA/SOLACE Framework and Guidance.

The report recalled that on 9 October 2017 the committee was informed of the proposed move to a new Local Code of Corporate Governance based on a new CIPFA/SOLACE Framework and Guidance (2016). The committee asked for an update report to be brought to the meeting.

The report highlighted the current arrangements and the new Framework, which included a modified and updated definition and description of governance. Details of the new principles, structure and approach within the Framework were outlined in the report. The draft revised Code of

Corporate Governance was attached at appendix 1 to the report.

The Governance Manager advised that as well as approval of the annual governance statement, which was a statutory requirement, the current reporting arrangements would be maintained. This involved an annual report to Council Executive, including compliance statements by relevant Heads of Service, and referral on to the Governance and Risk Committee thereafter.

The transition to the new CIPFA/SOLACE Framework would enable the council to formally review its arrangements for monitoring and reporting on corporate governance and bring those arrangements up to date.

It was recommended that the Governance and Risk Committee:

1. notes the update on the transition to the 2016 CIPFA/SOLACE Framework "Delivering Good Governance in Local Government";

2. notes the draft revised Code in Appendix 1; and

3. notes that the revised Code would be reported for formal approval to Council Executive for use in reporting for 2017/18.

Decision

To note the contents of the report and agreed that the report be forwarded to Council Executive for approval.

9. RISK MANAGEMENT PLAN 2018/19

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing details of the risk management plan 2018/19.

The Head of Finance and Property Services advised that the risk management plan for 2018/19 set out the planned risk management work for the year to 31 March 2019, Details of the Risk Management Plan for 2018/19 was attached as an appendix to the report.

The report advised that a Risk Management Strategy would be prepared for the period 2018 to 2023. The purpose of the strategy would be to ensure that effective arrangements were in place for the management of risk, and it was anticipated that this would include agreed outcomes, actions and performance measures. Once approved, the strategy would be reported to the Governance and Risk Committee.

It was recommended that the Governance and Risk Committee approves the 2018/19 risk management plan.

Decision

To approve the terms of the report.

10. COMMITTEE SELF-ASSESSMENT - FEEDBACK

The committee considered a report (copies of which had been circulated) by the Governance Manager providing details of the results of the self-assessment questionnaire carried out.

The report recalled that at the meeting of the Governance and Risk Committee on 22 January 2018 the committee agreed that a self-assessment questionnaire be circulated to its members. This was in response to the outcome of the external audit report. The results were attached as an appendix to the report. It was intended that the self-assessment process would be kept in the committee's work-plan and carried out annually.

The results of the self-assessment questionnaire were then considered. The committee recommended that training and development opportunities be provided for members to improve the effectiveness of the committee. The Governance Manager agreed to liaise with the Head of Corporate Services to ascertain what training and development activities could be provided and report back to members.

Considering the feedback to the self-assessment questionnaire would assist in developing and improving the committee's effectiveness and would progress the council's agreed response to the external audit report.

It was recommended that the committee:

1. Note the results from the self-assessment questionnaire circulated to members after its approval by committee on 22 January 2018;

2. Identify any areas of concern and recommend appropriate actions to address them; and

3. Agree that the exercise should be repeated on an annual basis.

Decision

1. To note the contents of the report;

2. To agree that the exercise be repeated on an annual basis; and

3. To agree that the Governance Manager investigate training and development opportunities for members of the committee.

11. WORK PLAN

To agree the work-plan subject to including the following:

1. An update report to be provided on the Severe Weather Policy after the current review process had been completed;

2. An update on Brexit-related risks in Planning, Economic Development and Regeneration Services to be included on the work-plan for the coming year;

3. An update to be submitted to a future meeting in relation to mental health and well-being of staff; and

4. Gallagher Bassett Risk Review – Education Services – Update.

MINUTE of MEETING of the GOVERNANCE AND RISK COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 18 JUNE 2018.

Present – Councillors Damian Timson (Chair), Lawrence Fitzpatrick, Harry Cartmill, Pauline Clark and Chris Horne

In Attendance – Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), James Millar (Governance Manager), Kim Hardie (Health & Safety Manager), Tim Ward (Senior Manager, Social Policy), Jim Jack (Head of Operational Services), David Goodenough (Waste Services Manager) and Anne-Marie Carr (Customer Service Manager, Housing Needs)

1. DECLARATIONS OF INTEREST

1. Councillor Chris Horne declared a non-financial interest in that he was a council appointed member to the West Lothian Leisure Board of Directors but would participate in the item of business; and

2. Councillor Harry Cartmill declared a non-financial interest in that he was a council appointed member to the West Lothian Leisure Board of Directors but would participate in the item of business

2. ORDER OF BUSINESS

The Chair ruled in terms of Standing Order 11 that Agenda Item 9 (High Risks) would be considered immediately following consideration of the Minute.

3. MINUTE

The committee approved the Minute of its meeting held on 9 April 2018. The Minute was thereafter signed by the Chair.

4. HIGH RISKS

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services advising of the council's high risks, details of which were set out in Appendix 1 attached to the report.

The committee was advised that the 10 high risks/medium risks set out in the appendix to the report contained a title and code, an original due date, a revised due date, a progress bar which was an assessment of their percentage completion and a description of the action. These were reported on a regular basis to the Governance and Risk Board which exercised an oversight of the council's governance and risk management arrangements.

A number of officers were in attendance at the meeting who were available to provide clarity on any issues raised by committee members.

The committee members then raised a number of questions the first being in relation to West Lothian Leisure.

The Head of Finance and Property Services explained that the West Lothian Leisure Board was on track to deliver the identified savings and had made progress on the 4 year financial plan. A further meeting of the Board was due to take place soon when a further update was expected to be available. Reports were due to be presented to West Lothian Leisure Advisory Committee and Council Executive.

In relation to those statistics pertaining to a shortfall of housing accommodation the Housing Manager explained that an analysis had recently been completed and that gaps in provision were actively being pursued with Registered Social Landlords.

The Senior Manager, Social Policy then responded to a number of questions from members of the committee and it was noted that in relation to care at home service demands (SP18002_AR), this figure required to be reviewed and that the updated figure would be provided to committee members. Committee also requested further information in relation to what actions had been taken to meeting the KPI due date.

It was recommended that the Governance and Risk Committee :-

1. Notes the council’s high risks and the action being taken to mitigate them; and

2. Provides feedback to officers on the risks and the mitigating action.

Decision

1. To agree the recommendations of the report; and

2. To request that the Head of Social Policy provides committee members with further information in relation to progress with KPI SP18002-AR and the action being taken by Social Policy to meeting the target by the due date of 6 July 2018.

5. INTERNAL AUDIT ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager advising of the council’s framework of governance, risk management and control.

The report recalled that the Local Authority (Scotland) Regulations 2014 required the council or relevant committee to conduct, at least once in each financial year, a review of the effectiveness of its system of internal control.

The Public Sector Internal Audit Standards (PSIAS) required the submission of an annual report timed to support the annual governance statement. This was to include an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control and a summary of the audit work from which the opinion was derived.

A copy of the Internal Audit Annual Report 2017-18 was attached to the report at Appendix 1.

The Audit, Risk and Counter Fraud Manager then responded to a number of questions on the report. These included further details on the CIPFA benchmarking club results and the frequency of follow-up with those areas where audit control was considered unsound, which was an area that the Audit, Risk and Counter Fraud Manager undertook to review.

The Audit, Risk and Counter Fraud Manager also responded to a question in relation to the average time it took to produce draft and final audit reports explaining that a review was already underway within his team to reduce these figures.

It was recommended that the Governance and Risk Committee :-

1. Notes the conclusion that the council's framework of governance, risk management and control was generally sound; and

2. Refers the report to the Audit Committee for further consideration.

Decision

1. To agree the recommendations of the report and for the report to be referred to the Audit Committee;

2. To request that the Audit, Risk and Counter Fraud Manager consider the frequency of following-up on any areas where audit control was considered unsound; and

3. To note that the Audit, Risk and Counter Fraud Manager was reviewing how his team could reduce the time taken to produce draft and final audit reports.

6. ANNUAL GOVERNANCE STATEMENT

The committee considered a report (copies of which had been circulated) by the Governance Manager presenting the draft annual governance statement for approval.

The Governance Manager explained that the process the council was required to follow for preparing and submitting its annual accounts for audit was governed by statutory regulations. There was no statutory form or content for the annual governance statement however legislation required the annual governance statement to be prepared in accordance with proper practices in relation to internal control.

The draft annual statement for 2017/18 was attached to the report at Appendix 1. It had been prepared in accordance with the 2016 CIPFA/SOLACE Framework and accompanying Guidance for Scottish Authorities. It was based on key elements in the council's corporate governance arrangements; the findings of the review of the system of internal control; the Local Code of Corporate Governance; and annual compliance statements. In particular it noted the areas of concern identified in those documents and built on those elements of work to be addressed in the coming financial year.

Future committee reports would consider in more detail the assessment against the Local Code of Corporate Governance and the annual compliance statements. Agreed actions and progress in relation to those areas of concern would also be reported to committee.

The Governance Manager also continued to explain that this year, for the first time, the report included an additional recommendation which concerned authorising the Governance Manager to make any minor changes to the statement that were deemed reasonable and necessary prior to submission of the accounts for audit. He explained that those minor changes would mainly consist of editing changes and that anything of more significance would be only be done following consultation with the Chair of the committee.

It was recommended that the Governance and Risk Committee :-

1. Approve the draft annual governance statement in Appendix 1;

2. Note that the statement would form part of the council's unaudited accounts to be submitted to the external auditors before the end of June 2017; and

3. Authorise the Governance Manager to make any minor changes to the statement deemed reasonable and necessary prior to submission of the accounts for audit.

Decision

To agree the recommendations of the report.

7. RISK MANAGEMENT WITHIN OPERATIONAL SERVICES

The committee considered a presentation and accompanying report (copies of which had been circulated) by the Head of Operational Services providing an overview of the risk management that was carried out by Operational Services.

The Head of Operational Services explained that 19 low risks, 25 medium risks and 3 high risks had been identified within the service. However it was noted that since the report had been compiled two of the identified high risks had been re-designated as medium risk. The Head of

Operational Services then provided an overview of those identified high and medium risks noting that risk OPSHQ005 (Loss of Operating Licence for all Vehicles over 3.5 Tonnes GVW) was an area that was always closely monitored by management.

The Head of Operational Services then responded to a number of questions from the committee on a range of subjects including claims against damage from potholes, recycling including reducing reliance on plastics, increase of fly-tipping, spread of disease in trees and woodland, cemeteries and access to specialist equipment.

The Head of Operational Services continued to provide the committee with further information in relation to recycling and the use of plastic and advised that it was about changing culture and behaviour. Therefore the service worked closely with local schools and made good use of social media to try and re-educate and encourage the younger generation to embrace re-cycling and reduce the use of plastic in everyday life and to be more environmentally aware of their surroundings.

With regards to cemeteries it was noted that West Lothian did not have a “topple” policy but carried out regular inspections and made safe as necessary.

The committee noted that Gallacher Basset had conducted a review of safety in Waste Services in October 2017. The review had concluded that Waste Services had good leadership and safety appeared to be well managed. There were some suggested areas for improvement and these were summarised in the appendix to the accompanying report.

The Head of Operational Services explained that these areas for improvement were being closely monitored through the council’s performance management system, Pentana.

It was recommended that the Governance and Risk Committee note the approach taken by Operational Services in terms of risk management.

Decision

1. To note the contents of the presentation; and

2. To agree the recommendations of the report.

8. MANAGEMENT OF HEALTH & SAFETY REPORT

The committee considered a report (copies of which had been circulated) by the Head of Corporate Services which provided information on Health and Safety Incidents reported for all services areas. This included year-end figures.

The committee was advised that in accordance with corporate requirements, health and safety risks were maintained in the risk register in Pentana Performance, the council’s corporate risk management tool. The risks contained within Pentana represented key risks to service objectives. They were kept under continuous review and were developed in accordance with changes in the service structure and in response to changes to the political, regulatory, economic and demographic environment.

Risks were reported to service management teams on a monthly basis. The risks were discussed, changes made to risks or their scores and new risks added, as considered necessary. There was a complete audit trail of the review process via the meeting papers and the action note produced. Agreed changes to risks or risk actions added were also evidenced in Pentana.

Attached to the report at Appendix 1 was a series of charts showing Cumulative Incidents, Incidents resulting in Injury, Verbal Incidents, Physical Assaults and Near Miss Incidents for the period April to May 2018 and for years 2017-18 and 2018-19. Also detailed in the appendix was Employers Liability Insurance Payments for April and May 2018.

Attached to the report at Appendix 2 was an end of year comparison for 2016-17 and 2017-18 for all incidents, verbal abuse, physical abuse and near miss incidents.

The Health and Safety Manager then responded to a number of questions, with the first being the high number of incidents attributable to education services. The Health and Safety Manager explained that the figures applied to both staff and pupils hence the reason they were significantly higher in comparison to all other service areas. She also explained that all incidents could now be reported online so this had made it more accessible to staff leading to an increase in reporting frequency.

In relation to fostering a culture of health and safety in the workplace the Health and Safety Manager explained that each service area had different needs and that training was dictated by those needs. Some service areas needed more practical hands-on training where others needed only to participate in desk-top exercises.

With regards to lone working device usage the Health and Safety Manager was asked if the right people had access to them and how the council encouraged their use. She explained that the Safety at Work Guide had recently been refreshed and would assist in that process but it was ultimately for service areas to decide who required a lone working device based on set criteria. Additionally the company who supplied the device had recently assigned a Project Manager to the council to encourage more take-up of the device.

In relation to physical assaults of which many of the incidents were attributable to Education Services the Health and Safety Manager confirmed that she and her team were working very closely with Education following the Gallacher Basset Review on how best to address these concerns. She explained that it was a very difficult area to define and therefore know how best to resolve however she was able to confirm that staff affected by such incidents were provided with much support and access to counselling services as appropriate.

The Chair thanked the Health and Safety Manager for the improved format of the report and the data contained within.

It was recommended that the Governance and Risk Committee :-

1. Consider the format and content of the report and suggest amendments for future reports; and

2. Consider any other health and safety issues they would wish to see explored in more detail in the report.

Decision

To note the terms of the report

9. RISK MANAGEMENT ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services advising of the risk management annual report for 2017-18.

The Risk Management Annual Report, a copy of which was attached to the report at Appendix A set out the main areas of work undertaken during the year. The report also set out the risk management performance indicators.

In relation to a question asked with regards to the council's increasing reliance on digitisation the Audit, Risk and Counter Fraud Manager advised committee that he would review this area of risk in consultation with the council's IT Manager.

Decision

1. To note the contents of the report; and

2. To request that the Audit, Risk and Counter Fraud Manager review, in consultation with the IT Manager, the council's IT risks and business continuity arrangements in light of the council's increasing reliance on digitisation.

10. RISK MANAGEMENT STRATEGY 2018/19 TO 2022/23

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services advising of the Risk Management Strategy for 2018-19 to 2022-23.

Following the local election in May 2017 and the establishment of an Audit Committee and a separate Governance and Risk Committee it was considered appropriate to prepare separate strategies covering internal audit and counter fraud and risk management. The Risk Management Strategy was attached to the report at Appendix 1

The outcome of the Risk Management Strategy was effective risk management arrangements enabled corporate, service and project risks to be properly identified, assessed and managed. The strategy incorporated appropriate performance indicators and actions and provided progress to be reviewed by the Governance and Risk Committee.

It was recommended that the Governance and Risk Committee :-

1. Notes the Risk Management Strategy for 2018-19 to 2022-23 as approved by Council Executive on 12 June 2018;

2. Notes that the Governance and Risk Committee would be asked to conduct an annual review of progress in implementing the Strategy; and

3. Notes that in accordance with the suggestion at the Partnership and Resources Policy Development and Scrutiny Panel, in future when developing the Risk Management Strategy, the Governance and Risk Committee would be consulted prior to its approval.

Decision

To note the terms of the report.

11. WORKPLAN

The workplan had been submitted for the information of the committee.

Decision

To note the contents of the workplan

MINUTE of MEETING of the PERFORMANCE COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 28 MAY 2018.

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

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The committee confirmed the Minute of its meeting held on 12 March 2018 as a correct record. The Minute was thereafter signed by the Chair.

3. PROPERTY MANAGEMENT AND DEVELOPMENT UNIT PERFORMANCE

The committee considered a report and a presentation (copies of which had been circulated) by the Head of Finance and Property Services providing an overview of the Property Management and Development Unit together with details of service performance.

The report advised that the Property Management and Development Unit (PM&D) provided a wide range of property related services to both internal and external customers.

During 2017/18, PM&D led on the development of a New Corporate Asset Management Strategy for the period 2018/19 to 2027/28 and also supported the establishment of the council's approved ten year Capital Investment Programme 2018/19 to 20127/28, including the detailed development of the Property Capital Programme for the same period.

PM&Ds performance was regularly measured through a suite of performance indicators in line with the council's performance management framework. These indicators were representative of a range of activities delivered by the unit and included statutory, public performance reporting and management indicators as well as customer and staff perception. Appendix 1 provided a sample of PM&D performance indicators.

PM&D completed its triennial WLAM Assessment in February 2018. The outcome of the assessment showed an improvement from the last WLAM Assessment. In light of the strong performance, the unit was placed on a three year WLAM review cycle.

The Head of Finance and Property Service explained that PM&D was subject to an external assessment for CSE in January 2017 and was successful in passing that assessment.

The report recommended that the committee;-

1. Note the contents of the report and appendix

2. Provide feedback on performance

3. Identify any recommendations for performance improvement.

There then followed a number of questions in relation to customer satisfaction responses, carbon emissions performance measures, energy costs for buildings, costs, how assets were assessed as being surplus and the delivery of the capital programme.

In response to questions the officer undertook to provide the committee members with information on energy efficiency monitoring on individual buildings and how this was utilised through the revenue budget. The committee was advised that monitoring of the capital programme highlighted more overt scrutiny on project delivery timing and quality. Benchmarking with other local authorities and the private sector with regard to commercial property lets showed West Lothian was doing well, which was the result of flexible terms for a wide range of properties.

The committee noted the low level of customer response and recommended that consideration be given to alternative methods for the collection of Customer Satisfaction Responses.

Decision

1. To note the terms of the report.

2. To recommend that consideration be given to alternative methods for collecting Customer Satisfaction Responses.

4. ROADS AND TRANSPORTATION SERVICES PERFORMANCE

The committee considered a report (copies of which had been circulated) by the Head of Operational Services, providing an overview of the activities and performance of Roads and Transportation Services. Appendix 1 provided details of performance indicators for the service.

The report advised that Roads and Transportation provided an integrated service to construct, manage and maintain the road, footpath and transportation network in West Lothian. The service managed over 1,004 km of public roadway, 1,281km of public footway 46,983 street lights, 149 traffic light installations,, over 1,900 grit bins, 11, 250 illuminated and non-illuminated signs and bollards, 576 bridges and other structures.

The service measured a suite of performance indicators in line with the council's performance management framework. These indicators were representative of the range of services delivered by the service and included measures of both customer and staff perception.

Roads and Transportation Services had their three yearly WLAM assessment in November 2015. Following feedback the service was placed on WLAM cycle 3 and had been asked to report back to the panel each year to provide updates on progress against improvement actions identified.

The service measured customer satisfaction within their main customer groups. For two years Roads and Transportation Services expanded their survey base by participating in the National Highways and Transport (NHT) Public Satisfaction Survey as well as the Operational Services customer survey. The NHT was sent by post to a random sample of 3300 residents in West Lothian and received 721 returns, whilst the Operational Services survey was sent to 1327 members of the Citizen's Panel and received 105 responses.

The report recommended that the committee:

1. Note the contents of the report and appendix 1;

2. Provide feedback on service performance; and

3. Identify any recommendations for performance improvement.

There then followed a number of questions in relation to flooding issues in particular areas, customer satisfaction results, the NHT survey, lighting cost comparisons and benchmarking, complaints, sickness absence and road casualty reduction.

In response to these questions the officer explained the surveys were sent to the Citizens Panel however, there had been a reduction in responses. The service also used the NHT survey which provided comparisons with other local authorities which was sent to 3300 residents with a 22% return. The officer undertook to provide the committee with the full report on the NHT survey and APSE performance benchmarking. A copy of the Scottish Government report on road casualty reduction information would also be provided. Information would also be provided with regard to cost comparisons on old model lighting and new lighting columns. Committee members were also invited to visit the flood team to view the technology used in relation to flood risk management.

It was advised that the service had received 8000 enquiries and 500 complaints. Sickness absence was a concern fluctuating between 6% and 8% with the summer months having the highest levels of sickness absence.

The committee commented that customer perception was important, as well as good quality performance measures. It noted the high level of sickness absence resulting in difficult circumstances.

<u>Decision</u>

To note the terms of the report.

5. COMPLAINT PERFORMANCE REPORT 2017/18 -

The committee considered a report (copies of which had been circulated) by the Depute Chief Executive providing the council's annual report 2017/18. Appendix 1 and 2 provided details of council wide performance against SPSO defined measures for 2017/18 and appendix 2 contained Scottish Local Authority average comparative performance information.

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 Corporate Complaint Performance breakdown for Quarter 3: 2017/18 complaints by category over 5 years. The table showed that there was a decrease in complaints received by the council in 2017/18 when compared to the previous year from 3414 to 3169.

Table two provided a breakdown of complaints closed by service from 2013/14 to 2017/18. Table three broke down the annual complaints closed by complaint category over a five year period.

The Depute Chief Executive explained that 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 (HCBS) and Operational Services were the main complaint generators.

There was a decrease in Policy Related complaints which was attributable to a large reduction in Operational Services Policy complaints from the equivalent quarters in 2016/17. An increase in Employee Attitude complaints was driven by Operational Services.

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 performance against the 4 key indicators.

Table 5 provided indicative ratios for the number of complaints against the specific customer groups for Education Services, Housing, Customer and

Building Services and Operational Services.

A target of 85% was currently set for the percentage of complaints which must be dealt with within timescale. Across the council 49.1% of all complaints received in 2017/18 had been upheld/part upheld.

In conclusion the report advised that Social Work Complaints Review Committee ceased to have a statutory function and all Social Care complaints would now be considered within the council's complaints handing procedure.

In 2017/18 the council received 3169 complaints which represented a decrease on the number of complaints received in 2017/18. This decrease was primarily linked to the 11% reduction in complaints closed by Operational Services and 6% by Housing Customer and Building Services. It was noted that there was a reduction in complaints closed across several key front line services.

It was recommended that the Performance Committee :-

1. Note the council's annual Complaint Performance Report 2017/18;

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

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

Discussions then took place in relation to a number of issues raised by the committee members particularly with the number of complaints with regard to employee attitude and standard of workmanship.

The committee was advised that Housing, Customer and Building Services and Operational Services had been provided with the Customer Care training programme.

The committee then asked whether an evaluation on the effectiveness of this training had been carried out. The officer undertook to provide the committee with this information. The officer also undertook to provide the committee members with details of in-house assessments of the standard of workmanship and repeat visits.

It was also agreed that Scottish Comparative Figures would be circulated to members for information.

<u>Decision</u>

1. To note the terms of the report.

2. To note that an evaluation of the effectiveness of Customer Care Training and details of in-house assessments of the standard of workmanship would be circulated.

3. To note that the Scottish Comparative Figures would be circulated for information.

6. <u>WLAM PROGRAMME 2017/20 - PROGRESS REPORT ON YEAR 1 (2017/18).</u>

The committee considered a report (copies of which had been circulated) by the Depute Chief Executive providing a summary of the progress made in year one of the council's three year programme of self-assessment activity during the period 2017/18.

The report advised that self-assessment was an important part of the council's approach to improving services, encouraging innovation from within and positively engaging in service planning and improvement.

The Depute Chief Executive explained that the West Lothian Assessment Model (WLAM) was used to assess the quality and cost effectiveness of council services provided to the community. It was based on the European Foundation for Quality Management (EFQM) Excellence Model and provided a consistent structure around which performance and improvement could be supported.

All services complete a WLAM and attend an officer-led scrutiny panel at least once during a three-year improvement cycle. The WLAM self-assessment was completed by a representative group of staff from the WLAM unit ensuring that staff were able to contribute to developing and improving the service.

The report went on to advise that the council adopted a new self-assessment framework in 2017/18 which required a significant amount of development in quarter one of this year and a re-phasing of services into years two and three of the programme.

Six of the seven WLAM assessments that were scheduled to be undertaken in this year concluded, while there was slippage in one due to operational factors.

The report contained details of the combined average total scores of the services completing the WLAM process together with comparative information from previous cycles.

One change was made to the recognised WLAM units which was Fleet and Community Transport being realigned to other services within Operational Services.

The programme of self-assessment and internal scrutiny activity in council services during the period 2018/19 comprised of 16 services which were detailed in the report. Appendix one contained the programme details.

The report recommended that the committee note the progress made during 2017/19 and the planned programme of activity in council services.

Decision

To note the terms of the report.

MINUTE of MEETING of the EDUCATION (QUALITY ASSURANCE) COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 24 APRIL 2018.

Present – Councillors Stuart Borrowman (Chair), David Dodds, Pauline Clark, Lawrence Fitzpatrick, Peter Heggie, Chris Horne, Dave King, Andrew Miller, George Paul, Moira Shemilt and Damian Timson; Appointed Representatives: Myra Macpherson and Margaret Russell.

Apologies – Councillors Carl John and Charles Kennedy; Appointed Representative Lynne McEwen; Parent Council Representative Eric Lumsden.

1. DECLARATIONS OF INTEREST

Agenda Item 6: Uphall Primary School

Myra Macpherson declared an interest as she had some involvement in the VSE process at Uphall Primary School.

2. MINUTE

The committee confirmed the minute of the Education (Quality Assurance) Committee meeting held on 27 February 2018 as being a correct record. The Chair thereafter signed the minute.

3. VALIDATED SELF EVALUATION: ELIBURN NURSERY CLASS

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the progress of the action plan for Eliburn Early Learning and Childcare (ELC) setting.

The focus of the follow-up report from the VSE carried out in January 2018 was:

- To review progress and assess the impact of actions taken to enhance the quality of children's learning experiences.

The report advised that there was a clear strategic direction and vision for the ELC setting at Eliburn which was promoting high expectations and standards for children and families. An increased focus on supporting practitioners in developing their understanding of continuity and progression in learning for all children was leading to improvements being made. Developing robust assessment of skills progression within early literacy and numeracy would continue to be a priority. The report also highlighted that there was an improvement in four out of the five quality indicators for the ELC class since the previous VSE carried out in October 2016.

The Education Officer, Phyllis Wood, and Head Teacher, Iain McDermott, then provided members of the committee with an update on the actions arising from the VSE process and responded to questions from members. The ELC setting now has a good understanding of its strengths and areas for improvement. The VSE team was confident that the school's self-evaluation was robust and would enable the centre to continue to move forward.

During the course of the discussion it was noted that although the nursery operated on a separate site to Peel Primary School this did not present any logistical issues, nor did it effect integration with Peel Primary School.

The Head of Education (Curriculum, Quality Improvement and Performance) then assured the committee that despite the 2018 VSE review team comprising of less officers than the review carried out in October 2016, the knowledge and credibility of the officers involved was outstanding and recognised as sector leading. The support from the Early Years Central Team and the improved joined up approach within the nursery would ensure children's learning continued to improve.

The committee thanked the Head Teacher and Education Officer for attending the meeting and providing an update. Members were generally pleased with the progress made in the nursery class and were confident that, under the leadership of the Head Teacher, further improvements would be made.

Decision

To note the contents of the report and the update from the Head Teacher and Education Officer.

4. VALIDATED SELF EVALUATION: UPHALL PRIMARY SCHOOL

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the outcome of the Validated Self Evaluation (VSE) carried out at Uphall Primary School and Nursery Class.

The focus of the VSE was:

- Leadership of change;
- Raising attainment and achievement; and
- Arrangements for ensuring wellbeing, equity and inclusion.

The Head of Education (Curriculum, Quality Improvement and Performance) advised the committee that the central education team had recognised that the school should have been performing at a higher level and had put in place significant supports to ensure improvements were made. It was noted that the school had been particularly affected by a number of changes in school. The committee was assured that the school now benefitted from a strong Head Teacher who was visionary in her output and was supported by a very strong parent council. The school was now making significant progress.

The Education Officer, Phyllis Wood, and Head Teacher, Carol Fawkes, then provided the committee with an update on the actions arising from the VSE. The refreshed vision statement for the school was created with the involvement of children and staff. Effective strategies were in place to translate the school's vision, values and aims into daily practice. Tracking and monitoring systems were now in place using data more fully for continued improvement. Staff were engaging with parents and families, ensuring they felt supported and systems were being developed to share the children's wider achievements with parents and the school community.

The committee was also provided with an update on the school's proposals to close the poverty related attainment gap, using pupil equity funding interventions focusing on literacy and numeracy.

The school would continue to be supported by the Quality Improvement Team until the quality indicators improved from 'satisfactory' to 'good' or 'very good'.

In response to a question relating to pupil numbers recorded within the report, Greg Welsh, Quality Improvement Manager, undertook to investigate the inconsistencies highlighted and update members following the meeting.

Although the committee was satisfied that the school was on an upward trajectory, it was recommended that a further progress report should be presented to the committee in one year's time.

It was recommended that the committee notes the contents of the report and the school's arrangements for continuing improvement through ongoing engagement with the Quality Improvement Team.

Decision

1. To note the contents of the report and the school's arrangements for continuing improvements;

2. To note that the Quality Improvement Manager undertook to investigate inconsistencies in pupil numbers within the report and update members thereafter; and

3. To agree that an update report be presented to the committee in one year's time.

5. VALIDATED SELF EVALUATION: OUR LADY OF LOURDES PRIMARY SCHOOL

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the outcome of the Validated Self Evaluation (VSE) carried out at Our Lady of Lourdes Primary School.

The focus of the VSE was:

- Leadership of change;
- Raising attainment and achievement; and
- Arrangements for ensuring wellbeing, equity and inclusion.

The Education Officer, Margaret Johns, and the Head Teacher, Eileen Brennan, provided the committee with an update on the arrangements put in place to address the six actions arising from the VSE. Staff would continue to build on existing systems, collaborating with parents and partners including them in self-evaluation exercises. A number of challenges and benefits were also highlighted within the school. A strategic curriculum plan was in place to develop and embed learning pathways in all curricular areas which would support pace in learning for all children, with focus on raising attainment.

The Head Teacher then responded to questions from members of the committee. In response to a question relating to the Teacher Professional Judgements she advised that the make-up and circumstances of cohorts within the school were a driving factor for the Teacher Professional Judgements being lower in some indicators when compared to the previous year.

The report advised that staff were regularly engaging in professional dialogue to develop a shared understanding of strategies for raising attainment. The school also benefitted from an active and supportive Parent Council with parents and families of all children being invited into the school to share learning events and initiatives.

The committee thanked the Head Teacher and Education Officer for attending the meeting and providing an update. Members acknowledged the positive report and were confident that the school, under the leadership of the Head Teacher, would continue to improve attainment.

The school has a clear understanding of its strengths and areas for improvement and the Quality Improvement Team was confident that the school's arrangements for improvement through self-evaluation would continue to lead to further improvement in attainment and achievement for all learners.

It was recommended that the committee notes the contents of the report and the school's arrangements for continuing improvement.

Decision

To note the contents of the report and the update from the Head Teacher and Education Officer.

6. VALIDATED SELF EVALUATION: SPRINGFIELD PRIMARY SCHOOL AND BONNYTOUN NURSERY

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the outcome of the Validated Self Evaluation (VSE) carried out at Springfield Primary School and Bonnytoun Nursery.

The focus of the VSE was:

- Leadership of change;
- Raising attainment and achievement; and
- Arrangements for ensuring wellbeing, equity and inclusion.

The Education Officer, Jackie Speirs, and Head Teacher, Mark Wells, provided the committee with an update on the actions arising following the VSE. Members were advised that the senior leadership team remits and the curriculum had all been refreshed to strengthen curriculum structures and flexible pathways with consistent use of Benchmarks and West Lothian pathways to ensure increased levels of pace and challenge in learning. Innovative practice was being introduced across the school with more robust tracking and monitoring systems being implemented to ensure consistency across the school providing a holistic overview of attainment, achievement and need.

The report advised that strategic plans for change and improvement were being developed to improve leadership of improvement at all levels. All staff were engaging in evaluation of school improvement against national guidance, quality indicators and models of high quality practice. Rigorous self-evaluation processes were being developed which would lead to consistency in evaluations of progress and shared understanding of the school's strengths and next steps.

The Head Teacher then responded to questions from members of the committee.

The Quality Improvement Team would continue to provide regular support and challenge to the school on its areas identified for action and on its continuous improvement journey.

The committee thanked the Education Officer and Head Teacher for the update provided. Members acknowledged the good progress made by the Head Teacher in the short time since his appointment however, they were disappointed that two of the quality indicators for the school were satisfactory. The committee called for an update report to be provided in six months highlighted the progress being made.

It was recommended that the committee notes the contents of the report and the school's arrangements for continuing improvement.

Decision

1. To note the contents of the report and the update from the Head Teacher and Education Officer; and

2. To agree that an update VSE report be submitted to the committee in six months for consideration.

7. WORKPLAN 2017-2018

The committee noted the workplan (copies of which had been circulated).

The Head of Education (Curriculum, Quality Improvement and Performance) advised that the HMI Inspection Report on Westfield Primary School had not yet been released. Westfield Primary School would therefore be discussed at a future meeting.

The committee also noted that Letham Primary School had been due to undergo an HMI inspection which had been postponed following the death of a child in the school. A VSE report on the school would therefore be included on the workplan for the June 2018 meeting of the committee.

It was also agreed that an update VSE report would be provided in six months for Springfield Primary School.

Decision

To note the workplan subject to including the following:

- an HMI Inspection Report for Westfield Primary School to be submitted to a future meeting;

- a VSE report for Letham Primary School to be considered at the June 2018 meeting;

- an update VSE report to be submitted in six months for Springfield Primary School; and

- an update VSE report to be submitted in 12 months for Uphall Primary School.

MINUTE of MEETING of the EDUCATION (QUALITY ASSURANCE) COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, on 12 JUNE 2018.

Present – Councillors Stuart Borrowman (Chair), David Dodds, Chris Horne, Carl John, Charles Kennedy, Dave King, Moira Shemilt, Damian Timson; Appointed Representative Myra Macpherson.

Apologies – Councillor Pauline Clark, Peter Heggie, Andrew Miller, George Paul; Appointed Representatives Lynne McEwen and Margaret Russell; Parent Council Representative Eric Lumsden.

Absent – Councillor Andrew McGuire

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The committee confirmed the minute of its meeting held on 24 April 2018 as being a correct record. The Chair thereafter signed the minute.

3. EDUCATION SCOTLAND REPORT: WESTFIELD PRIMARY SCHOOL

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the progress of Westfield Primary School to address the areas for improvement identified in the Education Scotland report published on 28 February 2017.

The Education Officer, Maureen McNaughton, advised the committee that Education Scotland published a report on Westfield Primary School in February 2017 setting out a number of areas for improvement which were agreed with the school. Education Scotland Inspectors agreed to return to carry out a further inspection of the school within one year of publication of the report of February 2017. A continuing engagement inspection was carried out by Education Scotland in February 2018 and an update letter issued to parents/carers in May 2018.

The report outlined the improvements made in the four key areas for improvement identified by Education Scotland. Members of staff were engaging in the improvement plan and children have said that they were being encouraged to do their best. Inspectors stated that the school has made considerable progress and inspectors were confident that the school has the capacity to continue to improve and that no further visits in connection with the inspection were required.

The seconded Head Teacher, Rita Angus, advised the committee that staff were aware of the need for change and were continuing to build on their successes and ongoing improvements.

A number of systems and processes have been implemented to facilitate improvement across all aspects of the work of the school. The approach to self-evaluation and quality assurance has significantly improved and staff were engaging in a range of professional learning opportunities.

During the course of the discussion members of the committee acknowledged the excellent improvements made in school in such a short space of time under the leadership of the seconded Head Teacher, which were also recognised by HM Inspectors following their visit.

The committee thanked the Head Teacher and Education Officer for attending the meeting and providing an update. Members were pleased with the progress made in school in such a short space of time and were confident that improvements would continue to be made.

It was recommended that the committee note the contents of the report and the school's arrangements for continuing improvement.

Decision

To note the contents of the report and the update provided on the school's arrangements for continuing improvement.

4. VALIDATED SELF EVALUATION: HOWDEN ST ANDREW'S PRIMARY SCHOOL

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the outcomes of the Validated Self Evaluation (VSE) carried out at Howden St Andrew's Primary School.

The focus of the VSE was:

- Leadership of change;
- Raising attainment and achievement;
- Arrangements for ensuring wellbeing, equity and inclusion.

The Quality Improvement Manager, Greg Welsh, advised that the school has robust procedures in place for continuous learning and professional development.

The report stated that the Head Teacher provides effective leadership and the school has a clear understanding of its strengths and areas for improvement. The Quality Improvement team is confident that the school's arrangements for self-evaluation would continue to lead to improvement.

The Head Teacher, Lisa Moore, advised the committee that members of staff found the VSE process to be a positive experience for the school community. It was also reassuring to get validation of the quality indicators for the ELC setting and school. Relationships across the school community were positive and supportive and staff promoted a climate where children felt safe and secure. Through curriculum planning and approaches to learning and teaching enhanced opportunities have been developed for innovative and creative learning experiences for children. A clear strategy was in place for the use of digital technologies to consistently enhance pupil engagement and independence in learning at all stages, including the ELC setting. Overall, staff continued to engage in the raising attainment strategy for all children.

The Head Teacher then responded to questions from members of the committee. She advised that a number of different languages were spoken by children attending the school. Families were settled and doing well. In response to a question relating to the Pupil Equity Fund allocation received by the school, details were given of the plans to utilise the funding to address the attainment gap with additional support staff being employed to support and develop specific intervention programmes. In the development of health and wellbeing, the school has developed 'Give Us a Break' sessions, employed a play therapist and increased focused nurture provision to support the most vulnerable learners within the school. The impact the Pupil Equity Funding allocation has had on the school was being measured and initiatives being shared with other schools within the catchment area.

Details of the work carried out relating to family engagement opportunities in school were then given. A rigorous family engagement calendar was put in place at the beginning of each school year to encourage families to engage.

The committee was pleased with the excellent progress made and confident that the effective leadership in the school would continue to lead to improvements being made.

It was recommended that the committee note the contents of the report and the school's arrangements for continuing improvement.

Decision

To note the contents of the report and the update provided.

5. ST JOHN THE BAPTIST PRIMARY SCHOOL AND FAULDHOUSE NURSERY CLASS PROGRESS REPORT

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing an update on the progress made towards the actions which were identified following the school's VSE carried out in November 2017.

The Education Officer, Maureen McNaughton, advised that progress has been made since the previous VSE carried out in November 2017. A clear agenda was implemented to move the school forward with an ambitious but manageable plan to drive and support the development of the curriculum in line with local and national guidance. The school community continues to work with parents to offer a wide range of ways to support parents to engage in their child's learning and feedback received from stakeholders has been positive. It was also noted that evaluations for the ELC setting and school had improved from "satisfactory" to "good" which was positive. Further details of the work undertaken to identify areas for improvement and the progress made were outlined within the report.

The Acting Head Teacher, Angela Gardner, advised that members of staff worked hard over the last six months and were proud of the achievements made in the schools journey of improvement. Approaches to learning, teaching and assessment have become more consistent as a result of professional learning, which has had a positive impact on pupils. More opportunities were available for children to be more active in their learning and regular staff meetings were being held to discuss attainment.

Systems to gather and analyse accurate data were in place to evaluate impact and measure success. Parents were also being encouraged to be involved in their children's learning. The school now has clear learning, teaching and assessment guidance aligning with the school's vision and values. Staff, parents and families were supportive of the improvements made.

The Head Teacher then responded to questions from members of the committee. During the course of the discussion comments were made in relation to the reliability of Teacher Professional Judgement data contained in reports and whether more up to date information could be provided in future reports.

The Head of Education (Curriculum, Quality Improvement and Performance) advised that current data would not be available till later in the year. She undertook to review the information provided within future reports to the committee to make sure that as much up to date information was provided which could be shared at the time of submitting the report.

The Quality Improvement Team would continue to provide regular support and challenge to the school on its continuous journey of improvement.

It was recommended that the committee note the contents of the report and the school's progress in identifying areas for improvement.

Decision

1. To note the contents of the report and the update provided; and

2. To note that the Head of Education (Curriculum, Quality Improvement and Performance) undertook to review the data provided in future reports.

6. VALIDATED SELF EVALUATION: POLKEMMET PRIMARY SCHOOL

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the outcomes of the Validated Self Evaluation (VSE) carried out at Polkemmet Primary School.

The focus of the VSE was:

- Leadership of change;
- Raising attainment and achievement;
- Arrangements for ensuring wellbeing, equity and inclusion.

The Education Officer, Maureen McNaughton, advised that the Head Teacher had been in post since August 2017. The vision, value and aims of the school were established and the ethos and culture within the school reflected the strong commitment to ensuring children's rights and developing positive relationships. Members of staff were engaging in professional learning activities which has had a positive impact on pupil understanding of skills for learning, life and work. Members were also advised that following the actions arising from the VSE the quality indicators for 'curriculum' and 'raising attainment and achievement' would now be evaluated as 'good'.

The Head Teacher, Linda Baxter, then provided an update on the actions arising following the VSE. Parents were more involved in family learning and feedback received from parents was positive with requests received for more digital learning. The work carried out by the staff team and the approaches taken to refresh the curriculum rationale were excellent and provided high quality learning experiences for all children. As a result, the school's capacity for raising attainment in both literacy and numeracy has increased. Tracking and monitoring systems were in place to monitor learners' progress which were supported by more accurate teacher judgement of achievements. Work was also carried out to develop approaches to outdoor learning to ensure outdoor spaces were being used effectively to promote positive relationships and learning wellbeing.

The school improvement plan has had a significant impact on improving outcomes for learners. The school currently demonstrates a strong capacity for improvement and the commitment of all staff to leading change was recognised. The quality improvement team would continue to support the school to ensure continued improvement.

It was recommended that the committee note the contents of the report and the school's arrangements for continuing improvement.

The committee acknowledged the work being carried out and the impact this has had to improve the outcomes for learners. However, it was recommended that an update report be provided within one year to reassure members that improvements were being made.

Decision

1. To note the contents of the report and the update provided; and

2. To agree that an update report would be provided within one year.

7. VALIDATED SELF EVALUATION: LETHAM PRIMARY SCHOOL

The committee considered a report (copies of which had been circulated) by the Head of Education (Curriculum, Quality Improvement and Performance) providing details of the outcomes of the VSE carried out at Letham Primary School.

The committee was advised that the Head Teacher, Valerie Brodie, was retiring at the end of the school session and the newly appointed Head Teacher, Sharon Wallace, would take up post in August 2018. The committee thanked Ms Brodie for the excellent work she has done in school during her time as Head Teacher and acknowledged that she was well regarded in the community. Members thanked her for her commitment and contribution to education services and wished her well for the future.

The Education Officer, Phyllis Wood, provided members with an update on the findings of the VSE. Members of staff were committed to leading improvements in attainment for learners. Pupils and parents/carers were welcome and supported within a safe culture and stakeholders were involved in developing the shared vision, values and aims of the school. Targeted interventions were in place through Pupil Equity Funding (PEF) to ensure that learners experiencing barriers to learning were receiving support, which was being carefully tracked to monitor the impact of key improvements in literacy, numeracy and wellbeing. The newly appointed Head Teacher would continue to work with the Early Years team to bring about planned improvements.

The Head Teacher, Valerie Brodie, advised that part of the PEF enabled the school library to be refurbished which has had a positive impact on reading attainment and engagement pupils from P4-P7. A number of opportunities were offered to enable children to participate in additional activities and targeted interventions have made a significant impact in closing the attainment gap.

The Depute Head Teacher, Sharon Wallace, then advised members that Letham Primary School was awarded first place out of 32 local authorities in Scotland to win the First Minister’s Reading Challenge Award, which the school was delighted to report. A number of initiatives were also implemented to encourage children to enjoy and discuss their reading experiences, sharing good practice from an early age.

The Lead Officer, Early Years, Mvairi Lynch, provided the committee with an update on the work carried out in the ELC setting to enhance the support and leadership required to develop more rigorous and systematic ways to identify its strengths and the areas for improvement through the use of Quality Indicators. Work would continue to be carried out via the action plan in the new school session. It was also noted that an additional graduate was appointed as part of the Scottish Government's 1140 hour expansion plan to ensure positive outcomes for all children.

Finally, the School Improvement Plan has had a significant impact on improving outcomes for learners, particularly in literacy. The school currently demonstrates strong capacity for improvement and the commitment of all staff to leading change was predicted to continue with the appointment of the new Head Teacher in August 2018. The quality improvement team planned to continue to support the school to ensure continued improvement.

In the ELC setting, a clear action plan has been developed with the support of the WL Early Years' team, which was expected to secure well-paced improvements. The WL Early Years' team would continue to support and monitor progress in the ELC setting.

The committee acknowledged the update provided. However, due to the number of 'satisfactory' quality indicators within the ELC setting it was recommended that an update report be provided within six months relating to the ELC setting only to highlight the progress being made.

Decision

1. To note the contents of the report and the update provided; and
2. To agree that an update report be provided within six months relating to the progress being made within the ELC setting.

8. WORKPLAN 2017-2018

The committee noted the workplan (copies of which had been circulated).

It was agreed that the following items be included on the workplan:

- Polkemmet Primary School – Update VSE report to be provided within one year; and
- Letham ELC Setting – Update VSE report to be provided within six months.

Decision

To note the workplan subject to including the items highlighted above.

MINUTE of MEETING of the WEST LOTHIAN LEISURE ADVISORY COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, LIVINGSTON, on 12 APRIL 2018.

Present – Councillors Dave King (Chair), Alison Adamson, Tom Conn, Charles Kennedy, Andrew McGuire and David Tait

Apologies – Councillor Cathy Muldoon

In attendance
James Cameron, Head of Education (Learning, Policy and Resources)
Donald Forrest, Head of Finance and Property Services
Paul Stark, Active Schools and Community Sport Manager
Laura Tyrrell, Cultural and Instrumental Music Manager
Robin Strang, Chief Executive, West Lothian Leisure

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTES

a) The committee confirmed the minute of the meeting held on 1 February 2018 as being a correct record.

b) The committee confirmed the minute of the Special meeting held on 5 March 2018 as being a correct record.

c) The committee confirmed the minute of the Special meeting held on 23 March 2018 as being a correct record.

The Chair thereafter signed all the minutes approved.

3. PRIVATE SESSION

The committee resolved that under Section 50(A)(4) of the Local Government (Scotland) Act 1973, that the public be excluded from the meeting during discussion of items 4 (Monitoring Report) and 5 (West Lothian Leisure Financial Position) below on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 6 of Part 1 of Schedule 7A of the Act.

4. MONITORING REPORT: CULTURE, SPORT, LEISURE & OUTDOOR EDUCATION

The committee considered a report (copies of which had been circulated) by the Head of Education (Learning, Policy and Resources) providing an update on the operation of Culture, Sport , Leisure and Outdoor Education services delivered by West Lothian Leisure to 31 January 2018. West

Lothian Leisure Performance Dashboard to 31 January 2018 was attached as an appendix to the report.

The report focussed on activities under the 2017/18 West Lothian Leisure (WLL) Xcite business plan which was produced following consultation with all partners, including West Lothian Council and **sport**scotland, and approved by the WLL Board. The business plan identified the strategic and operational context for the delivery of services over 2017/18.

The report provided an update on the performance of the following service areas:

- Xcite Venues
- Howden Park Centre, Livingston
- Low Port Centre Outdoor Education Centre, Linlithgow
- Polkemmet Country Park's Golf Course and Range, Whitburn
- Sports, Leisure and Cultural Facilities at West Lothian Secondary Schools

The report then outlined the performance of culture, sport, leisure and outdoor education facilities. Officers from West Lothian Leisure and West Lothian Council continued to work in partnership to ensure the successful delivery of all culture, sport, leisure and outdoor education services.

The Chief Executive of WLL then provided details of the membership analysis for December 2017 and January 2018 as well as the number of customer visits recorded over this period. Members were also advised that the extension to the gym at Bathgate was now complete and the facility opened on 19 March 2018. Feedback received from members in relation to the extension to the gym was positive.

Officers then responded to questions from members of the committee. An update was also given relating to the transferring of services. Performance measures for transferring services continued to be developed and the introduction of an integrated IT network across the transferring sites was anticipated to improve monitoring, evaluation and performance across all West Lothian Leisure facilities.

Finally, facility improvements would continue to enable West Lothian Leisure to increase capacity at key sites in line with demand.

It was recommended that the committee notes the contents of the report.

Decision

To note the contents of the report and the update from the Active Schools and Community Sport Manager, the Community Arts and Instrumental Music Manager and the Chief Executive of West Lothian Leisure.

5. WEST LOTHIAN LEISURE FINANCIAL POSITION

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing an update in relation to the financial position for West Lothian Leisure (WLL) to 28 February 2018, a forecast for the 2017/18 financial year and an update of the recommendations approved by Council Executive on 26 March 2018 regarding the provision of one-off financial support to WLL for 2018/19. West Lothian Leisure's 2017/18 Projected Trading Statement was attached as an appendix to the report.

The report set out the financial performance of the WLL budget for the period to 28 February 2018 and reported a 2017/18 year-end financial forecast, which took into account relevant issues as identified by WLL.

A timetable was agreed with WLL to ensure current and relevant financial information was provided in the reports to the WLLAC. All financial information would be regularly monitored and analysed by the WLL and West Lothian Council Review Group, before being reported to WLLAC with a focus on potential implications for the council.

The Head of Finance and Property Services then responded to questions from members of the committee. In response to a question relating to information contained within the WLL 2017/18 Projected Trading Statement, attached as an appendix to the report, the Head of Finance and Property Services agreed to provide members with an explanation on the figures recorded which related to WLL Core (Surplus)/Deficit.

The committee was asked to note the recommendation in the report.

Decision

1. To note the recommendation in the report and the update from the Head of Finance and Property Services; and

2. To agree that the Head of Finance and Property Services would provide an update to members on WLL Core (Surplus)/Deficit.

MINUTE of MEETING of the WEST LOTHIAN LEISURE ADVISORY COMMITTEE of WEST LOTHIAN COUNCIL held within COUNCIL CHAMBERS, WEST LOTHIAN CIVIC CENTRE, LIVINGSTON, on 21 JUNE 2018.

Present – Councillors Dave King (Chair), Cathy Muldoon, Alison Adamson, Tom Conn, Charles Kennedy, Andrew McGuire and David Tait

In Attendance
James Cameron, Head of Education (Learning, Policy and Resources)
Donald Forrest, Head of Finance and Property Services
Laura Tyrrell, Cultural and Instrumental Music Manager
Robin Strang, Chief Executive, West Lothian Leisure

1. DECLARATIONS OF INTEREST

No declarations of interest were made

2. MINUTE

The committee confirmed the Minute of its meeting held on 12 April 2018. The Minute was thereafter signed by the Chair.

3. PRIVATE SESSION

The committee resolved under Section 50(A)(4) of the Local Government (Scotland) Act 1973, that the public be excluded from the meeting during discussion of the following items of business as it involved the likely disclosure of exempt information as defined in Paragraph 6 of Part 1 of Schedule 7A of the Act.

4. MONITORING REPORT: CULTURE, SPORT, LEISURE & OUTDOOR EDUCATION

The committee considered a report (copies of which had been circulated) by the Head of Education (Learning, Policy and Resources) providing an update on the operation of Culture, Sports, Leisure and Outdoor Education services delivered by West Lothian Leisure to 31 March 2018.

The report provided an end of year review of performance of West Lothian Leisure (WLL) to 31 March 2018. Following the revised Scheme of Administration for the West Lothian Leisure Advisory Committee, agreed by West Lothian Council on 22 May 2018, a report would now be submitted to the Council Executive each year following the publication of WLL's annual report and its consideration by the WLLAC.

In line with the revised governance and scrutiny arrangements, additional full year performance information was also provided in the report. This included the WLL end of year performance dashboard (Appendix A), West Lothian Council KPI's relating to performance of WLL (Appendix B) and relevant Local Government Benchmarking Framework (LGBF) Indicators (Appendix C).

The report then provided an update on performance of the following service areas :-

- Xcite Venues
- Howden Park Centre, Livingston
- Low Port Centre Outdoor Education Centre, Linlithgow
- Polkemmet Country Park's Golf Course and Range, Whitburn
- Sports, Leisure and Cultural Facilities at West Lothian Secondary Schools

Officers then responded to a number of questions from members of the committee on a range of subjects including staff turnover, promotion of Howden Park Centre, footfall across all the Xcite facilities and seasonal use of the Low Port Centre.

It was recommended that the West Lothian Leisure Advisory Committee notes the content of the report.

Decision

1. To note the content of the monitoring report;
2. To agree that future reports include details of footfall per Xcite facility;
3. To agree that future reports include a summary at the start of the report of the most pertinent and relevant points; and
4. To request that consideration be given to the colour and format of any graphs or charts to be included in future reports in light of the documents bring copied on yellow paper and not being available for members to view online.

5. WEST LOTHIAN LEISURE FINANCIAL POSITION 2017/18 AND 2018/19

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services) providing an update in relation to the draft outturn position for West Lothian Leisure (WLL) for the 2017-18 financial year and the 2018-19 financial position to 30 April 2018.

The report recalled that a timetable had been agreed with WLL to ensure current and relevant financial information was provided in the reports to the WLACC. All financial information would be regularly monitored and analysed by the WLL and West Lothian Council Review Group, before being reported to the WLACC with a focus on potential implications for the council.

The report also provided an update of the recommendations approved by Council Executive on 26 March 2018 regarding the provision of one-off financial support to WLL for 2018-19, including progress on the WLL four year plan for the period 2019-20 to 2022-23.

The Head of Finance responded to a number of questions from members of the committee and which included clarity on the manner in which figures were displayed in the appendix to the report and some of the categories against which expenditure was detailed.

It was recommended that the West Lothian Leisure Advisory Committee notes :-

1. The draft outturn position for the 2017-18 financial year;

2. WLL financial performance to 30 April 2018;

3. WLL were closely monitoring the 2018-19 cash flow forecast with regular updates being provided to the council;

4. The progress on the recommendations agreed by Council Executive on 26 March 2018 regarding the provision of one off financial support to WLL for 2018-19; and

5. The progress on the four year plan and that a report on the four year plan would be provided to the next meeting of the advisory committee

<u>Decision</u>

1. To note the contents of the report;

2. To request that the Head of Finance and Property Services provide actual budget information on a month-by-month basis as well as for the whole year; and

3. To request that the Head of Finance and Property Services and the Chief Executive for West Lothian Leisure provide further details in future reports on what constituted “Professional Services”.

DATA LABEL: PUBLIC

WEST LOTHIAN COUNCIL

REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2017/18 AUDIT

REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES

A. PURPOSE OF REPORT

To advise Council of the outcome of the 2017/18 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 2017/18 Annual Audit Report;
2. Approves for signature the audited Annual Accounts for 2017/18;
3. Refers the Auditor's Report and the 2017/18 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**	None
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 Audit Report and the Annual Accounts.

D. TERMS OF REPORT

D.1 INTRODUCTION

The report by Ernst and Young LLP on the 2017/18 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, wider scope audit, other audit deliverables and appendices.

The unaudited Annual Accounts for the year ended 31 March 2018 were considered by the Audit Committee on 25 June 2018, 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 26 June 2018. 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 2018 following approval of the Accounts.

As a result of Ernst and 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 2017/18 revenue out-turn figures as reported to the Council Executive on 25 June 2018. No action points have arisen from the Audit.

D.2 KEY MESSAGES IN THE ERNST AND YOUNG LLP REPORT

The key messages set out the Auditor's executive summary on outcomes from the 2017/18 Audit are as follows, all of which have been rated in terms of red / amber / green:

Financial Management	Green	There is an unqualified opinion on the financial statements and on the nine charitable trusts administered by the council The council demonstrates good financial control of the in-year budget. Budget Monitoring reporting is clear and accurately forecasts the out-turn position. The importance of good financial control is clearly understood across the council
Financial Sustainability	Amber	The council demonstrates good practice in forward financial planning. The five year revenue budget strategy approved in February 2018 covered 92% of the budget reduction measures required to meet its £65.3 million budget gap to 2022/23 Members and officers have responded to findings in the Best Value Assurance Report (BVAR) and prior year Annual Audit report The assessment of amber reflects the challenge facing all local authorities and the need for continued member and officer focus in delivering challenging levels of savings
Governance and Transparency	Green	The council has an effective governance structure through committee meetings, the Scheme of Administration and standing orders. The council has responded to findings through the BVAR to enhance its arrangements for effective scrutiny, challenge and transparency on decision making
Value for Money	Green	The council has a clear culture of improvement and a commitment to self- assessment of performance to ensure that services remain focussed on improvement There is a clear alignment from the Corporate Plan to the supporting corporate strategies which underpin delivery of the council's objectives Council services continue to perform well compared to other councils

D.3 SUMMARY OF 2017/18 REPORT

The main body of the report is divided into the following sections.

- Financial statements audit;
- Wider scope audit and Best Value including
    - 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 Economic Development Properties Statutory Trading Operation (STO) was raised as an issue in the report, noting the council had failed to achieve its statutory financial objective, which prescribes that STO's break even over a three year rolling period. The reason for the failure to achieve the statutory financial requirement is due to impairment charges in each of the three years from 2015/16 to 2017/18. Excluding these impairment charges, a cumulative surplus of £1.2 million would have been reported.

There were a number of audit differences identified in relation to Property, Plant and Equipment (PPE) assets, pensions assets and presentation of internal recharges which have been adjusted from the unaudited Annual Accounts.

1. Revaluation adjustment to correct an increase in value of other land and buildings revalued in the current year (£0.78 million)
2. Adjustment to pension assets as a result of an error in actuarial assumptions (£16.19 million)
3. Representation of internal recharges

The overall impact of audit differences was to increase net assets as at 31 March 2018 by £15.41 million in the consolidated balance sheet.

The Auditor has also given an unqualified audit opinion on the 2017/18 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.

Ernst and Young have set out their key messages in respect of each of the dimensions of public sector audit, along with an overall assessment of each of these in terms of red / amber / green (per section D2).

The council was selected as one of the councils to receive a BVAR in the first year of the new arrangements, with the report considered and published by the Accounts Commission in November 2017. In its findings, the Accounts Commission reported positively on the performance of the council, acknowledging that its services continue to perform well and delivering positive outcomes for the people of West Lothian. The Commission also endorsed the recommendations set out by the Controller of Audit in the report, expecting the council to act on these. The council has progressed these actions and by June 2018 essentially all actions had been completed.

D3.3 Financial Management (Green)

The report highlights the operating performance of the council in 2017/18, 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 demonstrated good financial control of the in-year budget and in-year management of financial pressures, that budget monitoring reporting is clear and that it accurately reflects the out-turn position.

The Auditor has identified that the council currently has one of 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 enabling elected members to decide on this matter on an annual basis.

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 (Amber)

The Auditor is required to review the council's medium to long term financial sustainability and is planning effectively to continue to deliver its services.

Within their report the Auditor has concluded that:

- the council has demonstrated best practice in forward financial planning, approving detailed three year budgets, within the context of a five year plan;
- the five year revenue budget strategy approved in February 2018 covered 92% of the budget reduction measures required to meet its £65.3 million budget gap to 2022/23;
- members and officers have responded fully to findings in the BVAR and prior year annual audit report.

Ernst and Young have assessed the financial sustainability of the council to be amber. However they have stated that this assessment is to reflect the challenge facing all local authorities and the need for continued member and officer focus in delivering challenging levels of savings in the challenging environment facing local government, citing for example:

- the significant uncertainty around terms for the UK's withdrawal from the European Union (EU);
- revenue funding from the Scottish Government has fallen in real terms by 9.6% between 2010/11 and 2018/19;
- Scotland's population is getting older, leading to increased demand for social care services and fewerworking age people to fund public services.

In terms of capital, the report notes that the council approved a ten year general services capital investment strategy and a five year housing capital investment strategy in February 2018, in combination with the updated Corporate Asset Management Strategy.

D3.5 Governance and Transparency (Green)

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and transparent reporting of financial and performance information.

Within their report the Auditor has concluded that

- The council has an effective governance structure through committee meetings, the scheme of delegation and standing orders
- The council has responded to findings through the BVAR to enhance its arrangements for effective scrutiny, challenge and transparency on decision making

The council demonstrates a clear commitment to enhance governance and transparency.

D3.6 Value for Money (Green)

The Auditor concludes that the council has a clear culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. The Auditor states that there is a clear alignment from the Corporate Plan to the supporting corporate strategies which underpin delivery of the council's objectives.

The Auditor notes that the council has approved all of its new corporate strategies and adopted a new self-assessment framework during 2017/18 and concludes that council services continue to perform well compared to other councils.

E. CONCLUSION

The Auditor has provided an unqualified opinion on the council's financial statements for 2017/18 and has made no recommendations for action following the audit.

In conclusion, this is the second year that the audit has been carried out by Ernst and Young LLP for West Lothian Council. Following a debrief in January 2018 with Ernst and Young and the council's finance team, we constructively reviewed the first year audit process in order to learn lessons and provide and support efficiencies in the second year of audit. Ernst and Young advanced key elements of audit testing to earlier in the year, to reduce the burden of the audit on the finance and audit team over the summer period. The council utilised Ernst and Young software to streamline the data transfer process and facilitate online queries and reporting.

Overall, council officers and auditors have worked together professionally and constructively and will continue to review the experience each year to identify areas of learning and improvement for future years.

F. BACKGROUND REFERENCES

2017/18 Audited Annual Accounts for West Lothian Council
Ernst and Young LLP - 2017/18 Annual Audit Report to Members and the Controller of Audit

Appendices/Attachments: Ernst and Young LLP – 2017/18 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
25 September 2018

West Lothian Council

Annual Audit Report to Members and the Controller of Audit - year ended 31 March 2018

25 September 2018

Building a better working world

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 Diane McGiffen, 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.

1. Executive Summary

Executive Summary – purpose and scope

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 Financial Reporting Council; 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 members of the Council and the Controller of Audit, and presented to both Council management and those charged with governance. After consideration by the Council, this report is provided to Audit Scotland and published on their 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 19 March 2018. We summarise these responsibilities of the Council in Appendix A.

Our Annual Audit Plan set out an overview of our audit scope and approach for the audit of the 2017/18 financial statements. We carried out our audit in accordance with the plan. We applied the following level of materiality to our audit.

- Materiality for our audit – no change to that reported in our Annual Audit Plan — £13.0 million
- Tolerable Error is our materiality applied at an individual account balance – no change — £6.5 million
- Reporting threshold, set in line with the requirements of the Code – no change — £0.25 million

Financial statement audit

We are responsible for conducting an audit of the financial statements of the Council. We provide an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the Council and its group as at 31 March 2018 and its expenditure and income for the year then ended; and
- whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published by the Council along with its financial statements.

Wider scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit. Our audit work over the wider scope audit dimensions compliments our financial statements audit.

Key contacts

Stephen Reid, Partner
sreid2@uk.ey.com

Rob Jones, Senior Manager
rjones9@uk.ey.com

Ernst & Young LLP, Atria One, 144 Morison Street, Edinburgh EH3 8EB

Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our assessment of our continuing assessment of our independence to act as your external auditor.

Financial statements audit - key messages

We [have issued] unqualified audit opinions on the Council and group financial statements as well as in respect of the Council's various trusts. We have concluded satisfactorily in respect of each of the significant risks and audit focus areas identified in our Annual Audit Plan.

The annual accounts, statement of responsibilities, governance statement and remuneration report were received at the start of the audit fieldwork. The annual accounts were of consistent high quality, as were supporting working papers.

No audit adjustments were required to the unaudited annual accounts which impacted on the reported surplus/deficit on provision of services in the year.

Management responded positively to audit comments to enhance the narrative and presentational aspects of reporting, with constructive relationships between senior management, finance and the audit team.

Progress against recommendations in the BVAR - key messages

During 2016/17, the Council was selected to receive a BVAR. The report was considered and published by the Accounts Commission in November 2017. In its findings the Accounts Commission reported positively on the performance of the Council, acknowledging that its services continue to perform well and delivering positive outcomes for the people of West Lothian.

As part of the 2017/18 external audit we considered both the Council's approach to tracking progress against the recommendations and the extent of completion of the required actions. In line with good practice, the Council had a structured approach to tracking and reporting progress to those charged with governance. By June 2018 essentially all actions had been completed. Elements of the recommendations will of course require ongoing work to deliver, but the key actions required to respond had been identified.

Wider scope audit - key messages

We set out below our key messages in respect of each of the dimensions of public sector audit, along with our overall assessment of each of these in terms of red / amber / green.

Financial management	▸ The Council demonstrates good financial control of the in-year budget ▸ Budget monitoring reporting is clear and accurately forecasts the out-turn position ▸ The importance of good financial control is clearly understood across the Council	Green
Financial sustainability	▸ The Council demonstrates good practice in forward financial planning. The five year revenue budget strategy approved in February 2018 covered 92% of the budget reduction measures required to meet its £65.3 million budget gap to 2022/23. ▸ Members and officers have responded to findings in the BVAR and prior year annual audit report ▸ Our assessment of amber reflects the challenge facing all local authorities and the need for continued member and officer focus in delivering challenging levels of savings	Amber
Governance & transparency	▸ The Council has an effective governance structure through committee meetings, the scheme of delegation and standing orders. ▸ The Council has responded to findings through the BVAR to enhance its arrangements for effective scrutiny, challenge and transparency on decision making	Green
Value for money	▸ The Council has a clear culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement ▸ There is a clear alignment from the Corporate Plan to the supporting corporate strategies which underpin delivery of the Council's objectives ▸ Council services continue to perform well compared to other councils	Green

2. 2017/18 financial statements audit

2. Summary of 2017/18 audit opinion

The detailed form and content of our audit report, and the requirements underpinning the report, are set out in guidance issued by Audit Scotland. This covers our reporting requirements in accordance with International Standards on Auditing (UK), plus those matters prescribed by the Accounts Commission.

Element of Audit opinion	Nature of opinion and basis for that
Opinion on financial statements	**Unqualified opinion**
▶ Truth and fairness of the state of affairs of the Council and its group at 31 March 2018 and of the income and expenditure for the year then ended ▶ Preparation of the financial statements in accordance with the relevant financial reporting framework	▶ Performance of audit procedures to respond to our assessed risk of misstatement, including significant risks ▶ Accounting policies are appropriate and estimates are reasonable ▶ Completion of financial statement disclosure checklists / consideration of relevant guidance issued by CIPFA / Audit Scotland
Conclusions relating to the going concern basis of accounting	**No matters to report**
▶ The use of the going concern basis of accounting used in the preparation of the financial statements is not appropriate	▶ Supported by our core financial statements audit work, supplemented by our wider scope audit procedures in respect of financial sustainability
Other information in the annual accounts	**No matters to report**
▶ We are required to consider whether the other information in the annual accounts is materially inconsistent with the financial statements or our knowledge obtained in the audit.	▶ Review of committee minutes and papers / discussions with management / understanding of the business / participation in shared risk assessment
Opinions on matters prescribed by the Accounts Commission	**Unqualified opinions**
▶ The audited part of the Remuneration Report has been properly prepared in accordance with applicable regulations ▶ Information in the Management Commentary / Annual Governance Statement is consistent with the financial statements, and prepared in accordance with the relevant guidance	▶ We agreed the form of the report to the regulations and agreed the disclosures to underlying accounting records and supporting schedules ▶ We reviewed the content of the narrative statements to the information known to us in the audit, and against the requirements of the guidance
Matters on which we are required to report by exception	**One matter to report by exception:**
▶ Whether there has been a failure to achieve a prescribed financial objective ▶ Whether adequate accounting records have been kept ▶ Whether financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records ▶ Whether we have not received the information we require for our audit	▶ 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 ▶ In respect of the other areas, we obtained the Council's accounting records by data download and agreed the financial statements and the audited part of the Remuneration Report to these. ▶ We were provided with all the information we required

The Council's Annual Accounts enables the Council to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year.

Financial Statements Preparation 2017/18

Compliance with requirements

The Local Authority Accounts (Scotland) Regulations 2014 (the Regulations) 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.

The Council has complied with the relevant requirements.

In particular, the unaudited annual accounts were considered by the Audit Committee on 25 June, prior to their submission to us and well in advance of the deadline of 31 August. This demonstrates good practice.

Management ownership of recommendations for improvement

We made three recommendations in our prior year annual audit report in respect of financial statements preparation. These covered:

- documentation and approval of key judgements made in the financial statements;
- review of the process to ensure that property, plant and equipment valuations undertaken at 1 April still remain valid as at the year end; and
- review of the group boundary, specifically in respect of the accounting for West Lothian Leisure.

Management took these into account and tracked progress against them, ensuring they were actioned for the 2017/18 audit process.

Audit logistics

We held a debrief with the finance team to learn lessons from the first year audit and to support efficiencies in the second year of audit. We advanced key elements of audit testing to earlier in the year, to reduce the burden of the audit on the finance and audit team over the summer period.

Overall, in our view, the annual financial statements are prepared in a timely and efficient manner and there has been good cooperation provided across the finance team to support our audit work.

Other matters

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.

We did not receive any objections to the 2017/18 annual accounts from members of the public.

Audit differences

There are no unadjusted audit differences arising from our audit.

We discussed the Council's presentation of internal recharges and their interpretation of recent advisory guidance issued by LASAAC. As a result management revised the presentation of items in the comprehensive income and expenditure account. There was no impact on the reported deficit on provision of services as a result of the revisions.

One minor adjustment was required to the balance sheet in respect of an arithmetical error within an asset valuation calculation.

An adjustment was made to the Council's share of the Lothian pension scheme's net liability, as determined by IAS19 accounting requirements, as a result of a material difference between the Lothian Pension Scheme actuary's estimation of the value of the Scheme's assets at 31 March 2018 and the actual outturn.

2. Significant audit risks

EY

Significant risk - risk of fraud in income and expenditure recognition: ISA (UK) 240 requires us to make a rebuttable presumption that the fraud risk from income recognition is a significant risk. In the public sector, we extend that to consider the risk of material misstatements by manipulation of expenditure.

Our overall approach

We rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax and non-domestic rate income. This was because we considered that there is no judgement in respect of the recognition of these income streams.

We undertook walkthroughs in respect of the processes management has established to account for key income and expenditure streams. We obtained data downloads of the Council's financial ledger in order that we could trace the key transactions through initiation to recording in the financial statements.

Key components of the Council's income	Significant risk	2017/18 (£m)
Council tax income	×	65.6
Non domestic rates distribution	×	90.0
Non ring-fenced government grants	×	221.0
Capital grants and contributions	✓	28.8
Service income	✓	235.8
Interest and investment income	×	26.1
Total income		**667.3**

Key components of the Council's expenditure	Significant risk	2017/18 (£m)
Employee Expenses	×	240.7
Other services expenditure	✓	313.6
Depreciation, amortisation & impairment	×	146.3
Support services	×	18.2
Interest payments	×	61.0
Gain on disposal of assets	×	(2.4)
Total Expenditure		**777.4**

What did we do in response to the significant risk over income and expenditure streams?

- 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 (eg. debits to income, credits to expenditure) 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.

All audit procedures to address significant risks to the financial statements are performed at a lower materiality level than for other accounts.

Other audit procedures – non-significant risk areas:

Council tax / Non-domestic rates income: We established detailed expectations of income and expenditure and checked the reconciliation to the relevant feeder system.

Non ring-fenced grant income: Substantively tested these balances to grant confirmation letters.

Employee expenses: Bespoke data analysers provided an understanding of all payroll transactions in the year, which were reconciled to payroll system.

Depreciation, amortisation & impairment: We undertook testing of these balances in conjunction with our work on property, plant and equipment.

Interest income / payments: We agreed balances to bank and other loan confirmations.

What are our conclusions

- Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

Revenue recognition – looking ahead
IFRS 15 – Revenue From Contracts With Customers The applicable accounting framework is CIPFA's annual Code of Practice on Local Authority Accounting in the United Kingdom (which is IFRS based as adapted for Local Authorities). The 2018/19 Code will apply to accounting periods starting on or after 1 April 2018. The 2018/19 Code will determine how IFRS 15 *Revenue from Customers with Contracts* will be adopted by local government bodies. It is our view, that IFRS 15 will not have a material impact on this Council's financial statements. The vast majority of the Council's income streams are taxation or grant based. The following income streams are within the scope of IFRS 15, but are not expected to result in major adjustments to the accounting treatment: ▶ fees and charges for services under statutory requirements; ▶ sale of goods provided by the authority; and ▶ charges for services provided by a local authority. We look forward to working with management to ensure any relevant changes in requirements are considered and dealt with effectively.

Significant risk – misstatement due to fraud or error: As identified in ISA 240, management is in a unique position to perpetrate fraud in its financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively.

We respond to this risk on every engagement	
Audit procedures performed	**What did we find?**
We gave consideration to the risk of fraud, inquiring of management about their assessment of the risks of fraud and the controls put in place to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.	We have not identified any material weaknesses in controls or evidence of material management override.
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.
Consistency and application of accounting policies / overall presentation of financial information	We consider the accounting policies adopted by the Council to be appropriate. There are no significant accounting practices which materially depart from what is acceptable under IFRS or the Code. Following discussion with management on their interpretation of the LASAAC Advisory Guidance in respect of internal recharges. management revised the presentation in the Comprehensive Income and Expenditure Statement (CIES). The presentation is now compliant with the 2018/19 Code. Appropriate segmental reporting information has also been reported. There was no impact on the surplus/deficit position as a result of the adjustment.

What are our conclusions

- 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.

2. Other inherent audit risk areas

Higher inherent risk – valuation of property, plant and equipment: The fair value of PPE represent significant balances in the Council's financial statements and are subject to valuation changes, impairment reviews and depreciation charges.

What judgements are we focused on?

The Council's property, plant and equipment portfolio is significant, totalling £1.7 billion of assets at the year end. In terms of the focus of our work, the main judgements are in respect of:

- Council dwellings – due to the materiality of the balance and the judgements in the methodology for social housing valuation
- Other land and buildings – this is the most material grouping of assets, covering most of the Council's operational assets. Asset categories included here which were valued in 2017/18 included development land, car parks and depots.
- Infrastructure assets, assets under construction and vehicles, plant, furniture and equipment categories of assets are valued at historical cost. As such, we consider these as having a lower inherent risk as there is no material valuation judgement required.

Category of Property, Plant & Equipment	2017/18 (£m)	2016/17 (£m)
Council Dwellings	375.0	383.0
Other Land and Buildings	1,034.3	1,055.3
Vehicles, Plant, Furniture and Equipment	17.7	19.3
Infrastructure Assets	219.0	211.2
Community Assets	0.6	0.6
Assets under construction	66.0	72.1
Surplus assets, not yet held for disposal	19.2	23.2
Total Property, Plant & Equipment	**1,731.8**	**1,764.6**
Heritage assets	0.8	0.8

Source: West Lothian Audited Accounts 2017/18

What did we do?

- We have considered the action taken by management to address the prior year recommendation.
- We reviewed the annual cycle of valuations to ensure that assets have been valued in accordance with the requirements of the Code, and whether any specific changes to asset use have been communicated to the valuer.
- We met with the valuer and challenged key assumptions and inputs used in asset valuations.
- We obtained representations from the valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- We sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre), including consideration of changes to useful economic lives
- We reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated.
- We confirmed that accounting entries have been correctly processed in the financial statements.

What did we find

We identified one minor error resulting from an arithmetical error within an asset valuation calculation. This had a total impact on the asset valuation of £776,656. As a result, we extended our sample and did not identify any further errors. This error does not indicate any errors in judgement or estimation techniques used by the valuer.

Other than the error noted above, we did not identify any material misstatements in relation to the valuation of land and buildings.

We also considered a selection of other property valuations and noted that there were no material changes in value from 2016/17. The audit team has considered the analysis performed by management to determine that there was no material change in carrying value. We are content that these valuations are not materially misstated.

What are our conclusions

- We have not identified any material weaknesses in the valuation process or judgements used by the valuer. An audit adjustment was made as a result of an isolated arithmetical error identified through our sample testing.

Higher inherent risk – accounting for retirement benefits: extensive disclosures are required in respect of the Council's participation in the Local Government Pension Scheme (LGPS). Management involves specialists in the preparation of this material accounting estimate.

Accounting for retirement benefits

In line with accounting standards, the Council recognises the cost of retirement benefits provided to its staff in the reported cost of service when they are earned by the employee and not when the pension benefits are actually paid.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

- We obtained responses to our enquiries of the auditor of Lothian Pension Fund, thus obtaining appropriate assurance over the information supplied to the actuary in relation to the Council's participation in the Fund.
- We have assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team.
- We have reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What did we find

We concluded that we were able to rely on the work of management's specialists – the pension fund actuaries – and were satisfied that the actuarial assumptions used in the preparation of the IAS 19 report were appropriate.

We obtained relevant assurances from the pension fund auditor to support our conclusions.

The timing of production of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. As estimates require to reflect the latest available, reliable information, we identified a potential material adjustment due to the estimated returns on investment assets which only impacts on the employer assets. We requested management obtain an update from the actuaries.

As a result, a revised IAS 19 report was produced by the actuaries based on actual outturn to 31 March 2018. This showed a £16.2 million increase in actuarial gains, compared to that previously reported. The impact of this is a decrease in the pension liability from £218.6 million to £202.4 million as at 31 March 2018.

What are our conclusions

- We identified a material adjustment in the actuarial assumptions due to the timing of the IAS 19 report. The total impact of this resulted in a reduction of the pension liability by £16.2 million.

Statutory 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 £6.07 million, resulting in a failure to achieve the statutory financial requirement. The reason for the failure to achieve the statutory financial requirement is due to impairment charges in each of the three years from 2015/16 to 2017/18. Excluding these impairment charges, a cumulative surplus of £1.2 million would have been reported.

Impact on audit opinion: as the Council has failed to comply with a statutory financial objective, in line with prior year, we report a matter by exception within our audit opinion.

2. Other audit areas

With local authorities in general developing new and different ways of working in partnership with other entities in delivering services, the accounting code of practice requires the Council to prepare group financial statements setting out its interests in other entities and the impact these have on the Council.

Group financial statements

The Council has identified and accounted for the following interests in other entities within its group financial statements.

West Lothian Leisure Ltd - subsidiary

We reported in 2016/17 that the Council's interest in the company had been accounted for as an associate when, in our view, changes to the articles of association had given the Council control during that year. We reported an unadjusted audit difference in 2016/17 on this basis.

Management agreed that from 1 April 2017 the company would be treated as a subsidiary. This reflects the correct accounting treatment and so there is no reoccurrence of the unadjusted audit difference in 2017/18.

Lothian Valuation Joint Board - associate

Management has assessed that it exerts significant influence, but not control, over Lothian Valuation Joint Board. We have agreed with the assessment and the treatment therefore as an associate entity.

West Lothian Integration Joint Board (IJB) / West Lothian Recycling Ltd – joint ventures

We agree with management's assessment of these entities as joint ventures.

We have been appointed as auditor to the West Lothian Integration Joint Board and we report separately on our audit of that entity.

West Lothian Council

West Lothian Leisure

West Lothian Recycling

West Lothian IJB

Lothian Valuation Joint Board

Non-consolidated interests are set out in Note G6 to the group financial statements

The only significant component by size is the Council, which accounts for 88% of consolidated gross expenditure. While the IJB accounts for 7.6% of total expenditure, the joint venture accounting essentially leads to a gross-up of income and expenditure relating to the IJB, without additional third party spend outside of the Council/IJB relationship being incurred.

We did not identify any specific risks that may indicate a component is significant by risk, as the IJB does not affect the transactions as such, only the nominal funding agreement in and out of the IJB.

We are satisfied that management have conducted a suitable updated assessment in respect of other entities where the Council has a relationship, but it has been assessed that consolidation has not been required.

Impact on audit opinion: we are able to issue an unqualified opinion in respect of the Council's group financial statements

Trust funds

The Council acts as sole trustee for 40 trusts and mortifications, nine of which are registered charities. 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 encountered no significant difficulties in undertaking our work and have no significant matters to report to you. There were no audit adjustments impacting on the net assets or income and expenditure reported for the year, with no reportable presentational adjustments required to the draft financial statements. 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.

- 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.

Our overall audit approach is based upon developing a detailed understanding of your significant classes of transactions and account balances, and the internal controls established by the Council. We use our data analysers to understand and visualise the interaction of these transactions within your financial ledger.

Overall audit approach

Financial controls

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. As we have adopted a fully substantive approach, we have therefore not tested the operating effectiveness of 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 significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Use of data analytics in our audit procedures

As the technology supporting audit develops, we increasingly utilise data analytics to support our audit conclusions over traditional sample testing arrangements. This is designed to provide a more thorough audit approach while simultaneously reducing the comparative burden of audit compliance on management.

We use our bespoke data analysers to enable us to capture entire populations of your financial data. We capture the data through our formal data requests and the data transfer takes place through secured EY sites. These are in line with our data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

In 2017/18, our analysers were used in the Council's audit to analyse and test journal entries, employee expenses and other income and expenditure.

Journal entry analysis

We obtained downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement from the opening to closing trial balances and financial statements to ensure we captured all data. Our analysers complete integrity checks over the data received, to identify possible indicators of incomplete or incorrect data, such as journals which do not balance to nil. Our analysers then review and sort transactions based on our identified risks, allowing us to more effectively identify and focus on journals that we consider to be higher risk, as identified in our audit planning report.

Payroll analysis

We also use our analysers for testing payroll expenditure. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the general ledger trial balance. We then analyse the data against a number of specifically designed procedures to address risks of misstatement in payroll. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation, such as where new employees appear to have been paid before their start date.

Through our procedures, we identified two employees whose monthly salary continued to be paid after their termination date. These findings were communicated to management, who confirmed it had already identified these processing errors through internal controls and confirmed that all monies had been recovered. As a result, no audit recommendation were raised as a result of our findings.

The narrative elements of a local authority's annual accounts form a key part of explaining the performance of the Council during the year. They also enable the local authority to demonstrate openness and transparency in governance and remuneration provided to members and key officers.

Other reporting requirements

Management Commentary

Requirement: Regulation 8(2)(a) of the Local Authority Accounts (Scotland) Regulations 2014

Relevant statutory guidance: Scottish Government Local Government Finance Circular 5/2015

Audit responsibility: 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.

We read the management commentary and compared the content against the information in the financial statements and against the statutory requirements. We concluded that the content provided:

- a fair and balanced review
- is easy to follow
- covers risks and uncertainties facing the council
- provided a good understanding of the financial performance of the business to be obtained.

We suggested to management that there was scope to enhance certain aspects, in particular around the explanation of key financial performance measures and the linkages to the expenditure and funding analysis, as well as to set out further key elements of the steps the Council is taking to respond to the challenging environment it faces.

Management updated the commentary appropriately to reflect key elements of our review.

Impact on audit opinion – unqualified opinion on management commentary

Remuneration Report

Requirement: Regulation 8(2)(d) of the Local Authority Accounts (Scotland) Regulations 2014

Audit responsibility: 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 31 staff totalling £0.66 million (*2016/17: 42 staff totalling £0.95 million*).

Impact on audit opinion – unqualified opinion on remuneration report

Annual Governance Statement

Requirement: Regulation 8(2)(c) of the Local Authority Accounts (Scotland) Regulations 2014

Audit responsibility: Auditors are required by the Code to report as to whether the statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016)

We set out our detailed findings as part of our wider scope audit work on governance and transparency in section 3.3 of this report.

Impact on audit opinion – unqualified opinion on annual governance statement

3. Wider scope audit & 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

The Accounts Commission agreed the overall framework to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as an integral part of the wider scope annual audit process. Every council will have a Best Value Assurance Report (BVAR) considered by the Accounts Commission in every 5-year cycle.

Our wider scope audit work, and the judgements and conclusions reached in these areas, therefore contribute to the overall assessment and assurance on the achievement of Best Value. We participate in the Local Area Network (LAN) for the Council, comprising representatives from different scrutiny bodies to agree the Council's local scrutiny plan (LSP).

The 2017/18 LSP was set in the context of the BVAR scheduled for the Council. No specific scrutiny risks were highlighted. The 2018/19 LSP was published in April 2018 and confirmed no scrutiny risks for 2018/19, consistent with the prior year. The LSPs formed the context for our audit and risk assessment.

Accounts Commission Strategic Audit Priorities

The Accounts Commission has set the following strategic audit priorities, which reflects their interest in:

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 councils are ensuring members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.

D. How well councils are involving citizens in decisions about services and empowering local communities to identify and help deliver services they need.

E. The quality of councils' reporting of their performance to enhance accountability to citizens and communities.

The table below sets out our plan for our five year audit appointment, including coverage of the elements of Best Value statutory guidance as well as the Commission's strategic priorities, and how we will report these in accordance with the wider scope dimensions of public audit.

High level five year Best Value plan / audit coverage

Element of Best Value, in accordance with the statutory guidance	Reported under wider scope audit dimension	Linked to Strategic Audit Priority	Audit year
Performance and outcomes	Value for money	B	Year 2
Improvement	Value for money	-	Year 2
Leadership, Governance and Scrutiny	Governance & transparency	A, C	Year 3
Equal Opportunities	Value for money	E	Year 3
Partnership Working and Empowering Communities	Governance & transparency	D	Year 4
Financial and service planning	Financial sustainability	A, C	Year 5
Financial governance and resource management	Financial management	-	Year 4
BVAR	All	All	Year 1
Follow up of BVAR	All	All	Year 2

Year 1 = 2016/17 Year 2 = 2017/18 (this year) Year 3 = 2018/19 Year 4 = 2019/20 Year 5 = 2020/21

Auditor considerations of the Council's arrangements to secure Best Value
The Council was selected as one of the councils to receive a BVAR in the first year of the new arrangements, with the report considered and published by the Accounts Commission in November 2017. In its findings the Accounts Commission reported positively on the performance of the Council, acknowledging that its services continue to perform well and delivering positive outcomes for the people of West Lothian. The Commission also endorsed the recommendations set out by the Controller of Audit in the report, expecting the Council to act on these. At a meeting between members of the Commission and officers and members of the Council in January 2018, the Council set out how it intended to respond to those recommendations. The main focus of our work in 2017/18 has therefore been on the follow up on the Controller of Audit recommendations within the BVAR, as well as the Accounts Commission's findings. This has been undertaken in cooperation with the Audit Scotland team involved in the original Council BVAR work. We have considered how the Council has proposed and progressed actions to address the findings and recommendations. *Tracking and self-assessment of progress against audit recommendations* In line with good practice, the Council included all relevant recommendations from both the BVAR and the prior year annual audit report in Pentana, to ensure that progress against the agreed actions were tracked and progress reported to those charged with governance. Management provided us with their assessment of progress against these actions, which showed that by June 2018 essentially all actions had been completed. Elements of the recommendations will of course require ongoing work to deliver, but essentially the Council had identified the key actions required to respond accordingly. This self-assessment formed the basis of our work.

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	
Green	▸ The Council demonstrates good financial control of the in-year budget ▸ Budget monitoring reporting is clear and accurately forecasts the out-turn position ▸ The importance of good financial control is clearly understood across the Council

2017/18 financial statements

The Council incurred gross expenditure on the provision of services of £777.4 million (*2016/17: £754.2 million*), and incurred an accounting deficit of £110.1 million (*2016/17: £95.2 million*) on those services.

This is shown in the surplus / deficit on provision of services line within the Comprehensive Income and Expenditure Statement (CIES) which sets out the cost of providing Council services in accordance with generally accepted accounting practices.

The 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 £1.4 million (*2016/17: deficit of £0.35 million*). This was consistent with the in-year reported position, after certain year-end accounting adjustments are made.

Focus on financial statements results	2017/18 £000	2016/17 £000	Commentary	RAG rating
(Surplus) / deficit on provision of services	**110,081**	95,215	The accounting deficit includes capital and pension fund accounting items which are less directly controllable. While large deficits are not desirable the key focus is correctly on the movement in revenue funds (below).	G
(Surplus) / deficit on General Fund and HRA	**1,356**	347	No significant change. In general this result reflects on good in-year financial management and budgetary control	G
Uncommitted general fund	**2,101**	2,075	This equates to 0.5% of budgeted net expenditure and is one of the lowest levels held of any local authority in Scotland. We highlighted this in prior year - management keep this under review in conjunction with the level of earmarked reserves held.	A
Earmarked reserves	**21,805**	23,187	Earmarked reserves have broadly been maintained at the same level and provide the Council with flexibility around key initiatives.	G
Net current liabilities	**(53,495)**	(245)	The year has seen an increase in net current liabilities. This can reflect a potential inability to meet liabilities as they fall due. In practice, good cash flow management will ensure that this risk does not materialise.	A
Total Usable Reserves	**93,920**	103,550	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	**833,244**	803,687	The increase in unusable reserves has primarily arisen due to the reduction in the net pension liability from the prior year, following the recent triennial valuation of the local government pension scheme.	G
Net increase / (decrease) in cash	**15,863**	(12,718)	The increase in cash is primarily a result of a reduction in investments held as these are translated back into cash for use in the Council's activities.	G

Elements of financial management, and our assessment of the Council's arrangements

1. Is it clear why budgets have changed during the year, including how income and expenditure have changed since the budget was set at the beginning of the year?
2. Is financial forecasting an embedded part of financial management and reporting arrangements?
3. How accurate is financial forecasting?
4. How effectively is the Council managing its capital programme?

1. From review of budget monitoring reports, we observed that there were no major (> 0.5%) amendments made to overall service expenditure budget during the year – see table 1.
2. The budget monitoring reports include both the full-year commitments entered into by the reporting period plus the forecast outturn position. Similar budget monitoring reports are presented to the Council Executive covering the Housing Revenue Account. In line with prior year, the HRA achieved a break-even result for the financial year.
3. 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.
4. Table 2 sets out the capital programme for 2017/18 and delivery against budget, along with comparative information. As in prior year, slippage was experienced in the 1,000 Houses New Build programme due mainly to timescales to obtain statutory consents. Nevertheless, significant investment of £48.59 million was made. The Council has also been able to respond to this by accelerating aspects of the general fund capital programme, over-delivering against budget by £4.57 million. In the general services programme, the Whitehill Service Centre and Linlithgow Partnership Centre were completed while spend was accelerated on the Whitburn and Armadale Partnership Centres.

Table 1 - Analysis of budget monitoring reports presented to the Council Executive during 2017/18	Variance v budget on monthly monitoring				Actual spend £000
Service area	Month 4 £000	Month 6 £000	Month 9 £000	Outturn £000	
Schools, Education Support	-	-	(150)	(527)	225,567
Planning, Economic Development and Regeneration	-	-	-	-	10,423
Operational Services	450	450	450	841	70,728
Housing, Customer and Building	270	269	269	269	12,607
Corporate Services	-	(35)	(185)	(185)	18,283
IJB – Adults and Elderly Services	-	-	-	-	64,457
Non-IJB – Children's Services	-	-	-	-	34,556
Chief Executive, Finance and Property	(339)	(368)	(518)	(170)	32,660
Joint Boards	(34)	(34)	(34)	(34)	1,179
Service expenditure	**347**	**282**	**(168)**	**194**	**470,460**
Non-service expenditure	(347)	(1,332)	(1,532)	(2,261)	8,764
Total expenditure	**-**	**(1,050)**	**(1,700)**	**(2,067)**	**479,224**

Table 2 - capital programme	2017/18 budget- £000	2017/18 actual - £000	Variance -£000
General Services	44.85	49.42	4.57
HRA	57.45	48.59	(8.86)

3.1 Financial management (cont.)

Elements of financial management
▶ Can the body demonstrate the effectiveness of the budgetary control system in communicating accurate and timely financial performance? ▶ Do finance reports support effective scrutiny and challenge?
Budget monitoring reports provide updates to elected members on action being taken to address service pressures - this enables members to exercise appropriate oversight. Monitoring reports also included in-year analysis against the budget reduction measures. For 2017/18, these totalled £8.8 million and reports included red, amber, green assessment of their achievement. As the budget approved in February 2016 had also included the indicative figures for the 2017/18 budget, measures to achieve the majority of savings had already been put in place at the start of the financial year. The £8.8 million of efficiency savings were included in the Council's Efficiency Statement submission to CoSLA. Included in these were £2.78 million due to shared services, £1.19 million on asset management and £0.52 million on procurement.
▶ Are standing financial regulations comprehensive, current and promoted within the body? ▶ Does the body have arrangements to ensure systems of internal control are operating effectively?
Financial regulations are comprehensive, covering financial management and planning; risk management and control of resources; and systems and procedures. They are available publicly on the website and updated most recently in June 2018 to reflect decisions taken by the Council Executive. 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 which we identify. We have not identified any such matters to report to you.
▶ Are there suitably qualified and experienced officials leading the body's finance team? ▶ Is there sufficient financial skills, capacity and capability in the body?
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. From our discussions with senior management, attendance at meetings, and review of papers and minutes, in our view there is evidence that the Council currently has sufficient financial skills, capacity and capability. While the preservation of front-line services is understandably of prime concern to members and officers, maintenance of strong financial control to support service transformation necessitates the retention of suitable financial and other corporate support services. Keeping this balance will be a challenge for all local authorities in the current environment but the importance of doing so cannot be understated.

3.2 Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.	
Amber	▸ The Council demonstrates good practice in forward financial planning. The five year revenue budget strategy approved in February 2018 covered 92% of the budget reduction measures required to meet its £65.3 million budget gap to 2022/23. ▸ Members and officers have responded to findings in the BVAR and prior year annual audit report ▸ Our assessment of amber reflects the challenge facing all local authorities and the need for continued member and officer focus in delivering challenging levels of savings

The context for financial sustainability

Since we issued our annual audit plan, the Accounts Commission issued the second part of their overview reporting for Local Government in Scotland: Challenges and performance 2018. This report recognised the complex and challenging environment facing local government, citing for example:

- the significant uncertainty around terms for the UK's withdrawal from the European Union (EU);
- revenue funding from the Scottish Government has fallen in real terms by 9.6% between 2010/11 and 2018/19; and
- Scotland's population is getting older, leading to increased demand for social care services and fewer working age people to fund public services.

Some national policies, however, combined with ongoing spending commitments such as pension and debt costs, mean there are limitations on where councils can make savings. Smaller service areas, which often include important regulatory functions, have seen the biggest budget reductions, while education and social care services take up a growing proportion of council spend.

Findings of the BVAR / prior year audit

In the prior year audit, we concluded that the Council's financial position was generally sound. We noted that while significant capital investment was required in response to demographic pressures, it had a good basis to undertake this investment.

The BVAR report highlighted the Council's established process for aligning its financial strategy to its corporate plan priorities. It did, however, highlight a risk surrounding the timeline for involvement of elected members following the public consultation exercise, as difficult decisions were expected to be required.

We report later in this section on how the Council responded to these findings.

Focus on EU Withdrawal

Senior management provide a 'Horizon Scan' report regularly to the Partnership and Resources Policy Development and Scrutiny Panel. This considers the potential implications of EU Withdrawal. At a UK level, the report covers potential implications for debt and borrowing; economic growth; productivity; exports and inward investment; inflation and interest rates; unemployment; and house prices. In considering the Scottish implications, management highlight that the changes to the Scottish rate of income tax from April 2017 means that Scotland's own economic performance has a more direct impact on the Scottish budget.

At a West Lothian level, the following matters have been highlighted:

- total number of residents from other EU countries was 5,112, with 85% of the total EU group of working age (2011 Census figures)
- large number of EU nationals work within social care services
- total employment sustained by exports to the EU estimated to be 4,500-5,000 jobs
- excluding retail, around 40 companies of scale are European owned, employing almost 2,000.

EY view: Management are well sighted on this issue. As the implications become clearer in time, there is scope for greater focus on the particular risks which could crystallise in respect of, for example, delivery of social care services.

Aspects of financial sustainability, and our assessment of the Council's arrangements

1. Does the Council have a medium term financial strategy / long-term financial strategy?
2. How has the Council factored in the demographic impact of changes in population, demography and demand within its financial plans?

1. We reported last year on the approach the Council has approved to develop its new financial strategy in tandem with the preparation of the Corporate Plan for the period 2018/19 to 2022/23. During the year officers developed a five year revenue budget strategy for consideration by Council when setting the annual budget. As such a detailed three year general fund revenue budget for 2018/19 to 2020/21 was approved by Council in February 2018, within the context of a strategy to 2022/23.
2. The Council's population demographic is for an overall increase of 8.6% over the period to 2039, principally due to a projected 47.9% increase, the largest in Scotland, in people of pensionable age and over. The Council is well aware of the challenges this poses, and the financial strategy includes the assessed impact of demographic changes in its revenue planning. From the table below, these total £28.3 million of the total expenditure pressures.

Forecast budget gaps	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Staffing costs	9.5	6.3	4.6	4.9	4.9	30.2
Demographics & Demand pressures	5.3	5.4	5.7	5.9	6.0	28.3
Service Pressures & Developments	6.8	1.6	8.6	4.7	0.4	22.1
Other pressures	3.3	3.4	3.7	3.8	3.9	18.1
Gross expenditure	**24.9**	**16.7**	**22.6**	**19.3**	**15.2**	**98.7**
Gross Income	(11.0)	(1.1)	(10.9)	(7.5)	(2.9)	(33.4)
Forecast Budget Gap	**13.9**	**15.6**	**11.7**	**11.8**	**12.3**	**65.3**

Budget reduction measures – impact by key service	2018/19 %	2019/20 %	2020/21 %	2021/22 & 2022/23 %	Total %
Social Policy – delegated to IJB	18.4%	17.8%	37.4%	28.9%	25.5%
Social Policy – non-delegated	3.7%	2.9%	12.2%	17.4%	10.1%
Education	27.0%	24.2%	15.8%	10.8%	18.4%
Operational Services	19.3%	38.4%	15.2%	7.0%	18.6%
All other expenditure areas	31.6%	16.7%	19.4%	14.2%	19.4%
Still to be identified	0%	0%	0%	21.7%	8%
% of budget gap for which budget reduction measures identified	**100%**	**100%**	**100%**	**78.3%**	**92.0%**

The table shows that in the first two years, the key service areas where budget reduction measures are targeted are in Education and Operational Services as well as being spread across the other expenditure areas of the Council. As we look forward, budget reduction measures are assumed to come more from Social Policy spend areas, as longer-term measures to transform and respond to the demographic pressures in this area come into effect.

The Council has indicated that the proposed reduction measures will see a reduction of 780.2 full time equivalent staff posts. This is offset by growth in Council service areas where 640.9 additional FTE staff are required, notably in education. The net position over the five years is forecast as a reduction of 139.3 FTE.

3.3 Financial sustainability (cont.)

Budget reduction measures – involvement of the community in their development

In Autumn 2017, the Council undertook a large scale consultation *Transforming Your Council* (TYC) on the officer proposals to meet the forecast budget gaps. These were set out under seven themes:

1. Modernising services and managing our workforce (35% of measures)
2. Modernising social care (28% of measures)
3. Managing our relationships with customers (2% of measures)
4. Working with partners to deliver outcomes (5% of measures)
5. Managing our assets and reducing energy (5% of measures)
6. Reviewing income and concessions (7% of measures)
7. Environment (18% of measures)

Of these, items 1, 2 and 7 contributed approximately 80% of the proposals.

The TYC consultation received over 7,000 responses, and 45,000 comments in total. Detailed analysis of the responses were provided to the relevant Council Policy Development and Scrutiny Panel (PDSP) in December 2017 prior to consideration by firstly the Council Executive and then by full Council as part of the formal revenue budget strategy.

EY view – example of best practice

By setting a revenue budget that includes 100% of identified savings for not only the 2018/19 financial year, but also the subsequent two financial years, the Council has demonstrated best practice in forward financial planning.

Many councils currently have significant budget gaps to address – West Lothian have already identified savings measures covering 92% of the total five year gap.

Adding value to the Council	As an extension to the Council's arrangements, we recommended in the prior year that management include a red/amber/green (RAG) rating on savings proposals to provide members with an overview of the areas of greatest financial risk. Management accepted and implemented this recommendation. Within the revenue budget report, an appendix included a full risk rating of all budget reduction measures. In setting the budget in February 2018, £26 million of budget reduction measures were graded as 'high' risk, but only £1 million were graded very high. This recognises the challenge which the Council still faces to fully deliver on the identified proposals, but provides the elected members with appropriate support to focus their scrutiny on the higher risk areas. As at September 2018, further work by management to implement the approved measures has now assessed that there are no high risk measures remaining within the detailed three year budgets to 2020/21. Of the total £41.2 million of measures, 46% are already categorised as green with 54% at amber.

Use of reserves – does the Council have clear plans for its usable reserves?

The Council has a low level of uncommitted general fund reserves, at approximately 0.5% of expenditure. This is in line with the approved minimum level of £2.0 million, however, we highlighted this as a risk in the prior year audit and recommended continual review of the adequacy of the position.

The S95 officer provided a *Statement on General Fund Balances and Other Reserves* which covered all of the Council's usable reserves (excluding HRA which was covered in the specific HRA revenue budget paper). At the time, the forecast uncommitted balance was £2.835 million which the s95 officer recommended be retained as contingency. Elected members decided to commit the balance above the minimum level. The balance was retained for allocation in the 2018/19 budget awaiting consideration of the West Lothian Leisure position.

The s95 officer noted our audit recommendation and highlighted his view that the low level of reserves was only appropriate on the basis of the Council:

- approving a five year medium term strategy;
- maintaining the commitment to sound financial management; and
- has substantial earmarked reserves, including the capital and insurance funds, to manage priorities.

We therefore consider that the Council has given appropriate consideration to the risk we highlighted.

The quarter 1 reports for 2018/19 indicate specific pressures in homelessness and waste recycling costs, which management are considering may need to be factored into the 2019/20 recurring budget. Overall, while challenging, at this time there is no indication that the Council will need to draw on its uncommitted reserves.

Involvement of members in setting priorities, and approval of budgets

In the Accounts Commission's findings on the BVAR, they reported that it was crucial that elected members play a more prominent and leading role in responding to these challenges. In particular, it was recommended that members should identify earlier in the budgeting process the priorities which need to form the basis of engagement with communities.

Following the revenue budget setting process, in line with the agreed action plan, officers undertook a review of the financial planning process. This was done in consultation with the elected members, with the findings of the review reported back to members in June 2018 through the Council Executive. The officer report contained a number of recommendations, which confirmed much of the existing arrangements but committed the Council to the principles of financial planning, including a five year strategy that will run alongside the Corporate Plan and detailed three year budgets.

In order to respond to the risk of the timeline for member involvement, the report recommended that Council Executive should set out the basis for public consultation on the next corporate planning cycle by June following the elections, to enable the timeline to be advanced. Furthermore, the results of the consultation exercise will now be presented in a single report to the Council Executive, which will then allow PDSPs to be scheduled to allow consideration of the substance of the budget measures included in the consultation and to consider suggestions on potential budget savings received from stakeholders.

Members approved the recommendations in the report.

EY view

In reporting on what we consider best practice in approving detailed three year budgets, within the context of a five year plan, having attended the Council meeting at which the budget strategy was considered, there was a considerable amount of detail presented in the report for members to consider.

While some of this had been seen previously by members, certain key aspects had not been reported in advance, including for example the phasings of savings proposals and what actions required to be taken in 2018/19 and which proposals were for later years.

In recommending the changes to the financial planning process noted above, we believe there will be the opportunity for earlier consideration of some of this detail by members, prior to considering what will by necessity, be a very comprehensive budget report.

Capital investment – general services

The Council approved a ten year general services capital investment strategy in February 2018 in combination with the updated Corporate Asset Management Strategy.

Officers recognised the requirements of the revised Treasury Management Code of Practice issued by CIPFA in December 2017 and are working towards full implementation during 2018/19 to ensure elected members are provided with the required information as part of the 2019/20 capital budget report.

The Council recognise that resources are likely to be more constrained over the forthcoming ten year period. Officers' analysis reported that the value of the core investment programme, based on the principles of prudence, affordability and sustainability, was £238.3 million. The analysis further identified the opportunity to supplement this with external sources of funding for specific property, roads and open space projects of approximately £150.5 million. The overall projected resources are summarised below.

The focus of investment is aligned with Council priorities. The significant element of the programme is continued investment in schools, with over £200 million of planned expenditure, out of £265 million on the Council's property portfolio.

£72 million is allocated for investment in roads and related assets, £17 million in open spaces including children's play areas, with the balance of £33 million due to be spent on ICT assets as the Council strives to drive service modernisation through the enhanced use of innovative technology.

Projected resources	£million
Scottish Government Grants	181.2
Capital Receipts	25.0
Capital Fund	49.0
New borrowing	10.0
Other funding, including developer contributions	123.5
Total	**388.7**

Capital investment - housing

A five year housing capital investment programme was approved in February 2018, covering the period to 2022/23. This totals £155 million of which £79 million is allocated to new build and 90 open market acquisitions. This will support the Council in meeting their commitment to expand local housing supply, and the completion of the 1,000 New Build Housing programme which has been in progress. The programme will be principally funded by £99 million of borrowing plus £34.6 million of capital funded by current revenue through the HRA account. Government grants of £19 million represents the remaining key funding element.

Focus on developer contributions

The Winchburgh Core Development Area forms a large proportion of the agreed South East Scotland City Region Deal support for the Council. The development at Winchburgh involves the construction of a significant number of new homes, with over 400 already built and a further 150 per annum being built over coming years. This has driven the need for additional educational provision in the area.

The Council secured developer contributions to cover their costs as part of the section 75 legal agreement and conditions associated with the planning consent. During 2017, the lead developer approached the Council and said that due to the scale of upfront investment, and current market conditions, had led to a re-appraisal of the development viability. They remained committed to fully funding all infrastructure obligations but sought to re-negotiate the terms of the s75 agreements to an annual roof tax contribution equivalent to 150 completions per year.

A revised agreement was established in conjunction with the Scottish Government and the lead developer. This involves the Council undertaking additional advance borrowing to enable the schools to be built, but with the debt servicing costs to be met by the lead developer through the roof tax contributions. The Council has sought to mitigate its own risk through a Scottish Government guarantee. This culminated in Council Executive approving a business case submission to the Scottish Government in April 2018 requesting their formal support, through a stand-by facility, to protect the Council from exposure should the developer contributions not meet the additional borrowing. Final formal approval is awaited from the Scottish Government.

The capital investment strategy includes approximately £120 million of total investment in schools to be funded by developer contributions. Given the significance of these to the Council, this will remain an area of audit focus to ensure that the Council is securing the funding required to underpin its investment plans.

3.3 Governance and transparency

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.	
Green	▸ The Council has an effective governance structure through committee meetings, the scheme of delegation and standing orders. ▸ The Council has responded to findings through the BVAR to enhance its arrangements for effective scrutiny, challenge and transparency on decision making

Leadership and corporate planning

Following the local elections in May 2017, officers embarked on preparing the refresh to the Council's Corporate Plan. A proposed set of priorities and options on how the Council could deliver services in a better way and balance its budget was brought together in the Transforming Your Council consultation document which was published on 16 October 2017. The consultation ran for four weeks and closed on 12 November 2017.

To aid the consultation process, the Council's eight priorities were set out in the consultation document and respondents were asked to rate the priorities in order of importance. In addition, respondents were asked to comment on whether the eight priorities were still the priorities which the Council should be focusing on.

Respondents overwhelmingly supported the priorities. The detailed comments received identified what matters to the West Lothian community and the transformation they want in Council services. The top rankings were for priorities concerned with school children, early years, those affected by joblessness and poverty, and older people. This confirmed the community's support for the Council's approach to target services and resources to those most in need.

The Corporate Plan 2018/19 - 2022/23 was approved by Council in February 2018. The medium term financial strategy is directly linked to this.

Nine corporate strategies to support the Corporate Plan have been developed, with eight approved by Council Executive by 30 June 2018 with the remaining one approved after the summer recess. Seven management plans for the service areas have been considered by the relevant PDSP for implementation in 2018/19.

Commitment to transparency

Audit Scotland issued auditors with supplementary guidance covering transparency in public sector bodies in Scotland. We have utilised this guidance as part of our audit work, and in particular the questions for auditors to consider.

We have identified the following relevant aspects of the Council's arrangements:

- Decisions are transparent as actions are documented within Council and committee minutes.
- There is a high level of transparency through the Council's website, which includes minutes and papers for all committee meetings.
- Corporate strategies and management plans are included on the website, and there are links to Council performance reports.

Actions taken in response to the BVAR / prior year annual audit report

We recommended that the scheme of delegation should be updated to state that a member of the administration should not be chair of either the Audit Committee, or Governance and Risk Committee. The Council amended the scheme of delegation accordingly.

We also recommended that membership of the Performance Committee could be reviewed to ensure there was sufficient involvement from elected members drawn from outside the decision-making committees of the Council. Council considered our recommendation but concluded that they were satisfied with the arrangements in place.

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.

In the prior year we had made suggestions to management on the form and content of the statement and these have been fully reflected in the 2017/18 financial statements. These enable the Council to set out clearly both the framework for governance and also the impact that it had on the business of the Council during the year. Aspects of governance which have been strengthened during 2017/18 are now clearly set out, along with areas identified for continual improvement in 2018/19.

No significant weaknesses in corporate governance were identified.

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.*"

Adding value to the Council

The AGS also sets out the areas where it has reviewed its governance and updated its arrangements in response to findings in the BVAR and / or audit recommendations from the prior year. Aspects of these include:

- review and development of the Council's scrutiny arrangements;
- self-assessment exercises in respect of the work of the key scrutiny committees; and
- review of the remit and powers of arrangements for monitoring and scrutiny of West Lothian Leisure.

We report on these matters further below.

Actions taken in response to the BVAR / prior year annual audit report

Review and development of scrutiny arrangements

The Council has reviewed the information presented to elected members and how it is scrutinised. Measures have been approved to improve the quality and consistency of reports and training for members and officers is scheduled to aid scrutiny. The success of this revised approach will be revisited as part of future audit work.

Committee self-assessment

Following a recommendation in 2017/18, the Audit Committee and Governance and Risk Committee undertook self-assessment in 2018. The committees noted the findings of the self-assessment and have committed to undertake these annually as part of their work plan. This will enable matters identified to be addressed during the committee cycle.

West Lothian Leisure Ltd

Council approved revisions to the scheme of administration to enable a significantly enhanced remit for the West Lothian Leisure Advisory Committee, which also made clear to exclude from committee membership any councillors who were acting as directors of the company.

Overall, we have seen a clear commitment by the Council to respond to recommendations to enhance the governance arrangements.

Internal audit / risk management

The Council's Audit, Risk and Counter Fraud Unit is responsible for ensuring that there is a corporate framework which enables the Council to effectively manage its risks.

The unit also independently audits key risks and investigates allegations of fraud or irregularity. The Audit Committee approves an annual internal audit plan and counter fraud plan. The Governance and Risk Committee approves an annual risk management plan. Following an audit or a counter fraud investigation, action plans are agreed with services to address any identified issues.

With a full-time equivalent staffing of 7, including 3 in internal audit and 3 in counter-fraud, we reported in 2016/17 our view that the section was relatively small, reflected in the cost of the function being benchmarked as the second lowest in Scotland, and that this increases the inherent risk around the dependency and reliance on key individuals within the team.

The 2017/18 internal audit plan was completed and enabled the Audit, Risk and Counter Fraud Manager to provide his annual opinion to the Audit Committee. In two areas under review, it was reported that controls were considered unsound, both of which were reported to the Audit Committee. One area related to the administration of exemptions from the Council's procurement processes as set out in the Council's Standing Orders for the Regulation of Contracts. The second area was in the administration of school medication.

Counter- fraud activity

The Counter-Fraud Team administer the whistle-blowing hotline and also investigate other referrals from inside the Council. During 2017/18, 46 investigations were progressed of which 13 indicated a fraud or irregularity had taken place. The cumulative value of fraud reported in the year was £30,971.

National Fraud Initiative

The Counter Fraud Team administers the National Fraud Initiative (NFI) biennial data matching exercise. The 2016/17 matches were received in January 2017. The NFI exercise identified 7,966 matches of which 2,101 were recommended matches. These are matches which, in the opinion of the NFI administrators, are more likely to result in fraud or error being identified. As at 31 March 2018, 2,057 of the recommended matches (98%) have been processed and closed on the NFI system. The data matching exercise has identified no frauds and 10 errors resulting in a total overpayment of £26,328.

Risk management

The Council has approved a new corporate risk management strategy, which the Governance and Risk Committee now has responsibility, at committee level, for monitoring through annual review of progress.

Adding value to the Council

In response to an audit recommendation, the 2018/19 internal audit plan presented to the Audit Committee included additional information setting out the priority of audit reviews included in the plan along with the indicative days for the review.

This will aid the committee's consideration of the plan and members views on whether appropriate audit resource is being directed to key areas.

3.4 Value for money

Value for money is concerned with using resources effectively and continually improving services. A focus for our work in this area is the Council's self-awareness and self-assessment of its performance.	
Green	▶ The Council has a clear culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. ▶ There is a clear alignment from the Corporate Plan to the supporting corporate strategies which underpin delivery of the Council's objectives. ▶ Council services continue to perform well compared to other councils.

Commitment to improvement

The BVAR reported on the Council's commitment to continuous improvement, with the Executive Management Team providing effective leadership. Since the publication of the BVAR, the Council has approved its updated Improvement Strategy 2018/19 to 2022/23. This builds on the previous strategies and forms a core part of the strategies approved by the Council to deliver on aims and objectives of the Corporate Plan over the next five years. The three outcomes of the strategy reflect a slight change in focus from the previous 2014-17 period, recognising the need for digital transformation:

- The Council is high performing and achieving.
- The Council effectively controls and utilises data assets.
- Council services are self-aware and improving.

The Improvement Strategy is a corporate strategy and is adopted across the Council. It has been subject to consultation with key stakeholders and approval by Council Executive. It sits within the other strategies as shown below.

Customer service strategy
A strategy to develop the council as a customer-oriented organisation through an understanding of customer needs and excellent service provision.

People strategy
A strategy to ensure the council has the people to deliver in the priority areas and that all employees are led, managed and developed effectively.

Raising attainment strategy
A strategy to align the council's resources in the delivery of positive change in the council's number one priority, improving attainment and positive destinations.

Digital transformation strategy
A strategy to support the development of digital services in the council.

Improvement strategy
A strategy to ensure the council has a strong culture of high performance and capacity to deliver in the priorities.

Risk management strategy
A strategy to ensure effective management of risks that may impact on the council's ability to deliver our priorities or objectives.

ICT strategy
A strategy to ensure the council has the ICT infrastructure to succeed in the priority areas.

Asset Management Strategy
A strategy to ensure the council assets are effectively and efficiently used to support service delivery.

Audit and Counter Fraud strategy
A strategy to direct audit activity. This will ensure that the council has effective governance and controls and effective measures for the prevention, detection and investigation of fraud.

The Council has approved all of its new Corporate Strategies.

In addition to the corporate strategies, seven Management Plans set out what each Council service will deliver in supporting the achievement of the Corporate Plan. To date five of these, covering Corporate Services; Finance and Property; Housing, Customer and Building Services; Operational Services; and Social Policy have already been made public on the Council website for transparency.

The Council's commitment to self-assessment

The Council adopted a new self-assessment framework in 2017/18, as part of the new three year West Lothian Assessment Model (WLAM) cycle covering 2017-20. All services complete a WLAM and attend an officer-led scrutiny panel at least once during a three-year improvement cycle. The WLAM self-assessment is completed by a representative group of staff from the WLAM unit ensuring that staff are able to contribute to developing and improving the service.

Six of the seven WLAM assessments that were scheduled to be undertaken in 2017/18 concluded. The programme of self-assessment and internal scrutiny activity in Council services during the period 2018/19 will now comprise a total of 16 services, incorporating the community care assessment that slipped from 2017/18. The remaining 11 WLAM units will complete their self-assessment in 2019/20.

The report on activity for 2017/18 reported an upward trend in the scores, with improvement demonstrated in eight out of nine criterion parts of the WLAM.

The BVAR concluded that the Council has demonstrated a commitment to continuous improvement and that the WLAM has been central to developing the Council's culture of improvement.

Elements of value for money, and our assessment of the Council's arrangements

Is there a flow from corporate plans to performance reports?

BVAR Recommendation:

The Council should be clear on the key performance indicators that support its vision and priorities so that it is able to effectively monitor whether it is achieving its vision.

Agreed Council response:

The Council has already agreed, in the management response to the 2016/17 External Audit Report, that officers would undertake a review to consider how reporting and scrutiny on corporate performance can be improved. Officers will now review the quality and range of all performance indicators to ensure that there is sufficient alignment with the council's priorities and key activities/processes.

Audit judgement of progress:

The Council has clarified links between performance information and their vision and priorities by clearly identifying key outcomes and targets within the refreshed corporate publications.

Under each of the eight corporate priorities within the new Corporate Plan 2018-23, six 'targeted outcomes' and target performance levels for each year to 2022/23 have been identified. This has clarified what the Council considers to be the main Key Performance Indicators (KPIs) that support their vision and the expected performance level by the end of the period.

Scorecards are also in place to monitor the progress of KPIs within each Corporate Strategy and there are clear links between the strategies and the corporate priorities and vision.

Elements of value for money, and our assessment of the Council's arrangements
Are user needs and views considered in the evaluation of service delivery and quality?
BVAR Recommendation: The Council has a strong track record of consulting local people on its savings plans. But it needs to continue to increase its programme for community involvement in reviewing and improving services through the Customer Led Inspection (CLI) programme following a pause in activity. This will provide a positive base to fully implement the Community Empowerment (Scotland) Act 2015. **Agreed Council response:** The Council will implement the programme of Citizen Led Inspection (CLI) for 2018 and extend opportunities to participate in the programme moving forward. **Audit judgement of progress:** The Council's programme of CLIs has now recommenced, with a full programme of inspections scheduled to take place in 2018. The Council is planning to launch a promotional campaign to encourage further public involvement by publicising the inspections in an attempt to recruit more lay inspectors. Three 'Look See' inspections carried out in recent years are now reported on the Council website with a fourth complete and due to be published. This provides transparency of the process. Overall, good progress has been made although further work is required to recruit inspectors, including for pupil-led inspections.

4. Other work; audit deliverables

4. Timing and deliverables

We deliver our audit in accordance with the timeline set by the Council, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Audit Activity	Deliverable	Timing
➢ Onsite fieldwork, documentation and walkthrough of key accounting processes ➢ Scoping of Best Value work for the year	Annual Audit Plan	19 March 2018
➢ Review of frauds reported to the Audit Committee.	Fraud Return Submission	Submitted – in line with frauds reported to Audit Committee
➢ Education Maintenance Allowance (EMA) grant claim testing	Certified EMA return	Issued 31 July 2018 – no matters to report
➢ Year-end substantive audit fieldwork on unaudited financial statements ➢ Conclude on results of audit procedures ➢ Issue opinion on the Council's financial statements ➢ Performance of Best Value fieldwork	Whole of Government Accounts assurance statement to NAO Certify Annual Financial Statements Issue Annual Audit Report Submit Best Value Data Return to Audit Scotland	28 September 2018 30 September 2018 1 October 2018
➢ Criminal Justice Social Work (CJSW) return testing	Certified CJSW claim	No longer required
➢ Completion of Non-Domestic Rates return testing	Certified Non-Domestic Rates return	On track for 6 October 2018
➢ Completion of Housing Benefits claim testing	Certified Housing Benefit subsidy claim	On track for 30 November 2018

Appendices

A – Code of Audit Practice: responsibilities

B – Independence and audit quality

C – Required communications with the Audit Committee

D – Summary of audit adjustments

A - Code of Audit Practice: responsibilities

In our Annual Audit Plan, we provided a summary of the responsibilities on audited bodies falling within the public sector audit framework, as set out in the Code of Audit Practice (the Code).

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.

B. Independence and audit quality

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

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated 19 March 2018.

We complied with the Financial Reporting Council's 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 management and members of the Council consider the facts known collectively 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 Council on 25 September 2018.

Audit fees – payable to us in the respect of the year ended 31 March 2018

Component of fee:	**2017/18**	2016/17
Auditor remuneration – expected fee	***£184,860***	*£183,030*
Fees in respect of additional audit procedures	**-**	£12,183
Total agreed auditor remuneration	**£184,860**	£195,213
Audit fee in respect of S106 Trust Funds	**£4,000**	£4,000
Audit Scotland fixed charges:		
Pooled costs	**£16,430**	£15,940
Performance audit and best value	**£101,690**	£103,610
Audit support costs	**£11,740**	£10,930
Total fee	**£318,720**	£329,693

Audit Quality
International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The EY 2017 UK Transparency Report, volumes one and two, can be accessed on our website at www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017. This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it. Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme. Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures. Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function with a new leader.
Audit Scotland – Audit Quality Framework / Annual Audit Quality Report
Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission. We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland. The most recent audit quality report which covers our work at the Council since appointment can be found at: www.audit-scotland.gov.uk/uploads/docs/report/2018/as_audit_quality_1718.pdf.

Required communication	Our reporting to you
Terms of engagement / Our responsibilities Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. Our responsibilities are as set out in our engagement letter.	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, any limitations and the significant risks identified.	Annual Audit Plan
Significant findings from the audit ▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	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, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	This Annual Audit Report
Fraud ▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	This Annual Audit Report
Consideration of laws and regulations ▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Annual Audit Report We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

Required communication	Reference
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	No significant matters have been identified.
Independence Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of 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 about the general policies and process within the firm to maintain objectivity and independence	Annual Audit Plan This Annual Audit Report – Appendix B
Internal controls Significant deficiencies in internal controls identified during the audit	This Annual Audit Report – no significant deficiencies reported
Group audits ▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ 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 management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Annual Audit Plan This Annual Audit 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.
Material inconsistencies Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Annual Audit Report

D – Summary of audit adjustments

This appendix sets out the significant adjustments processed in the financial statements prior to their finalisation.

There are no unadjusted differences.

1. Correction of arithmetical error in individual asset valuation	**Income and Expenditure impact / £**	**Balance sheet impact / £**
Dr Revaluation Reserve		776,656
Cr Property, plant & equipment Fixed Assets – other land & buildings		(776,656)
2. Adjustment to pension assets as a result of an error in actuarial assumptions		
Dr Pension Assets		16,190,000
Cr Pension Reserve – return on pension assets		(16,190,000)

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2018 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ey.com

West Lothian Council

Annual Accounts

Year ended 31 March 2018

West Lothian Council

CONTENTS

Accounts of West Lothian Council for the year ended 31 March 2018, 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 and its group for the year ended 31 March 2018 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 Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, the Common Good Fund, the Trusts and Mortifications Account and notes to the financial statements, 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 2017/18 (the 2017/18 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure 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 2017/18 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 (UK) (ISAs (UK)). 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 Standard, 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.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Property Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In preparing the financial statements, the Head of Finance and Property Services is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Council and the Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit 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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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, the audited part of the Remuneration Report, 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, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited 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 prescribed financial objective 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 authority failed to comply with this statutory requirement for the three year period ending 31 March 2018 in respect of their significant trading operation, Economic Development Properties.

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

Stephen Reid, for and on behalf of Ernst & Young LLP
Ernst & Young LLP
Atria One,
144 Morrison Street,
Edinburgh
EH3 8EX

September 2018

MANAGEMENT COMMENTARY

1. The Council

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
- Waste
- Highways
- Transport

The quality and effectiveness of these services relies on the commitment, dedication and ability of the council's 6,816 (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 180,000, 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 2016 had over 78,200 jobs and 4,860 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. The council has, over a number of years, invested considerable sums to ensure school pupils have the best possible environment to learn and develop. The new ten year capital investment programme approved in February 2018 supports the delivery of essential council services and will invest over £200 million in maintaining and improving the school estate.

The opening of the new West Calder High School in August 2018 provides 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 council is committed to delivering 3,000 new homes for West Lothian before 2022. This will include the building and purchasing of new affordable housing supply. Expenditure on the New Build Programme amounted to £30.587 million in 2017/18. There were 124 new build completions during the financial year across West Lothian, including further completions at Kirkhill in Broxburn, Redhouse in Blackburn and sites completed in Livingston, East Calder and Eliburn. Construction works are progressing across a range of locations, with handovers expected in Livingston, Broxburn, Fauldhouse, Armadale, Winchburgh, Drumshoreland and East Calder in summer 2018.

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.

1. The Council (Continued)

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.

The Public Bodies (Joint Working) (Scotland) Act 2014 established the framework for the integration of health and social care in Scotland. A health and social care partnership in the form of the West Lothian Integration Joint Board (IJB) is in place in West Lothian. The arrangements require the delegation of relevant functions and resources by the council and NHS Lothian to the West Lothian IJB. The level of resources associated with council functions delegated to the IJB in 2017/18 is £64.457 million (2016/17 £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 and that existing businesses have opportunities to expand.

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 Ltd. provide leisure, arts, sports and swimming facilities across the area.

2. Corporate Strategy

The Corporate Plan sets West Lothian Council's strategic direction and identifies our priorities for the five years 2018/19 to 2022/23. These priorities are the focus for all council services, as the council, its partners and local communities work together to deliver better services for West Lothian.

The council's Corporate Plan can be accessed using the following link
https://www.westlothian.gov.uk/media/19574/West-Lothian-Council-Corporate-Plan-2018---2023/pdf/West_Lothian_Council_Corporate_Plan_2018-2023.pdf

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. To help elected members and officers understand the future priorities for stakeholders, a public consultation exercise (Transforming Your Council) was undertaken in autumn 2018. The TYC consultation focused on three key areas – taxation, priorities and areas for budget savings. The consultation received 7,026 responses, with over 45,000 comments and help shape and inform the corporate and financial plans. Feedback received showed strong support for the council's priorities, although there was some change to the order of the priorities from the previous Corporate Plan. The priorities are:

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

Following approval of the Corporate Plan in February 2018, the council has developed 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.

2. Corporate Strategy (Continued)

Corporate Strategies 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 2017/18 can be found on the council's website: https://www.westlothian.gov.uk/factfile.

3. Budget Strategy and Budget Setting

On 13 February 2018, West Lothian Council agreed a long term revenue financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. This ensured that the council complied with Audit Scotland, CIPFA and the Accounts Commission best practice which states that public bodies should focus on their medium to long term financial sustainability through having a financial strategy covering a minimum of five years, supported by detailed plans covering a minimum of three years. Incorporating the decision of the Council Executive, budget savings of £60.102 million were agreed by Council, leaving a balance of £5.227 million to be identified to cover the anticipated five year budget gap of £65.329 million.

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 2018/19 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 ten year 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. A five year housing capital strategy and ten year general services capital investment strategy was approved by Council on 13 February 2018, along with the Corporate Asset Management Strategy. Individual asset management plans for each asset category will be approved by Autumn 2018. Asset management provides appropriate structures and governance arrangements to ensure the council's assets are utilised appropriately in support of service delivery.

The Prudential Code requires councils to approve, on an annual basis, a defined set of prudential indicators, covering both general fund and housing capital investment, at the same council meeting that approves the revenue budget for the forthcoming year. In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. The revisions have particularly focused on non-treasury investments, the requirement to prepare a capital strategy and an extension of the specific role of the Section 95 Officer in respect of both the capital strategy and investment in non-financial assets. CIPFA have recognised that the late issue of the revised codes means that most local authorities will be unable to implement the revised guidance in 2018/19. Accordingly, full implementation is not required until 2019/20. Officers will consider the requirements of the revised codes during 2018/19 and will ensure that any action required to comply with the guidance by 2019/20 will be reported to elected members in the 2019/20 Treasury Management Plan.

The key objective of the Prudential Code is to ensure that the capital investment plans are affordable, sustainable and prudent in the long term. The Code's prudential indicators are 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.

In line with the council's integrated approach to Corporate and financial planning, the 2018/19 budgets for general services revenue, the housing revenue account (HRA), the general services capital programme and the housing capital programme along with the 2018/19 treasury management plan were approved by full Council on 13 February 2018. The financial plans were also shaped and informed by the feedback received by the TYC consultation as outlined in the revenue budget report to Council.

To support the implementation of the council's five year plan through ensuring delivery of service changes and budget saving measures, the council created a Corporate Transformation Programme Team (CTPT) in 2017/18. The team are focused on facilitating transformational change throughout the council, whilst working with enabler services to ensure the council continues to have a balanced budget over the next five years.

3. Budget Strategy and Budget Setting (Continued)

The CTPT consists of council staff rather than the use of consultants to drive change. The council believes this is a strength of the team as it includes experienced employees and managers from throughout the council who bring a wealth of knowledge, experience and ideas of how to modernise the council. Moving forward it is also important that the council builds internal capacity to support ongoing modernisation reflecting the challenges facing local government.

4. Performance Overview

West Lothian Council has instituted a strong approach to performance management, with clear standards for reporting meaningful performance information to different stakeholders. This approach provides a range of management and public data about our corporate and service performance and critically, has a performance framework, aligned to our eight priorities (in the Corporate Plan), that tracks the measurable impact of council services and investments in the agreed outcomes for West Lothian.

The performance management approach is comprehensive and consistently applied throughout all services. Key principles help identify the measures of performance that will inform decision making and operational planning and support evaluations of the relative value of the services we provide. A clear performance framework requires a balanced set of indicators for services and processes to track the overall impact and quality of services through measures of efficiency, effectiveness and satisfaction with the service. Moreover, the performance management approach defines robust tracking and monitoring processes to manage performance effectively and also, target setting and benchmarking that enables timely, appropriate interventions.

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 operated a cyclical corporate programme of self-assessment since 2003/04 to evaluate achievement in services and support improvement across the organisation. There are two recognised programmes of self-assessment and both are based on the same framework: The European Foundation for Quality Management. Our schools use Validated Self Evaluation (VSE) and all other services use the West Lothian Assessment Model (WLAM).

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) following external assessment in 2017/18 and also holds Gold Level Investors accreditations in People (IIP) and Investors in Young People. The council was the first Scottish local authority to be assessed by EFQM at international level and were highly commended at the EFQM Global Excellence Awards 2017/18. Following the assessment the council is now recognised in the EFQM Global Excellence Index as a Gold Leading Organisation for Excellence in the Public sector and was Highly Commended in Adding Value for Customers.

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

- **Customer satisfaction with the service:**

  We consult with customers on the quality of services that they receive from the council and this information is used to identify ways to improve our services. Seven consistent indicators of customer satisfaction are measured by every service in the council and analysed and compared to demonstrate that the council is providing high quality customer-focused services to customers. Our consultation approaches and customer results are also validated and improved through assessment processes such as; the self-assessment programmes, EFQM and Customer Service Excellence assessment.

- **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.

4. Performance Overview (Continued)

- **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 and how this compares to others. Efficiency indicators are in place to help measure the value of our services and these will generally focus on how efficiently services and processes are delivered. This can be calculated by what goes into a process (e.g. inputs such as cost, staff and other resources) and the output of that process, including any waste or repeat work, amount of resources (time, cost, people, etc.). For comparative purposes, there are also indicators tracking the unit cost of services and processes or the total cost of the service based on population or users.

There are long and short-term measures of performance that indicate how services and processes contribute to council priorities. These are aligned with the council's key corporate strategies and plans and ensure that the key services and processes of the council are measured, monitored, reported and improved.

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. 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.

- **The impact of the service:**

The council has set challenging outcomes and priorities for West Lothian with our Community Planning Partners. Services' contribution to achieving those outcomes and the corporate priorities is determined by measurement of the key activities and processes that they deliver. The outcomes a service achieves is assessed through a set of measures developed in line with the council's performance framework. Service performance measures demonstrate performance across a range of areas including customer satisfaction, quality of services, efficiency of services and effectiveness of key processes.

In 2017/18 the council continued to perform well in key priority areas for West Lothian. This included; improving attainment and positive destinations, minimising poverty through effective housing and tenancy management and welfare support for the most deprived in our community and delivering high quality and technology-enabled personalised care at home for older people.

The council will continue to target improvement in the performance service processes, waiting times in customer services and will target reductions in the cost of providing a range of services through transformation and digitisation activities.

MANAGEMENT COMMENTARY

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	**2017/18**	**2016/17**	**Notes on Ratios**
In-year collection rate Target for year	96.2% 95.8%	95.3% 95.3%	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	19.4%	18.9%	This shows the proportion of total funding that is derived from Council Tax. The percentage increased in 2017/18 as a result of increased council tax income arising from the Scottish Government's rebanding of E to H houses.
Debt and Borrowing – Prudence			
Capital Financing Requirement (£'000)	£681,977	£652,361	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. The council's borrowing requirement increased in 2017/18 as the council continues to invest in its assets, and in particular building new council houses. An element of the General Services and Housing Capital Programmes are funded by borrowing.
Debt and Borrowing – Affordability			
Financing costs to net revenue stream – General Fund	7.0%	7.3%	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. For General Fund the percentage decreased as the revenue budget grew more than the cost of servicing debt. For HRA the percentage increased to reflect the substantial investment being made in new build council houses. These percentages are deemed to be affordable as outlined in the 2017/18 treasury plan and approved indicators.
Financing costs to net revenue stream – HRA	27.6%	26.6%	
Impact of capital investment on Council Tax (£'000)	£212,358	£188,820	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. The council's financing costs have increased reflecting the borrowing undertaken to fund the council's capital investment programme. The increase was in line with treasury forecasts and was anticipated based on the council continuing to invest in assets.
Impact of capital investment on house rents (£'000)	£469,619	£463,541	

5.2 **Financial Out-turn**

Net expenditure on General Services is met from government grants and council tax. In 2017/18 government grants accounted for 80.6% (81.1% 2016/17) of the council's external funding with the remaining 19.4% (18.9% 2016/17) from council tax. The in-year collection rate for council tax in 2017/18 was 96.2% (95.3% 2016/17).

In 2017/18 the council incurred net expenditure of £477.444 million (£442.610 million 2016/17) against a budget of £481.291 million (£444.421 million 2016/17), utilising 99.2% (99.6% 2016/17) of available budget.

The Expenditure and Funding Analysis (EFA), Note 5 on page 47 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.

As shown in the EFA, the General Fund recorded a net deficit for the year of £1.356 million. This was made up as follows:-

Service Expenditure	**2017/18 Budget £'000**	**2017/18 Actual £'000**	**Variance £'000**
Education, Planning, Economic Development and Regeneration			
Schools, Education Support	226,094	225,567	(527)
Planning, Economic Development and Regeneration	10,423	10,423	-
Corporate, Operational and Housing			
Operational Services	69,887	70,728	841
Housing, Customer and Building	12,338	12,607	269
Corporate Services	18,468	18,283	(185)
Social Policy			
IJB – Adult and Elderly Services	64,457	64,457	-
Non- IJB – Children's Services	34,556	34,556	-
Chief Executive, Finance and Property	32,830	32,660	(170)
Joint Boards	1,213	1,179	(34)
Service Expenditure	**470,266**	**470,460**	**194**
Economic Growth Fund Grant	-	(1,500)	(1,500)
Roads Maintenance Funding	-	(280)	(280)
NET SERVICE EXPENDITURE	**470,266**	**468,680**	**(1,586)**
Non Service Expenditure			
Pensions, NDR Relief and Benefit Payments	11,025	8,764	(2,261)
TOTAL EXPENDITURE	**481,291**	**477,444**	**(3,847)**
FUNDING			
Scottish Government Grant	(311,020)	(311,020)	-
Council Tax and Community Charge	(75,010)	(74,744)	266
TOTAL FUNDING	**(386,030)**	**(385,764)**	**266**
NET OUTTURN POSITION	**95,261**	**91,680**	**(3,581)**
Expenditure Funded from Committed General Fund Balance	-	4,937	4,937
Deficit for the year	**95,261**	**96,617**	**1,356**

5.2 **Financial Out-turn (Continued)**

The net service underspend of £1.586 million reflects additional funding of £1.5 million received from the Scottish Government for investment linked to employability and economic regeneration which will be carried forward to fund expenditure in 2018/19. In addition, Scottish Government allocated funding of £0.280 million to meet the costs of winter maintenance and roads maintenance arising from the exceptional weather event in March 2018. The remaining overspend of £0.194 million is the net effect of the following movements in a number of demand led areas.

- An exceptional weather event in March 2018 which resulted in additional costs within the winter maintenance budget.
- Partially offset by an underspend in Education due to additional vacancies contributing to a one-off underspend.
- The Chief Executive, Finance and Property Services underspend was less than reported previously. This was due to the announcement by the Cabinet Secretary for Finance and the Constitution, of changes relating to the funding for council properties that have, or have yet to, transfer to an Arm's Length External Organisation (ALEO).

Key demand led areas of the budget will be closely monitored during 2018/19 and any overspend risks will be highlighted on a timely basis to ensure action is taken to mitigate pressures.

The following table reconciles the out-turn report to column 1 of Note 5 Expenditure and Funding Analysis (EFA):-

	Out-turn Report £'000	**Depreciation £'000**	**Pensions £'000**	**Accumulated Absences £'000**	**EFA Column 1 Note 5 £'000**
Net Cost of Services	477,444	(109,651)	(16,310)	3,630	355,113
Other Income and Expenditure	(476,088)	109,651	16,310	(3,630)	(353,757)
Deficit on Provision of Services	**1,356**	**-**	**-**	**-**	**1,356**

The net deficit of £1.356 million decreases the General Fund balance to £23.906 million at 31 March 2018. Existing commitments against the balance are £21.805 million, including a Modernisation Fund of £3.156 million, Developer Contributions from HRA of £6.414 million, Scottish Government grant for 2018/19 of £1.167 million, and time limited projects of £2.330 million. Time limited projects are investments in specific programmes or activities for a short period of time typically to support transformational change or focus on a particular area to generate future financial and non-financial benefits. Full details of the commitments against the General Fund Balance are detailed in Note 35 on page 70. The uncommitted balance of £2.101 or 0.4% of budgeted net expenditure is £0.101 million above the council's target minimum uncommitted General Fund balance of £2 million.

The council holds a provision of £1.212 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 outstanding claims. To date £2.038 million has been paid to claimants and their representatives. During 2017/18 £0.762 million (£0.257 million 2016/17) 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 with modernisation and change within the council. From 2010/11 to date £15.213 million has been paid from the Modernisation Fund. As at 31 March 2018 (2017), the balance of the Modernisation Fund is £3.156 million (£3.764 million).

Included in the Comprehensive Income and Expenditure Statement is £0.658 million (£0.951 million 2016/17) of expenditure in relation to the cost of employee exit packages paid to 31 staff during 2017/18 (42 staff during 2016/17) as part of the council's strategy to balance the budget.

During the normal fixed assets revaluation cycle, car parks, depots, stores, agricultural land, development land, industrial land and other ground leases, open spaces and woodlands were revalued. As a result, £26.369 million was charged to the Comprehensive Income and Expenditure Account. £2.185 million of this relates to the downward revaluation of the Economic Development Properties and £19.625 million of the remaining £24.184 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 2017/18**

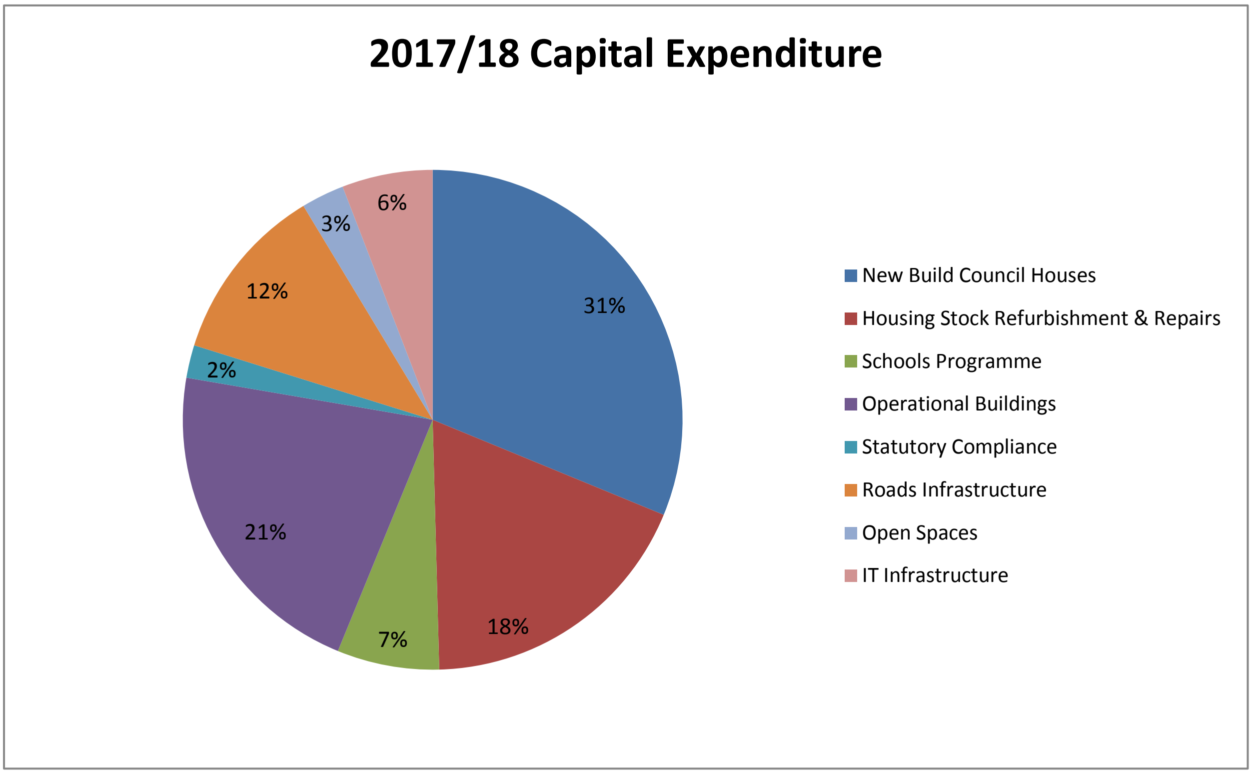
Statement 9 (page 73) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £22.698 million (£24.214 million 2016/17). Statement 10 (page 74) the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £22.698 million (£24.214 million 2016/17). The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.926 million (£0.926 million 2016/17).

5.4 **Capital Budget 2017/18**

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 2017/18 was £681.977 million (£652.361 million 2016/17), £469.619 million (£463.541 million 2016/17) for general services and £212.358 million (£188.820 million 2016/17) for Housing Revenue Account. External debt levels were £650.130 million during 2017/18 (£668.084 million 2016/17).

5.5 **Capital Programme 2017/18**



The General Fund and Housing Revenue Account capital out-turns are detailed in the following table:-

Capital Programme	2017/18 Budget £'000	2017/18 Actual £'000	2017/18 Variance £'000	2016/17 Budget £'000	2016/17 Actual £'000	2016/17 Variance £'000
General Services	44,851	49,423	(4,572)	63,304	69,616	(6,312)
Housing Revenue Account	57,452	48,590	8,862	62,450	49,787	12,663
Total Capital Expenditure		**98,013**			**119,403**	

5.5 **Capital Programme 2017/18 (Continued)**

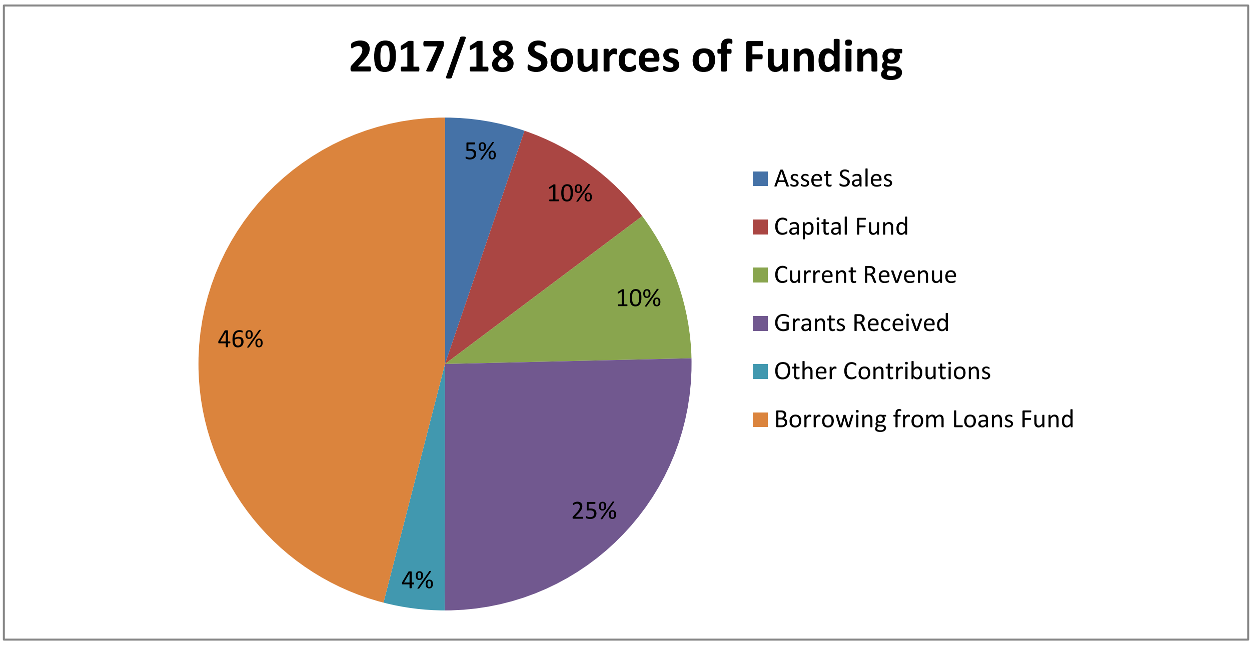
The 2017/18 General Services Capital Programme had a budget of £44.851 million and the final outturn for 2017/18 was £49.423 million. The variance of expenditure compared to budget for the year was £4.572 million due to accelerated spend on major projects from future years. There was net acceleration of £7.243 million within property projects, including Whitburn and Armadale Partnership Centres. The 2017/18 property capital programme has seen the completion of Whitehill Service Centre and Linlithgow Partnership Centre.

The HRA Capital Programme had a budget of £57.452 million and actual expenditure of £48.590 million resulting in a net variance of £8.862 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.

The total council capital expenditure was funded as follows:-

Sources of Funding	2017/18 £000	2016/17 £000
Asset sales and contributions from third parties / funds	43,263	67,180
Revenue contributions to Capital	9,677	9,309
Borrowing	45,073	42,914
Total Funding	**98,013**	**119,403**

Total debt outstanding at 31 March 2018 (2017) was £588.443 million (£603.931 million). The details of the debt outstanding are shown in note 17.3.



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 2018 (2017) is £133.039 million (£148.471 million).

The outstanding liabilities on the PPP contracts are £63.072 million (£65.464 million 2016/17) of which £2.442 million (£2.392 million 2016/17) is shown under current liabilities and £60.630 million (£63.072 million 2016/17) under long term liabilities.

Details of the annual costs of these contracts are shown in note 36.

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 2017/18 the STO achieved an in-year deficit of £0.635 million (in-year surplus of £0.485 million 2016/17).

In the three years to 31 March 2018 the trading account sustained a statutory aggregate loss of £6.070 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, £0.644 million in 2016/17 and £2.185 million in 2017/18. The financial position excluding these impairment charges of £7.306 million would have resulted in a surplus of £1.236 million over the three year period on assets from the Economic Development Property Portfolio. Note 30 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 8 note 1 on accounting policies. The requirement to recognise the council's share of the net liabilities of the Lothian Pension Fund (LPF) in the balance sheet has resulted in a Pension Reserve debit balance of £202.413 million at 31 March 2018 (£290.290 million at 31 March 2017).

Formal actuarial valuations of LPF are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data. The formal valuation for the Lothian Pension Fund was concluded by 31 March 2018.

For accounting purposes LPF project forward the results from the most recently completed formal valuation, incorporating some elements of experience since the formal valuation date, such as actual investment return, estimated contributions paid, estimated benefit outgo, actual early retirements and actual outsourcings / bulk transfers when advised to do so by the employer.

The accounting balance sheet position as at 31 March 2018 is based on this new roll forward from the 2017 formal valuation. This differs from the balance sheet position as at 31 March 2017, which was based on a roll forward from the 2014 formal valuation. This resulting base change known as 'step change' can lead to sizeable asset and liability remeasurement between balance sheets.

The default financial assumptions used at 31 March 2018 for the valuation were relatively similar to those used at 31 March 2017. Given the average LGPS fund returns over the year have also been broadly in line with the 2017 accounting expected return assumption, it can be concluded that the effect of asset returns and financial assumption changes for 2018 may have been overshadowed by the effect of the 2017 formal actuarial valuation calculations and the resulting 'step-change' from the roll forward approach.

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.

5.9 **Other Reserves**

The following table details the usable reserves held by the council for the five year period 2013/14 to 2017/18.

Fund	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**
Committed General Fund	20,571	23,869	23,539	23,187	21,805
Uncommitted General Fund	2,000	2,000	2,070	2,075	2,101
HRA Fund	926	926	926	926	926
Capital Fund	79,008	84,765	88,214	65,527	58,963
Insurance Fund	12,193	13,570	13,715	11,835	10,125
Total	**114,698**	**125,130**	**128,464**	**103,550**	**93,920**

5.9 **Other Reserves (Continued)**

The reduction in the Capital Fund of £6.564 million from 2016/17 is a result of the planned usage of the fund to supplement the capital programme. The 2017/18 capital investment programme and treasury management plan agreed and acknowledge the use of the council's capital fund to support investment in General Services assets of £49.423 million as outlined in section 5.5 of this commentary. Use of the capital fund was one source of income that funded improvements in council buildings, extensions to schools, investment in the road and footpath network, open space improvements and development of council ICT.

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 has a number of non-consolidation interests in other entities, full details of which are shown on pages 84 and 85. For the purposes of consolidation and incorporation with the Group Accounts the council did not have any subsidiary companies during 2016/17. However, following the conversion of West Lothian Leisure to a company limited by guarantee and based on the changes to their Articles of Association, it was assessed that the council exerted significant influence and control and as such, rather than be treated as an associate as previously, West Lothian Leisure should be treated as a subsidiary of the council for financial reporting from 2017/18 onwards.

Lothian Valuation Joint Board is deemed to be an associate under group accounts guidance.

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).

6. Risk and Uncertainty

At present, there are no confirmed Scottish Government budget allocations for local government beyond 2018/19. The future level of Scottish Government grant funding is therefore a substantial risk to the council as only a one year finance settlement has been provided to local government. The approved five year financial plan is based on a number of short, medium and long term financial assumptions which are subject to significant risks and uncertainties. Whilst acknowledging that the council's planning assumptions are subject to uncertainty due to the planning time horizon, some of the general risks and uncertainties facing the council are:

- Economic uncertainty, where economic growth is not in line with forecasts, and the impact of the vote to leave the European Union on public spending levels.
- Removal of EU funding to support business competitiveness, employability, poverty and social inclusion.
- Introduction of new legislation where inadequate funding is provided.
- Policy changes by the UK or Scottish governments which restrict the council's flexibility to decide how to deliver services locally.
- If the Scottish Government decides to introduce more ring fencing of grant funding, constraining how local authorities allocate their resources to delivering local priorities.
- Structural reform of the governance of local government, and in particular schools, is pursued providing
- uncertainty for service provision and funding.
- Changes to the financial and budget responsibilities delegated to head teachers following implementation of changes to the Education Bill.

Other, more specific areas of financial risk for West Lothian Council include:

- Pay award – although the council's budget model assumptions reflect the pay award offer for 2018/19, discussions are ongoing between COSLA and the recognised trade unions. Any increases above the assumptions included in the budget model would result in additional costs.
- The increase in costs associated with demand led services is greater than assumed. The areas of greatest pressure are community care for older people and people with learning disabilities. Any increases above these assumptions would result in additional costs over the five year period. In addition, there is also a risk that there will be pressure for substantial inflationary increases in externally purchased national and local care contracts

6. Risk and Uncertainty (Continued)

- House building assumptions of 900 per year are not realised resulting in changes to the council tax and school demographic assumptions.

- Actual pupil numbers do not reflect the school pupil forecasts, requiring more teachers to be employed.

- Inflation – there will remain risks and changes to inflation. The UK Government has a target of 2% CPI inflation which has been used as the basis of budget model forecasting. Any increases above this would result in additional costs over the five year period.

- Continued increase in demand for homelessness hotel and bed and breakfast.

- Failure of West Lothian Leisure to agree a financial plan 2019/20 to 2022/23 with a resultant financial impact on the council.

In addition to the financial risks, some of the key non-financial risks identified include:

- Insufficient service capacity and supply to meet demand, resulting in vulnerable people not being able to access vital council services such as social care.

- Brexit impacting on labour supply, local employers, the general economic position in West Lothian and the council's ability to meet changing regulatory requirements.

- Adverse impact of welfare reform on local communities and families

West Lothian Council approved a five year revenue financial plan and detailed annual revenue budgets for the three years 2018/19 to 2020/21 at the Council meeting of 13 February 2018. In order to maintain a balanced budget for the five years 2018/19 to 2022/23 the council is required to deliver total budget savings of £65.329 million. Council has approved budget saving measures of £60.102 million, leaving a balance of savings to be identified of £5.227 million. The development of the five year plan and budget saving measures was based on the public feedback received from the TYC consultation which reaffirmed the council's priorities.

The five year financial plan highlighted a number of risks for all five years that will be monitored. In addition, an appendix was added to the budget report assessing the risk to deliverability of each of the proposed budget saving measures to assist councillors in the scrutiny aspect of their budget setting role.

Whilst the council has an approved five year financial plan, with savings representing over 90% of the five year gap having been approved, the council continues to face unprecedented challenges in delivering essential services whilst resources are constrained. The five year financial plan assists elected members and officers in effectively focusing on medium to long term sustainability and meets best practice requirements to ensure budgets are balanced, priority outcomes are met and performance is maintained or improved for key areas of service delivery.

The approved financial plan recognises that to ensure the council has balanced budgets going forward, fundamental changes are required to some services which contribute less to council priorities and the introduction of new models of service delivery are necessary in some areas. The council's Corporate Transformation Programme Team will help facilitate transformational change in the council and to assist with fully delivering approved budget reduction measures, helping to mitigate the risk of non-delivery of savings.

The council has an established risk based approach to budget monitoring which ensures that effective action is taken to manage risks. During 2018/19, officers will continue to provide updates on risks as part of the quarterly budget monitoring to Council Executive. The Audit, Risk and Counter Fraud Manager also monitors and oversees financial and non-financial risks through updates provided by managers on the Pentana System. Regular updates are provided to the Officer Governance and Risk Board and to elected members and the public through the Governance and Risk Committee. Reports and minutes for the Governance and Risk Committee are available on COINS.

7. Future Work and Ongoing Developments

The council has made good progress in securing its ongoing financial sustainability through the approval of the corporate plan, the five year revenue plan and ten year capital investment programme. The five year revenue plan provides a medium term framework for the continued delivery of balanced budgets however officers continue to undertake work on financial planning and delivery of savings. It was agreed by both Council Executive and Council that officers would review areas for potential future savings measures to replace items removed from consideration officers are working on these areas and will report back to PDSPs and Council Executive on potential items.

In addition, as outlined in the revenue budget report, officers are reviewing the good ideas received from the TYC consultation to identify if any additional savings can help contribute to the outstanding gap of £5.227 million. Further updates on the results of this review will be provided to PDSPs during 2018/19.

With approval of the five year plan and detailed three year budget, officers will focus on the delivery of services that achieve the agreed priorities, including delivery of the agreed budget saving measures. Services will be supported in the delivery of their savings by the Corporate Transformation Team who are focused on delivering transformational change whilst continuing to meet the needs of communities.

Donald Forrest CPFA
Head of Finance and Property Services

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

25 September 2018

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 25 September 2018.

Signed on behalf of West Lothian Council

Councillor Lawrence Fitzpatrick
Leader of the Council
25 September 2018

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 2018.

Donald Forrest CPFA
Head of Finance and Property Services
25 September 2018

1. Corporate Governance

1.1 Corporate governance 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. It comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

1.2 The council, through all 33 of its members, has overall responsibility for good governance arrangements – for establishing its values and principles and culture, for ensuring the existence and review of an effective governance framework, and for putting in place monitoring and reporting arrangements. In practice, 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.

1.3 In the council's Corporate Plan 2018/19 to 2022/23 "Transforming Your Council" (13 February 2018) the place of corporate governance as an "enabler" is recognised and established. Along with risk management, financial planning and modernisation and improvement 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. The Corporate Plan also identified eight general areas of focus on governance as an enabler to achievement of the Plan's proposed outcomes.

1.4 The governance 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.

1.5 All of the council's decision-making is carried out within the framework of its Standing Orders. They are made up of:-

- Standing Orders for the Regulation of Meetings governing the way Council, Committee and Policy Development and Scrutiny Panel meetings are arranged, convened and run
- Scheme of Administration containing the remits and powers of all the bodies in the structure in which elected members are involved
- Scheme of Delegation to Officers setting out the responsibilities and powers allocated to senior officers by elected members
- Standing Orders for Contracts and Corporate procurement procedures which control the council's procurement activity
- Financial Regulations which set the rules and procedures for financial, budget and treasury management

1.6 All these documents are subject to review, at least once in each administrative term, but in practice are reviewed and refreshed on a more frequent basis as circumstances require.

2. System of internal control

2.1 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.

2.2 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.

2.3 Reporting to members on the effectiveness of the system of internal control is a statutory requirement carried out by the Audit, Risk and Counter Fraud Manager in his Internal Audit Annual Report to committee in June each year. Its consideration precedes and informs this statutory annual governance statement which requires approval by the council and incorporation into the annual accounts and financial statements.

2.4 Following his review for 2017/18 his conclusion is that the framework of governance, risk management and control is generally sound. Based on internal audit investigations and reports throughout the year he has identified areas where improvements could be made and confirmed that recommendations would be followed up and reported as required. Of those, two areas were identified where the conclusion was that control was unsound – procurement business case exemptions and the administration of school medication. Both were reported to Audit Committee and will be followed up by further reports in 2018/19.

3. Council elections

3.1 Local government elections were held in Scotland on 4 May 2017. West Lothian Council is a council of nine electoral wards and 33 councillors. Those elected were made up of 13 SNP members, 12 Labour members, 7 Conservative members and 1 Independent member.

3.2 The statutory first council meeting was held on 11 May 2017, and adjourned on two occasions before its business was completed at a special meeting on 25 May. The legal requirement to elect a convenor (Provost) was met and a minority Labour administration was established. The Leader of the Council was elected along with 8 Executive Councillors (portfolio holders in relation to council services) and chairs and vice-chairs of all other committees. Senior councillor payments were agreed. Those appointments and payments remained unchanged at the end of 2017/18.

4. Decision-making and scrutiny arrangements

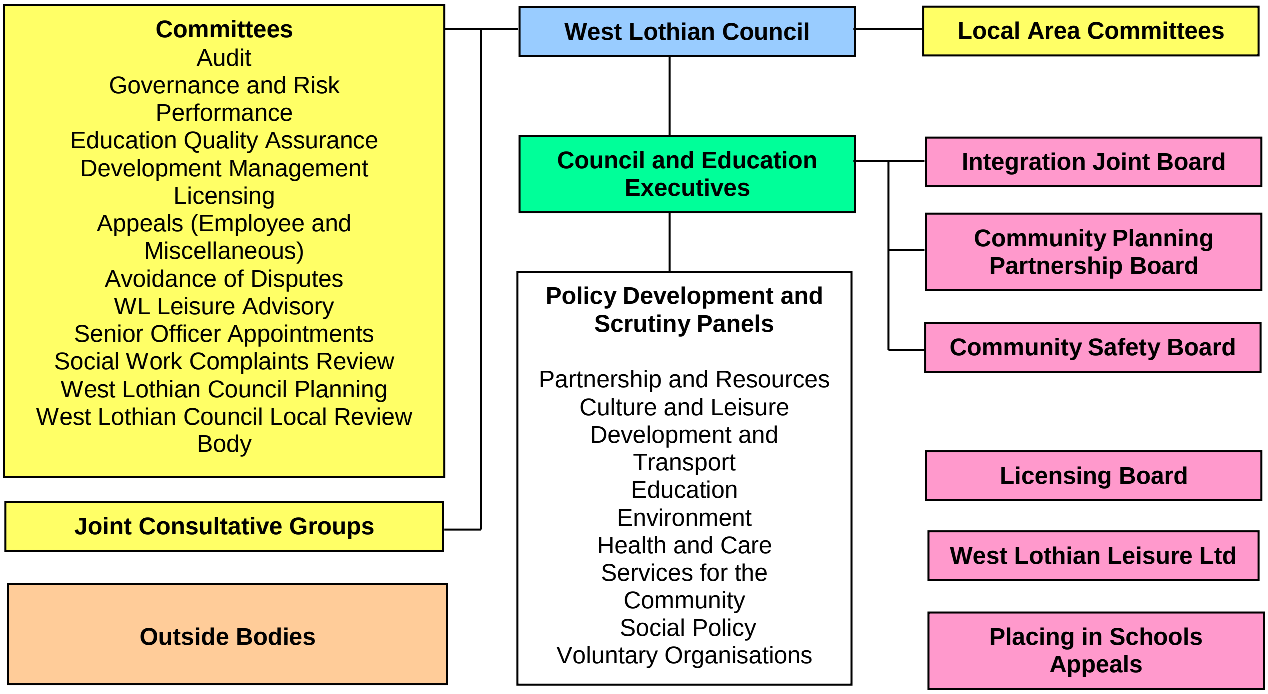
4.1 The council has a well-established framework of committees and working groups. The various bodies and their remits and powers are set out in the Scheme of Administration which is part of the council's Standing Orders. Standing Orders can only be changed at a meeting of full council. The committee structure is supported by a complementary Scheme of Delegations to officers which sets out the responsibilities and decision-making powers that council has delegated to officers. That too is part of Standing Orders and is updated every three months to reflect changes agreed at council and its committees.

4.2 The committee structure in place at the end of 2016/17 was reported for review and adoption to the council at its first statutory meeting following the local government elections in May 2017. Council adopted those existing arrangements and instructed officers to review specific aspects of it.

4.3 That review was reported on 7 June 2017 and led to changes to some scrutiny arrangements. Other changes have been made in the course of 2017/18 in response to the external audit report and the Accounts Commission Best Value Assurance Report for the council. Two new committees were added and the remit and powers of West Lothian Leisure Advisory Committee were reviewed.

4.4 The structure in place at the end of 2017/18 follows. It consists of two main decision-making committees (Council Executive and Education Executive). Proposed policy changes are considered first at one of nine Policy Development and Scrutiny Panels. There are a number of regulatory and appeals committees. There is one local area committee for each ward to focus ward issues. Scrutiny is carried out through Audit Committee, Governance and Risk Committee, Performance Committee and Education (Quality Assurance) Committee. The Council meets every 8 weeks to deal with reserved matters and political debate and scrutiny.

Decision Making Structure



5. Principal changes

5.1 The remit of the Audit and Governance Committee was divided. Two new committees were established in its place – Audit Committee and Governance and Risk Committee. This reflected the council's view of the significance of risk management to achieving the council's goals and outcomes, and the need for greater involvement in the scrutiny of risk by members. Those committees have met separately since June 2017.

5.2 The positions of chair of these two committees have been reserved in Standing Orders for members who are not part of the ruling administration political group, to achieve a greater separation of political control and scrutiny. (Although not formally stated in Standing Orders, the positions of chair of Performance Committee and Education Quality Assurance Committee (EQAC) have been for several years and are still held by a member from outwith the administration group).

5.3 During the year, the remit and powers of West Lothian Leisure Advisory Committee were reviewed. This is the scrutiny committee through which the council's relationship with West Lothian Leisure Ltd., its only ALEO, is monitored. Its remit, powers and reporting arrangements were reviewed in 2017/18 and strengthened at full council on 22 May 2018. The Scheme of Administration was at the same time amended to require membership of the committee and the Board of Directors of West Lothian Leisure Ltd. to be kept entirely separate, applying Standards Commission advice and comment by the council's external auditors.

5.4 Following development and review during the year, two new committees were added to the Scheme of Administration to reflect the requirements for asset transfer requests in the Community Empowerment (Scotland) Act 2015.

5.5 On 13 February 2018 council instructed officers to carry out a review of its decision-making. That review is ongoing and was reported to PDSP on 24 August 2018 as the first stage in the committee process.

6. Management structure

6.1 The council's services are managed through its Executive Management Team, comprised of the Chief Executive, three Depute Chief Executives and the Head of Finance and Property Services. Those officers and seven Heads of Service form the Corporate Management Team. Each service has a Senior Management Team and other managers and teams within its structure. The service management structure is as follows.

6.2 In addition to and linking across its service structure the council's management is carried out through Executive Boards, Project Boards and Working Groups with defined remits and membership to reflect the remit and aims of the body concerned.

6.3 The council in February 2018 established a Business Transformation Team, made up of senior council officers seconded from across its service areas. They are managed by a Depute Chief Executive and their task is the project management of the transformational change required to deliver on the council's Corporate Plan objectives and priorities and its long-term financial plan.

7. Audit Committee

7.1 The committee's remit includes undertaking a corporate overview of the council's control environment, developing an anti-fraud culture to ensure the highest standards of probity and public accountability, and evaluating the arrangements in place for securing the economical, efficient and effective management of the council's resources. It considers annual reports by Audit, Risk and Counter Fraud Manager which provide an opinion and assurance on the overall adequacy and effectiveness of the council's control framework. It monitors the independence and effectiveness of the Audit, Risk and Counter Fraud Unit. It is given assurance in relation to non-internal audit functions managed by the Audit, Risk and Counter Fraud Manager through the internal audit manager of Falkirk Council. 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.

7.2 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 timeously.

7.3 The committee deals with reports from the council's external auditors. It receives the External Audit Annual Plan which informs the council of the work to be undertaken in the course of the year, the extent to which the external auditors are able to rely on the work of Internal Audit and the extent of additional risk-based external scrutiny through the Local Area Network. The external auditor's annual report on the council's accounts and financial statements are referred to the committee by council after it approves the audited accounts for signature.

7.4 The committee also considers 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.

8. Governance and Risk Committee

8.1 The committee's remit includes undertaking a corporate overview of the council's corporate governance and risk management arrangements, reviewing policies and practices in operation to ensure compliance with governance statutes, directions, standards and codes, developing a culture within the council of good corporate governance, risk awareness and risk management, and reviewing the council's strategy and systems for the management of risk and relevant reporting arrangements and ensuring they are adequate and cost effective. It considers reports from the Governance Manager and Audit, Risk and Counter Fraud Manager in relation to matters within its remit.

8.2 The committee meets at least four times each year. It receives reports on a rota basis from services on their risk management arrangements. It considers a report at every meeting on the council's high risks and on health and safety incident reporting. It examines ad hoc risk and governance issues, such as cyber-security risks. It now considers risk reports from the council's external risk advisers, Gallagher and Bassett. It is charged with approving the annual governance statement after considering the Audit, Risk and Counter Fraud Manager's review of the system of internal control. That was done at its meeting on 18 June 2018.

8.3 As an action arising from the external audit report for 2017/18 the committee conducted a self-assessment exercise to inform its development and progress. The same exercise will be carried out each year as part of the committee work plan and has also been applied to Audit Committee.

9. Other scrutiny arrangements

9.1 The council deals with the remainder of its scrutiny function by members in three places – Policy Development and Scrutiny Panels (PDSPs), Performance Committee and Education (Quality Assurance) Committee.

9.2 Policy Development and 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 (Pentana) 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.

9.3 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.

9.4 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.

9.5 Arising from the council's Best Value Assurance Report a review was to be undertaken of the overall arrangements for reporting and monitoring of corporate and service financial and service performance. That review was commenced in February 2018 and was completed by 30 June 2018. Progress was reported to Audit Committee on 25 June 2018.

10. Code of Corporate Governance

10.1 The council's governance arrangements are now monitored and reviewed and reported in accordance with statutory requirements and under a Framework and guidance for Scotland called "Delivering Good Governance in Local Government", produced by CIPFA/SOLACE in 2016. Its annual governance statement in 2016/17 was produced in accordance with the Framework and for 2017/18 a new Local Code of Corporate Governance has been developed and adopted under that Framework and Guidance as well.

10.2 The Code adopts the seven over-arching principles from the Framework which are

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

10.3 Each of those principles is broken down into sub-principles and then separate elements to allow a more focused approach to the components of each. A list of sources of evidence has been added and the council's actions and performance over the year are assessed to determine where the council exceeds, meets or fails to meet the required standards. Areas of concern are picked out and reported on through the annual reporting process. Actions are identified and allocated and progress monitored though committee.

10.4 The Code and the assessment process in 2017/18 will be different to those used in recent previous years. There is the potential for some loss of ability to compare in detail and on a like-for-like basis to previous years. That is inevitable in making the transition to the new Code but careful analysis will still be able to identify any trends or longer-term issues.

10.5 The Code is used to inform the drafting and approval of the annual governance statement through the Governance and Risk Board and Governance and Risk Committee. It is reported on in detail to members at Council Executive in the autumn after consideration by the Corporate Management Team. It is then published and considered in more detail, with any recommendations from officers and Council Executive, and agreed actions are monitored throughout the rest of the reporting year.

11. Compliance statements

11.1 A set of compliance statements is produced to sit alongside the Code and also inform the drafting and approval of the annual governance statement. They deal with compliance with the law and with the council's corporate policies, procedures and practices of significance to good governance. They are prepared after 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. They are designed to bring to the attention of elected members any incidents of non-compliance which are significant to the council's operations and which are not reported elsewhere in a systematic way.

11.2 They cover the following areas of activity:-

- Best Value Framework - Head of Finance and Property Services
- Procurement - Head of Corporate Services
- Fraud and Corruption - Head of Finance and Property Services
- Employee Whistleblowing - Head of Finance and Property Services
- Discipline and Grievances - Head of Corporate Services
- Occupational Health and 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
- Breaches of the law - Monitoring Officer

11.3 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.

11.4 Separate and stand-alone reporting is carried out annually on the Councillors' Code of Conduct and Freedom of Information. In previous years a Compliance Statement was produced for Covert Surveillance and Accessing Communications Data. Following an external inspection in 2016, a new policy and reporting arrangements were put in place during 2017/18. As a result that will now also be undertaken through stand-alone reports to Partnership and Resources PDSP.

12. Officer activity

12.1 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 and 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. His position complies with the terms of the CIPFA Statement on the Role of Internal Audit (2010). There is annual reporting to the committee of internal audit activities and to give assurance about the independence, effectiveness and soundness of the service.

12.2 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 (2015) as set out in the Delivering Good Governance in Local Government: Framework. It 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 and 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.

12.3 Risk Management is overseen by the Audit, Risk and Counter Fraud Manager. It is embedded at Executive and Corporate Management team level as well as in service management teams across the council. Management teams monitor, assess and mitigate risk as a matter of routine at their meetings. The process is managed through Pentana.

12.4 The council's counter fraud activities are managed by the Audit, Risk and Counter Fraud manager. The service is operated in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). The unit is responsible for the council's whistleblowing hotline and for dealing with information from there and other sources relevant to fraud or corruption. It also administers the council's participation in the National Fraud Initiative.

12.5 The Audit, Risk and Counter Fraud Manager presents annual plans for each of these three services to committee in February/March each year for approval. He presents an interim and then year-end report for each, summarising activity, performance and completion on the annual plans. The council's external audit and Best Value Assurance Reports commented on the potential for conflict of interest where these services are managed by the same officer. The council's response was that the risk was recognised and mitigated by management who ensured that the risk management process is audited externally as part of a partnership arrangement with another council. The view of the council's Corporate Management Team is that the arrangements for management of risk have improved significantly since responsibility for risk was combined with internal audit. A review was undertaken by officers in the course of the year to ensure mitigating actions are identified and implemented.

12.6 Governance and risk management are supervised on the officer side of the council by the Governance and 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.

12.7 Management teams also routinely monitor their performance through Pentana, 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.

13. External reports

13.1 The external audit report made a series of recommendations in relation to governance. Actions were agreed by council and taken forward by officers and in some cases led to further reports and decisions by council. Progress and completion were recorded and monitored through Pentana and by monitoring reports to Audit Committee. Completion was on track at the year-end. A report on progress and completion was made to Audit Committee on 25 June 2018.

13.2 The council's statutory Best Value Assurance Report was conducted and completed during the year. The Accounts Commission's recommendations were accepted. Some related to governance issues. Actions were agreed and a summary of those agreed with the Commission before appearing in a public notice in February 2018. They were monitored through Pentana and by reports to Audit Committee. Completion was on track and a report to Audit Committee on 25 June 2018 confirmed the up-to-date position.

13.3 The Local Scrutiny Plan 2017/18 confirmed that the Local Area Network had identified no risks for detailed scrutiny. A joint inspection was carried out and reported during the year of Children's and Young People's Services.

14. Matters of concern from 2016/17 – progress and completion

14.1 Members' training is an issue that has featured intermittently in governance reporting in previous years. In 2016/17 the local government elections provided a focus through the post-election induction programme for members. The programme had been assembled by a working group that met between September 2016 and May 2017. The programme was delivered over the three weeks following the elections. It dealt with generic issues for all councillors as well as more specific sessions those with additional responsibilities. Training was compulsory for regulatory committee members. Follow-up and repeat sessions were given where required. Favourable feedback was received along with topics for future sessions. Other sessions were delivered throughout the rest of the year on topics such as Code of Conduct, planning, and equality impact assessments. Five days have been formally identified in the Calendar of Meetings for members' training. Officers consider that some momentum has been achieved and will engage with members to maintain it.

14.2 The transition onto the 2016 CIPFA/SOLACE Framework of Governance was achieved through reports to the Governance and Risk Board, Corporate Management Team, Governance and Risk Committee and Council Executive. The use and assessment against the Code have been streamlined and simplified.

14.3 The areas in which control was noted in last year's Statement to be unsound were addressed through Audit Committee reporting as follows:-

- Information security breaches – a follow-up report to committee by the Head of Corporate Services confirmed that actions had been completed. Further follow up work will be undertaken by internal audit during 2018/19

- Grants to voluntary organisations – areas of weakness were reported to committee with completion of the outstanding actions to be monitored and reported through future reporting to committee. The Head of Planning, Economic Development and Regeneration provided a follow up report on progress to the committee which stated that the issues raised by the internal audit report had been addressed. Further follow up work will be undertaken by internal audit during 2018/19

- Information asset register - a follow-up report to committee confirmed that control remained unsound. Further follow up work will be undertaken by internal audit during 2018/19

- Procurement business case exemptions – the internal audit report was reported to committee and outstanding actions are due to be followed up by internal audit during 2018/19.

15. Governance issues arising in 2017/18

15.1 The risks associated with political change and uncertainty as a result of the local government elections in May 2017 had been recognised in last year's statement. The working group which met between September 2016 and May 2017 played a key part in preparing the way for a successful transition. The post-election statutory requirements were completed timeously. The council was able to resume its normal calendar of meetings by 26 May 2017.

15.2 A procedure was agreed and implemented for a public consultation on savings and efficiencies and was reported through PDSP and committee. In the course of that procedure additional steps were added to improve member involvement and public awareness. The council was able to place reliance on the whole process when timeously setting its council tax and budgets for the year and in addition successfully approving detailed budgets for two further years and financial plans for the following two, through until 2023.

15.3 The council's Best Value Assurance Report was dealt with in accordance with statutory requirements.

15.4 Financial difficulties experienced by West Lothian Leisure Ltd. were managed through strengthened monitoring arrangements at officer and member level. More focused financial reporting was made to West Lothian Leisure Advisory Committee. Special meetings of that committee and Council Executive were held to ensure appropriate decisions were taken by members and financial measures approved.

15.5 Agreement was reached during the year on the council's participation in a joint committee to govern the City Region Deal. Formal approval was given by full council on 22 May 2018.

15.6 The administration of and reporting to the Audit Committee and Governance and Risk Committees has been developed and has become well-established. Both operate to work plans for year ahead and both have carried out self-assessment exercises to identify ways in which improvements can be made.

15.7 Governance arrangements have been established for participation requests and asset transfer requests under the Community Empowerment (Scotland) Act 2015. Proposals are to be brought forward for participatory budgeting (Community Choices) in 2018/19.

15.8 A cross-service working group has met during the year, and continues to meet, to deal with the General Data Protection Regulation and Data Protection Act 2018.

15.9 Control was found to be unsound in two areas reported to Audit Committee. Those were in relation to exemptions from the council's Standing Orders for Contracts and the administration of medication in schools.

15.10 A breach of Standing Orders for Contracts was identified in relation to the procurement of accommodation required to meet the council's homelessness duties. It was addressed through the service and the Procurement Board.

15.11 The council omitted to obtain an appropriate HMO licence for a homelessness unit, and the failure was remedied by a retrospective application and grant of licence.

16. Matters to be considered in 2018/19

16.1 The development and the implementation of community empowerment measures will be significant. Proposals for Community Choices will have to have appropriate regard to Following the Public Pound whilst complying with the legislation and meeting community aspirations.

16.2 The review of the council's decision-making arrangements will be concluded and reported. The impact on council business and governance will require to be kept under review.

16.3 Actions from the external audit report and Best Value Assurance Report will require to be concluded and then implemented. These include the review of corporate financial and service reporting information and the involvement of members in future years in setting council priorities and in budget reduction measures.

16.4 The council's relationship with West Lothian Leisure Ltd. will require to be kept under review and its performance monitored and reported to ensure the ALEO arrangement continues to be the best option for service delivery and best value.

16.5 The council's position on the review of local governance being conducted jointly by the Scottish Government and COSLA will have to be developed and established through the PDSP and committee structure.

16.6 Arrangements for members' training will continue to be kept under review and discussion.

16.7 The reporting on corporate governance using the new Local Code will be reviewed.

16.8 The template and guidance for council and committee reports will be reviewed and updated to ensure it continues to capture and provide all relevant information to members to best ensure sound decision-making.

16.9 Work will be undertaken to strengthen the recording and retention of the interests of senior officers which may be considered to be relevant for the discharge of their decision-making duties.

16.10 The restructure of the Community Planning Partnership will continue and be concluded. The effectiveness of that will be significant in relation to community empowerment, local governance review outcome and delivery of partnership outcome and the council's own priorities.

16.11 The two areas in which control was identified as unsound will be concluded through reports to Audit Committee (schools medicine and procurement business case exemptions).

16.12 Appropriate actions for these issues and targets for completion will be developed and reported to committee after approval of the council's accounts and financial statements in September 2018.

16.13 Work will progress towards compliance with the public sector equality duty due in April 2019. The procedures for conducting and reporting equality impact assessments will be reviewed and adjusted to ensure they include the newly-activated socio-economic duty.

17. Conclusion and assurance

17.1 Based on the governance framework, arrangements and review already described, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2017/18.

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

25 September 2018

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.

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

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) Amendment Regulations 2017 (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 2017/18 the salary for the Leader of West Lothian Council was £33,857. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2017/18 the salary of the Provost of West Lothian Council was £25,392. The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2017/18 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 for 2017/18 shall not exceed £296,238 (£295,644 2016/17). 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 2017/18 (2016/17) West Lothian Council had 12 (11) senior councillors and the basic salary paid to these councillors totalled £289,860 (£295,644 2016/17). 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 28 March 2017 and is available at http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=34245

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 the amount recharged to Lothian Valuation Joint Board for Councillor B Robertson, to 13 December 2016, in respect of a vice-convenor position was £2,456.

In 2017/18 the amount recharged to Lothian Valuation Joint Board for Councillor A McGuire, from 28 August 2017, in respect of a vice-convenor position was £1,956.

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	2017/18 £'000	2016/17 £'000
Salaries	670	676
Allowances	13	15
Expenses	35	31
Total	**718**	**722**

The annual return of Councillors' salaries and expenses for 2017/18 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.

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 2017/18:-

Name	Post Title	Total Remuneration 2017/18 £	Total Remuneration 2016/17 £
Provost payment from 1 April 2017 to 31 March 2018			
T Kerr	Provost (Civic Leader)	25,993	25,341
Senior Councillor payments from 1 April 2017 to 4 May 2017			
A Boyle	Chair of Licensing Board and Licensing Committee	2,479	25,341
F Toner	Chair of Audit and Risk Committee	2,479	24,125
A Davidson	Chair of Development Management Committee	2,479	25,341
J Dixon	Executive Post - Voluntary Organisations	2,479	25,341
D Logue	Executive Post - Social Policy	2,479	25,341
J McGinty	Leader of the Council	18,835	33,789
A McMillan	Executive Post - Health and Care	2,479	25,341
Senior Councillor payments to 31 March 2018			
H Cartmill	Executive Post - Health and Care from 7 June 2017	23,272	18,109
T Conn	Executive Post - Environment until 4 May 2017 and from 25 May 2017	24,357	25,341
L Fitzpatrick	Executive Post - Education until 24 May 2017. Leader of the Council from 25 May 2017	32,165	25,341
D King	Executive Post - Culture and Leisure (Depute Provost) until 4 May 2017 and from 25 May 2017	24,616	25,341
C Muldoon	Executive Post - Development and Transport (Depute Leader) until 4 May 2017 and from 25 May 2017	24,357	25,341
C Horne	Chair of Audit Committee from 7 June 2017	21,620	-
D Timson	Chair of Governance and Risk Committee from 7 June 2017	21,620	-
P Heggie	Chair of Licensing Board and Licensing Committee from 7 June 2017	21,620	-
K Sullivan	Executive Post - Voluntary Organisations from 25 May 2017	21,878	-
CJ Kennedy	Chair of Development Management Committee from 25 May 2017	21,878	-
A Doran	Executive Post - Social Policy from 25 May 2017	21,878	-
D Dodds	Executive Post - Education from 25 May 2017	23,532	-
G Paul	Executive Post - Services for the Community until 4 May 2017 and from 25 May 2017	24,357	25,341
A McGuire[1]	Lothian Valuation Joint Board from 28 August 2017	17,227	-
B Robertson[2]	Lothian Valuation Joint Board until 13 December 2016	-	19,349
Total		**384,079**	**374,123**

1. West Lothian appointee on Lothian Valuation Joint Board from 28 August 2017. The amount recharged to Lothian Valuation Joint Board in 2017/18 was £1,956 in respect of Councillor A McGuire.
2. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016. The amount recharged to Lothian Valuation Joint Board in 2016/17 in respect of Councillor B Robertson was £2,456.

A small number of matters are reserved to full council. Regulatory business and scrutiny are remitted to a number of committees with specific and limited powers. Responsibility for management and operational issues is delegated to council officers.

The main powers to make policy and take significant decisions are held by Council Executive and Education Executive. Education Executive deals with education business. It has 18 councillor members and 6 non-councillors representing churches, teaching staff and parent councils. Council Executive holds all other significant decision-making powers. It is chaired by the Leader of the Council and has 13 members. The Leader of the Council and 8 Executive Councillors have additional responsibilities in relation to defined portfolios of services and also chair Policy Development and Scrutiny Panels, which are working groups which consider new and revised strategies and policies before they are sent for decision at Council Executive or Education Executive.

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 2017/18.

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.

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 2017/18.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration 2017/18 £	Total Remuneration 2016/17 £
G Hope[1] Chief Executive	-	142,503	138,180
J Forrest[2] Depute Chief Executive / Chief Officer West Lothian Integration Joint Board	103,068	51,534	49,828
R G Struthers Depute Chief Executive	-	117,792	116,627
E Cook Depute Chief Executive	-	117,792	113,031
D Forrest Head of Finance and Property Services	-	96,028	95,078
J Jack Head of Operational Services	-	88,769	87,890
A Shaw Head of Housing, Customer and Building Services	-	88,769	87,890
C McCorriston Head of Planning, Economic Development and Regeneration	-	88,769	87,890
J Whitelaw Head of Corporate Services	-	88,769	87,890
J Cameron Head of Education (Learning, Policy and Resources)	-	96,028	95,078
D McMaster Head of Education (Curriculum, Quality Improvement and Performance)	-	96,028	93,269
J Kellock Head of Social Policy	-	96,028	93,269
Total		**1,168,809**	**1,145,920**

3.2 **Senior Employees Remuneration (continued)**

1. Remuneration includes returning officer payment of £7,495 in 2017/18 (2016/17 £4,509).
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 2017/18 (2016/17) is £7,679 (£7,424).
3. There were no compensation payments for loss of employment or annual compensation payments in 2016/17 or 2017/18.

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:-

	Number of Employees	
Remuneration Bands	**2017/18**	**2016/17**
£50,000 - £54,999	82	104
£55,000 - £59,999	64	48
£60,000 - £64,999	25	16
£65,000 - £69,999	15	13
£70,000 - £74,999	5	4
£75,000 - £79,999	7	5
£80,000 - £84,999	1	1
£85,000 - £89,999	4	4
£90,000 - £94,999	-	2
£95,000 - £99,999	5	2
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
£115,000 - £119,999	2	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	**211**	**203**

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 2016/17 or 2017/18.

Exit package Cost Range	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2017/18	**2016/17**	**2017/18 £'000**	**2016/17 £'000**
£0 - £20,000	21	26	189	307
£20,001 - £40,000	4	11	122	306
£40,001 - £60,000	5	2	253	103
£60,001 - £80,000	-	2	-	145
£80,001 - £100,000	1	1	94	90
Total	**31**	**42**	**658**	**951**

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.

The members contribution rates for 2017/18 remain at the 2016/17 rates, however the ranges have changed as follows:

Whole time pay	Range 2017/18	Range 2016/17	Contribution rate 2017/18	Contribution rate 2016/17
On earnings up to and including	£20,700	£20,500	5.5%	5.5%
On earnings above	£20,700 and up to £25,300	£20,500 and up to £25,000	7.25%	7.25%
On earnings above	£25,300 and up to £34,700	£25,000 and up to £34,400	8.5%	8.5%
On earnings above	£34,700 and up to £46,300	£34,400 and up to £45,800	9.5%	9.5%
On earnings above	£46,300	£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 2018 are shown in the table below, together with the contribution made by the council to each Senior Councillor's pension during the year.

Name	Post Title	In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2018	For year to 31 March 2017	As at 31 March 2018		Difference from 31 March 2017	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
Provost contributions from 1 April 2017 to 31 March 2018							
T Kerr	Provost (Civic Leader)	5,216	5,170	5	2	1	-
Senior Councillor contributions from 1 April 2017 to 4 May 2017							
A Boyle	Chair of Licensing Board and Licensing Committee	505	5,170	1	10	(1)	10
F Toner	Chair of Audit and Risk Committee	505	4,922	1	-	-	-
D Logue	Executive Post - Social Policy	505	5,170	4	2	-	-
A McMillan	Executive Post - Health and Care	505	5,170	2	-	-	-
Senior Councillor contributions to 31 March 2018							
H Cartmill	Chair of Audit and Governance Committee	4,747	3,694	2	-	-	-
T Conn	Executive Post - Environment	4,968	5,170	4	2	-	-
L Fitzpatrick	Executive Post - Education	6,561	5,170	4	2	-	-
D King[1]	Executive Post - Culture and Leisure (Depute Provost)	-	4,646	-	-	(7)	(2)
C Muldoon	Executive Post - Development and Transport (Depute Leader)	4,968	5,170	4	2	-	-
C Horne	Chair of Audit Committee	4,410	-	-	-	-	-
D Timson	Chair of Governance and Risk Committee	4,410	-	-	-	-	-
P Heggie	Chair of Licensing Board and Licensing Committee	4,410	-	-	-	-	-
K Sullivan	Executive Post - Voluntary Organisations	4,463	-	-	-	-	-
CJ Kennedy	Chair of Development Management Committee	4,463	-	-	-	-	-
A Doran	Executive Post - Social Policy	4,463	-	-	-	-	-
D Dodds	Executive Post - Education	4,800	-	1	-	1	-
G Paul[2]	Executive Post - Services for the Community	1,298	5,170	3	26	(1)	24
B Robertson[3]	Lothian Valuation Joint Board	-	3,947	-	-	-	-
Total		**61,197**	**58,569**	**31**	**46**	**(7)**	**32**

1. Included in the pension scheme until 22 February 2017 when reached age 75.
2. Included in the pension scheme until 10 July 2017 when reached age 75.
3. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016.

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, A McGuire 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 2018 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 2018	For year to 31 March 2017	As at 31 March 2018		Difference from 31 March 2017	
Name	**Post Title**	**£**	**£**	**Pension £'000**	**Lump Sum £'000**	**Pension £'000**	**Lump Sum £'000**
G Hope[1]	Chief Executive	29,002	27,269	59	109	4	1
R G Struthers	Depute Chief Executive	24,029	23,792	47	86	4	-
E Cook	Depute Chief Executive	24,029	23,058	58	-	4	-
D Forrest	Head of Finance and Property Services	19,589	19,396	39	70	2	-
J Jack	Head of Operational Services	18,108	17,930	39	75	2	-
A Shaw	Head of Housing, Customer and Building Services	18,108	17,930	51	111	2	-
C McCorriston	Head of Planning, Economic Development and Regeneration	18,108	17,930	39	75	2	-
J Whitelaw	Head of Corporate Services	18,108	17,930	28	41	2	-
J Cameron	Head of Education (Learning, Policy and Resources)	19,589	19,396	67	-	2	-
D McMaster	Head of Education (Curriculum, Quality Improvement and Performance)	19,589	19,026	53	-	3	-
J Kellock	Head of Social Policy	19,589	19,026	30	45	2	1
Total		**227,848**	**222,683**	**510**	**612**	**29**	**2**

1. Chief Executive includes pension benefits for Returning Officer duties

4.4 Facility Time Report 2017/18

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the council to collect and publish a range of information on trade union (TU) facility time in respect of its employees who are TU representatives.

The information is summarised in the following table:

		Non Teacher	Teacher
Number of employees who were relevant union officials during 2017/18		38	15
Number of FTE employees who were relevant union officials during 2017/18		37.39	14.78
Percentage of time spent on facility time	0%	15%	7%
	1% - 50%	19%	7%
	51% - 99%	4%	1%
	100%	-	-
Percentage of pay bill spend on facility time	Total cost facility time	£171,740	£55,037
	Total pay bill	£129,749,000	£125,390,000
	Percentage of total pay bill on facility time	0.13%	0.04%
Paid trade union activities		2.12%	-

4.4 **Facility Time Report 2017/18 (Continued)**

Full details are available at https://www.westlothian.gov.uk/article/11827/Trade-Unions

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

25 September 2018

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT — STATEMENT 4

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 2018

		2017/18			2016/17		
	Note	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**
Schools, Education Support		235,948	5,008	230,940	231,791	6,004	225,787
Planning, Economic Development and Regeneration		15,533	5,345	10,188	11,478	4,946	6,532
Operational Services		81,548	8,966	72,582	79,497	9,051	70,446
Housing, Customer and Building Services		22,903	5,665	17,238	21,761	5,458	16,303
Corporate Services		1,779	585	1,194	1,067	664	403
Social Policy – IJB, Adult and Elderly Services		157,550	93,093	64,457	145,587	85,003	60,584
Social Policy – non IJB Children's Services		40,568	2,318	38,250	39,200	4,552	34,648
Chief Executive, Finance and Property		35,558	4,965	30,593	35,277	5,517	29,760
Joint Boards		1,213	34	1,179	1,214	-	1,214
Other Services		56,985	56,904	81	58,171	58,306	(135)
Net Cost of General Fund Services		**649,585**	**182,883**	**466,702**	**625,043**	**179,501**	**445,542**
Housing Revenue Account		64,077	48,309	15,768	64,592	46,448	18,144
Net Cost of Services		**713,662**	**231,192**	**482,470**	**689,635**	**225,949**	**463,686**
Other Operating Expenditure	9	(2,427)	-	(2,427)	(2,559)	-	(2,559)
Finance and Investment Income and Expenditure	10	66,198	30,761	35,437	67,121	34,060	33,061
Taxation and Non-Specific Grant Income	11	-	405,399	(405,399)	-	398,973	(398,973)
Deficit / (Surplus) on Provision of Services	5	**777,433**	**667,352**	**110,081**	**754,197**	**658,982**	**95,215**
Items that will not be reclassified to the (surplus) / Deficit on the Provision of Services							
Deficit / (Surplus) on revaluation of property, plant and equipment				(18,077)			2,542
Actuarial (gains) / losses on pension assets and liabilities				(111,938)			102,920
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services				**(130,015)**			**105,462**
Deficit / (Surplus) on revaluation of available for sale financial assets				7			(28)
Other Comprehensive Income and Expenditure				**(130,008)**			**105,434**
Total Comprehensive Income and Expenditure				**(19,927)**			**200,649**

MOVEMENT IN RESERVES STATEMENT — STATEMENT 5

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 2018

	Note	General Fund £'000	Housing Revenue Account £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2016		**25,609**	**926**	**88,214**	**13,715**	**128,464**	**979,422**	**1,107,886**
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	13	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	12	(3,106)	-	4,986	(1,880)	-	-	-
Increase (decrease) in year		**(347)**	**-**	**(22,687)**	**(1,880)**	**(24,914)**	**(175,735)**	**(200,649)**
Balance at 31 March 2017		**25,262**	**926**	**65,527**	**11,835**	**103,550**	**803,687**	**907,237**
General Fund analysed over:								
Amounts Earmarked	35	**23,187**						
Amounts Uncommitted		**2,075**						
Total General Fund Balance at 31 March 2017		**25,262**						
Movement in Reserves during 2017/18								
Total comprehensive income and expenditure		(87,383)	(22,698)	-	-	(110,081)	130,008	19,927
Adjustments between accounting basis and funding basis under regulations	13	87,092	22,698	(9,339)	-	100,451	(100,451)	-
Net increase (decrease) before transfers to other statutory funds		(291)	-	(9,339)	-	(9,630)	29,557	19,927
Transfers (to) / from other statutory funds	12	(1,065)	-	2,775	(1,710)	-	-	-
Increase (decrease) in year		**(1,356)**	**-**	**(6,564)**	**(1,710)**	**(9,630)**	**29,557**	**19,927**
Balance at 31 March 2018		**23,906**	**926**	**58,963**	**10,125**	**93,920**	**833,244**	**927,164**
General Fund analysed over:								
Amounts Earmarked	35	**21,805**						
Amounts Uncommitted		**2,101**						
Total General Fund Balance at 31 March 2018		**23,906**						

BALANCE SHEET — STATEMENT 6

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 2018 £'000	As at 31 March 2017 £'000
Property, Plant and Equipment			
- Council Dwelling		374,955	382,991
- Other Land and Buildings		1,034,287	1,055,260
- Vehicles, Plant, Furniture and Equipment		17,740	19,287
- Infrastructure Assets		219,005	211,219
- Community Assets		591	570
- Assets under construction		66,041	72,055
- Surplus Assets, not yet held for disposal		19,194	23,187
	14.1	1,731,813	1,764,569
Heritage Assets	15	779	779
Long Term Investments	17.1	270	277
TOTAL LONG TERM ASSETS		**1,732,862**	**1,765,625**
CURRENT ASSETS			
Short Term Investments	17.1	54,212	125,585
Inventories		1,045	1,137
Short Term Debtors	18	38,643	36,012
Cash and Cash Equivalents	28	30,947	15,084
Intangible Assets	16	639	592
TOTAL CURRENT ASSETS		**125,486**	**178,410**
CURRENT LIABILITIES			
Short Term Borrowing	17.1	(99,802)	(100,290)
Short Term Creditors	19	(63,227)	(64,528)
Provisions	20	(1,212)	(174)
Capital Grant Receipts in Advance	34	(14,740)	(13,663)
TOTAL CURRENT LIABILITIES		**(178,981)**	**(178,655)**
NET CURRENT ASSETS (LIABILITIES)		**(53,495)**	**(245)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,679,367**	**1,765,380**
LONG TERM LIABILITIES			
Long Term Creditors	21	(519)	(1,140)
Long Term Borrowing	17.1	(488,641)	(503,641)
Defined Benefit Scheme Liability	22.3	(202,413)	(290,290)
Other Long Term Liabilities	21	(60,630)	(63,072)
TOTAL LONG TERM LIABILITIES		**(752,203)**	**(858,143)**
TOTAL NET ASSETS		**927,164**	**907,237**
Financed by:			
USABLE RESERVES			
General Fund Balance	35	23,906	25,262
Housing Revenue Fund Balance		926	926
Capital Fund	23.2	58,963	65,527
Insurance Fund	23.1	10,125	11,835
TOTAL USABLE RESERVES		**93,920**	**103,550**
UNUSABLE RESERVES	24	**833,244**	**803,687**
TOTAL RESERVES		**927,164**	**907,237**

The unaudited accounts were considered by the Audit committee on 25 June 2018 and the audited accounts were authorised for issue on 25 September 2018.

DONALD FORREST CPFA, Head of Finance and Property Services **25 September 2018**

CASH FLOW STATEMENT — STATEMENT 7

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	2017/18 £'000	2016/17 £'000
Net Deficit on the provision of services		**(110,081)**	**(95,215)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	164,837	148,698
Net cash flows from Operating Activities		54,756	53,483
Net cash flows from Investing Activities	26	(23,756)	(135,990)
Net cash flows from Financing Activities	27	(15,137)	69,789
Net increase / (decrease) in cash and cash equivalents		**15,863**	**(12,718)**
Cash and cash equivalents at the beginning of the reporting period		**15,084**	**27,802**
Cash and cash equivalents at the end of the reporting period	28	**30,947**	**15,084**

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 2017/18 (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.

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 is set at £100,000 on assets with a value in excess of £1 million.

However, during 2017/18, all properties subject to material change in valuation; car parks, depots, stores, agricultural land, ground leases, development and industrial land, open spaces, woodland and a restaurant and caravan site 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.

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 2017/18 had their useful lives updated.

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

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.

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.

There have been no acquisitions, one donation and no disposals during the previous five years. No council owned additions to the Heritage Asset portfolio have been identified during the financial year 2017/18.

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.

Artworks and 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.

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.

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 expenditure in relation to those works will be capitalised at cost.

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. For the period prior to 2016/17, capital payments made by services were financed from the Loans Fund and repaid over 30 years using the annuity method. For 2017/18, the capital payments were attributed to specific assets and repaid over 40 years.

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.

There are no prior period adjustments during 2017/18 in relation to 2016/17.

There has however been a reclassification adjustment to the balance sheet in respect of creditors and capital grants received in advance. The balance of developer contributions of £14.740 million in 2017/18 (2016/17 £13.663 million) has been removed from the short term creditors' balance and is now disclosed as capital grants received in advance, both of which are current liabilities. Following audit review it was agreed that developer contributions should be disclosed as grants received in advance, and should therefore be disclosed separately on the balance sheet as per the Code. They should be classed as a contribution with conditions attached and should therefore be disclosed as grants received in advance.

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 2018 was £58.963 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.

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

Local Government Finance Circular 2/2018 replaces Circular 3/2010 in providing guidance in relation to Accounting for Short-Term Accumulating Absences and implements a change to the coverage of the adjustment, limiting it to annual leave.

Whilst councils have flexibility in allowing a taper to remove the accounting charge over a period to 2021, the council has removed all statutory adjustments for flexi leave in 2017/18. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements 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)

Local authorities act as the agent of the Government when collecting NDR. The Code therefore requires local authorities not to recognise NDR debtors in their balance sheets but to 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 2017/18 discount rate was 2.7% (2.6% 2016/17). 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 20.

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 third 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 2017/18 the following accounting policy changes require to be reported as issued but not yet adopted by the code.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- Amendments to IAS12 income taxes: recognition of deferred tax assets for unrealised losses
- Amendments to IAS7 statement of cash flows: disclosure initiative

There is no impact of these changes on the accounts covering the 2017/18 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PROVISIONS
Equal Pay

Uncertainties: The council has a remaining provision of £1.212 million for the settlement of claims for back pay arising from equal pay claims. With regard to West Lothian Council's position, discussions continue to take place with the claimants' representatives to establish settlement terms on the outstanding claims. The value of the total liability has been estimated at £1.800 million based on the number of claims received and an average settlement amount, of which £0.762 million has been paid in 2017/18. It is not certain that all valid claims have yet been received by the council.

Effect if actual results differ from assumptions: An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.121 million to the provision required.

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 2018	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10%	118,054
0.5% increase in the Salary Increase Rate	2%	24,747
0.5% increase in the Pension rate	8%	90,891

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 17.

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 2018, the authority had a balance of debtors of £38.643 million. A review of balances suggested that an allowance for doubtful debts of £21.225 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 £3.864 million to be set aside as an allowance.

5. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by 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 on Page 36.

EXPENDITURE AND FUNDING ANALYSIS FOR THE YEAR ENDED 31 MARCH 2018

	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments Between the Funding and Accounting Basis (Note 6) £'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
Other Services	10,385	(10,520)	(135)
Net Cost of General Fund Services	**344,599**	**100,943**	**445,542**
Housing Revenue Account	-	18,144	18,144
Net Cost of Services	**344,599**	**119,087**	**463,686**
Other Income and Expenditure	(344,252)	(24,219)	(368,471)
(Surplus) or Deficit	**347**	**94,868**	**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)**
2017/18			
Schools, Education Support	148,132	82,808	230,940
Planning, Economic Development and Regeneration	4,784	5,404	10,188
Operational Services	58,665	13,917	72,582
Housing, Customer and Building Services	4,883	12,355	17,238
Corporate Services	11,081	(9,887)	1,194
Social Policy – IJB, Adult and Elderly Services	64,457	-	64,457
Social Policy – non IJB, Children's Services	27,082	11,168	38,250
Chief Executive, Finance and Property	23,968	6,625	30,593
Joint Boards	1,179	-	1,179
Other Services	10,882	(10,801)	81
Net Cost of General Fund Services	**355,113**	**111,589**	**466,702**
Housing Revenue Account	-	15,768	15,768
Net Cost of Services	**355,113**	**127,357**	**482,470**
Other Income and Expenditure	(353,757)	(18,632)	(372,389)
(Surplus) or Deficit	**1,356**	**108,725**	**110,081**
	General Fund	**HRA Fund**	**Total**
Opening General Fund and HRA Balance	**(25,262)**	**(926)**	**(26,188)**
Deficit on General Fund and HRA Balance in Year	1,356	-	1,356
Closing General Fund and HRA Balance as at 31 March	**(23,906)**	**(926)**	**(24,832)**

Notes 12 and 13 to the Movement in Reserves Statement provide details of the Adjustments between accounting and funding basis and transfers to and from other Statutory Reserves

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 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)	(8,646)	(10,520)
Net Cost of General Fund Services	**102,251**	**4,976**	**(6,284)**	**100,943**
Housing Revenue Account	30,019	-	(11,875)	18,144
Net Cost of Services	**132,270**	**4,976**	**(18,159)**	**119,087**
Other income and expenditure from the Expenditure and Funding Analysis	(47,418)	6,246	16,953	(24,219)
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**	**(1,206)**	**94,868**
Adjustments between Funding and Accounting Basis 2017/18				
Schools, Education Support	76,024	3,782	3,002	82,808
Planning, Economic Development and Regeneration	3,520	645	1,239	5,404
Operational Services	7,812	4,023	2,082	13,917
Housing, Customer and Building Services	5,066	2,700	4,589	12,355
Corporate Services	6,092	1,153	(17,132)	(9,887)
Social Policy – non IJB, Children's Services	2,831	4,796	3,541	11,168
Chief Executive, Finance and Property	7,363	1,328	(2,066)	6,625
Other Services	(788)	(2,117)	(7,896)	(10,801)
Net Cost of General Fund Services	**107,920**	**16,310**	**(12,641)**	**111,589**
Housing Revenue Account	28,552	-	(12,784)	15,768
Net Cost of Services	**136,472**	**16,310**	**(25,425)**	**127,357**
Other income and expenditure from the Expenditure and Funding Analysis	(46,683)	7,751	20,300	(18,632)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**89,789**	**24,061**	**(5,125)**	**108,725**

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.

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.
- Transfers to or from other statutory funds.

7. EXPENDITURE AND INCOME ANALYSED BY SEGMENT AND NATURE

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

2016/17	Schools with Education Support £'000	Planning, Economic Development and Regeneration £'000	Operational Services £'000	Housing, Customer and Building Services £'000	Corporate Services £'000	Social Policy - IJB, Adult and Elderly Services £'000	Social Policy - non IJB, Children's Services £'000
Expenditure							
Employee Expenses	128,846	5,971	31,241	10,096	881	26,001	17,389
Other Services Expenses	22,066	4,055	35,498	1,468	448	119,136	17,155
Support Services	6,156	1,449	3,650	4,849	(6,402)	-	4,939
Depreciation, Amortisation, Impairment	74,723	3	9,108	5,348	6,140	450	(283)
Interest Payments	-	-	-	-	-	-	-
Gain on the Disposal of Assets	-	-	-	-	-	-	-
Total Expenditure	**231,791**	**11,478**	**79,497**	**21,761**	**1,067**	**145,587**	**39,200**
Income							
Fees, Charges and Other Service Income	6,004	4,946	9,051	5,458	664	85,003	4,552
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	-	-	-	-	-	-	-
Total Income	**6,004**	**4,946**	**9,051**	**5,458**	**664**	**85,003**	**4,552**
(Surplus) or Deficit on Provision of Services	**225,787**	**6,532**	**70,446**	**16,303**	**403**	**60,584**	**34,648**

	Chief Executive, Finance and Property £'000	Joint Boards £'000	Other Services £'000	Housing Revenue Account £'000	Cost of Services £'000	Not included in Cost of Services £'000	Total £'000
Expenditure							
Employee Expenses	4,833	-	289	4,305	**229,852**	29	**229,881**
Other Services Expenses	21,215	1,214	57,437	22,467	**302,159**	1,129	**303,288**
Support Services	3,167	-	445	-	**18,253**	800	**19,053**
Depreciation, Amortisation, Impairment	6,062	-	-	37,820	**139,371**	2,377	**141,748**
Interest Payments	-	-	-	-	**-**	62,786	**62,786**
Gain on the Disposal of Assets	-	-	-	-	**-**	(2,559)	**(2,559)**
Total Expenditure	**35,277**	**1,214**	**58,171**	**64,592**	**689,635**	**64,562**	**754,197**
Income							
Fees, Charges and Other Service Income	5,517	-	58,306	46,448	**225,949**	4,819	**230,768**
Interest and Investment Income	-	-	-	-	**-**	29,241	**29,241**
Income from Council Tax	-	-	-	-	**-**	62,186	**62,186**
Government Grants and Contributions	-	-	-	-	**-**	336,787	**336,787**
Total Income	**5,517**	**-**	**58,306**	**46,448**	**225,949**	**433,033**	**658,982**
(Surplus) or Deficit on Provision of Services	**29,760**	**1,214**	**(135)**	**18,144**	**463,686**	**(368,471)**	**95,215**

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

7. EXPENDITURE AND INCOME ANALYSED BY SEGMENT AND NATURE (continued)

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

2017/18	Schools with Education Support £'000	Planning, Economic Development and Regeneration £'000	Operational Services £'000	Housing, Customer and Building Services £'000	Corporate Services £'000	Social Policy - IJB, Adult and Elderly Services £'000	Social Policy - non IJB, Children's Services £'000
Expenditure							
Employee Expenses	129,156	6,501	35,087	11,454	2,073	27,933	18,409
Other Services Expenses	23,853	4,137	34,660	1,748	571	126,803	18,354
Support Services	6,144	1,374	3,868	4,632	(6,957)	-	3,742
Depreciation, Amortisation, Impairment	76,795	3,521	7,933	5,069	6,092	2,814	63
Interest Payments	-	-	-	-	-	-	-
Gain on the Disposal of Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Expenditure	**235,948**	**15,533**	**81,548**	**22,903**	**1,779**	**157,550**	**40,568**
Income							
Fees, Charges and Other Service Income	5,008	5,345	8,966	5,665	585	93,093	2,318
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	-	-	-	-	-	-	-
Total Income	**5,008**	**5,345**	**8,966**	**5,665**	**585**	**93,093**	**2,318**
(Surplus) or Deficit on Provision of Services	**230,940**	**10,188**	**72,582**	**17,238**	**1,194**	**64,457**	**38,250**

	Chief Executive, Finance and Property £'000	Joint Boards £'000	Other Services £'000	Housing Revenue Account £'000	Cost of Services £'000	Not included in Cost of Services £'000	Total £'000
Expenditure							
Employee Expenses	5,797	-	(185)	4,375	**240,600**	89	**240,689**
Other Services Expenses	21,637	1,213	56,690	23,027	**312,693**	889	**313,582**
Support Services	4,135	-	480	-	**17,418**	863	**18,281**
Depreciation, Amortisation, Impairment	3,989	-	-	36,675	**142,951**	3,375	**146,326**
Interest Payments	-	-	-	-	**-**	60,982	**60,982**
Gain on the Disposal of Assets	-	-	-	-	**-**	(2,427)	**(2,427)**
Total Expenditure	**35,558**	**1,213**	**56,985**	**64,077**	**713,662**	**63,771**	**777,433**
Income							
Fees, Charges and Other Service Income	4,965	34	56,904	48,309	**231,192**	4,581	**235,773**
Interest and Investment Income	-	-	-	-	**-**	26,180	**26,180**
Income from Council Tax	-	-	-	-	**-**	65,580	**65,580**
Government Grants and Contributions	-	-	-	-	**-**	339,819	**339,819**
Total Income	**4,965**	**34**	**56,904**	**48,309**	**231,192**	**436,160**	**667,352**
(Surplus) or Deficit on Provision of Services	**30,593**	**1,179**	**81**	**15,768**	**482,470**	**(372,389)**	**110,081**

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - SERVICE INCOME AND EXPENDITURE STATEMENT INCLUDING INTERNAL RECHARGES

The service lines in the Comprehensive Income and Expenditure Statement exclude internal recharges. These were eliminated in the Expenditure and Funding Analysis. The income and expenditure for each service, inclusive of internal recharges, are shown below.

	2017/18			2016/17		
	Gross Expend £'000	**Gross Income £'000**	**Net Expend £'000**	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**
Schools, Education Support	235,948	5,008	230,940	231,791	6,004	225,787
Planning, Economic Development and Regeneration	15,571	5,383	10,188	11,513	4,981	6,532
Operational Services	88,241	15,659	72,582	86,723	16,277	70,446
Housing, Customer and Building Services	48,783	31,545	17,238	49,700	33,397	16,303
Corporate Services	23,123	21,929	1,194	22,317	21,914	403
Social Policy – IJB, Adult and Elderly Services	157,550	93,093	64,457	145,587	85,003	60,584
Social Policy – non IJB Children's Services	40,568	2,318	38,250	39,200	4,552	34,648
Chief Executive, Finance and Property	51,686	21,093	30,593	52,279	22,519	29,760
Joint Boards	1,213	34	1,179	1,214	-	1,214
Other Services	56,985	56,904	81	58,171	58,306	(135)
Cost of General Fund Services	719,668	252,966	466,702	698,495	252,953	445,542
HRA	64,077	48,309	15,768	64,592	46,448	18,144
Net Cost of Services	**783,745**	**301,275**	**482,470**	**763,087**	**299,401**	**463,686**

9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

	2017/18 £'000	**2016/17 £'000**
Gain on disposal of non-current assets	**2,427**	**2,559**

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

	2017/18 £'000	**2016/17 £'000**
Interest payable and similar charges	28,629	29,480
Net interest on the defined benefit liability (asset)	7,751	6,246
Interest receivable and similar income	(1,578)	(2,180)
(Surplus) / Deficit on trading operations	635	(485)
	35,437	**33,061**

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

	2017/18 £'000	**2016/17 £'000**
Council tax income	65,580	62,186
Non domestic rates distribution	90,056	87,726
Non ring-fenced government grants	220,964	218,861
Capital grants and contributions	28,799	30,200
	405,399	**398,973**

12. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2016/17

	General Fund £'000	**HRA £'000**	**Capital Fund £'000**	**Insurance Fund £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Council Reserves £'000**
Transfer (to) / from Insurance Fund	1,880	-	-	(1,880)	-	-	-
Transfer (to) / from Capital Fund	(4,986)	-	4,986	-	-	-	-
	(3,106)	-	**4,986**	**(1,880)**	-	-	-
TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2017/18							
Transfer (to) / from Insurance Fund	1,710	-	-	(1,710)	-	-	-
Transfer (to) / from Capital Fund	(2,775)	-	2,775	-	-	-	-
	(1,065)	**-**	**2,775**	**(1,710)**	-	-	-

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

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

2016/17	General Fund £'000	HRA £'000	Capital Fund £'000	Insurance 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)**	**-**

2017/18	General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	109,554	36,772	-	-	146,326	(146,326)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(28,799)	-	-	-	(28,799)	28,799	-
Net loss (gain) on sale of non-current assets	(893)	(1,534)	-	-	(2,427)	2,427	-
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	(430)	-	-	-	(430)	430	-
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	23,849	212	-	-	24,061	(24,061)	-
Statutory provision for repayment of debt	(10,848)	(4,609)	-	-	(15,457)	15,457	-
Statutory charge for lifecycle capital (PFI)	(177)	-	-	-	(177)	177	-
Capital expenditure charged to the General Fund and HRA	(1,554)	(8,123)	-	-	(9,677)	9,677	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(3,610)	(20)	-	-	(3,630)	3,630	-
Capital receipts transferred to the Capital Fund	-	-	(9,339)	-	(9,339)	9,339	-
	87,092	**22,698**	**(9,339)**	**-**	**100,451**	**(100,451)**	**-**

14. PROPERTY, PLANT AND EQUIPMENT

14.1 **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 increases / (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**

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

14.1 **Movements in 2017/18**	**Council Dwellings £'000**	**Other Land and Buildings £'000**	**Vehicles, Plant, Furniture and Equipment £'000**	**Infra-structure Assets £'000**
Cost or Valuation				
At 1 April 2017	**414,444**	**1,156,362**	**71,288**	**266,614**
Additions	18,892	27,283	6,610	13,161
Revaluation increase / (decreases) recognised in the Revaluation Reserve	556	9,623	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(19,062)	(2,735)	-	-
Derecognition - disposals	(2,780)	(183)	(98)	-
Other movements in cost or valuation	10,434	26,081	109	1,492
At 31 March 2018	**422,484**	**1,216,431**	**77,909**	**281,267**
Accumulated Depreciation and Impairment				
At 1 April 2017	**31,453**	**101,102**	**52,001**	**55,395**
Depreciation charge	16,289	88,644	8,157	6,867
Depreciation written out to the Revaluation Reserve	-	(6,685)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(862)	-	-
Derecognition - disposals	(213)	(9)	(98)	-
Other movements in depreciation and impairment	-	(46)	109	-
At 31 March 2018	**47,529**	**182,144**	**60,169**	**62,262**
Net Book Value At 31 March 2018	**374,955**	**1,034,287**	**17,740**	**219,005**
At 31 March 2017	**382,991**	**1,055,260**	**19,287**	**211,219**

	Community Assets £'000	**Assets Under Construction £'000**	**Surplus Assets £'000**	**Total Property, Plant and Equipment £'000**
Cost or Valuation				
At 1 April 2017	**570**	**72,055**	**23,187**	**2,004,520**
Additions	-	32,244	-	98,190
Revaluation increase / (decreases) recognised in the Revaluation Reserve	88	-	1,948	12,215
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(247)	-	(5,187)	(27,231)
Derecognition - disposals	(742)	-	(83)	(3,886)
Other movements in cost or valuation	922	(38,258)	(671)	109
At 31 March 2018	**591**	**66,041**	**19,194**	**2,083,917**
Accumulated Depreciation and Impairment				
At 1 April 2017	-	-	-	**239,951**
Depreciation charge	-	-	-	119,957
Depreciation written out to the Revaluation Reserve	(46)	-	-	(6,731)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	(862)
Derecognition – disposals	-	-	-	(320)
Other movements in depreciation and impairment	46	-	-	109
At 31 March 2018	**-**	**-**	**-**	**352,104**
Net Book Value At 31 March 2018	**591**	**66,041**	**19,194**	**1,731,813**
At 31 March 2017	**570**	**72,055**	**23,187**	**1,764,569**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

14.2 Property, Plant and Equipment - PPP Schools

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

	2017/18 £'000	2016/17 £'000
Value as at 1 April	164,074	163,906
Additions	177	168
Value as at 31 March	**164,251**	**164,074**
Aggregate Depreciation		
Value as at 1 April	15,603	-
Charge for year	15,609	15,603
Value as at 31 March	**31,212**	**15,603**
Net Book Value		
As at 31 March	**133,039**	**148,471**

14.3 Financial Liabilities - PPP Schools

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

	2017/18 £'000	2016/17 £'000
As at 1 April	**65,464**	**67,661**
Principal repayments	(2,392)	(2,197)
As at 31 March	**63,072**	**65,464**
Split		
Short term Creditors	2,442	2,392
Long term Creditors	60,630	63,072
	63,072	**65,464**

14.4 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.

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		**652,361**		**624,099**
Capital Investment				
Property, Plant and Equipment		98,190		117,890
		750,551		**741,989**
Sources of Finance				
Capital Receipts	(14,464)		(35,280)	
Government Grants	(24,889)		(22,908)	
Contributions from Other Bodies	(3,910)		(7,292)	
Capital Financed from Current Revenue	(9,677)		(9,309)	
Long Term Debtors	-		(11)	
Finance Lease Principal (incl. PPP)	(2,676)		(2,470)	
Loans Fund Principal	(12,958)	**(68,574)**	(12,358)	**(89,628)**
Closing Capital Financing Requirement		**681,977**		**652,361**
Increase in Capital Financing Requirement		**29,616**		**28,262**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

14.5 **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 and Buildings £'000	Surplus Assets £'000	Total £'000
1 April 2013	1,030	43,863	887	45,780
1 April 2014	3,737	105,179	2,940	111,856
1 April 2015	369,738	454,058	150	823,946
1 April 2016	(35,924)	429,810	125	394,011
1 April 2017	1,990	131,512	18,626	152,128
	340,571	1,164,422	22,728	1,527,721
Net historical cost alterations	81,913	477,817	(3,534)	556,196
Gross Valuation	**422,484**	**1,642,239**	**19,194**	**2,083,917**

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 8 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 2017 the council considers that there is no permanent material change in value in 2017/18.

14.6 **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 2017/18 was £119.957 million (£117.834 million 2016/17).

14.7 **Capital Commitments**

At 31 March 2018 the council has commitments on capital contracts of £35.007 million (£42.750 million 2016/17) for the Housing Programme and £8.570 million (£15.041 million 2016/17) for the Composite Programme.

The Housing commitment of £35.007 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 various properties (£1.900 million), the development of two partnership centres (£1.270 million), the construction of Whitehill Service Centre (£1.000 million), West Calder High School (£1.300 million) and expenditure in relation to various open spaces (£0.357 million). The remaining £2.743 million relates to committed expenditure on numerous projects.

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

14.8 **Finance Leases**

Included within the analysis of fixed assets in note 14.1 are the following assets acquired by finance leases, excluding PPP assets which are detailed in note 14.2 :-

		2017/18 £'000	2016/17 £'000
Operational Buildings	- Gross Cost	528	1,157
	- Aggregate Depreciation	422	998
	- Depreciation for the year	53	53
Vehicles	- Gross Cost	351	399
	- Aggregate Depreciation	211	217
	- Depreciation for the year	41	41
Finance lease interest for the year		14	17

The future obligations (net of finance charges) under these finance leases are:-		2017/18 £'000	2016/17 £'000
2018/19	(2017/18)	110	107
2019/20 to 2022/23	(2018/19 to 2021/22)	170	277
2023/24 onwards	(2022 onwards)	-	3

15. HERITAGE ASSETS

Five-Year Summary of Transactions

For the period 2012/13 to 2017/18 there has been no acquisition, impairment or disposals of Heritage Assets. The carrying value remained at £0.677 million until 2015/16. Following the revaluation during 2016/17, 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 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**
1 April 2017	401	301	77	779
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	-	-	-	-
31 March 2018	**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 and 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.

16. CURRENT INTANGIBLE ASSET - CARBON REDUCTION COMMITMENT ALLOWANCE

	Balance of Allowances at 31 March 2017 £'000	**Allowances Discharged In Year £'000**	**Purchase of Allowances In Year £'000**	**Balance of Allowances at 31 March 2018 £'000**
Carbon Reduction Commitment Allowance	**592**	534	581	**639**

The expenditure of £0.581 million on Intangible Assets relates to Carbon Reduction Commitment (CRC) Allowances purchased in a forecast sale in April 2017 for the purpose of settling 2017/18 CRC liabilities during 2018/19.

It is anticipated that the allowances will meet the estimated CRC liability of £0.530 million arising from the council's energy consumption during 2017/18.

17. FINANCIAL INSTRUMENTS

17.1 **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".

	31 March 2018		31 March 2017	
Investments and Lending	**Long-term £'000**	**Current £'000**	**Long-term £'000**	**Current £'000**
Loans, receivables and interest	-	54,212	-	125,585
Investments to cash equivalents	-	29,471	-	12,675
Long term investments	270	-	277	-
	270	**83,683**	**277**	**138,260**
Borrowing				
Financial liabilities at amortised cost	488,641	99,802	503,641	100,290
	488,641	**99,802**	**503,641**	**100,290**

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 £0.270 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.

17.2 **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 2018 for PWLB vary from 2.09% to 8.25% 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 8 note 1 on page 40.

The fair values are calculated as follows:	31 March 2018		31 March 2017	
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	29,471	29,481	12,675	12,680
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	54,212	54,203	125,585	125,872
	83,683	**83,684**	**138,260**	**138,552**

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 £0.212 million.

	31 March 2018		31 March 2017	
Borrowing	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial liabilities - PWLB For loans from the PWLB, Link Asset Services have provided fair value estimates using both redemption and new borrowing (certainty rate) discount rates.	519,757	698,778	535,203	719,664
Financial liabilities - LOBO's and Temporary borrowing For non PWLB loans Link Asset Services have provided fair value estimates using both PWLB redemption and new market loan discount rates.	68,686	100,839	68,728	103,150
	588,443	**799,617**	**603,931**	**822,814**

17.2 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 Link Asset Services uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability.

17.3 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 2018 £'000	Historical experience of non-payment adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	83,683	0%	-
Customers (council tax and other income)	41,670	2.25%	938

The council does not generally allow credit for customers, however, £30.137 million of the £41.670 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	699
Three to six months	699
Six months to one year	5,706
More than one year	23,033
	30,137

The council has provided £21.225 million against possible bad debts at 31 March 2018 (£22.093 million at 31 March 2017).

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 2018 £'000	31 March 2017 £'000
Less than one year	99,802	100,290
Between one and two years	20,000	25,000
Between two and five years	20,000	40,000
More than five years	448,641	438,641
	588,443	**603,931**

17.3 **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 2018 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 2017/18, 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	(2,278)
Net effect on Income and Expenditure Account	**(2,278)**
Housing Revenue Account's Share	**(759)**

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.

18. SHORT TERM DEBTORS

	2017/18		**2016/17**	
	£'000	**£'000**	**£'000**	**£'000**
Central Government Bodies		10,484		13,338
Other Local Authorities		1,465		1,247
NHS Bodies		2,704		2,267
Public Corporations and Trading Funds		1,239		94
Other Entities and Individuals				
• Council Tax Debtors	27,004		27,282	
• Provision for Council Tax Debtors	(18,917)		(20,119)	
• Trade Debtors	7,900		4,134	
• Provision for Trade Debtors	(2,308)		(1,974)	
• Other Entities and Individuals	9,072		9,743	
		22,751		19,066
		38,643		**36,012**

19. SHORT TERM CREDITORS

	2017/18 £'000	Restated 2016/17 £'000
Central Government Bodies	10,418	8,558
Other Local Authorities	2,973	2,686
NHS Bodies	321	378
Public Corporations and Trading Funds	535	368
Other Entities and Individuals	48,980	52,538
	63,227	**64,528**

There has been a reclassification adjusted to the Balance Sheet for 2016/17 in respect of creditors and capital received in advance. The balance of developer contributions has been removed from the short-term creditors' balance and is now disclosed as "Capital Grants Received in Advance" on note 34.

20. PROVISIONS

	Balance at 31 Mar 2017 £'000	Provision in Year £'000	Payments in year £'000	Balance at 31 Mar 2018 £'000
Equal pay settlements	**174**	1,800	762	**1,212**

The council has a remaining provision of £1.212 million for the settlement of claims for back pay arising from equal pay claims.

The value of the total liability was estimated at £1.8 million based on the number of claims received and an average settlement amount. During 2017/18 £0.762 million has been paid to claimants. The remaining balance of £1.212 million is deemed sufficient to meet all outstanding liabilities.

21. LONG TERM CREDITORS

	Sum Outstanding 2017/18 £'000	Sum Outstanding 2016/17 £'000
Finance Leases - outstanding principal	170	280
Open Space Agreements	260	273
Economic Development Business Gateway	89	587
	519	**1,140**
OTHER LONG TERM LIABILITIES		
PPP1 Schools	11,788	12,976
PPP3 Schools	48,842	50,096
	60,630	**63,072**

22. PENSION SCHEMES

22.1 **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 8 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 2017/18 the council paid an employer's contribution of £12.702 million (2016/17 £12.430 million) at the prescribed rate 17.2% (2016/17 17.2%) 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 2017/18 (2016/17) these amounted to £0.412 million (£0.436 million) representing 0.36% (0.38%) 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.

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

22.2 **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:

	2017/18		2016/17	
Comprehensive Income And Expenditure Statement	**£'000**	**£'000**	**£'000**	**£'000**
Cost of Services				
Current Service cost	41,173		28,769	
Past Service Costs	140		269	**29,038**
Effect of Settlements	(339)	**40,974**		
Financing and Investment Income and Expenditure				
Net Interest Expense		**7,751**		**6,246**
		48,725		**35,284**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense	14,593		(147,763)	
Actuarial (gains) and losses arising on changes in demographic assumptions	9		-	
Actuarial (gains) and losses arising on changes in financial assumptions	(37,610)		251,395	
Other experience	(88,930)	**(111,938)**	(712)	**102,920**
Total Post-employment Benefits Charged to Comprehensive Income and Expenditure Statement		**(63,213)**		**138,204**

	2017/18		2016/17	
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		**87,877**		**(114,142)**
Actual Amount charged against the General Fund Balance of pensions in the year				
Employer's contributions payable to the scheme	(22,667)		(22,113)	
Contributions in respect of unfunded benefits	(1,997)		(1,949)	
		(24,664)		**(24,062)**

The amount charged to taxation for the Lothian Pension Fund Scheme in 2017/18 (2016/17) was £24.338 million (£23.808 million).

22.3 **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 2018 £'000**	**31 March 2017 £'000**
Fair Value of Assets	958,412	950,082
Present Value of Funded Liabilities	(1,129,673)	(1,208,740)
Share of net liabilities	(171,261)	(258,658)
Present value of unfunded liabilities	(31,152)	(31,632)
Net pension liabilities arising from defined benefit obligation	**(202,413)**	**(290,290)**

22.4 **Reconciliation of the Movements in the Fair Value of Lothian Pension Fund Assets**	**31 March 2018 £'000**	**31 March 2017 £'000**
Opening fair value of assets at 1 April	950,082	772,175
Interest income on plan assets	24,602	27,061
Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense	(14,593)	147,763
Employer's contributions payable to the scheme	22,667	22,113
Contributions by scheme participants	6,774	6,598
Benefits paid	(26,397)	(25,628)
Effect of settlements	(4,723)	-
Closing fair value of assets at 31 March	**958,412**	**950,082**

22.5 **Reconciliation of the Present Value of Lothian Pension Fund Liabilities**	**31 March 2018 £'000**	**31 March 2017 £'000**
Opening Balance at 1 April	(1,240,372)	(948,323)
Current Service costs	(41,173)	(28,769)
Interest cost	(32,353)	(33,307)
Contributions by scheme participants	(6,774)	(6,598)
Remeasurement gain / (loss):		
- Actuarial (gains) and losses arising on changes in demographic assumptions	(9)	-
- Actuarial (gains) and losses arising on changes in financial assumptions	37,610	(251,395)
- Other experience	88,930	712
Past service costs	(140)	(269)
Benefits paid	26,397	25,628
Unfunded benefits paid	1,997	1,949
Effect of settlements	5,062	-
Closing balance of liabilities at 31 March	**(1,160,825)**	**(1,240,372)**

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

	2017/18		2016/17	
	£'000	%	£'000	%
Equity Securities:				
*Consumer	131,316	14%	142,635	15%
*Manufacturing	142,686	15%	144,029	15%
*Energy and Utilities	59,956	6%	70,498	7%
*Financial Institutions	85,146	9%	66,342	7%
*Health and Care	46,987	5%	55,690	6%
*Information Technology	58,430	6%	47,021	5%
*Other	60,144	6%	65,469	7%
Private Equity:				
*All	3,054	-	11,048	1%
All	14,444	2%	19,641	2%
Investment funds and unit trusts:				
*Equities	9,212	1%	-	-
Equities	-	-	-	-
*Commodities	-	-	2,786	-
Commodities	-	-	-	-
*Infrastructure	-	-	6,036	1%
Infrastructure	113,587	12%	78,982	9%
*Other	-	-	-	-
Other	2,189	-	20,268	2%
Equity	**727,151**	**76%**	**730,445**	**77%**
Debt Securities:				
*Corporate Bonds A (investment grade)	-	-	-	-
Corporate Bonds (non-investment grade)	18,674	2%	-	-
*UK Government	92,916	10%	95,401	10%
*Other	-	-	1,974	-
Investment funds and unit trusts:				
Bonds	-	-	11,963	1%
*Bonds	-	-	2,128	-
Derivatives:				
Inflation	-	-	-	-
Interest rate	-	-	-	-
*Foreign exchange	441	-	-	-
*Other	-	-	-	-
Bonds	**112,031**	**12%**	**111,466**	**11%**
Real Estate:				
UK Property	61,600	6%	64,103	7%
Overseas Property	1,002	-	-	-
Property	**62,602**	**6%**	**64,103**	**7%**
Cash and cash equivalents				
*All	56,628	6%	44,068	5%
Cash and cash equivalents	**56,628**	**6%**	**44,068**	**5%**
	958,412	**100%**	**950,082**	**100%**

Assets marked with an asterisk (*) have quoted prices in active markets and equate to £746.916 million (2016/17 £755.125 million) with prices not quoted in active markets totalling £211.496 million (2016/17 £194.957 million).

22.7 **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 2017 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 (improvements in line with the CMI2016 model), with an allowance for smoothing of recent mortality experience and a long term rate of 1.25%, used in the formal funding valuation as at 31 March 2017. Based on these assumptions, the average future life expectancies at age 65 are summarised on page 64.

Investment Returns
The return on the Fund in market value terms for the period to 31 March 2018 is estimated based on actual employer returns as reported in HEAT and index returns where necessary index returns, where used, are based on employer asset holdings. Details are given below:

Actual Returns from 31 March 2017 to 31 January 2018	**1.4%**
Total Returns from 1 April 2017 to 31 March 2018	**1.4%**

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

	2017/18 Years	2016/17 Years
Current Pensioners - Males	21.7	22.1
- Females	24.3	23.7
Future Pensioners - Males	24.7	24.2
- Females	27.5	26.3

Financial Assumptions	2017/18 %	2016/17 %
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	4.1%	4.4%
Increase in Pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%

22.8 **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	10%	118,054
0.5% increase in the Salary Increase Rate	2%	24,747
0.5% increase in the Pension Increase Rate	8%	90,891

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).

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

The deficit has decreased mainly as a result of the 2017 formal actuarial valuation. Overall, the default financial assumptions are relatively similar to 31 March 2017 and average LGPS fund returns over the year have been broadly in line with the 2017 accounting expected return assumption. However, the effect of asset returns and financial assumption changes on the 2018 balance sheet have been overshadowed by the effect of the 2017 formal actuarial valuation calculations.

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 usable reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the council by 18% (24% 2016/17).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2019, based on assumptions as at 31 March 2018:-

	31 March 2019			
	Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	-	(42,420)	(42,420)	(38.3%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	**-**	**(42,420)**	**(42,420)**	**(38.3%)**
Interest income on plan assets	25,930	-	25,930	23.4%
Interest cost on defined benefit obligation	-	(31,626)	(31,626)	(28.5%)
Total Net Interest Cost	**25,930**	**(31,626)**	**(5,696)**	**(5.1%)**
Total included in Profit or Loss	**25,930**	**(74,046)**	**(48,116)**	**(43.4%)**

The estimated Employer's contributions for the year to 31 March 2019 will be approximately £23.128 million.

22.10 **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 2020.

The estimated Employer's contributions for the year to 31 March 2019 will be approximately £23.128 million. Employer contributions have been set at 20.5% for 2018/19 (20.0% 2017/18).

23. USABLE RESERVES

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

23.1 **Revenue Statutory Funds**

	2017/18 £'000	2016/17 £'000
Insurance Fund		
Balance at 1 April	11,835	13,715
Appropriation	(1,710)	(1,880)
Balance at 31 March	**10,125**	**11,835**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

23.2 **Capital Fund**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	65,527	88,214
Transfer (to) / from Capital Adjustment Account	(9,339)	(27,673)
Appropriation	2,775	4,986
Balance at 31 March	**58,963**	**65,527**

24. UNUSABLE RESERVES

	2017/18 £'000	**2016/17 £'000**
Revaluation Reserve	549,079	579,486
Available for Sale Financial Instruments Reserve	245	252
Capital Adjustment Account	501,535	533,501
Financial Instruments Adjustment Account	(8,830)	(9,260)
Pensions Reserve	(202,413)	(290,290)
Accumulated Absences Account	(6,372)	(10,002)
Total Unusable Reserves	**833,244**	**803,687**

24.1 **Revaluation Reserve**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	579,486	630,463
Unrealised gains / (losses) on revaluation of fixed assets	18,077	(2,542)
Less: Depreciation on revaluations	(48,484)	(48,435)
Balance at 31 March	**549,079**	**579,486**

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.

24.2 **Available-for-Sale Financial Instruments Reserve**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	252	224
Revaluation of long-term investments at fair value	(7)	28
Balance at 31 March	**245**	**252**

24.3 **Capital Adjustment Account**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	533,501	542,245
Depreciation and impairment	(146,326)	(141,748)
Government grants written off	28,799	30,200
Loans fund principal repayments	15,457	14,660
Capital financed from current revenue (General Fund)	1,731	1,675
Capital financed from current revenue (HRA)	8,123	7,802
Gain/ (Loss) on disposal of non-current assets	2,427	2,559
Revaluation Reserve - Depreciation on revaluations	48,484	48,435
Transfer of Capital Receipts to Capital Fund	9,339	27,673
Balance at 31 March	**501,535**	**533,501**

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.

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

24.4 **Financial Instruments Adjustment Account**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	(9,260)	(9,682)
Appropriations (to) from Movements on Reserve Statement	430	422
Balance at 31 March	**(8,830)**	**(9,260)**

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 2018 represents:

	2017/18 £'000	**2016/17 £'000**
Deferred Premiums less Discounts from Debt Rescheduling	(6,276)	(6,671)
Market LOBO loans restated - balance sheet value	(63,134)	(63,169)
- Deduct: actual loans outstanding	60,580	60,580
	(8,830)	**(9,260)**

24.5 **Pension Fund Reserve**

The pension reserve mirrors the net pensions liability detailed in note 22.3. The movements in the year are summarised as follows:	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	(290,290)	(176,148)
Net surplus for year	(24,061)	(11,222)
Actuarial Gains (Losses) in Pension Plan	111,938	(102,920)
Balance at 31 March	**(202,413)**	**(290,290)**

24.6 **Accumulated Absences Account**	**2017/18 £'000**		**2016/17 £'000**
Balance at 1 April		(10,002)	(7,680)
Annual leave and flexitime accrual - previous year	10,002		7,680
Annual leave and maternity leave accrual - current year	(6,372)		(10,002)
Statutory adjustment for the year		3,630	(2,322)
Balance at 31 March		**(6,372)**	**(10,002)**

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 and maternity leave 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.

Local Government Finance Circular 3/2010 was issued in July 2010 to allow local authorities to exclude the accounting charge for short term accumulated absences when determining the movement on the General Fund. Following a review of the statutory adjustment in 2017 a change to the coverage of the adjustment is being made limiting the statutory adjustment to annual leave.

All balances on the Accumulated Absences account at 31 March 2017 (0.402 million) in respect of flexi leave have been written back to the General Fund in 2017/18.

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2017/18 £'000	**2016/17 £'000**
The following amounts are included in the net cash flows from Operating Activities:-		
Interest paid	24,765	24,439
Interest element of finance lease rental payments including PPP contracts	3,689	3,818
Interest received	(1,384)	(1,236)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:-		
Depreciation	119,957	117,834
Impairment and downward revaluations	26,369	23,914
Amortisation	(35)	(30)
Increase/(decrease) in creditors	90	377
(Increase)/decrease in debtors	(2,710)	(1,811)
(Increase)/decrease in Short Term Intangible Assets	(47)	30
(Increase)/decrease in inventories	92	(166)
Movement in pension liability	24,061	11,222
Gain / (Loss) on disposal of non-current assets	(2,427)	(2,559)
Other non-cash items	(513)	(113)
	164,837	**148,698**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Purchase of property, plant and equipment	(100,333)	(120,268)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment	5,577	9,278
Net decrease (increase) in short term investments	71,000	(25,000)
Net cash flows from Investing Activities	**(23,756)**	**(135,990)**

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Cash receipts of short and long term borrowing	15,000	100,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(107)	(86)
Repayments of short and long term borrowing	(30,030)	(30,125)
Net cash flows from Financing Activities	**(15,137)**	**69,789**

28. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

	2017/18 £'000	2016/17 £'000
Cash held by officers	136	151
Bank current accounts	1,340	2,258
Short term deposits	29,471	12,675
Total Cash and Cash Equivalents	**30,947**	**15,084**

29. AGENCY SERVICES

Expenditure	2017/18 £'000	2016/17 £'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	76
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.	187	860
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.	158	262
Other Provision of other services – Speech Therapy, Additional Needs Support, New business Start-up support, Childrens Panel etc.	1,055	1,077
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.	83,232	93,058
Total Expenditure	**84,708**	**95,333**
Income		
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	553
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.	1.346	1,182
Local Bus Services Cross boundary bus services where West Lothian contract for the services and recharge other local authorities for shared cross boundary agreements.	192	161
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.	417	355
Other Recovery of the cost of the Housing Needs Officer at Addiewell Prison and recovery of the cost of provision of payroll, Human Resources, IT and Telephony Services to the Improvement Service and West Lothian College.	155	-
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.	83,011	90,619
Total Income	**85,674**	**92,870**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

30. 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:-

	2017/18 £'000	2016/17 £'000
Turnover	4,581	4,819
Expenditure	5,216	4,334
Surplus (Deficit) for year	**(635)**	**485**
Budget Surplus (Deficit) for year	**(641)**	**397**

Included in turnover is internal income of £0.275 million (£0.325 million 2016/17).

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
2015/16	(4,168)	740	(4,908)
2016/17	485	531	(46)
2017/18	(635)	481	(1,116)
	(4,318)	**1,752**	**(6,070)**

In the three years to 31 March 2018 the trading account sustained a statutory aggregate loss of £6.070 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, £0.644 million in 2016/17 and £2.185 million in 2017/18 on assets from the Economic Development Property Portfolio. The financial position excluding the impairment charges of £7.306 million would have resulted in the following surplus.

	2017/18 £'000	2016/17 £'000	2015/16 £'000
Turnover	4,581	4,819	4,718
Expenditure	3,031	3,690	4,409
Surplus for year	**1,550**	**1,129**	**309**
Budget Surplus for year	**1,544**	**1,041**	**252**

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2015/16	309	740	(431)
2016/17	1,129	531	598
2017/18	1,550	481	1,069
	2,988	**1,752**	**1,236**

Excluding impairment charges incurred during the period 2015/16 to 2017/18, in the three years to 31 March 2018 the trading account would have made a statutory aggregate surplus of £1.236 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

31. EXTERNAL AUDIT COSTS

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.

The council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections services provided by the Authority's external auditors:-

	2017/18 £'000	2016/17 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	319	318
	319	**318**

32. 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 2017/18.

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.

The council has made appropriate provision for claims, as detailed in note 20, for all known outstanding claims, the council does however recognise the potential for future compensation claims in respect of cases not yet presented.

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

Since 2014, there have been a number of Employment Tribunal Cases heard which have been decided in favour of claimants with regard to the calculation of holiday pay and, in particular, which components of pay should be considered for the purposes of determining normal remuneration.

On 31 July 2017, the Employment Appeals Tribunal handed down a judgement that non-contractual payments should be included in pay for holiday leave where these payments are sufficiently regular or recurring to be justified as normal pay.

Following approval by the Council Executive on 19 September 2017, the council commenced the payment of the COSLA recommended rate of 8.3% with effect from 1 October 2017 on non-contractual additional payments to ensure holiday pay is reflective of normal remuneration.

The council has received a number of claims for backdated holiday pay. As a result of the recent judgements, the Employment Tribunal Service has now started to schedule hearing dates. Whilst current payments have been made through the normal payroll from 1 October 2017, no payments have been made by the council in relation to any liability that may exist for arrears of pay prior to that date.

33. 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 25 June 2018 and the audited annual accounts on 25 September 2018. Events after the balance sheet date have been considered up to 25 September 2018.

34. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

Credited to Taxation and Non Specific Grant Income	**2017/18 £'000**	**2016/17 £'000**
Capital Grants and Contributions		
- General Capital Grant	16,724	12,298
- Other Scottish Government Grant	8,165	10,610
- Developers Contributions	2,210	4,245
- Other Capital Contributions	1,700	3,047
Total Capital Grants and Contributions	**28,799**	**30,200**
Revenue Support Grant	220,964	218,861
Distribution from Non Domestic Rate Pool	90,056	87,726
Total Grants credited to Taxation and Non Specific Grant Income	**339,819**	**336,787**
Credited to Services		
Housing Benefits Grant	52,239	53,656
Administration of Benefits Grant	725	792
DWP Discretionary Housing Payment	462	971
Integration Joint Board	10,190	7,130
Education Maintenance Allowance	719	670
European Grants	1,102	837
Private Sector Housing Grant	732	732
Community Led Regeneration	-	37
Criminal Justice Grant	356	2,634
Economic Growth Plan	1,500	1,699
Home Energy Efficiency Programme for Scotland	1,745	693
Sport Scotland	455	388
Creative Scotland	200	224
Skills Development	59	257
Big Lottery Fund	226	212
Vehicle Emissions Testing	136	186
Winter Maintenance	280	-
Syrian Resettlement Programme	281	340
Early Learning Childcare	739	-
Other Grants	3,447	2,996
Contribution from - Local Authorities	893	742
- Scottish Enterprise Edinburgh and Lothian	-	219
- NHS	7,157	7,084
Total Grants credited to Services	**83,643**	**82,499**

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

34. GRANT INCOME (continued)

Capital Grants Received in Advance

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

	2017/18 £'000	2016/17 £'000
Developer Contributions	**14,740**	**13,663**

35. GENERAL FUND BALANCE

The following amounts have been earmarked within the General Fund Balance.

	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers in 2016/17 £'000	Balance at 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'0000	Balance at 31 March 2018 £'000
General Balance at 31 March	**25,609**			**25,262**			**23,906**
Movement in Earmarked Reserves							
Balances held by schools under a scheme of delegation	1,058	-	2	1,060	(210)	-	850
Energy Efficiency Fund	351	(2)	-	349	(36)	-	313
Weather Emergency Fund	1,000	(1,000)	-	-	-	-	-
Modernisation Fund	4,372	(608)	-	3,764	(608)	-	3,156
Senior Peoples Challenge Fund	88	(88)	-	-	-	-	-
Government Grants	5,198	(1,396)	1,736	5,538	(992)	1,500	6,046
Time Limited Projects	4,750	(2,060)	2,171	4,861	(3,119)	588	2,330
War Memorial Fund	50	(6)	-	44	-	-	44
Local Plan	110	-	-	110	(110)	-	-
Developer Contribution Fund	6,562	-	-	6,562	(148)	-	6,414
Use of Reserves to balance Revenue Budget	-	-	899	899	(899)	-	-
Anti-Poverty Fund	-	-	-	-	-	285	285
West Lothian Leisure Ltd.	-	-	-	-	-	1,200	1,200
General Revenue Grant 2018/19	-	-	-	-	-	1,167	1,167
Total Earmarked Reserves	**23,539**	(5,160)	**4,808**	**23,187**	(6,122)	**4,740**	**21,805**
Uncommitted General Fund Balance at 31 March	**2,070**			**2,075**			**2,101**

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £0.850 million (£1.060 million 2016/17) 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 2018/19 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.

36. 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:-

	2017/18 £'000	2016/17 £'000
Plant and Vehicles	3,126	3,258
Property	565	361
	3,691	**3,619**

Assets acquired under finance leases have been capitalised and are detailed in note 14.8.

Operating Leases

The future cash payments required under operating leases are:-

			2017/18 £'000	2016/17 £'000
2018/19	(2017/18)	- Land and Buildings	565	353
		- Other Operating Leases	2,503	3,073
2019/20 to 2022/23	(2018/19 to 2021/22)	- Land and Buildings	1,209	566
		- Other Operating Leases	3,611	5,061
2023/24 onwards	(2022/23 onwards)	- Land and Buildings	5,625	1,476
		- Other Operating Leases	9	26

The cumulative value of leases where the council is a lessor is £5.455 million for 743 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.

36. LEASING AND PPP PAYMENTS (CONTINUED)

Education Service PPP1 Schools Project (continued)

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 council is entitled to receive a share of any Refinancing Gain in accordance with a formula linked to the Equity IRR.

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:-

Range	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	2017/18 Total £'000	2016/17 Total £'000
Within one year	2,442	3,507	120	6,658	12,727	12,461
2 to 5 years	8,616	12,526	1,636	30,909	53,687	52,563
6 to 10 years	13,186	12,469	2,304	45,880	73,839	72,289
11 to 15 years	19,018	8,145	1,305	51,215	79,683	80,395
16 to 20 years	14,850	3,237	-	34,729	52,816	56,414
21 to 25 years	4,960	237	-	10,577	15,774	26,865
	63,072	**40,121**	**5,365**	**179,968**	**288,526**	**300,987**

37. 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 34.

Councillors

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2017/18 are shown in the Remuneration Report note 2.3 on page 28. There are no related party transactions with members of the council.

Officers

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

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

37. 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	2017/18 £'000	2016/17 £'000
Government Payments		
PAYE and National Insurance	56,800	56,641
Superannuation – Teachers	12,702	12,430
Other Local Authority Payments		
Superannuation	24,338	23,808
Other Payments	926	950
Other Related Party Payments		
Joint Valuation Board	1,147	1,145
West Lothian Integration Board	64,457	60,584
West Lothian Leisure Ltd.	2,004	2,758
Councillors Remuneration	718	722
Criminal Justice Authority	3,834	3,498
SESTRAN / SESPLAN	66	69
Scotland Excel	114	114
	167,106	**162,719**
Other Related Party Income		
Other Local Authority Receipts	893	742
Criminal Justice Authority	356	2,634
	1,249	**3,376**
BALANCE SHEET		
The amounts due (to) or from related parties are detailed below:-		
Government departments	66	4,780
Other local authorities	(1,508)	(1,439)
Related companies		
- West Lothian Leisure Ltd.	1,427	13
- West Lothian Integration Joint Board	-	(95)
	(15)	**3,259**

38. 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 2016/17. 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 2017/18 was £64.457 million (£60.584 million 2016/17).

HRA – INCOME AND EXPENDITURE STATEMENT — STATEMENT 9

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.

		2017/18 £'000	2016/17 £'000
INCOME			
	Dwellings Rent (gross)	(45,695)	(44,724)
	Non-Dwellings Rent (gross)	(639)	(550)
	Other Income	(1,975)	(1,174)
	TOTAL INCOME	**(48,309)**	**(46,448)**
EXPENDITURE			
	Repairs and Maintenance	14,080	15,011
	Supervision and Management	8,603	8,482
	Depreciation and Revaluation of non-current assets	36,772	37,915
	Bad or Doubtful Debts	919	512
	Other Expenditure	3,703	2,672
	TOTAL EXPENDITURE	**64,077**	**64,592**
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**15,768**	**18,144**
	HRA Services share of Corporate and Democratic Core (CDC)	97	94
	HRA Share of Accumulated Absences	(20)	(7)
	HRA share of Non Distributed Costs	(6)	12
	Net Cost of HRA Services	**15,839**	**18,243**
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(Profit) / Loss on sale of HRA assets	(1,534)	(2,064)
	Interest payable and similar charges	8,175	7,766
	Net interest on the net defined benefit liability	218	269
	Deficit for the year on HRA Services	**22,698**	**24,214**

MOVEMENT ON THE HRA STATEMENT — STATEMENT 10

PURPOSE

This statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

MOVEMENT

	Note	2017/18 £'000	2016/17 £'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		22,698	24,214
Adjustments between accounting basis and funding basis under regulations	1	(22,698)	(24,214)
(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**

	2017/18 £'000	2016/17 £'000
Depreciation and Revaluation	(36,772)	(37,915)
Profit / (Loss) on sale of HRA fixed assets	1,534	2,064
Share of Accumulated Absences	20	7
Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund	(212)	(281)
	(35,430)	(36,125)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Loans fund principal	4,609	4,109
Capital expenditure funded by HRA	8,123	7,802
Adjustments between accounting basis and funding basis under regulations	**(22,698)**	**(24,214)**

2. **Housing Stock**

The council's stock at 1 April 2017 was 13,169 houses and at 31 March 2018 was 13,244 houses. As a result the council was responsible for managing an average of 13,207 dwellings during 2017/18.

	2017/18 No of Houses	2016/17 No of Houses
Stock movements can be summarised as follows:-		
Stock as at 1 April	13,169	13,234
Additions	164	214
Less Demolitions	(6)	(83)
Less Stock restated	6	(30)
Less Sales	(89)	(166)
Stock as at 31 March	**13,244**	**13,169**
Housing Stock Numbers by type are as follows:		
1 Bed	2,428	2,367
2 Bed	6,242	6,190
3 Bed	3,998	4,037
4 Bed	450	448
More than 4 Bed	126	127
	13,244	**13,169**

3. **Rent Arrears**

	2017/18 £'000	2016/17 £'000
Current Tenant Gross Rent Arrears at 31 March	1,401	1,220
Former Tenant Gross Rent Arrears at 31 March	1,076	1,033

4. **Losses on Void Properties**

	2017/18 £'000	2016/17 £'000
Losses on void properties at 31 March	241	266

5. **Bad Debt Provision**

	2017/18 £'000	2016/17 £'000
Bad Debt Provision for housing rent arrears and former tenant's debt.	1,899	1,543

COUNCIL TAX INCOME ACCOUNT — STATEMENT 11

PURPOSE

This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.

INCOME

	2017/18 £'000		2016/17 £'000
Gross Council Tax levied and contributions in lieu		85,846	81,830
Less:			
Discounts	(6,827)		(6,712)
Provision for bad debts	(1,732)		(1,648)
Council Tax Reduction Scheme	(9,164)		(9,265)
Other deductions	(2,491)		(1,751)
		(20,214)	(19,376)
		65,632	**62,454**
Adjustments for previous years' Community Charge and Council Tax		(52)	(268)
Transfers to General Fund		**65,580**	**62,186**

NOTES

1. Calculation of the Council Tax base 2017/18

	PROPERTY BANDS								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Properties	17,656	24,765	10,012	8,299	9,630	6,008	2,713	191	79,274
Exemptions	(784)	(651)	(213)	(107)	(66)	(28)	(21)	(12)	(1,882)
Disabled Relief	169	(70)	(22)	26	(27)	(34)	(41)	(1)	-
Discounts (10%)	(8)	(10)	(5)	(5)	(4)	(1)	(1)	-	(34)
Discounts (25%)	(2,470)	(2,402)	(967)	(541)	(426)	(179)	(55)	(3)	(7,043)
Discounts (50%)	(57)	(79)	(54)	(26)	(22)	(10)	(6)	(2)	(256)
Council Tax Reduction Scheme	(4,771)	(4,249)	(1,098)	(409)	(224)	(72)	(16)	-	(10,839)
Effective Properties	9,735	17,304	7,653	7,237	8,861	5,684	2,573	173	59,220
Ratio to Band D	6/9	7/9	8/9	1	473/360	39/24	47/24	49/20	
Band D Equivalents	6,487	13,459	6,803	7,237	11,642	9,236	5,039	424	**60,327**
Contributions in lieu									-
Level of non-payment provided for									**1,508**
COUNCIL TAX BASE									**58,819**

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	2017/18 Council Tax £	2016/17 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	1,482.07	1,378.67
F	1,833.00	1,629.33
G	2,209.00	1,880.00
H	2,763.60	2,256.00

NON-DOMESTIC RATE INCOME ACCOUNT — STATEMENT 12

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

	2017/18 £'000		2016/17 £'000
Gross rates levied and contributions in lieu		99,613	108,458
Less			
Reliefs and other deductions	(16,935)		(14,783)
Provisions for bad and doubtful debts	(2,009)		(2,168)
		(18,944)	(16,951)
Net non-domestic rate income		**80,669**	**91,507**
Allocated:			
National non-domestic rate pool		80,836	91,648
Cost of council rate relief		(167)	(141)
		80,669	**91,507**

NOTES

1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2017/18 was £90.056 million (£87.726 million 2016/17).

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 46.6p per £ in 2017/18 (48.4p in 2016/17). The rate was 49.2p (51.0p in 2016/17) for properties with a rateable value of more than £51,000. 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 2017

	Number	Rateable Value £'000
Shops, Offices and other Commercial Subjects	3,129	78,526
Industrial Subjects	1,717	79,369
Miscellaneous (Schools etc.)	1,608	50,023
Total	**6,454**	**207,918**

4. There is no retained income from the Business Rates Incentivisation Scheme for 2017/18.

TRUSTS AND MORTIFICATIONS — STATEMENT 13

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	2017/18 £'000	2016/17 £'000
EXPENDITURE	Beneficiaries	6	7
INCOME	Loans Fund and Dividend Interest	5	5
SURPLUS / (DEFICIT)	For Year	(1)	(2)
	At 1 April	380	382
	At 31 March	**379**	**380**
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	332	333
		379	380
	Current Liabilities	-	-
	TOTAL ASSETS	**379**	**380**
	Reserves		
	Capital Fund	165	165
	Revenue Fund	214	215
	TOTAL RESERVES	**379**	**380**

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 2017/18 is disbursed in 2018/19.

2. The main fund balances where the Council is sole trustee at 31 March 2018 are:-

	Capital £'000	Revenue £'000
Irene Elizabeth Miller Trust	60	3
West Lothian Trust for the Benefit of People with Disabilities	41	16
Quarter Farm Trust	17	40
James Wood Bequest	14	54
Robert Turner of Armadale Trust	11	19

3. The council also administered five other trusts in 2017/18, which have external and council trustees. At 31 March 2018 the total assets of these trusts, valued at cost, was £0.211 million (£0.210 million at 31 March 2017).

COMMON GOOD ACCOUNT — STATEMENT 14

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	2017/18 £'000	2016/17 £'000
Expenditure		
Donations	-	-
Income		
Interest	-	-
Surplus / (Deficit)		
At 1 April	14	14
At 31 March	**14**	**14**

BALANCE SHEET	2017/18 £'000	2016/17 £'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 2017/18 amounted to £134 (£147 2016/17).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP

STATEMENT 15

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 2018

		2017/18			2016/17		
	Group Note	Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		232,994	5,008	227,986	231,791	6,004	225,787
Planning, Economic Development and Regeneration		15,533	5,345	10,188	11,478	4,946	6,532
Operational Services		81,548	8,870	72,678	79,497	9,051	70,446
Housing, Customer and Building Services		22,903	5,665	17,238	21,761	5,458	16,303
Corporate Services		1,779	585	1,194	1,067	664	403
Social Policy – IJB, Adult and Elderly Services		157,550	93,093	64,457	145,587	85,003	60,584
Social Policy – non IJB, Children's Services		40,568	2,318	38,250	39,200	4,552	34,648
Chief Executive, Finance and Property		35,558	4,965	30,593	35,277	5,517	29,760
Joint Boards		1,213	34	1,179	1,214	-	1,214
Other Services		56,985	56,904	81	58,171	58,306	(135)
West Lothian Leisure Ltd.		14,053	9,425	4,628	-	-	-
Net Cost of General Fund Services		**660,684**	**192,212**	**468,472**	**625,043**	**179,501**	**445,542**
Housing Revenue Account		64,077	48,309	15,768	64,592	46,448	18,144
Net Cost of Services		**724,761**	**240,521**	**484,240**	**689,635**	**225,949**	**463,686**
Other Operating Expenditure		(2,417)	-	(2,417)	(2,559)	-	(2,559)
Financing and Investment Income and Expenditure		67,305	31,661	35,644	67,445	34,343	33,102
Share of corporation tax of Joint Venture		2	-	2	-	-	-
Taxation and Non-Specific Grant Income		-	405,399	(405,399)	-	398,973	(398,973)
(Surplus) or Deficit on Provision of Services		**789,651**	**677,581**	**112,070**	**754,521**	**659,265**	**95,256**
Share of Operating Results of Associates and Joint Ventures		126,763	126,581	182	4,929	4,126	803
(Surplus) or Deficit on Group		**916,414**	**804,162**	**112,252**	**759,450**	**663,391**	**96,059**
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services							
(Surplus) / Deficit on revaluation of property, plant and equipment				(18,077)			2,542
Actuarial (gains) / losses on pension assets and liabilities				(113,143)			102,920
(Gains) / Losses on Investments in Associates and Joint Ventures				(1,364)			1,182
Items that may be reclassified to the Surplus / (Deficit) on the Provision of Services				**(132,584)**			**106,644**
(Surplus) / Deficit on revaluation of available for sale financial assets				7			(28)
Other Comprehensive Income and Expenditure				**(132,577)**			**106,616**
Total Comprehensive Income and Expenditure				**(20,325)**			**202,675**

MOVEMENT IN RESERVES STATEMENT - GROUP STATEMENT 16

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 2018

	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 2016		**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**
Balance at 1 Aril 2017		**103,550**	**803,687**	**(5,868)**	**901,369**
Movement in Reserves during 2017/18					
Total comprehensive income and expenditure		(110,081)	130,008	398	20,325
Adjustments between accounting basis and funding basis under regulations		100,451	(100,451)	-	-
Net increase (decrease) before transfers to other statutory funds		(9,630)	29,557	398	20,325
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		**(9,630)**	**29,557**	**398**	**20,325**
Balance at 31 March 2018	**G3**	**93,920**	**833,244**	**(5,470)**	**921,694**

1. Statement 5 and notes 12 and 13 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.
3. The Balance of Group Reserves at 31 March 2017 includes 22.68% of West Lothian Leisure Ltd. based on the equity method of accounting for associates. However, from 1 April 2017 West Lothian Leisure Ltd. has been assessed as a subsidiary of the council and therefore 2017/18 has been fully consolidated on a line by line basis into the Group Accounts.

BALANCE SHEET - GROUP   STATEMENT 17

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'.

LONG TERM ASSETS	**Group Note**	**As at 31 March 2018 £'000**	**As at 31 March 2017 £'000**
Property, Plant and Equipment			
- Council Dwelling		374,955	382,991
- Other Land and Buildings		1,034,287	1,055,260
- Vehicles, Plant, Furniture and Equipment		19,022	19,287
- Infrastructure Assets		219,005	211,219
- Community Assets		591	570
- Assets under construction		66,041	72,055
- Surplus Assets, not yet held for disposal		19,194	23,187
		1,733,095	1,764,569
Heritage Assets		779	779
Long Term Investments		270	277
TOTAL LONG TERM ASSETS		**1,734,144**	**1,765,625**
CURRENT ASSETS			
Short Term Investments		54,212	125,585
Inventories		1,072	1,137
Short Term Debtors		38,025	36,012
Cash and Cash Equivalents		31,808	15,084
Intangible Assets		639	592
TOTAL CURRENT ASSETS		**125,756**	**178,410**
CURRENT LIABILITIES			
Short Term Borrowing		(99,802)	(100,290)
Short Term Creditors		(64,191)	(64,528)
Provisions		(1,212)	(174)
Capital Grants Receipts in Advance		(14,740)	(13,663)
TOTAL CURRENT LIABILITIES		**(179,945)**	**(178,655)**
NET CURRENT ASSETS (LIABILITIES)		**(54,189)**	**(245)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,679,955**	**1,765,380**
LONG TERM LIABILITIES			
Long Term Creditors		(1,077)	(1,140)
Long Term Borrowing		(488,641)	(503,641)
Defined Benefit Scheme Liability		(207,066)	(290,290)
Other Long Term Liabilities		(60,630)	(63,072)
Share of Net Liabilities of Associates and Joint Venture	**G3**	(847)	(2,851)
TOTAL LONG TERM LIABILITIES		**(758,261)**	**(860,994)**
TOTAL NET ASSETS		**921,694**	**904,386**
Financed by:			
USABLE RESERVES			
General Funds Balance		24,133	24,648
Housing Revenue Fund Balance		926	926
Capital Fund		58,963	65,527
Insurance Fund		10,125	11,835
TOTAL USABLE RESERVES		**94,147**	**102,936**
UNUSABLE RESERVES		**827,547**	**801,450**
TOTAL RESERVES		**921,694**	**904,386**

The unaudited accounts were considered by the Audit Committee on 25 June 2018 and the audited accounts were authorised for issue on 25 September 2018.

DONALD FORREST CPFA, Head of Finance and Property Services   **25 September 2018**

CASH FLOW STATEMENT - GROUP — STATEMENT 18

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	2017/18 £'000	2016/17 £'000
Net Surplus or (Deficit) on Group		**(112,252)**	**(96,059)**
Adjust net surplus or deficit on the provision of services for non-cash movements		168,144	149,542
Net cash flows from Operating Activities		55,892	53,483
Net cash flows from Investing Activities		(23,856)	(135,990)
Net cash flows from Financing Activities		(15,557)	69,789
Net increase / (decrease) in cash and cash equivalents		**16,479**	**(12,718)**
Cash and cash equivalents at the beginning of the reporting period		**15,329**	**27,802**
Cash and cash equivalents at the end of the reporting period		**31,808**	**15,084**

NOTES TO THE GROUP ACCOUNTS STATEMENT 19

G1. ACCOUNTING POLICIES

The group accounting policies are those specified for the single entity financial statements as detailed in Statement 8 note 1. The accounting policies of all group members are materially the same as those of the single entity.

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 2017/18 is £64.457 million (2016/17 £60,584 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 2017/18 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 84 and 85. For the purposes of consolidation and incorporation within the Group Accounts the council did not have any subsidiary companies during 2016/17. However, following the conversion of West Lothian Leisure to a company limited by guarantee and based on the changes to their Articles of Association, it was assessed that the council exerted significant influence and control and as such, rather than be treated as an associate as previously, West Lothian Leisure should be treated as a subsidiary of the council for financial reporting from 2017/18 onwards.

Lothian Valuation Joint Board is deemed to be an associate.

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.

Subsidiary

West Lothian Leisure Ltd. is a subsidiary body of the council and the details are as follows:

- The Chief Executive is Robin Strang
- There were no Councillors of West Lothian Council remunerated by the body in 2017/18
- There were no employees of the body whose remuneration in 2017/18 was £150,000 or more

The council has not paid any consideration for its interests in West Lothian Leisure Ltd. and therefore no goodwill is involved in the acquisition. All intra-group transactions have been eliminated from the Group Accounts as part of the consolidation process. The subsidiary has been consolidated on a line by line basis.

Associates		**2017/18**	**2016/17**
West Lothian Leisure Ltd.	- basis - WLC funding to total income	-	22.68%
Valuation Joint Board	- basis - WLC funding to total funding	18.76%	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 associate, subsidiary and joint ventures are detailed below:

Council share of Associate, Subsidiary and Joint Ventures		**Valuation Joint Board £'000**	**West Lothian Leisure £'000**	**West Lothian Recycling £'000**	**Total £'000**
Total Assets	**2017/18**	449	2,989	132	**3,570**
	2016/17	451	749	220	**1,420**
Total Liabilities and shareholders' equity	**2017/18**	(1,343)	(7,612)	(85)	**(9,040)**
	2016/17	(2,499)	(1,634)	(138)	**(4,271)**
Net Assets / (Liabilities)	**2017/18**	(894)	(4,623)	47	**(5,470)**
	2016/17	(2,048)	(885)	82	**(2,851)**
Included in Surplus / (Deficit) in Group	**2017/18**	(210)	(1,926)	(35)	**(2,171)**
	2016/17	(27)	(820)	3	**(844)**

NOTES TO THE GROUP ACCOUNTS STATEMENT 19

G3. COMBINING ENTITIES (Continued)

The summarised reserves of the associate, subsidiary and joint ventures are detailed below:

Council share of Associate, Subsidiary and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
General Fund Balance	**2017/18**	150	30	47	**227**
	2016/17	189	(885)	82	**(614)**
Capital Fund	**2017/18**	-	-	-	**-**
	2016/17	-	-	-	**-**
Capital Grants Unapplied A/C	**2017/18**	-	-	-	**-**
	2016/17	-	-	-	**-**
Capital Receipts Reserve	**2017/18**	-	-	-	**-**
	2016/17	-	-	-	**-**
Total Usable Reserves	**2017/18**	150	30	47	**227**
	2016/17	189	(885)	82	**(614)**
Unusable Reserves	**2017/18**	(1,044)	(4,653)	-	**(5,697)**
	2016/17	(2,237)	-	-	**(2,237)**
Total Reserves	**2017/18**	(894)	(4,623)	47	**(5,470)**
	2016/17	(2,048)	(885)	82	**(2,851)**

The accounting year for the Valuation Joint Board, West Lothian Leisure Ltd. and the West Lothian Integration Joint Board ends 31 March 2018, while West Lothian Recycling Ltd is the 31 December 2017. There have not been any significant transactions or events between 31 December 2017 and 31 March 2018, therefore no adjustment is required to the position of West Lothian Recycling Ltd. The associate 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 13 and 14 on pages 77 and 78.

G4. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the associate, subsidiary and joint ventures on the Group Balance Sheet as at 31 March 2018 (2017) is to reduce the net assets by £5.470 million (£2.851 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 £1.333 million (£2.320 million) and West Lothian Leisure Ltd. with pension liabilities of £4.653 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 2017/18 (2016/17) share of Associates pension interest cost and expected return on pension assets is £0.061 million (£0.041 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 2018 (2017) show a profit before and after tax of £66,581 (£1,950 loss) with net assets of £698,052 (£712,068).

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 2018 (2017) show profit before and after tax of £2,280 (£1,950) with net liabilities of £51,681 (£24,320).

West Lothian Enterprise Limited is in the process of being wound up and it is anticipated this will be completed in 2018/19.

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 2018 (2017) show a breakeven position before tax (breakeven) and profit after tax of £3,779 (breakeven) with net assets of £29,192 (£25,413).

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (Continued)

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 2016/17) representing 8.47% (7.19% 2016/17) 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 £21,751 (£22,884 2016/17) and had a voting share of 12.5%.

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 £44,000 (£46,550 2016/17) to the running costs of SESplan, representing 17% (17% 2016/17) 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 2017/18, the council made a contribution of £113,930 (£113,930 2016/17), 3.3% (3.3% 2016/17) of Scotland Excel's funding.

Customers with special requirements

Information is available in Braille, on tape, in large print and community languages.
Please contact the Interpretation and Translation Service on **01506 280000**.

هذه المعلومات متوفرة بلغة بريل وعلى شريط وبخط كبير وبلغات الجالية.
الرجاء الإتصال بخدمة الترجمة على الهاتف 01506 280000

এই তথ্য আপনি ব্রেইল, টেপ, বড় অক্ষরে এবং কমিউনিটির বিভিন্ন ভাষাগুলিতেও পাবেন। অনুগ্রহ করে ইন্টারপ্রেটেশান অ্যান্ড ট্রান্সলেশন সার্ভিসের সঙ্গে যোগাযোগ করুন। টেলিঃ 01506 280000

這份資料是可以凸字、錄音帶，大字印刷及社區語言的式本提供。請聯絡傳譯及翻譯服務部，電話：01506 280000

ਇਹ ਜਾਣਕਾਰੀ (ਬ੍ਰੇਲ) ਨੇਤ੍ਰਹੀਨ ਦੇ ਪੜ੍ਹਣ ਵਾਲੀ ਲਿਪੀ, ਟੇਪ, ਵੱਡੇ ਪ੍ਰਿੰਟ ਅਤੇ ਸਮਾਜ ਦੀਆਂ ਹੋਰ ਭਾਸ਼ਾਵਾਂ ਵਿਚ ਉਪਲਬਧ ਹੈ। ਕ੍ਰਿਪਾ ਕਰਕੇ ਇੰਟਰਪ੍ਰੈਟੇਸ਼ਨ ਅਤੇ ਟ੍ਰਾਂਸਲੇਸ਼ਨ ਸਰਵਿਸ ਨੂੰ ਇਸ ਨੰਬਰ ਤੇ ਸੰਪਰਕ ਕਰੋ : 01506 280000

یہ معلومات بریل (اندھوں کے رسم الخط)، ٹیپ، بڑے حروف کی طباعت اور کمیونٹی میں بولی جانے والی زبانوں میں دستیاب ہے۔
براہِ مہربانی انٹرپریٹنگ اینڈ ٹرانسلیٹنگ سروس سے ٹیلیفون نمبر 01506 280000 پر رابطہ قائم کریں۔

Informacje te moga byc przelozone na jezyk Braille'a, dostepne na tasmie magnetofonowej lub wydane duzym drukiem oraz przetlumaczone na jezyki mniejszosci narodowych. Prosimy o kontakt z Uslugami Tlumaczeniowymi pod numerem 01506 280000.

Published by West Lothian Council, Civic Centre, Livingston EH54 6FF

Text phones offer the opportunity for people with a hearing impairment to access the council. The text phone number is **01506 591652**. A loop system is also available in all offices

Any enquiries to:
West Lothian Council
West Lothian Civic Centre
Howden South Road
Livingston
EH54 6FF

westlothian.gov.uk

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 Sub Nexu Vivito, Fili

Mr James Millar
West Lothian Council
Civic Centre
Livingston

24th April 2018

I write, in accordance with Standing Order 2 (2), to lodge the attached motion to serve the required 3 months notice before its consideration.

Yours Sincerely

Peter Johnston

Cllr. Peter Johnston
Leader of the SNP Group

WEST LOTHIAN COUNCIL
2[illegible] 2018
CHIEF EXECUTIVE

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 Sub Nexu Vivito, Fili

Review of Appointments

Council agrees to remove the incumbents from the following appointments, and to appoint replacements;

1. Depute Provost
2. Leader of The Council
3. Depute Leader of the Council
4. Executive Councillor Culture & Leisure
5. Executive Councillor Development & Transport
6. Executive Councillor Education
7. Executive Councillor Environment
8. Executive Councillor Health & Care
9. Executive Councillor Services for the Community
10. Executive Councillor Social Policy
11. Executive Councillor Voluntary Organisations

Proposed

Peter Johnston

Cllr. Peter Johnston
Leader of the SNP Group

WEST LOTHIAN COUNCIL
[illegible]
CHIEF EXECUTIVE

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor David Dodds for the Council Meeting on 25 September 2018

School Examination Results 2018

West Lothian Council notes the exceptional results achieved by students in West Lothian for the SQA examinations in 2018. Council further notes the continued improvements in examination results for students since 2012.

Council congratulates all the students and teachers on the outstanding results achieved, and also thank the parents, carers, friends and families of the students for all of the help, encouragement and support that they provided to the 2018 examination candidates.

D Dodds

Councillor David Dodds
Executive Councillor - Education
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
22 AUG 2018
COMMITTEE SERVICES

V. Johnston
2.15pm

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor George Paul
for the Council Meeting on 25th September 2018

Head of Scouts Scotland

Council congratulates Andrew Sharkey, Head Teacher of St Kentigern's Academy, Blackburn on his appointment as the new Chief Commissioner for Scouts Scotland, having the effect that he is now the Leader of more than 50,000 scouts in Scotland.

Council instructs the Chief Executive to write to Mr Sharkey advising of Members delight and appreciation of the recognition of his appointment which recognises his sterling contribution to young people.

George Paul

Councillor George Paul
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
22 AUG 2018
COMMITTEE SERVICES

V Johnston
2.15pm

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor Lawrence Fitzpatrick
for the Council Meeting on 25th September 2018

Poppyscotland's Count Them In Campaign

The council supports Poppyscotland's Count Them In campaign which aims to see the inclusion of an Armed Forces question in the next Census in 2021. Notes that there is currently very limited information about where our veterans now live and what support they may need. By gathering this information through the Census will allow for an improved understanding of this unique community and ensure that the council alongside others can ensure we are fully meeting the needs of our serving personnel, veterans and their families.

Council therefore instructs the Chief Executive to write to Poppyscotland, the local constituency and regional MSPs to inform them of the council's support.

Councillor Lawrence Fitzpatrick
Leader
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
22 AUG 2018
COMMITTEE SERVICES

V. Johnson
2.15pm

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor Angela Doran
for the Council Meeting on 25th September 2018

Scotland's Best Junior Debaters 2018

Council acknowledges the incredible efforts of Broxburn Academy's Emma Bell and Ruby Ferguson in being crowned Scotland's best junior debaters 2018.

Despite facing strong opposition and being the youngest participants in the competition, the Broxburn duo has become the first entrants from West Lothian to win the event. Emma and Ruby have proven themselves to be excellent ambassadors for Broxburn Academy.

Council therefore instructs the Chief Executive to write to both students, congratulating them on their outstanding achievement.

Councillor Angela Doran
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
29 AUG 2018
COMMITTEE SERVICES

1 2.15

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor Kirsteen Sullivan
for the Council Meeting on 25th September 2018

West Lothian 50+ Network

Council thanks recently retired long standing members of the West Lothian 50+ Network: Mary Ferrie (Network Secretary), Helen Orr (organiser), Judith Hanna and Isobel Wilson. Council acknowledges their commitment, contribution and dedication over a significant number of years to ensure that West Lothian has an active 50+ Network for older residents.

Council therefore instructs the Chief Executive to write to the retiring committee members to congratulate them on their many years of service.

K Sullivan

Councillor Kirsteen Sullivan
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
29 AUG 2018
COMMITTEE SERVICES

12.15
V Johnston

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

Council Meeting

Homeless Crisis

West Lothian Council SNP Group notes that the Council has a statutory obligation to provide accommodation for people when they become homeless. However, the current situation, in many cases, is exacerbating the situation people find themselves in. We currently have over 100 people per night being accommodated, with no sign of any imminent decrease in this number, in B&B accommodation. Some are being accommodated outwith West Lothian, many have to constantly change their B&B accommodation, and most are incurring additional costs trying to feed themselves.

Most are suffering a catastrophic disruption to their lifestyles, not knowing where they will be 'living' from one week to the next. Many are unaware of any laundry facilities available to them and very few have access to cooking facilities. People 'unfortunate' enough to work night shift, are finishing their shift and going to their accommodation but having to have previously packed their belongings, as they may have to be out of their B&B at 10am.

This situation is intolerable and has been made worse by the delay in the New Build housing which has over run by 18 months for the 1000 houses and still only has around 360 handed over to our tenants. Meanwhile, tenants are having to live far longer in temporary accommodation before they receive a permanent offer to make their home. The whole homelessness situation has become a bottleneck, costing this Council over £50,000 per week.

West Lothian SNP Group calls for an urgent report on how we deal with our homeless crisis here in West Lothian.

WEST LOTHIAN COUNCIL
03 SEP 2018
COMMITTEE SERVICES

16.57

Moved 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!*

Motion

Council Meeting

Rent Pressure Zone

West Lothian Council SNP Group notes that the Scottish Government introduced legislation which provides for a designation of a Rent Pressure Zone.

West Lothian Council SNP Group notes that the criteria for such a designation appear to be evident in the Housing crisis we are experiencing here in West Lothian.

West Lothian SNP Group therefore calls for an urgent report, within 2 months, on how we can implement a Rent Pressure Zone in West Lothian and any potential issues with implementing such a RPZ.

Moved F Anderson

WEST LOTHIAN COUNCIL
03 SEP 2018
COMMITTEE SERVICES

16.57
Y. Johnston

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!

Council Meeting

Motion

Tackling Poverty in West Lothian

West Lothian Council notes and welcomes the initiative by the Scottish Government to set up a National Energy Company. This has the potential to encourage many more people to change their utility provider and get a lower tariff.

However, whilst we have to wait this being set up there are initiatives that this Council can do to assist with lowering the fuel bills of our residents.

The West Lothian SNP Group calls for an urgent report from our officers on how we tackle not only fuel poverty but poverty in general within our communities. In particular, the report should outline the potential for 'white labelling' to enable the Council to consider the best way of tackling fuel poverty within our wider community.

WEST LOTHIAN COUNCIL
03 SEP 2018
COMMITTEE SERVICES

Moved F Anderson

16.57

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

Council Meeting

Wheelchair Accessible Taxis

West Lothian Council SNP Group notes the numerous initiatives to make West Lothian taxis more accessible for all. However currently, one of the problems encountered, particularly by wheelchair users is the unavailability of wheelchair taxis. This can be due to many drivers claiming an exemption from assisting wheelchair users into their taxi. This is causing not only inconvenience but embarrassment for many taxi users.

This is totally unacceptable and appears to defeat the purpose of having wheelchair accessible vehicles as taxis.

West Lothian Council SNP Group call for an urgent report from officers on how we can ensure that most, if not ALL, wheelchair vehicles are available for hire and able to provide the much needed service to people with a disability.

Moved F Anderson

WEST LOTHIAN COUNCIL
03 SEP 2018
COMMITTEE SERVICES

1657
V. Johnston

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor John McGinty
for the Council Meeting on Tuesday 25 September 2018

Armed Forces Day

West Lothian Council welcomes and values the vital contribution to national life made by Britain's Armed Forces, Armed Forces families, Armed Forces Veterans and Veterans Organisations.

Council notes that a very successful Armed Forces Day was held in West Lothian on Sunday 1 July and commends all those involved in delivering this much welcomed community event.

West Lothian Council therefore agrees to continue to promote and provide support for the annual Armed Forces Day in future years, including the supply, construction and removal of the Council marquee free of charge.

John McGinty

WEST LOTHIAN COUNCIL
10 SEP 2018
COMMITTEE SERVICES

V Johnston
10.05am

Councillor John McGinty
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor David Dodds
for the Council Meeting on 25th September 2018

Business Rates Relief from Independent Schools

Council welcomes the decision by the Scottish Government to remove business rates relief from independent schools in line with the recommendations of the Barclay Commission.

Council is totally opposed to the suggestion made by Derek Mackay to John Swinney that independent schools could apply to their local councils for rates relief.

Council believes that when the Scottish Government is failing to fund local authority schools properly it is grossly unfair for them to suggest that councils should foot the bill for tax breaks for independent schools.

D Dodds

Councillor David Dodds
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
10 SEP 2018
COMMITTEE SERVICES

V Jones
10.05am

WEST LOTHIAN COUNCIL LABOUR GROUP

Notice of Motion from Councillor Dominic McGuire
for the Council Meeting on 25th September 2018

Nursing Students' Minimum Income

West Lothian Council notes that nurses are the backbone of the National Health Service, in particular, the vital role played by student nurses.

Council supports the call made by the Royal College of Nurses (RCN) to increase the minimum income entitlement available to student nurses from that of £6,578 a year to £10,000 per year. The RCN have noted that this is easily achievable by providing access to a small Scottish Government loan of up to £3,500.

Council, therefore, agrees to write to Jeane Freeman MSP, in her capacity as Cabinet Secretary of Health and Sport asking her to secure student nurses a minimum income entitlement of £10,000.

Councillor Dominic McGuire
West Lothian Council Labour Group

WEST LOTHIAN COUNCIL
10 SEP 2018
COMMITTEE SERVICES

V. Johnston
10.05am

DATA LABEL: PUBLIC

WEST LOTHIAN COUNCIL

TREASURY MANAGEMENT – ANNUAL REPORT FOR 2017/18

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 2018.

B. RECOMMENDATION

It is recommended that the Council:

1. Notes the attached report on the treasury management operations for 2017/18;
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 2017/18 is attached for consideration by Council.

E. CONCLUSION

The actions taken during the year complied with the Annual Plan for 2017/18 approved by Council on 7 March 2017 and the Treasury Management Policy Statement in the Financial Regulations.

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 2017/18 (approved by West Lothian Council 7 March 2017)

Treasury Management 2017/18 Interim Report to West Lothian Council on 7 November 2017

CIPFA Prudential Code for Capital Finance in Local Authorities

Local Government Investment (Scotland) Regulations 2010

Appendices/Attachments:

Treasury Management Annual Report for 2017/18
Appendix 1: Current Portfolio
Appendix 2: Borrowing in 2017/18
Appendix 3: Approved Organisations for Investment
Appendix 4: Monitoring of Prudential Indicators 2017/18

Contact Person: Pamela Bell, Technical Accountant
Email: pamela.bell@westlothian.gov.uk, Tel: 01506 281282

Donald Forrest
Head of Finance and Property Services
Date: 25 September 2018

DATA LABEL: PUBLIC

WEST LOTHIAN COUNCIL

TREASURY MANAGEMENT

Annual Report for 2017/18

Donald Forrest

Head of Finance and Property Services

25 September 2018

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 7 March 2017 set out the treasury management plans for 2017/18. 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 2017/18 was as follows:

1 April 2017			31 March 2018	
Principal £m	**Rate %**	**DEBT**	**Principal £m**	**Rate %**
589.3	4.1%	Fixed Rate Funding	574.2	4.1%
0.0	n/a	Variable Rate Funding	0.0	n/a
5.0	0.6%	Temporary Funding	5.0	0.4%
594.3	4.1%	Total Debt	579.2	4.1%
	36.7 years	Average Life of Debt		38.2 years
£m	**Rate %**	**INVESTMENTS**	**£m**	**Rate %**
137.7	0.83%	Cash Deposits	83.5	0.75%

Debt during the period has decreased by £15.1 million, due to an increased level of internal borrowing used to finance the capital programme. New fixed rate borrowing of £10 million and new temporary borrowing of £35.1 million were taken out during the year which was offset by maturing fixed rate and temporary debt of £60.2 million.

Investments decreased by £54.2 million during the year and the average rate decreased slightly by 0.08% since the start of the financial year, again due to the increased level of internal borrowing during 2017/18. Although the council's average rate has decreased slightly, West Lothian Council continues to be one of the highest performers in the Link 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.

2016/17		2017/18
	Headline Performance Indicator	
	Average Cost of Servicing Loans Fund Advances in Year	
4.25%	* Loans Fund Interest Rate	3.99%
0.06%	* Loans Fund Expenses Rate	0.06%
4.31%		4.05%
	Local Performance Indicators	
15.25%	* Percentage of Debt at year end which is Short Term or Variable	15.64%
19.45%	* Percentage of Debt at year end repayable in each of the next two years	19.09%
2.48%	* Average Interest Rate of Longer Term Borrowing raised in year	2.28%
45.9 years	* Average Maturity of Longer Term Borrowing raised in year	48.0 years

There has been a decrease in the council's average cost of funding borrowing in 2017/18 due to the internal borrowing used to finance the capital programmes during the year. 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 2017/18 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 remain at 0.25% until quarter four of 2018 with low short term rates expected to continue in 2017/18. The Bank of England Monetary Policy Committee (MPC) agreed on 2 November 2017 to increase the bank rate from 0.25% to 0.5%, the first interest rate rise since July 2007. The decision reverses the cut in August of 2016, which was made in the wake of the vote to leave the European Union. At its meeting on 7 February 2018, the MPC voted unanimously to retain the bank rate at 0.5%, but indicated that the pace of interest rate increases could accelerate if the economy remains on its current track. The Bank said that rates would need to rise earlier and by a somewhat greater extent than they thought at their previous review, with the next rate rise estimated at that point to be as early as May 2018. The bank rate was subsequently raised from 0.5% to 0.75% in August 2018. The forecast for PWLB rates in the annual treasury plan was 1.6% to 1.7% for five years and 2.3% to 2.4% for ten years.

4.2 *Capital Finance Strategy*

The annual strategy in March 2017 reported a new borrowing requirement of £71.9 million with replacement borrowing of £16.7 million. This gave a total borrowing requirement for 2017/18 of £88.6 million. Following approval of the updated General Services and Housing capital programmes in June 2017, the new borrowing requirement was revised to take account of accelerated General Fund spend in 2016/17, to reflect the decision to reprofile borrowing for 2017/18, and to reflect updated programme phasing. The revised position also incorporated 2016/17 overborrowing, caused by slippage in the Housing programme which occurred after borrowing was secured for the year. The new borrowing requirement approved by Council on 7 November 2017 was £22.3 million which, along with replacement borrowing of £25.1 million, amended the total borrowing requirement for 2016/17 to £47.4 million.

Forecasts showed a range of options available to implement the borrowing strategy in 2017/18. 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. It was also noted in the strategy that consideration would have to be given as to whether it would be more beneficial to undertake external borrowing or pay for the capital programme with internal borrowing by reducing existing investments. Based on market conditions and advice from treasury advisors, a mix of long term, short term and internal borrowing was used to fund the 2017/18 programme.

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 2017	**At 31 March 2018**
Bank Rates	0.25%	0.50%
5 Year PWLB	1.25%	1.85%
10 Year PWLB	1.93%	2.23%
50 Year PWLB	2.37%	2.29%

The major UK landmark event of the year was the inconclusive result of the general election on 8 June 2017. This had relatively little impact on financial markets, however sterling did suffer a sharp devaluation against most other currencies, of which it has recovered about half since then.

The outcome of the EU referendum in June 2016 resulted in a negative outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in the bank rate for at least three years. Consequently, the Bank responded in August 2016 by cutting the bank rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended to stimulate growth in the economy.

During 2017, there was a major shift in expectations in financial markets in terms of the timescale for the bank rate to start on a rising trend. After the UK economy performed better than expected with strong growth in the second half of 2016, growth in 2017 was weak in the first half of the year, which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure.

However, GDP growth in the second half of 2017 came in stronger than expected, while in the first quarter of 2018, there was evidence that wage increases had started to rise. The 8 February 2018 MPC meeting minutes therefore revealed another increase in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the shorter term for seeing inflation come down to 2%. This resulted in a marked increase in expectations that there would be another bank rate increase in May 2018 and a bringing forward of the timing of subsequent increases in bank rate. This shift in market expectations resulted in investment rates from 3 to 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the US Federal Reserve raising rates by 0.25% in June, December and March, making six increases in all since December 2015.

Growth in the American economy was volatile in 2015 and 2016, and 2017 followed the same trend. The annual rate of GDP growth for 2017 was up from 2016 and unemployment in the US fell to the lowest level for 17 years, while wage inflation pressures, and inflationary pressures in general, have been building. The Federal Reserve has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate from 1.50 to 1.75% in March 2018. A further two or three increases are likely in 2018 as they face a challenging situation with GDP growth trending upwards at a time when recent fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Federal Reserve also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

6.0 Capital Finance Activities

The original forecast new borrowing requirement for 2017/18 of £71.9 million was revised in the interim treasury management report to Council on 7 November 2017 to £22.3 million. Including replacement borrowing of £25.1 million, the revised borrowing position was £47.4 million. The actual borrowing requirement for 2017/18 was £54.4 million due to accelerated spend in the General Services capital programme and lower than anticipated funding received during 2017/18. The accelerated expenditure and delays in receiving income created the need to accelerate borrowing planned for 2018/19 to finance the 2017/18 programme, which can be accommodated within treasury management forecasts. Full details of actual borrowing undertaken in 2017/18 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 2017/18.

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 2017/18 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 7 March 2017 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 2017 to partially defer use of the fund.

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 2017/18 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 2017 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*
£108.4 million	0.75%	0.21%

∗ The benchmark is the seven day London Interbank Bid (LIBID) Rate, which is the benchmark suggested by Link 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 0.54% above the benchmark.

During the year, the amount lent to approved organisations ranged from a low of £74.2 million to a high of £143.5 million. Investments at 31 March 2018 were £83.5 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 0.75%. This represents a robust return on investments as rates have continued to drop over the course of 2017/18.

Authorised institutions and investments at 31 March 2018 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 2017/18 indicators were originally approved by the Council on 7 March 2017 and revised on 7 November 2017. Performance against the approved indicators for 2017/18 is included in Appendix 4.

In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. The revisions particularly focused on non-treasury investments and especially on major purchases of property with a view to generating substantial increases in income compared to normal treasury management activities. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management. These changes in the revised codes are particularly relevant to the activities of English authorities, as all non-treasury investments, financial guarantees and loans are already required to be listed as part of the Treasury Management Plan for Scottish authorities. However, the new codes require greater explanation for the investment in non-financial assets in such areas as their objectives, how they have been appraised, how they have been financed, and what powers were used to undertake them.

CIPFA have recognised that the issue of revised codes at a late stage in the financial year meant that most local authorities were unable to implement the revised guidance in 2018/19. Accordingly, full implementation is not required until 2019/20 across all authorities. Officers will consider the requirements of the revised codes during 2018/19 and will ensure that any action required to comply with the guidance is included in the Treasury Plan for 2019/20 and in an updated capital strategy.

10.0 Conclusion

This report outlines the treasury activities undertaken in 2017/18. Actions taken complied with the annual plan for 2017/18, which was approved by the Council on 7 March 2017, and the Treasury Management Policy Statement. 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: 25 September 2018

CURRENT PORTFOLIO

1 April 2017 Principal £m	£m	Rate %	DEBT	31 March 2018 Principal £m	£m	Rate %
			Fixed Rate Funding			
528.7			PWLB	513.6		
60.6			Market	60.6		
0.0	589.3	4.1%	European Investment Bank (EIB)	0.0	574.2	4.1%
			Variable Rate Funding			
-			PWLB	-		
-			Municipal Bank	-		
-	-	-	Covenant	-	-	
			Temporary Funding			
	5.0	0.6%	Market		5.0	0.4%
	594.3	4.1%	Total Debt		579.2	4.1%
		36.7 yrs	Average Life of Debt			38.2 yrs

£m	Rate %	INVESTMENTS	£m	Rate %
137.7	0.8%	In-House	83.5	0.8%

BORROWING IN 2017/18

Date	Amount Advanced £m	Details	Repayment Period
PWLB			
26 March 2018	10.00	2.28%	48 years
Temporary Borrowing – Local Authorities			
25 May 2017	5.00	0.45%	11 months
25 April 2017 *	5.00	0.22%	1 month (repaid in year)
25 May 2017 *	10.00	0.20%	1 month (repaid in year)
14 December 2017 *	10.00	0.35%	1 month (repaid in year)
26 January 2018 *	2.35	0.30%	1 month (repaid in year)
26 January 2018 *	2.75	0.30%	1 month (repaid in year)
Total Borrowing	**45.10**		

* Temporary borrowing undertaken during the financial year for cash flow purposes

The Average Rate and Life of Long and Short Term Debt Undertaken in 2017/18

Average rate – 0.74%

Average life – 10.75 years

Appendix 3

APPROVED ORGANISATIONS FOR INVESTMENT

	2017/18 Investment Limit £	Investment at 31 March 2018 £
Council Bankers		
Lloyds Banking Group (inc Bank of Scotland)	**70,000,000**	54,471,000
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		0
WLC Rating Category 6*	**7,000,000**	
Close Brothers		5,000,000
Goldman Sachs		7,000,000
Santander		7,000,000
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		10,000,000
Money Market Fund – AAA rated	**10,000,000**	
Standard Life Liquidity Money Market Fund		0
Invesco Sterling Liquidity Money Market Fund		0
Federated Sterling Money Market Fund		0
	TOTAL	**83,471,000**

* As rated by the lowest credit rating of the three agencies - Fitch, Moody's and Standard & Poors

MONITORING OF PRUDENTIAL INDICATORS – 2017/18

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 2017/18.

	2017/18 £'000 Estimate	2017/18 £'000 Actual
General Services	48,420	49,423
Housing	57,452	48,590
Total	**105,872**	**98,013**

Performance
The indicator for General Services is greater than the revised 2017/18 estimate agreed by Council on 7 November 2017. 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 2017/18 estimate, due to rephasing of major projects within the programme, and takes into account updated budgets agreed by Council on 13 February 2018. The decreased spend has been incorporated into the revised Housing capital programme for 2018/19 to 2022/23.

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.

	2017/18 £'000 Estimate	2017/18 £'000 Actual
General Services	463,932	469,619
Housing	221,889	212,358
Total	**685,821**	**681,977**

Performance
The year end capital financing requirement is higher than the estimate reported in November 2017 for General Services, due to the accelerated expenditure in the programme. The additional expenditure created the need to accelerate borrowing from 2018/19 to finance the 2017/18 General Services programme. The year end capital financing requirement is below the estimate reported in November 2017 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 2017/18 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.

	2017/18 Estimate	2017/18 Actual
General Fund	6.4%	7.0%
Housing	28.6%	27.6%

Performance

For both General Fund and Housing, interest savings were generated during the year in addition to lower than anticipated borrowing in 2017/18. The Housing indicator was slightly lower than forecast as a result of the project rephasing in the Housing capital programme, and the General Fund indicator was higher than forecast as a result of the Housing level of borrowing reducing more than the General Services level of borrowing (financing costs are allocated between the two funds on the basis of total outstanding borrowing).

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:	2017/18	2018/19	2019/20
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.

	2017/18 £'000 Estimate	2017/18 £'000 Actual
Gross External Borrowing	685,821	650,130
Capital Financing Requirement	685,821	681,977
Under limit by	-	31,847

Performance
The council's total gross external borrowing is below the capital financing requirement, demonstrating that 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:	2017/18 £'000 Limit	2017/18 £'000 Actual
Gross External Borrowing	717,213	585,889
Other Long Term Liabilities	65,241	64,241
External Debt	782,454	650,130

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 £133.324 million below the authorised limit approved by Council on 7 November 2017.

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:	2017/18 £'000 Limit	2017/18 £'000 Actual
Gross External Borrowing	707,213	585,889
Other Long Term Liabilities	64,241	64,241
External Debt	771,454	650,130

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 £121.324 million below the operational boundary approved by Council on 7 November 2017.

8. ACTUAL EXTERNAL DEBT

Purpose of the Indicator
This is a factual indicator showing actual external debt for previous financial years.

	31 March 2016 £'000	31 March 2017 £'000	31 March 2018 £'000
Actual External Borrowing	531,118	601,341	585,889
Actual Other Long Term Liabilities	69,031	66,743	64,241
Actual External Debt	600,149	668,084	650,130

Performance

The decrease in actual external borrowing, excluding other long term liabilities, consists of new borrowing of £45.1 million, offset by repayment of debt of £60.2 million. Actual external borrowing includes accrued loan interest at 31 March 2018, 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 2017 – 100.00%
Level of variable rate borrowing at 31 March 2017 – 0.00%

9.3 Maturity structure of fixed rate borrowing for 2017/18

	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 2018, the council had no investments greater than one year.

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.

WEST LOTHIAN COUNCIL

26 SEPTEMBER 2018

QUESTION TO THE EXECUTIVE COUNCILLOR

HEATING IN WESTFIELD

What progress has been made on new and improved heating systems for council houses (and others, if appropriate)?

Councillor Stuart Borrowman

Independent
Armadale and Blackridge Ward

WEST LOTHIAN COUNCIL
04 SEP 2018
COMMITTEE SERVICES

1.26pm
V Johnston

WEST LOTHIAN COUNCIL

26 SEPTEMBER 2018

QUESTION TO THE EXECUTIVE COUNCILLOR

ARMADALE CROSS

Is the current disposition of traffic lights, phasing, location of bus stops, &c appropriate to ensure the safe and smooth flow of traffic at Armadale Cross?

Councillor Stuart Borrowman

Independent
Armadale and Blackridge Ward

WEST LOTHIAN COUNCIL
04 SEP 2018
COMMITTEE SERVICES

1·26pm
V Jones