



## ***Audit Committee***

West Lothian Civic Centre  
Howden South Road  
LIVINGSTON  
EH54 6FF

14 October 2022

A hybrid meeting of the **Audit Committee** of West Lothian Council will be held within the **Council Chambers, West Lothian Civic Centre** on **Friday 21 October 2022** at **2:00pm**.

For Chief Executive

### **BUSINESS**

#### **Public Session**

1. Apologies for Absence
2. Declarations of Interest - Members must declare any interests they have in the items of business for consideration at the meeting, identifying the relevant agenda items and the nature of their interests.
3. Order of Business, including notice of urgent business, declarations of interest in any urgent business and consideration of reports for information.

The Chair will invite members to identify any such reports they wish to have fully considered, which failing they will be taken as read and their recommendations approved.

4. Confirm Draft Minutes of Meeting of Audit Committee held on 21 June 2022 (herewith)

#### **Public Items for Information**

5. Report to Members and the Controller of Audit on the 2021/22 Audit - Report by Head of Finance and Property Services (herewith)
6. Internal Audit of Winter Maintenance - Report by Audit, Risk and Counter Fraud Manager (herewith)

7. Internal Audit of Vehicle and Driver Checks - Report by Audit, Risk and Counter Fraud Manager (herewith)
8. Scotland's Financial Response to Covid-19 - Report by Head of Finance and Property Services (herewith)
9. Scotland's Councils' Approach to Addressing Climate Change - Report by Head of Finance and Property Services (herewith)
10. Corporate Strategy Annual Update - Internal Audit and Counter Fraud Strategy - Report by Head of Finance and Property Services (herewith)
11. Fraud and Irregularity 2021/22 - Report by Audit, Risk and Counter Fraud Manager (herewith)
12. The National Fraud Initiative in Scotland 2022 - Report by Audit, Risk and Counter Fraud Manager (herewith)

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NOTE     **For further information please contact Karen McMahon on tel. no. 01506 281621 or email [karen.mcmahon@westlothian.gov.uk](mailto:karen.mcmahon@westlothian.gov.uk)**



## **CODE OF CONDUCT AND DECLARATIONS OF INTEREST (2021)**

**This form is a reminder and an aid. It is not a substitute for understanding the Code of Conduct and guidance.**

**Interests must be declared at the meeting, in public.**

**Look at every item of business and consider if there is a connection.**

**If you see a connection, decide if it amounts to an interest by applying the objective test.**

**The objective test is whether or not a member of the public with knowledge of the relevant facts would reasonably regard your connection to a particular matter as being so significant that it would be considered as being likely to influence your discussion or decision-making.**

**If the connection does not amount to an interest then you have nothing to declare and no reason to withdraw.**

**If the connection amounts to an interest, declare it as soon as possible and leave the meeting when the agenda item comes up.**

**When you declare an interest, identify the agenda item and give enough information so that the public understands what it is and why you are declaring it.**

**Even if the connection does not amount to an interest you can make a statement about it for the purposes of transparency.**

**More detailed information is on the next page.**

Look at each item on the agenda, consider if there is a “connection”, take advice if necessary from appropriate officers in plenty of time. A connection is any link between the item of business and:-

- you
- a person you are associated with (e.g., employer, business partner, domestic partner, family member)
- a body or organisation you are associated with (e.g., outside body, community group, charity)

Anything in your Register of Interests is a connection unless one of the following exceptions applies.

A connection does not exist where:-

- you are a council tax payer, a rate payer, or a council house tenant, including at budget-setting meetings
- services delivered to the public are being considered, including at budget-setting meetings
- councillors’ remuneration, expenses, support services or pensions are being considered
- you are on an outside body through a council appointment or nomination unless it is for regulatory business or you have a personal conflict due to your connections, actions or legal obligations
- you hold a view in advance on a policy issue, have discussed that view, have expressed that view in public, or have asked for support for it

If you see a connection then you have to decide if it is an “interest” by applying the objective test. The objective test is whether or not a member of the public with knowledge of the relevant facts would reasonably regard your connection to a particular matter as being so significant that it would be considered as being likely to influence your discussion or decision-making.

If the connection amounts to an interest then:-

- declare the interest in enough detail that members of the public will understand what it is
- leave the meeting room (physical or online) when that item is being considered
- do not contact colleagues participating in the item of business

Even if decide your connection is not an interest you can voluntarily make a statement about it for the record and for the purposes of transparency.

The relevant documents are:-

- [Councillors’ Code of Conduct, part 5](#)
- [Standards Commission Guidance, paragraphs 129-166](#)
- [Advice note for councillors on how to declare interests](#)

If you require assistance, contact:-

- James Millar, Interim Monitoring Officer and Governance Manager, 01506 281613, [james.millar@westlothian.gov.uk](mailto:james.millar@westlothian.gov.uk)
- Carol Johnston, Chief Solicitor and Depute Monitoring Officer, 01506 281626, [carol.johnston@westlothian.gov.uk](mailto:carol.johnston@westlothian.gov.uk)
- Committee Services Team, 01506 281604, 01506 281621  
[committee.services@westlothian.gov.uk](mailto:committee.services@westlothian.gov.uk)

January 2022

MINUTE of MEETING of the AUDIT COMMITTEE held within MS TEAMS VIRTUAL MEETING, on 21 JUNE 2022.

Present – Councillors Angela Doran-Timson (Chair), Lawrence Fitzpatrick, Lynda Kenna, Pauline Orr and Kirsteen Sullivan; Moira Glencorse (Lay Member)

In attendance – Graham Hope (Chief Executive), Donald Forrest (Head of Finance and Property Services), Greg Welsh (Head of Education - Primary), Jim Jack (Head of Operational Services), Greg Welsh (Head of Education), Jo MacPherson (Head of Social Policy), Lesley Henderson (Interim Head of Corporate Services), Robin Allen (Social Policy), Phyllis McFadyen (Housing Services), Bruce Robb (Operational Services), Kenneth Ribbons (Audit, Risk and Counter Fraud Manager), Lauren McGuinness (Property Services), James Millar (Governance Manager), Graham Jack (Auditor), Graeme Ruddy (Counter Fraud), Kenny Wilson (Counter Fraud) and Roberta Irvine (Counter Fraud); and Rob Jones (EY)

1. DECLARATIONS OF INTEREST

Councillor Orr declared that she worked for Scottish Government.

2. ORDER OF BUSINESS

The Chair advised that whilst there were a number of items on the agenda for information she would ask officers to present the reports to allow them to be fully discussed.

The Chair also stated that at agenda Item 12, the committee would be invited to go into private session.

3. MINUTE

The committee approved the minute of its meeting held on 21 March 2022 as a correct record. The minute was thereafter signed by the Chair.

4. AUDIT COMMITTEE WORKPLAN

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager advising of the proposed workplan for 2022/23.

It was recommended that the committee that the committee approve the workplan.

Decision

To approve the terms of the report.

5. INTERNAL AUDIT ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing members of the work undertaken by internal audit during 2021/22, reporting on internal audit's performance and advising of the Audit, Risk and Counter Fraud Manager's conclusion on the council's framework of governance, risk management and control.

It was recommended that the committee:

1. Notes the Audit, Risk and Counter Fraud Manager's conclusion that the council's framework of governance, risk management and control was sound; and
2. Endorses the independence of the internal audit function as set out in section three of the appended annual report.

In response to a question, the Audit, Risk and Counter Fraud Manager explained that unsound audits were automatically reported to committee but that for others, it was only a selection of the annual audit reports that were reported to the committee. However, the committee could ask to see any of the reports once they were finalised.

Officers provided a verbal update on the audit of the Placing in School process. Members heard that one of the high risks had been fully addressed and the other was due to an outdated database system which the service was currently taking part in a CivTech challenge in order to identify a digital solution to manage the application process.

Members queried what you could done to reduce the time to issue final audit reports. The Audit, Risk and Counter Fraud Manager would undertake to get reports to Heads of Service sooner and to give greater attention to the progress of audit reports.

#### Decision

To approve the terms of the report.

### 6. INTERNAL AUDIT OF ASBESTOS MANAGEMENT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing members of the outcome of an internal audit of asbestos management.

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

On behalf of the committee, the Chair congratulated officers for the satisfactory report which clearly demonstrated asbestos management was well controlled.

#### Decision

To note the terms of the report.

7. CONSIDERATION OF 2020/21 ANNUAL ACCOUNTS (UNAUDITED)

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services inviting members to consider the 2021/22 Annual Accounts of the Council (unaudited).

It was recommended that the committee consider the 2021/22 Annual Accounts prior to submission to Ernst & Young LLP for audit.

The Head of Finance and Property Services confirmed that the council had sufficient reserves as long as it continued to maintain a robust approach to financial management. He clarified that the funding received from Scottish Government for the Early Learning & Childcare expansion plan had not equalled the council's spend resulting in an overspend. He advised that the matter was raised on a regular basis with Scottish Government and also with COSLA as part of the spending review. Finally, he confirmed that no further Covid-19 funding was expected.

Decision

To note the terms of the report.

8. RISK ACTIONS ARISING FROM AUDIT AND INSPECTION REPORTS

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager advising members of progress in implementing agreed actions arising from audit and inspection reports.

It was recommended that the committee note that six risk actions arising which were entered into Pentana in accordance with the agreed protocol, and which were due for completion by 31 March 2022, were still outstanding.

The Head of Education (Primary) provided an update on the MAPA Training Programme for Schools and confirmed the training had been completed by all staff in 61 of the 68 primary schools, together with all secondary and additional learning need schools. Moving forward, the training would be incorporated into the HR system which would ensure 100% of staff were fully trained. Pentana would be updated to reflect that there were 68 primary schools in West Lothian.

Decision

To note the terms of the report.

9. LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2022

The committee considered a report (copies of which had been circulated) by the Head of Finance and Property Services providing a summary of the report “Local Government in Scotland: Overview 2022”, published by the Accounts Commission on 25 May 2022.

It was recommended that the committee notes the key messages and recommendations within the Accounts Commission report.

Decision

To note the terms of the report.

10. SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS GROUP (SLACIAG) ANNUAL REPORT

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing of the Scottish Local Authorities Chief Internal Auditors’ Group (SLACIAG) annual report for 2021.

It was recommended that the committee note the work of SLACIAG as a forum for networking and the dissemination of best practice for internal audit in local government.

Decision

To note the terms of the report.

11. 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 consideration of the following item of business on the grounds that they involved the likely disclosure of exempt information under paragraph 14 of Schedule 7A of the Act.

12. COUNTER FRAUD ANNUAL REPORT 2021/22

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing members of the performance and activities of the Counter Fraud Team for the period from 1 April 2021 to 31 March 2022.

It was recommended that the committee note the performance and activities undertaken by the Counter Fraud Team during the financial year 2021/22.

Decision

To note the terms of the report.







DATA LABEL: PUBLIC



## **AUDIT COMMITTEE**

### **REPORT TO MEMBERS AND THE CONTROLLER OF AUDIT ON THE 2021/22 AUDIT**

#### **REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

##### **A. PURPOSE OF REPORT**

To advise the Audit Committee of the outcome of the 2021/22 audit and to provide a summary of the key points arising from the Auditor's Annual Report.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee:

1. considers Ernst and Young LLP's 2021/22 Annual Audit Report;
2. considers the audited Annual Accounts for 2021/22.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of resources, working in partnership
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The Auditor's Report is presented to Council in accordance with the Local Government (Scotland) Act 1973 and is referred to the Audit Committee for information and scrutiny.
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on Performance and Performance Indicators</b>	None.
<b>V Relevance to Single Outcome Agreement</b>	None.
<b>VI Resources - (Financial, Staffing and Property)</b>	There are no resource issues that require to be drawn to the Committee's attention.
<b>VII Consideration at PDSP</b>	Not applicable.
<b>VIII Consultations</b>	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 2021/22 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 four sections:

- an executive summary;
- financial statements audit;
- wider scope dimensions;
- appendices.

The unaudited annual accounts for the year ended 31 March 2022 were considered by the Audit Committee on 21 June 2022, 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 21 June 2022. The external audit of the Accounts and the signing of the Independent Auditor's Report was completed by the target date of 30 September 2022 following approval of the accounts by West Lothian Council on 27 September 2022. The Council referred the Auditor's Report and the 2021/22 Annual Accounts to the Audit Committee for information and scrutiny.

As a result of Ernst and Young LLP audit findings, there were two changes to the figures from the unaudited accounts, relating to the audit of the valuation of property, plant and equipment and the reclassification of Covid-19 grant income. These adjustments to the unaudited accounts did not impact on the 2021/22 revenue out-turn figures as reported to the Council Executive on 21 June 2022.

There are two actions arising from the audit. The first is in relation to a review of the council's current methodology around the revaluation of council assets, which requires further consideration and discussion with the council's new external auditors for 2022/23, Audit Scotland. Secondly, it is proposed that a review of the accounting treatment of infrastructure assets is undertaken in line with the awaited Accounting Code of Practice Guidance. The council has agreed to complete both these actions by 31 March 2023.

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

The Auditor intends to issue an unqualified audit opinion on the financial statements and on the nine charitable trusts administered by the council.

The accounts reflect recent good practice guidance from Audit Scotland around the disclosures of related parties.

The Annual Governance Statement reflects the requirements of the Delivering Good Governance Framework, and the key changes in governance arrangements that were required as a result of changes to working practices due to Covid-19.

In accordance with the CIPFA Code of Practice on Local Government Accounting, the council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity. Under the revised auditing standard, ISA 570, the auditor is required to undertake greater challenge of management's assessment of going concern, and the auditor has no matters to report in this respect.

The summary of the key conclusions set out in the Auditor's executive summary in relation to Wider Scope and Best Value outcomes from the 2021/22 audit are as follows, all of which have been rated in terms of red / amber / green:

<b>Wider Scope:</b>  Financial Sustainability	Amber	The Auditor has concluded that <ul style="list-style-type: none"> <li>The council continues to demonstrate good practice in forward financial planning and the auditor acknowledges that work on a new strategy is underway on the council's next medium term financial plan.</li> <li>The assessment of amber reflects the severe challenge facing all local authorities and the significant level of risk and uncertainty outside the council's control which could impact on the delivery of savings, which has been exacerbated by the inflationary pressures being experienced now and which are forecast to extend into the next planning period.</li> </ul>
Financial Management	Green	The Auditor has concluded that <ul style="list-style-type: none"> <li>The council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding the ongoing impact of Covid-19 on its financial position, noting that financial reporting is clear and consistent throughout the year.</li> <li>The Auditor identified no weakening of financial management arrangements following changes to the established working environment following Covid-19.</li> </ul>
Governance and Transparency	Green	The Auditor has concluded that <ul style="list-style-type: none"> <li>The key features of good governance remain in place at the council.</li> <li>As also noted in the prior year consideration, the council responds quickly to ensure that governance arrangements are appropriate and operating effectively as circumstances, such as the global pandemic change.</li> <li>The council has arrangements in place to appropriately scrutinise matters across its group.</li> </ul>
Value for Money	Green	The Auditor has concluded that <ul style="list-style-type: none"> <li>The council's arrangements for performance monitoring, improvement and self-assessment have continued through the global pandemic. The council has a culture of improvement and a commitment to self-assessment of performance to ensure that services remain focussed on improvement.</li> <li>Council services continue to perform well compared to other councils</li> </ul>

### **D.3 SUMMARY OF 2021/22 REPORT**

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

- Financial statements audit;
- Best Value and Wider scope dimensions
  - Financial sustainability;
  - Financial management;
  - Governance and transparency;
  - Value for money;
  - Best Value.

#### **D.3.1 Financial Statements Audit**

There are no qualifications to the Independent Auditor's Report in relation to the council's Accounts.

As noted, there were two changes to the figures from the unaudited accounts, relating to the audit of the valuation of property, plant and equipment and the reclassification of Covid-19 grant Income. These adjustments to the unaudited accounts did not impact on the 2021/22 revenue out-turn figures as reported to the Council Executive on 21 June 2022.

The overall impact of the audit differences was to reduce the value of assets in the consolidated balance sheet at 31 March 2022 by £0.7 million, with a corresponding reduction in the unusable reserves by £0.7 million. No change was required to the main financial statements in relation to the grant reclassification, £1.124 million. These adjustments to the unaudited accounts did not impact on the 2021/22 revenue out-turn figures as reported to the Council Executive on 21 June 2022.

There are two actions arising from the audit. The first is in relation to a review of the council's current methodology around the revaluation of council assets which requires further consideration and discussion with the council's new external auditors for 2022/23, Audit Scotland.

Secondly, it is proposed that a review of the accounting treatment of infrastructure assets is undertaken in line with the awaited Accounting Code of Practice Guidance from CIPFA. The council has agreed to complete both these actions by 31 March 2023.

The Auditor has also given an unqualified audit opinion on the 2021/22 financial statements of those charities registered by the council and audited under the provisions of The Charities Accounts (Scotland) Regulations 2006.

#### **D.3.2 Financial Sustainability**

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

Within their report the Auditor noted that:

- The council continues to demonstrate good practice in financial planning. All savings required in the medium term financial plan to 2022/23 have been identified and are on course for delivery.
- The council continues to demonstrate a strong track record of identifying and delivering planned savings to achieve balanced budgets. The planned savings through to 2023 will bring cumulative savings required from 2007 to £151 million.
- As in previous years, the amber assessment reflects the ongoing and very severe challenge facing all local authorities around future budgets, the significant level of risk and uncertainty outside the council's control which could impact its ability to

deliver savings, and the need for continued focus in delivering challenging levels of savings as the council moves into its next planning period.

- The council has begun planning for its next medium term financial plan (MTFP) period from 2023/24 to 2027/28. The Auditor acknowledges that the next MTFP will be prepared under a significant degree of uncertainty, there are a number of factors currently unknown that will continue to threaten the accuracy of any financial planning. The most material of these areas being the impact of the ongoing cost of living crisis, the remaining effects of the pandemic, the UK leaving the EU and the Ukraine conflict. It is however certain that the council will face a large budget gap.
- The Auditor expresses the view that the council continues to make good progress in longer term financial planning, significant risks and uncertainties, largely outside its control, continue to impact the overall risk profile for financial sustainability. The assessment of amber reflects this ongoing challenge.

### **D.3.3 Financial Management**

The report highlights the operating performance of the council in 2021/22, 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 management arrangements and control of the in-year budget and that financial reporting was clear and consistent throughout the year, including understanding of the ongoing impact of Covid-19. The importance of good financial control is understood across the council, with no identified control deficiencies and a robust environment with a strong understanding of the council's position. The Auditor notes there was no identifiable weakening of financial management arrangements following the changes to the established working arrangements following Covid-19.

The Auditor has identified that the council's uncommitted general fund reserve remains amongst the lower levels in Scotland, but notes that it is underpinned by a robust financial monitoring and financial planning environment. If robust financial planning was not in place it is likely that external audit would have more detailed and robust comment on the level of the uncommitted reserve.

On an annual basis, as part of the budget setting process, management 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 the CIPFA Financial Management Code came into effect in 2021/22 and that the council has demonstrated a strong level of compliance with the Code.

The Auditor notes that the Audit Scotland National Fraud Initiative (NFI) exercise was undertaken by the council in February 2022 and no issues were identified.

### **D.3.4 Governance and Transparency**

Governance and transparency are concerned with the effectiveness of scrutiny and governance arrangements, leadership and transparent reporting of financial and performance information. Primarily the Auditor considers this through the Local Code of Corporate Governance, the Audit Committee and its Assurance Statement, assessment of the council's approach to risk management and openness and transparency.

Within their report the Auditor has concluded that:

- The key features of good governance at the council remain in place, noting that the council acted quickly to ensure governance arrangements were appropriate and operating effectively during the changing circumstances of the past three years.
- The council has continued to monitor the actual and potential implications of EU withdrawal throughout 2021/22 through the use of the council's risk register, where the major risks are monitored and regularly assessed. The Governance and Risk Committee is updated via risk reports.
- The Auditor is satisfied that the council is demonstrating the required level of scrutiny and governance over entities within the council's group, including demonstrating rigour around the use of public funds for private bodies and notes that the governance arrangements evidence the scrutiny and challenge of officers.

#### **D.3.5 Value for Money**

The Auditor concludes that the council's arrangements for performance monitoring, improvement and self-assessment have continued through the global pandemic and that the council has a culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement.

The Auditor notes that the council services continue to perform well compared to other councils.

#### **D.3.6 Best Value**

The Auditor has drawn upon the wider scope and other work to conclude on the council's approach to Best Value and notes, through work undertaken in the year, that the council has a number of key characteristics of Best Value in place, including effective performance monitoring and robust governance arrangements.

As 2021/22 is the final year of the current audit appointment, the auditor ensured that the remaining areas of the Best Value programme were assessed, to allow a handover to the successor auditor. The specific areas of focus were in relation to the Council's approach to equalities and sustainability.

### **E. CONCLUSION**

The Auditor has provided an unqualified opinion on the council's financial statements for 2021/22 and has made two recommendations for action following the audit, both in relation to accounting for, and valuation of, assets. These actions relate to a continued focus and review of process and policy around valuation of property, plant and equipment. Both actions will be completed by 31 March 2023.

In conclusion, this is the sixth and final year of the council's audit engagement with Ernst and Young LLP.

Ernst and Young advanced key elements of audit testing to earlier in the year, to reduce the impact of the audit on the finance and audit team over the summer period. From 2022/23 onward, the council will engage with Audit Scotland for the provision of the audit.

During the Ernst and Young LLP appointment, despite the unprecedented circumstances of the lockdown and home working resulting from the global pandemic, both council officers and auditors have worked together professionally and constructively to ensure timely preparation of the accounts. I would like to place on record my thanks to everyone involved and to wish the current audit team well with their new appointments for audit.



**F. BACKGROUND REFERENCES**

Report to Audit Committee 21 June 2022: Consideration of 2021/22 Annual Accounts (Unaudited)

Appendices/Attachments: (1) Ernst and Young LLP – 2021/22 Annual Audit Report to Members and the Controller of Audit (2) 2020/21 Audited Annual Accounts for West Lothian Council

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**Donald Forrest**  
**Head of Finance and Property Services**  
**21 October 2022**

# West Lothian Council

**Annual Audit Report to Members  
and the Controller of Audit - year  
ended 31 March 2022**

27 September 2022



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Wider scope dimensions	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited body's: <ul style="list-style-type: none"> <li>financial position and arrangements for securing financial sustainability</li> <li>suitability and effectiveness of corporate governance arrangements</li> <li>effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets</li> </ul> Provide an update on the our work in respect of assessing the Council's arrangements to secure Best Value across our audit appointment period	24
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## 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. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. 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. This report is for the benefit of the Council and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. 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 Hywel Ball, 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 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.

# Executive Summary: Key Conclusions from our 2021/22 audit

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[We have issued] an unqualified audit opinion on the Council and Group 2021/22 financial statements and also for the Charitable Trusts 2021/22 financial statements.

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We continued to review and update our risk assessment throughout the audit, including the materiality level applied. No changes were required as a result of this review.

## Financial Statements

[We have concluded] our audit of the Council's financial statements for the year ended 31 March 2022. One adjustment and one disclosure adjustment were made to the financial statements since the presentation of the unaudited accounts in June 2022; there are no unadjusted differences that we are required to communicate. The draft financial statements and supporting working papers were provided on time and were of a high quality, in line with previous years. We worked with management to make a number of enhancements to the Management Commentary, Annual Governance Statement and notes to the financial statements, in particular to ensure the financial statements reflected recent good practice guidance from Audit Scotland around the disclosures of related parties.

We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were satisfied that the Annual Governance Statement reflects the requirements of the *Delivering Good Governance Framework*, and the key changes in governance arrangements that were required as a result of changes to working practices due to Covid-19.

[We have concluded] our audit of the Charitable Trusts' financial statements for the year ended 31 March 2022. The draft financial statements and supporting working papers were provided on time and were of a high quality, in line with previous years. There are no matters to report in respect of these financial statements.

## Going Concern

In accordance with the CIPFA Code of Practice on Local Government Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Council has concluded that there are no material uncertainties around its going concern status, and has enhanced the disclosures around its future financial position in the financial statements to reflect the impact of Covid-19. We have no matters to report in respect of our work around going concern or the conclusions reached by the Council.

Wider Scope and Best Value

We summarise the conclusions we reached in response to our work on the wider scope dimensions below.

Financial Sustainability

The Council's existing Medium Term Financial Strategy runs until 31 March 2023. Work on a new strategy is underway, with initial forecasts indicating a projected budget gap of £38.4 million through to 2027/28. The assumptions underpinning all forecasts will require regular review as inflationary assumptions, particularly for energy costs, are updated and pay award settlements finalised. These factors will increase existing budget gaps identified and require additional saving plans.

As in previous years, our assessment of amber reflects the ongoing challenge facing all local authorities and the significant level of risk and uncertainty outside the Council's control which could impact its ability to deliver savings, which has been heightened this year by the inflationary pressures now and forecast. There remains a need for continued focus in delivering challenging levels of savings as the Council moves into its next planning period.



Financial Management

The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid-19. Financial reporting is clear and consistent throughout the year.

The importance of good financial control is clearly understood across the Council. Our interactions with finance through the year identified a robust financial management environment and no material financial control deficiencies. We did not identify weakening financial management arrangements following the changes to the established working arrangements following Covid-19.



Governance & Transparency

The key features of good governance remain in place at the Council. As noted in our prior year consideration, the Council has responded quickly to ensure governance arrangements are appropriate and operating effectively as circumstances, such as the global pandemic, change.

The Council has arrangements to appropriately scrutinise matters across its Group, in particular where financial support is being provided to entities facing financial challenges arising from the pandemic.



Value for Money

The Council's arrangements for performance monitoring, improvement and self-assessment have continued and are back on the normal planned schedule for reporting following the impact of Covid-19 in 2020.

The Council maintains a culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. Council services continue to perform well compared to other councils.



Best Value Conclusion

We have drawn upon our wider scope and other work to conclude on the Council's approach to Best Value. We note through work undertaken in the year that the Council has a number of key characteristics of Best Value in place, including effective performance monitoring and robust governance arrangements.

As 2021/22 is the final year of our audit appointment, we ensured that the remaining areas of the Best Value programme were assessed, to allow us to handover to the successor auditor. Our specific areas of focus was in relation to the Council's approach to sustainability and community responsiveness.

# Introduction

As a result of the impact of Covid-19, Audit Scotland and the Accounts Commission agreed to extend our appointment as external auditor of the Council to 2021/22.

## 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"). Our appointment term was extended by a further 12 months, to financial year 2021/22. 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 intended to summarise the 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 those charged with governance. This report is provided to Audit Scotland and will be 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 Annual Audit Plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the Council in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations.

## Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

We updated our assessment of materiality based on the 2021/22 financial performance. Planning materiality was reduced to £14.9 million.

Scope and Responsibilities

The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the Council’s Audit Committee in March 2022.

Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £15.4 million. We revised our materiality as part of our yearend procedures following review of the Council’s 2021/22 unaudited financial statements. As a result, materiality was reduced to £14.9 million.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

Overall Materiality

£14.9 million

2% of the Council’s net expenditure

Tolerable Error

£11.1 million

Materiality at an individual account level

Level that we will report to committee

£250,000

Nominal amount

As outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.



### Financial statement audit

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

- whether they give a true and fair view of the financial position of the Council as at 31 March 2022 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 2021/22 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 along with the financial statements. Our findings are summarised in Section 2 of this report.

We have also undertaken the audit of the West Lothian Charitable Trusts' financial statements. We provide an opinion as to:

- whether they give a true and fair view of the financial position of the Trusts as at 31 March 2022 and its expenditure and income for the year then ended; and
- whether they have been properly prepared in accordance with the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

### 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:

- Financial management;
- Financial sustainability;
- Governance and transparency; and
- Value for money.

Our findings are summarised in Section 3 of this report.

### Best Value

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to our overall assessment and assurance on the Council's achievement of Best Value. We outline our findings and assessment for 2021/22 on page 39.



# Financial Statements audit

## Introduction

The annual financial statements provide the Council with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted two areas that we identified as a significant risk of material misstatement or fraud risk:

- the risk of fraud in revenue and expenditure recognition (significant risk); and
- misstatements due to fraud or error (fraud risk).

## Compliance with Regulation

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the Council to prepare financial statements, ensure their availability for public inspection and consideration by the Council or a committee with an audit or governance remit. Despite the ongoing impact of the pandemic and recovery, the Council complied with the regulations and the normal timescale concerning preparation, publication and approval of its annual financial statements. We received the unaudited financial statements on 28 June 2022.

The inspection notice was published by the Council on 9 June 2022, in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

The draft financial statements were submitted for audit in line with planned timescales. The inspection notice was published in accordance with requirements.

## Preparation of the Financial Statements

The unaudited financial statements prepared by management were to a high standard and were materially compliant with the Code and required disclosures. As part of the audit process, we worked with management and the finance team to make amendments and enhancements to the presentation. Our focus included consideration of the appropriateness of the disclosures related to the ongoing impact of Covid-19 and recovery activities, including in the Management Commentary, Governance Statement and financial statements notes.

The financial statements continue to be prepared with a robust internal process, including quality assurance checks prior to being submitted for audit.

This year we also worked with management to consider guidance from Audit Scotland issued to local government bodies, following a review of the related parties disclosed within the 2020/21 financial statements of 30 Scottish councils. The disclosures of related parties were chosen for a good practice review because of the potential impact of the relationships in understanding the financial statements, along with indications that the quality of the disclosures were variable. Following our review and discussions with management, a number of enhancements were made to further align them with identified areas of good practice.

## Group financial statements

The Council has identified and accounted for the following interests in other entities within its group financial statements:

- West Lothian Leisure;
- Lothian Valuation Joint Board; and
- West Lothian Integration Joint Board.

No matters were identified as a result of our review of the group consolidation arrangements within the financial statements. West Lothian Integration Joint Board is the only entity in scope for our group audit arrangements. All required audit work was provided by the IJB audit team to the Council audit team in line with timeframes agreed and with no exceptions or reportable matters noted.

## Audit outcomes

We identified one audit difference and one disclosure adjustment arising from the audit, both of which were adjusted by management in the finalised financial statements. Our overall audit opinion is summarised on the following page, subject to finalisation of our work in respect of infrastructure assets outlined later in this report.

# Our audit opinion

## Element of opinion

## Basis of our opinion

## Conclusions

### Financial statements

- Truth and fairness of the state of affairs of the Council at 31 March 2022 and its expenditure and income for the year then ended
- Financial statements in accordance with the relevant financial reporting framework

We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.

We are satisfied that accounting policies are appropriate and estimates are reasonable.

We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.

*[We have issued an unqualified audit opinion on the 2021/22 financial statements] for:*

- The Council and its Group; and
- the Trust Funds.

### Going concern

- We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting

We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis.

Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.

*[In accordance with the work reported on page 22, our audit opinion is unqualified in this respect.]*

### Other information

- We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit

We conduct a range of substantive procedures on the financial statements and our conclusion draws upon Review of committee and board minutes and papers, regular discussions with management, our understanding of the Council and the wider sector.

We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.

### Matters prescribed by the Accounts Commission

- Audited part of Remuneration Report has been properly prepared.
- Management Commentary / Annual Governance Statement are consistent with the financial statements and have been properly prepared.

Our procedures include:

- Reviewing the content of narrative disclosures to information known to us.
- Our assessment of the Annual Governance Statement against the *Delivering Good Governance* Code.

*[We have issued an unqualified opinion.]*

### Matters on which we are required to report by exception

We are required to report on whether:

- there has been a failure to achieve a prescribed financial objective,
- adequate accounting records have been kept,
- financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or
- we have not received the information we require.

We have no matters to report.

# Significant and fraud audit risks

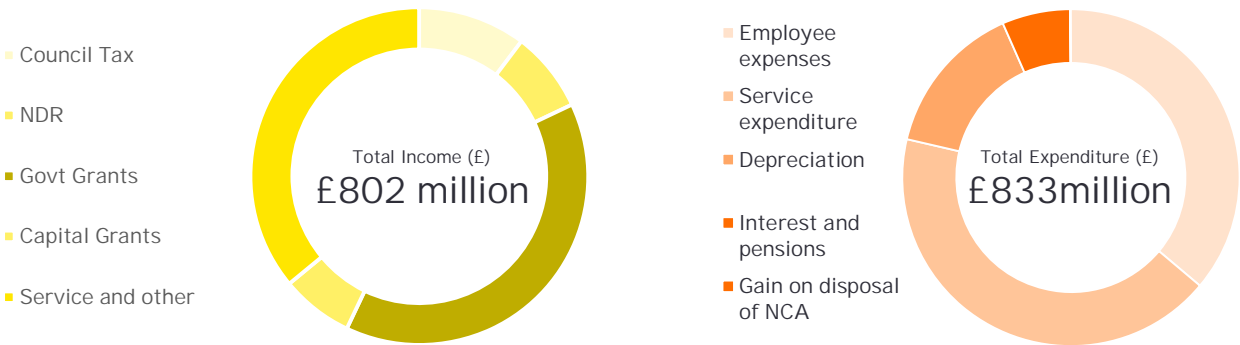
## Risk of Fraud in income and expenditure recognition

What is the risk?

As outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

In our audit planning, we rebutted the risk of improper recognition of core grant funding income from the Scottish Government, as well as in respect of council tax and non-domestic rate income because there is no judgement in respect of these income streams. We also rebut the risk around payroll expenditure recognition. We have outlined below how our assessment impacts our testing strategy on the Council's financial statements.

Exhibit 1: Key components of the Council's income and expenditure



Source: 2021/22 Financial Statements: Comprehensive Income and Expenditure Statement

What judgements are we focused on?

For both income and expenditure we focus on the risk in relation to the occurrence, completeness and measurement of income and expenditure recognised around the financial yearend through the process of yearend accruals. For income we also focus on the recognition of grant income where there are conditions attached to the recognition, and on the treatment of capital grant income to ensure it is not accounted for as revenue.

What did we do?

Our work included:

- Review and challenge management's accounting estimates on revenue or expenditure recognition for evidence of bias.
- Focusing our testing on income and expenditure recognised around the financial yearend through manual journals and accruals raised by management.
- Search for material payments and receipts received after year end and ensured these had been accounted for in the correct period.

## Our Audit of Other Income and Expenditure

We undertook walkthroughs in respect of the processes management established to account for material income and expenditure streams. We obtained data downloads from the Council's financial ledger to allow us to trace key transactions from initiation to recording in the financial statements.

Other audit procedures: non-significant risk areas:

Council tax income: We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder system.

Non Domestic Rates: We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system. We also audit the Council's NDR grant return to the Scottish Government to ensure that reliefs have been applied appropriately.

Non ring-fenced grant income: We substantively tested these balances to grant confirmation letters from third parties.

Interest income: We agreed balances to bank statements and other third party reports.

Employee expenses: We establish expectations of payroll costs in the year based on staff numbers and salary movements, and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions.

Depreciation, amortisation & impairment: We undertook testing of these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.

Pension costs: We have outlined our consideration of the valuation of pension assets and liabilities held by the Council on page 20. In respect of all pension transactions impacting the CIES we agreed these journals to the underlying IAS 19 report prepared by the Council's actuary.

### Audit of Covid-19 grant income and expenditure

2020/21 was the first year where income and expenditure transactions were materially impacted by Covid-19. The Council received £19.5 million in 2021/22 from the Scottish Government related to Covid-19 to support the Council in meeting its additional costs, to support local businesses and the wider public. The material nature of the additional funds created a new income stream for audit consideration in the prior year.

Additional funding continued into 2021/22 and therefore continues to be an area of focus. Our audit work focused on:

- Reviewing the arrangements the Council had implemented to manage the processing, monitoring and reporting of the new income, including addressing the risk of misappropriation and fraudulent claims. Our work and conclusions here are outlined in more detail in the financial management section of our wider scope reporting.
- Assessing management's accounting treatment of the income and expenditure against the requirements of IFRS, the CIPFA Code and the specific LASAAC guidance issued in the year. We particularly focused on whether income and related expenditure had been correctly categorised as the Council being a "principal" or "agent" in the transaction.
- Selecting a risk based sample of grants to agree to supporting evidence, in the form of bank receipts, grant awards and other notifications, including the details of the grant award conditions, where relevant.
- Review of the disclosures made by the Council in the financial statements to ensure they met both accounting requirements and more generally were sufficient to allow readers to understand the nature of the activity in the year given the significance to the Council.

#### Our conclusions

- Our testing identified one disclosure misstatement whereby Covid-19 grant income was recorded as regular grant income, which was adjusted by management. No misstatements were identified 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 where we disagreed with management over the accounting treatment.

### Risk of Misstatement due to Fraud or Error

Our Annual Audit Plan recognised that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in 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.

### Risk of Fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls 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.

### Testing on Journal Entries

We tested 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 potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular we considered:

- Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- Journals transferring funds between useable reserves and restricted or separated accounts such as HRA and the STO accounts; and
- Journals adjusting between income and expenditure accounts and capital accounts.

We identified no unusual journals which could not be explained by management or which indicated any additional risk of fraud.

### Our conclusions

- We 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.
- There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.



## Judgements and Estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the 2020/21 audit for the first time. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to defined benefit pension schemes (outlined on page 20 of this report); and
- areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 17 of this report).

Our procedures included:

- Testing management's process method, key assumptions, data;
- Testing management's process-estimation uncertainty;
- Considering evidence from events up to the report date; and
- Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias as outlined above, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these as outlined earlier in this report.

## Accounting Policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under the Code.

### Our conclusions

- We did not identify any areas of significant estimation or judgement as part of our audit work in these areas where we disagreed with management over the accounting treatment.
- There were no significant accounting practices which materially depart from what is acceptable under the Code.



### Valuation of Property, Plant and Equipment and related PPP / PFI contracts

The Council's property, plant and equipment (PPE) portfolio totals over £2 billion of assets (2021: £1.9 billion). The valuation of these assets requires expertise and significant estimation.

To meet the requirements of the CIPFA Code of Practice the Council values its property, plant and equipment on a 5 year cycle. Due to the timing of the Council's valuation cycle, a total of £102.8 million of the Council's estate was subject to revaluation in 2021/22 (2021: £1,401 million).

We assigned a significant audit risk to the valuation the Council's PPE, specifically to the valuation of the Old People's Homes under the EUV valuation methodology. All other assets valued at DRC were subject to a higher inherent risk audit designation.

Our work focused on the following key areas:

- Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample testing key asset information used by the valuers in performing their valuation based on both size of asset value and our consideration of risk assigned to each valuation (e.g. floor plans to support valuations based on price per square metre).
- Auditing management's assessment of assets not subject to valuation in the year to confirm that there were no indicators that earlier revaluation was required to prevent material misstatement of each class of asset.
- Completion of procedures designed to address the requirements of the revised ISA 540 as outlined earlier.

## Valuation of Property, Plant and Equipment and related PPP / PFI contracts (continued)

Our overall observations of the Council's overarching process for valuation of its property, plant and equipment, consistent with previous audits, continues to be positive. The finance team invests significant resources in monitoring its estate and considering the accounting implications of any significant changes and ensuring there is proactive discussions with its auditor around the most appropriate way to account for matters identified.

In our 2020/21 annual audit report we noted that the Council has recently upgraded its in-house fixed asset system, and that this combined with the completion in 2020/21 of the revaluation of the major aspects of the Council's assets provided an opportunity for the Council to consider its approach going forward as a matter of good practice.

In particular we noted that consideration may be given to reducing the time between full valuations for all major individual asset classes or applying indexation increases on assets not fully valued in the year to reflect some estimate of the movement in their value between formal valuations.

Management should continue to consider the asset valuation cycle for all Council PPE subject to revaluation, in particular in light of the most recent inflationary pressures.

We have kept this matter under discussion with management through the year, and management has provided its most current update in the appendix to this report. Given the recent and ongoing inflationary pressures, this area in particular should be kept under review on an annual basis. A valuation schedule should be agreed with the Council's new external auditor that will allow the Council to complete timely valuation exercises to reflect material changes to asset values, which are more likely to occur within five years in the current environment.

### Our conclusions

- We identified one £656,000 audit difference through the course of our work around the valuation of the Council's social housing assets, outlined in Appendix E.
- We identified no assets which had not been revalued which demonstrated indicators they should be revalued in the year. However, we have raised an audit recommendation surrounding increased awareness of the indicators of a need to revalue as can be seen at Appendix D.
- In light of the ongoing focus on the valuation of assets the Council should continue to consider its overall asset valuation arrangements and agree a revised schedule with its new external auditor from 2022/23.

## Infrastructure Assets

**Recommendation:** The statutory override is intended to be a short-term solution to issues in respect of accounting for infrastructure assets. The Council should ensure that greater detail on infrastructure assets is retained moving forward and appropriate consideration is given to disposals and replacements of infrastructure assets.

The CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom (the Code) requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Due to the nature of these assets being more challenging to link between spend and an identifiable asset, Councils often capitalise schemes of expenditure and depreciate over an estimated economic life. Assets are removed from the financial statements ("derecognised") when depreciated to nil, with there rarely being an exercise performed to derecognise the actual asset being replaced. It is possible that asset lives can therefore materially vary from their initial estimated life.

Towards the end of the 2021/22 financial year, local government auditors across the UK raised concerns that Code requirements were not being adhered to, particularly in respect of subsequent expenditure on infrastructure assets. The Code requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. However, largely due to data limitations, it is believed that most local authorities have been unable to comply with the requirement. Due to the information deficits in respect of infrastructure assets, further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date.

CIPFA LASAAC has been unable to find a solution that will both satisfy the concerns raised and the requirement for high quality financial reporting in compliance with the Code. The Scottish Government has agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code. This temporary solution has been issued with the expectation that local authorities will begin to address information deficits to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements once a permanent solution is agreed.

The override was issued on 29 August 2022 and has two areas:

- Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent amendment shall be made to the carrying amount with respect to that part.

Local authorities can choose to adopt either or both of the statutory overrides.

### Infrastructure Assets (continued)

The Council holds infrastructure assets of £246 million (2020/21: £240 million) and therefore is a material balance within the financial statements. Following discussions with management the Council has elected to adopt both statutory overrides resulting in changes to disclosures in the financial statements in respect of infrastructure assets.

Following the identification of the matter raised during the year, the Council additionally undertook an exercise to determine the records available dating back to 2010, being the date of adoption of IFRS by local government accounting requirements.

In response to this emerging risk area, we performed the following procedures to satisfy ourselves around the underlying existence and valuation of assets held by the Council, notwithstanding the application of the statutory overrides referenced above:

- Enhanced our understanding of the Council's processes for accounting for infrastructure assets including how information is recorded on the fixed asset register and the process the Council has for identifying replacement assets.
- Performed additions testing over new infrastructure assets in year.
- Analysed the entries in the fixed asset register and reviewed supporting documentation including an analysis of spend back to 1 April 2010 where possible and material to the Council's financial statements.
- Evaluated the continued existence of infrastructure assets at the balance sheet date through detailed verification testing.
- Assessed the accuracy and completeness of disclosures in respect of infrastructure assets including overrides applied.

#### *Our conclusions*

- *[Our work in respect of the existence of infrastructure assets and associated disclosures is ongoing. There is a risk that if we are unable to obtain sufficient, appropriate audit evidence to gain assurance over the valuation of these assets that the scope of our audit may be limited in this specific area. We will provide a verbal update on our work on presentation of this report to the Council.]*
- We are satisfied that management's disclosures in respect of infrastructures assets are in line with the statutory guidance.
- We note that while management has undertaken significant work to support the existence of infrastructure assets, further information is likely to be required to support any permanent solutions and therefore management should look to build on work performed during the audit fieldwork.

## Other inherent audit risks

Our Annual Audit Plan highlighted additional areas of inherent risk. We identified no further areas of risk as part of our audit procedures. The results of our procedures on inherent risk areas are summarised below.

### Valuation of pension liabilities

The Council's net pension liability, measured as the sum of the present value of the long term payments due to members as they retire against the Council's share of the Lothian Pension Fund investments, is a material balance in the Council's financial statements. At 31 March 2022 the net liability totalled £143 million (2021: £311 million). The pension figures included in the financial statements are those that are prepared annually for accounting purposes as required by IAS 19. The funding of the scheme and the determination of employer contributions is determined with reference to the triennial valuations carried out by the scheme actuary. The last triennial actuarial valuation, in 2020, assessed the overall funding position to be 104% (2017: 99%)

Accounting for this scheme involves significant estimation and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by the actuary. We have outlined our requirement to consider this estimate in line with the requirements of ISA 540. In particular, for the valuation of pension assets and liabilities we are required to undertake procedures on the use of management experts, the assumptions underlying fair value estimates, and the valuation of the Council's share of scheme assets and liabilities at the year end.

Our audit work focused on the following areas of judgement within these balances:

- Auditing the reasonableness of the underlying assumptions used by the Council's actuary, including those associated with recent developments in relation to the various ongoing equalisation case judgements such as the GMP, McCloud and Goodwin rulings.
- Ensuring the information supplied to the actuary in relation to the Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- The findings of the appointed auditor of the Lothian Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council, in particular in relation to the valuation of the Pension Fund assets at 31 March 2022.
- The accounting entries and disclosures made in the financial statements were consistent with the actuary's report.

### Our conclusions

- The assumptions used by the actuary have been reviewed by our EY actuarial team who concluded that the assumptions and methodology used are considered to be within a range which is appropriate.
- The auditor of the Lothian Pension Fund reported no material differences in the valuation of assets held by the Fund.

### Financial flexibilities

In October 2020 the Cabinet Secretary wrote to COSLA to confirm three financial flexibilities for local government with further details to be brought forward in statutory guidance:

- Use of capital receipts to fund revenue Covid-19 expenditure in 2020/21 and 2021/22.
- Loans fund repayment holiday in either 2020/21 or 2021/22.
- Extension of PPP and other similar contracts debt repayment periods to reflect asset lives.

The capital receipts and loans repayment holiday are only to be used for the purposes of addressing Covid-19 related costs, whereas the change to PPP accounting may provide wider flexibility. Local authority Directors of Finance and COSLA have been liaising with the Scottish Government to clarify the practicalities of the flexibilities. The revised legislation for capital receipts and loans repayments was considered by the Local Government and Communities Committee in February 2021 where there was committee support.

In May 2022, the Scottish Government agreed to extend the loans fund repayment deferral flexibility for a further year.

The Council's approach to utilisation of these flexibilities was presented to the Council by the Head of Finance and Property Services in February 2021. It noted:

- Following the finalisation of the technical methodology which should be used to reprofile PPP debt repayment periods, the Council is considering how to utilise this support going forward.
- Given the current affordability pressures in the approved capital programme, use of capital receipts was not recommended.
- The Council is able to use the loans fund repayment holiday in 2021/22 and 2022/23.

# Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. In accordance with the CIPFA Code of Practice on Local Government Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, the ongoing cost of living crisis and inflationary pressures, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements to October 2023. We note that the going concern period extends beyond the period for which an agreed financial plan is in place and therefore, we have focused on the assumptions made by management in the period between April 2023 and October 2023.

Management's going concern assessment reported that the Council shall prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. It reported significant access to cash to support the cost of delivering services, with balances more than sufficient to cover a plausible downturn in Council income from variable sources, and access to other useable reserves in committed funds which could be reallocated as necessary.

On this basis the Council concluded that there are no material uncertainties around its going concern status.

## Our conclusions

- We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key Council reports and treasury management forecasts of future cash balances. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council, or of the wider Group where they are material to the consolidated financial statements.
- We worked with management to enhance the disclosures in the financial statements in relation to the Council's future financial performance and ongoing work in respect of the revised medium term financial plan.

# Looking ahead

## CIPFA/LAASAC Code for 2022/23

Local authorities are required to keep their financial statements in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The most significant change to the Code for 2022/23 relates to IFRS 16.

We have reported in previous years that IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 has been delayed on a number of occasions in local government financial statements for various reasons. Most recently, CIPFA/LASAAC conducted an emergency consultation on the Code for both 2021/22 and 2022/23 in March 2022. This resulted in a further deferral to the implementation of IFRS 16 until 1 April 2024. However early adoption will be permitted from either 1 April 2022 or 1 April 2023.

While implementation has been further delayed, the Code strongly encourages early adoption and therefore all finance teams are encouraged to continue their preparations for implementation and to ensure that they are ready to adopt the standard in the next three years.

We have outlined previously that full compliance with the revised standard is likely to require a detailed review of existing leases and other contract documentation prior to the implementation date in order to identify:

- all leases which need to be accounted for;
- the costs and lease term which apply to the lease;
- the value of the asset and liability to be recognised as at 1 April; and
- where a lease has previously been accounted for as an operating lease.

Work is therefore necessary to prepare information required to enable the Council to fully assess their leasing position and ensure compliance with the standard.

We have discussed progress in preparing for the implementation of *IFRS 16 Leases* standard with the finance team over the course of the past few audits and are satisfied robust arrangements were being established to assess the impact of the changes for inclusion in the financial statements.

The implementation of IFRS 16 has been delayed until 1 April 2024 however early adoption is permitted.

The Council finance team has previously performed an initial assessment of the impact of the change on the Council's financial statements which will be revisited once an adoption date is agreed.



# Best Value and Wider Scope dimensions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value.

## Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the Council's arrangements for the four wider scope audit dimensions. We also draw upon these assessments and other work to form conclusions on the Council's ability to demonstrate Best Value in its activities. In undertaking our work in respect of the wider scope audit dimensions, we also integrate our assessment of the Accounts Commission's five Strategic Audit Priorities.

We apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditors, and the other scrutiny bodies that we work with on the Local Area Network including Education Scotland and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. As the appointed auditor, we are the LAN Lead. The LAN has determined, in agreement with the Council, that no separate scrutiny plan was required for 2021/22.

For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

**Financial Sustainability:** Considers the medium and longer term outlook to determine if planning is effective to support service delivery.

**Financial Management:** Considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

**Governance and Transparency:** Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.

**Value for Money:** Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

# Financial Sustainability

Our overall  
assessment:  
Amber



The Council's existing Medium Term Financial Strategy runs until March 2023. Work on a revised strategy is underway but initial forecasts for the updated strategy set out a projected budget gap of £38.4 million by 2027/28. The assumptions underpinning all forecasts will require regular review as inflationary forecasts are updated and pay award settlements finalised. These factors will increase existing budget gaps identified and increase the requirement for robust saving plans.

As in previous years, our assessment of amber reflects the ongoing challenge facing all local authorities and the significant level of risk and uncertainty outside the Council's control which could impact its ability to deliver savings. There remains a need for continued focus in delivering challenging levels of savings as the Council moves into its next planning period.

## Medium Term Financial Planning – to 2023

The Council's current medium term financial plan is in its final year and runs to 2022/23, in line with the Corporate Plan approved in 2018. The most recent Council budget approval, in February 2022, identified a £11.7 million revenue budget gap over the remaining year of the plan. In conjunction with its budget approval, the Council approved savings over this period, totalling £9.1 million in 2022/23, combined with the use of one off resources of £2.6 million in 2022/23 to cover 100% of the budget gap.

The Council has continued to demonstrate a strong track record of identifying and delivering planned savings to achieve balanced budgets. The planned savings through to 2023 will bring cumulative savings required from 2007 to £151 million.

## Focus on outcomes - delivery of savings

In line with previous years, Council savings are agreed at a detailed service level with support provided by the Council's finance team. Each service has dedicated support from the Financial Management Unit to consider the financial impact of planned actions and ensure financial planning is robust. All saving plans are subject to review to ensure they support the delivery of the medium term financial plan as well as the delivery of the service specific plans and objectives.

For the savings identified for the remainder of the current medium term financial plan, the Council monitors the risks around delivery of savings on an ongoing basis throughout the financial year and reports progress to the Council Executive on a routine basis. Heads of Service assess the risk of delivery of savings on a red, amber or green basis, together with current status and possible blockers to delivery. Reporting to the Council executive includes the RAG rating, a summary of the project, an update on progress including risks and planned mitigations, and any forecast variance in the planned and approved savings amount to the Council.

The Council continues to identify planned savings to address budget gaps and deliver those savings in line with agreed timetables.

The most recent update on the Council's monitoring of planned savings, which will be reported to Council Executive in October 2022, shows that the Council continued to demonstrate good progress in delivery of savings for this financial planning period to 2023. All of the Council's planned savings are currently graded as either green (which indicates that Heads of Service consider that the saving is achieved or achievable) or amber (meaning that an achievable plan is still to be agreed or existing/emerging issues require additional actions to be undertaken). (72%) of the £9.1 million planned for delivery in 2022/23 are graded green. No savings are considered unachievable.

Longer term planning, risks and uncertainties around the MTFP

As in previous years, while we have concluded that the Council's arrangements around medium and longer term financial planning remain robust, our assessment of amber reflects the scale of ongoing challenge facing the Council in delivering balanced budgets and financial sustainability without compromising the priorities in its corporate plan.

Council Officers have begun initial scenario planning for its next medium term financial plan period from 2023-28 in anticipation of delivering a range of options to the newly elected members following the 2022 local government elections. The latest part of this process will be budget options for years 1, 2 & 3 which will be subjected to a public consultation in October and November, before being reported to Policy Development and Scrutiny Panels in January 2023.

Council Officers are continuing scenario planning around its medium term financial planning through to 2028. There continues to be a high level of uncertainty and risk involved in effectively budgeting through this period.

The scenario planning identifies the most material areas of uncertainty in financial planning on the Council's overall financial position, contributing to an overall savings gap for the five year period to be addressed. The main areas of sensitivity, in line with historic plans, are expected to be:

- Impact of future pay awards to staff through the MTFP period;
- Impact of future Council tax percentage increases; and
- Impact of future local government settlements.

Additionally, there are a number of other factors currently unknown that will continue to threaten the accuracy of any financial planning. The most material of these areas is the impact of the ongoing cost of living crisis, the remaining effects of the pandemic, the UK leaving the EU and the Ukraine conflict all continue to generate considerable uncertainty.

We are also aware of the ongoing National Care Service review which is likely to result in significant changes to the service delivery model which is anticipated to impact local government services and funding thus impact the Council's current financial and future planning assumptions.

# Financial Management

Our overall  
assessment:  
Green



The Council continues to demonstrate good financial management arrangements and control of the in-year budget, including understanding of the ongoing impact of Covid-19. Financial reporting is clear and consistent throughout the year.

The importance of good financial control is clearly understood across the Council. Our interactions with the finance team through the year identified a robust financial management environment and no material financial control deficiencies. We did not identify weakening financial management arrangements following the changes to the established working arrangements following Covid-19.

## Financial control environment

While our financial statement audit work is not designed to express an opinion on the effectiveness of internal control, we consider the financial control environment through the course of our interactions and observations through the audit. Based on work undertaken, we have not noted any material deficiencies in internal control. As part of our audit risk assessment we considered internal audit's review of finance and related functions in the Council through the year. While there were a number of recommendations, including three high risk recommendations in the year, these did not impact our view of the overall control environment.

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 Council's website and subject to routine periodic review and updating.

The Council's section 95 Officer is the Head of Finance and Property Services. We 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. In our view there is evidence that the Council continues to have sufficient financial skills, capacity and capability.

The Council's financial control environment continues to operate as we have observed in previous years despite the impact of the Covid-19 pandemic on day to day working arrangements.

Financial monitoring and outturn

The Council’s financial monitoring arrangements have been broadly consistent with previous years, however they continue to be supplemented with additional monitoring and reporting to reflect the additional risks around Covid-19 and inflationary pressures. The Council’s budget position, originally set in February 2021, has moved significantly during the year with these changes primarily being driven by the distribution of funding late in the financial year, rather than issues with forecasting arrangements.

Exhibit 3: The Council has updated its forecast yearend position through the financial year

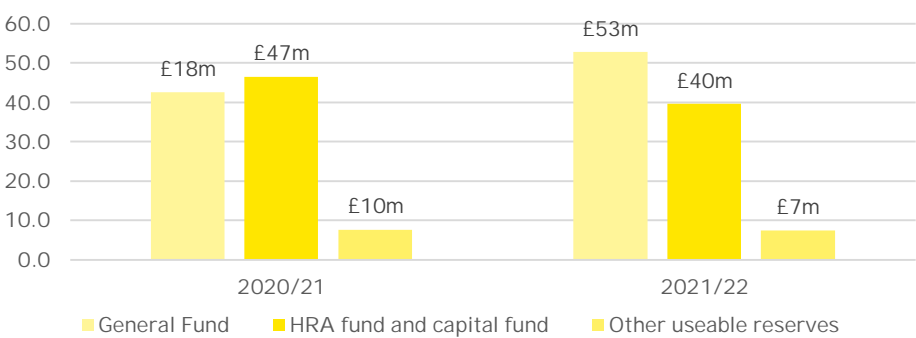
Reporting period	Period 4	Period 6	Period 9	Outturn
Forecast surplus / (deficit)	£nil	£nil	£nil	(£0.1m)
Forecast General Fund balance	N/a	N/a	N/a	£52.8m

Source: West Lothian Council 2021/22 Financial monitoring reporting

Council reserve levels and strategy

As part of the annual revenue budget setting process, the Council approves the minimum reserves to be held as uncommitted general funds. For 2021/22 it was concluded that the uncommitted balance be maintained at a minimum of £2 million. At 31 March 2022 the Council’s uncommitted general fund balance was £2.081 million. This continues to be one of the lowest minimum reserves positions across Scotland, however this level has been assessed as appropriate by the Head of Finance and Property Services. The level of uncommitted general fund reserves takes into account the Council’s approved medium term financial strategy underpinned by robust financial planning arrangements and a number of other earmarked reserves which could be reallocated if necessary.

Exhibit 4: The Council’s cash backed reserves increased by approximately £3.1 million in 2021/22



Source: West Lothian Council 2021/22 Financial Statements

The Council’s uncommitted general fund reserves remains amongst the lower levels in Scotland, but is underpinned by a robust financial monitoring and planning environment.

### Capital programme

The Council spent £141.3 million on capital expenditure in 2021/22 (2020/21: £79.3 million), an acceleration of spend of £14.8 million against its original budget. General fund capital expenditure experienced a significant acceleration of approved activity of £18.3 million, most notably the new developer funded schools at Winchburgh which saw acceleration of £13.1 million. This was offset by a £3.5 million underspend in housing programmes due to supply chain issues and due diligence works.

This activity forms part of the Council's overall capital strategy to support the Council in its strategic objectives, approved through to 2027/28. The strategy is subject to annual review, update and approval by the Council to reflect actual expenditure incurred in the year and any slippage or changes in priorities, most recently being reviewed in June 2022.

### Arrangements to prevent fraud and corruption

The consideration of financial management also includes evaluating the Council's arrangements for fraud and corruption. CIPFA's *Code of Practice on Fraud and Corruption* notes that leaders of public bodies have a responsibility to embed effective standards for countering fraud and corruption in their organisations. The Council has a counter-fraud team as part of its Audit, Risk and Counter Fraud Unit. The Council draws upon national publications to highlight fraud risks, including both the Audit Committee and Governance and Risk Committee's consideration in 2019 of Audit Scotland's publication *Safeguarding Public Money: are you getting it right?* The Council's policies and procedures in relation to fraud and corruption are subject to regular review, update and approval by the appropriate officers and committees.

### CIPFA Financial Management Code

The CIPFA Financial Management Code came into effect for all councils in 2021/22. It is intended to support good practice in financial management, assist in demonstrating a local authority's financial sustainability, and set out standards of financial management. Management completed a self-assessment against the Code and presented this to the Council Executive in February 2021. The assessment demonstrates the Council's existing compliance with the majority of the Code and sets out proposed actions to ensure compliance with the code in 2021/22. We have reviewed the Council's response to the action plan. We are comfortable that necessary action has been taken to address the findings from the self-assessment and the Council continues to be compliant with the code.

The Council has demonstrated a strong level of compliance with the CIPFA Financial Management Code on its implementation for 2021/22.

Additional controls and reporting arrangements have been implemented to address the risks around the additional funding received due to Covid-19.

#### Audit Scotland National Fraud Initiative (NFI) programme

NFI is a counter-fraud exercise co-ordinated by Audit Scotland and overseen by the Cabinet Office to identify fraud and error. The annual exercise produces data matches by comparing information held on public bodies' systems to identify potential fraud or error.

The 2020/21 NFI exercise commenced in January 2021. From 5,906 data matches identified, 1,427 of the data matches were classed as being 'High Risk'. The 2020/21 NFI exercise is now 100% complete and all high risk matches were fully investigated before the deadline of 31 March 2022. There are no matches identified which were indicative of serious fraud.

The NFI self-assessment exercise was undertaken in February 2022. This was reviewed ahead of submission to Audit Scotland with no issues identified. We are therefore comfortable that management are actively participating in the NFI matching exercise.



# Governance and Transparency

Our overall  
assessment:  
Green



The key features of good governance remain in place at the Council. As noted in our prior year consideration, the Council has responded quickly to ensure governance arrangements were appropriate and operating effectively during the changing circumstances of the past three years.

The Council has arrangements to appropriately scrutinise matters across its Group, in particular where financial support is being provided to entities facing financial challenges arising from the pandemic.

## Local Code of Corporate Governance

Under the CIPFA framework for *Delivering Good Governance in Local Government*, the Council uses the Annual Governance Statement to report on its assessment of the effectiveness of the governance framework throughout the financial year, and key areas of improvement. The Code review informed the annual assurance process including completion of the Annual Governance Statement.

The Governance Statement for 2021/22 concluded that "there are inevitably issues on which on which future work is required, but, based on the sources and evidence described in this statement, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2021/22. "

The Annual Governance Statement includes a summary of how management responded to the impact of Covid-19 to ensure adequate governance arrangements remained in place throughout the year. The statement reports a high level of compliance with the code, and outlines where it has updated its arrangements in response to findings in the BVAR or legislative and code changes from the prior year. It also notes the areas of non-compliance and areas for improvement with legislative requirements, including the cause of non-compliance, mitigations and future action to avoid repetition.

We reviewed the Annual Governance Statement against the required guidance and we were satisfied that it was consistent with both the governance framework and key findings from relevant audit activity. As part of the audit process some minor comments were provided to further enhance the disclosures.



### Covid-19 Governance arrangements

Throughout 2021/22 no further lockdowns were required, however many restrictions remained in place including the Government advice to work from home where possible. Throughout this period the Council was unable to meet in person so a full calendar of council and committee meetings has continued to be conducted wholly online without any significant or obvious impact on decision-making.

No other additional changes were made and no special powers were used to enable decision making to continue. With effect from 21 March 2022 all Covid restrictions were lifted. Steps have been taken to introduce the technology and the procedural rules to enable a move to hybrid meeting arrangements. Hybrid will be the norm going forward, ensuring maximum flexibility for elected members, officers and members of the public.

Risks associated with the pandemic continue to be monitored and reported by the Council's Corporate Management Team and reported to the Council's Governance and Risk Committee accordingly, where concurrent risks including Covid-19 are a standing item on its agenda.

### Internal audit work and Annual Assurance Statement

The internal audit work planned for 2021/22 was mostly completed in line with planned deadlines by 31 March 2022. The delayed 2020/21 work has been subsequently completed as part of the 2021/22 work plan for internal audit.

In addition to its ongoing programme of new reviews, internal audit continues to monitor the progress against existing recommendations and report to the Audit Committee on outstanding recommendations from internal and external parties, with a focus on those recommendations which are higher priority graded.

During the year no internal audit reports concluded the arrangements were unsound, with six reviews requiring improvement. Overall the majority of reviews were concluded as either satisfactory or effective, similar to 2020/21. Based on the work completed in the year, the Council's Audit, Risk and Counter Fraud manager concluded that "the framework of governance, risk management and control is sound."

The Chief Internal Auditor has concluded that governance arrangements are sound and that improvements have been made during 2021/22.

## Openness and transparency

The Council's governance arrangements have continued to operate as planned, including evidence of scrutiny and challenge of Officers.

The Council has clear arrangements to ensure meetings of Council and Committee meetings are open to the public in accordance with legislation, and agendas and papers are available in advance of each meeting. When meetings resumed by remote access during the pandemic that access was ensured by live audio webcasting and making recordings of meetings available after the event. Minutes of meetings, including key decisions, continued and continue to be made publicly available after the meetings. The Council now plans to move to live video webcasting and recordings of meetings in August 2022.

We have continued to observe the Audit Committee through the year through our attendance at all meetings, and Council meetings and other committee meetings through review of the agendas, supporting papers and minutes. We have observed that generally papers are comprehensive for members to understand key matters, and there is evidence of scrutiny of management at these meetings.

The Governance and Risk Committee undertook its annual self-assessment in 2022, with the results to be presented at the September 2022 committee. Responses were generally positive to the questions provided, mostly agreeing or strongly agreeing to the affirmative statements made.

## EU withdrawal

A Concurrent Risk Working group was established during the pandemic and continued to meet until May 2022. A separate risk register arising from COVID-19 and EU withdrawal was established, and that has latterly been subsumed into the normal risk register and risk management practices. Reporting on those concurrent risks has been a standing item on agendas for meetings of Governance & Risk Committee.

There are three high rated risks currently identified in the council's risks relating to the EU Exit, including the risks around food safety, construction costs and the costs of other goods and services. It remains challenging for the Council to assess the longer term impact of the UK leaving the EU and the implications for the Council's public funding. Updates on how this might impact on the financial strategy will continue to be provided as part of the quarterly horizon scan update report to Partnership and Resources PDSPs (now the Corporate Policy and Resources PDSP).

## Group Governance arrangements

In our role as auditor for the Council we consider the governance arrangements at the Council to monitor and scrutinise the wider group, as appropriate, in particular where there is the possibility for a financial or operational impact on the Council's services.

The Integration Scheme which governs the working arrangements for West Lothian Integration Joint Board is in the process of review by the main partners. The final consultation was undertaken in early 2022 with the draft revised Integration Scheme being presented to and approved by Council Executive on 19 April 2022. NHS Lothian approval was obtained at its Board meeting on 22 June 2022. The Scheme was subsequently submitted to Scottish Ministers and it has yet to be approved by them.

The Council's governance arrangements include scrutiny of arrangements within its consolidated group.

West Lothian Leisure ("WLL") has been significantly impacted by the pandemic with leisure centres closed through the start of 2020/21, with a corresponding financial impact. It has remained open throughout 2021/22 with restrictions in place. In recent years the Council has provided significant financial support to WLL, and budgeted in 2022/23 for the potential requirement to provide more given the ongoing risks facing WLL.

The agreement of support notes WLL's requirement to approve a balanced budget each year, to reasonably progress their three year plan, to provide required financial information to the Council to demonstrate progress and to take all reasonable action to identify mitigating action to balance their budget without further funding from the Council.

WLL latest financial forecast for 2021/22 was reported to its Board on 24 February 2022. This shows a trading surplus and a year-end closing cash balance of £2 million, showing significant improvements since the reopening of leisure centres in 2021. The financial statements for 2021/22 are being approved and signed at the September 2022 board.

WLL's financial position and impact on support required by the Council has been subject to ongoing monitoring and reported to the Council's Executive by the Head of Finance and Property Services, most recently in August 2022. The WLL Board is attended by a representative of the Council's Senior Management Team who attends in a non-voting capacity to ensure robust scrutiny of arrangements. We are satisfied there continues to be evidence to demonstrate scrutiny and governance over the support provided to WLL, including demonstrating rigour around the use of public funds for private bodies. WLL is immaterial to the consolidation of the Council's Group financial statements, and as such its financial position does not impact the going concern conclusions around the Group financial statements.

Given WLL's current financial position, the Council have provided a letter of comfort to WLL stating that 'the Council will undertake cash flow management with WLL to allow them to remain in credit at all times, thus allowing them to proceed as a going concern and meet their everyday cash liabilities' over the year following the signing of the accounts. It was also proposed that the letter notes the context, including the requirement of WLL to approve a balanced budget each year, to reasonably progress their three year plan, to provide required financial information to the council, and to take all reasonable action to identify mitigating action to balance their budget without further funding from the council. This was approved by the Council Executive 16 August 2022.

# Value for Money

Our overall  
assessment:  
Green



The Council's performance management framework has continued to operate as planned in the year, with reporting back in line with pre-pandemic timelines.

The Council's arrangements for performance monitoring, improvement and self-assessment have continued and are back to the planned schedule for reporting following the impact of Covid-19 in 2020 and 2021.

The Council maintains a culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. Council services continue to perform well compared to other councils.

## Performance Management framework

The Council approved its Corporate Plan through to 2022/23, and its underlying corporate strategies and service management plans. To more effectively monitor performance, the Council also agreed targeted outcomes and target performance levels through to 2022/23 as the main KPIs to support its vision. We note that the Corporate Plan for beyond 2023/24 is being updated alongside the Council's MTFP.

The Council monitors its performance against its plans and performance indicators throughout the year. Quarterly updates are provided by management to PDSPs, and are made available for public information as part of the committee papers on the Council's website. These reports outline the full set of performance indicators included by the Council in its corporate plan, and the current performance of each indicator against target, summarised through a 'RAG' rating system.

The Council's overall performance management framework remained in place and operating despite the impact of Covid-19 and the subsequent additional urgent business requiring prioritisation.

## Performance Reporting

The most recent performance update was submitted to the Council's PDSP's in June 2022, in relation to quarter four of the 2021/22 financial year. Out of 56 indicators reported (Q1: 62), 41 were green (Q1: 40), 5 amber (Q1: 7) and 6 were red (Q1: 10), with 4 unknown (Q1: 5) as performance is measured more intermittently.

Of the six red indicators, four relate to areas where performance has deteriorated in the year, while two are consistent with prior year findings. Eleven indicators previously red rated are no longer categorised as such.

For the red rated indicators:

- 4 were materially affected by the impact of Covid-19 on staffing sickness throughout 2021/22; and
- property debt continues to fall after initial increases resulting from the first UK lockdown.

The Council continues to report its performance in a timely manner with comprehensive information provided for scrutiny.

All red rated indicators include commentary on the latest position and relevant additional information in relation to the nature of the performance. Management also reports on the mitigating and corrective action being planned by management to address performance.

In all cases we continue to observe mitigating action being taken, or where direct and immediate actions was less achievable, how the Council manages the process and underlying risk through its existing policies and procedures.

#### Statutory Performance Indicators

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. The Council has a responsibility, under the duty of Best Value, to report performance to the public. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which recognises the role and effectiveness of the LGBF, but continues to require councils to report:

- performance in improving local public services provided by the Council (on its own and with its partners and communities), and progress against agreed desired outcomes;
- assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments; and
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

The Council has been required to meet the requirements of the revised Statutory Performance Information Direction from 2019/20.

The Council continues to report a range of performance information to stakeholders and the public to demonstrate the relative value and effectiveness of Council services. Information reported covers the quality and effectiveness of local services and progress in outcomes, as well as efficiency information.

This includes reporting of the most recently available LGBF results to the relevant committees and to the public. The 2020/21 LGBF results are due to be reported to the Corporate Policy and Resource PDSP (previously Partnership and Resources PDSP) on 23 September 2022.

The Local Development plan, and the Winchburgh Development in particular, have continued to progress through the various challenges presented by Covid-19.

#### Local Development Plan (LDP) and the Winchburgh development

The Council approved its local development plan in September 2018. The LDP “builds on the spatial strategy set out in previous local plans for West Lothian and comprises a written statement setting out planning policies and proposals and proposal maps”. A key part of the Council’s strategic development and local development plan is the development of the Winchburgh project, which is one of several core development areas. The LDP outlines the key areas of development required in Winchburgh, including significant additional planned housing, improved employment and retail and public services.

Activity on the project continued throughout the year, with updates being provided to the Council Executive, most recently in June 2022. The forecast expenditure for the project is now £62 million, made up of £60.9 million construction costs in line with the initial approved budget, and £1.1 million fit out costs forecast.

The Council has recently announced that Winchburgh Academy, Holy Family Primary School and Winchburgh Sport & Wellbeing Hub have all been completed, on budget, ready for admission for the 2022/23 academic year. This was due to the Council bringing forward funding to initiate the earlier completion.

In 2022/23 the Council will continue to invest in local schools, specifically the new denominational secondary, Sinclair Academy, which will be operational from August 2023.

# Best Value

Our overall  
assessment:  
Green



We have drawn upon our wider scope and other work to conclude on the Council's approach to Best Value. We note through work undertaken in the year that the Council has a number of key characteristics of Best Value in place, including effective performance monitoring and robust governance arrangements.

As 2021/22 is the final year of our audit appointment, we ensured that the remaining areas of the Best Value programme were assessed, to allow us to handover to the successor auditor. Our specific areas of focus was in relation to the Council's approach to sustainability and community responsiveness.

## Forming our judgement

As appointed auditor, we are required to comment on how effectively, in our view, the Council demonstrates that it meets its Best Value responsibilities. In forming this judgement, we draw upon:

- the findings of Audit Scotland's Best Value Assurance Report (BVAR), which was published in July 2019;
- the results of the Best Value Follow Up review conducted by Audit Scotland in 2020/21; and
- the programme of work that we have conducted throughout our appointment to consider each area of Best Value. Our specific areas of focus in 2021/22 were in relation to the Council's approach to sustainability and community responsiveness. We also take into account our wider scope responsibilities and reporting.

The Council has arrangements to demonstrate its commitment to fairness and equality, including engagement with local stakeholders and robust monitoring and reporting arrangements.

### Commitment to fairness and equality

The Council's equality mainstreaming and equality outcomes set out its commitment to equalities and fairness. The equality outcomes have been developed with partners, the public and stakeholders. The outcomes are complementary to the priorities set out in the Council's Corporate Plan. They address both the Council's equalities actions as an organisation, and externally, in the services it provides and messages it promotes.

The Corporate Working Group for Equality is responsible for monitoring and implementing work towards the equality outcomes. The group is chaired by a member of the Corporate Management Team, and supported by equality champions from across the organisation to promote equality and diversity within Council services. The Human Resources Programme Board receives regular updates on progress with equality outcomes.

The Council uses equality impact assessments to critically assess whether its policy proposals have wider impacts on different groups in its communities. New policies, plans, and service changes must be subject to an Integrated Impact Assessment (IIA) to ensure they meet relevant legal duties regarding Equality, Fairer Scotland, Human Rights and Sustainability.

The Council's 2019-21 Equality Mainstreaming Progress Report sets out nine outcome areas in relation to the Equality Act 2010. These provide good coverage across aspects of fairness and equalities, and the Council's own role as an organisation. The Council is required to publish equality outcomes and report progress at intervals of not more than 4 years. Therefore, the Council remain compliant with this statutory requirement.

The Equality Outcomes and Mainstreaming Framework 2021-2025 includes a suite of Equality Outcomes which are intended to reflect that the council has a more mature approach to the mainstreaming of equalities into the delivery of council services.

The Council's current gender pay gap for all Council employees is 1.3 per cent, significantly lower than the average rate for Scottish local authorities of 3.42 per cent for 2019/20. The Council reports its ethnicity pay gap. This requirement is being introduced as part of the Scottish Government and the Equality and Human Rights Commission's intention to address race inequality. The Council has not stated a specific target for this indicator, but has committed to eliminate pay gaps or differences that cannot satisfactorily be explained on grounds other than those relating to a protected characteristic.

The Council actively engages with partners and the public to inform its services and equalities practice. The Council has reviewed its recruitment and selection training to incorporate best practice on equality and diversity.



### Climate Change and Sustainability

In October 2021, the Council published the West Lothian Climate Change Strategy 2021-2028, which sets out a vision framework for all community planning partners. The Council has been committed to taking action to mitigate and adapt to the impacts of climate change for some time. West Lothian Council signed the Climate Change Declaration in 2007 and declared a 'Climate Emergency' in September 2019. As a result, the partnership has recognised that co-ordinated action is required at pace to deliver West Lothian's contribution to the Scottish Government's target to be net-zero by 2045.

### Climate Emergency Action Plan

The Council has committed to the target to be net-zero by 2045 at the latest for its own activities. During 2021/22, the Council reviewed current legislative targets and how they apply to Council service delivery. The Climate Change Adaption Action Plan 2022-2028 was prepared and approved by the Council Executive in April 2022. There will be an annual report to the Environment PDSP in March/April at the end of each financial year.

Climate change is one of the eight priority projects within the Corporate Plan – Transforming Your Council. As a result of the recent intense focus on climate change and sustainability we noted a number of areas of good practice including:

- The Head of Planning, Economic Development & Regeneration appointed as the owner of the Climate Change Strategy.
- The introduction of performance indicators and actions to monitor progress on climate change objectives and targets.
- A focus on climate change throughout the Capital Strategy, with regular monitoring by the Capital Asset Management Board, including but not limited to, focus on the road map to implement Energy Efficiency Standard for Social Housing of existing stock and ensuring compliance with energy standards for new builds.

The Scottish Government has set a target to be net-zero by 2045; 5 years' ahead of the UK target.

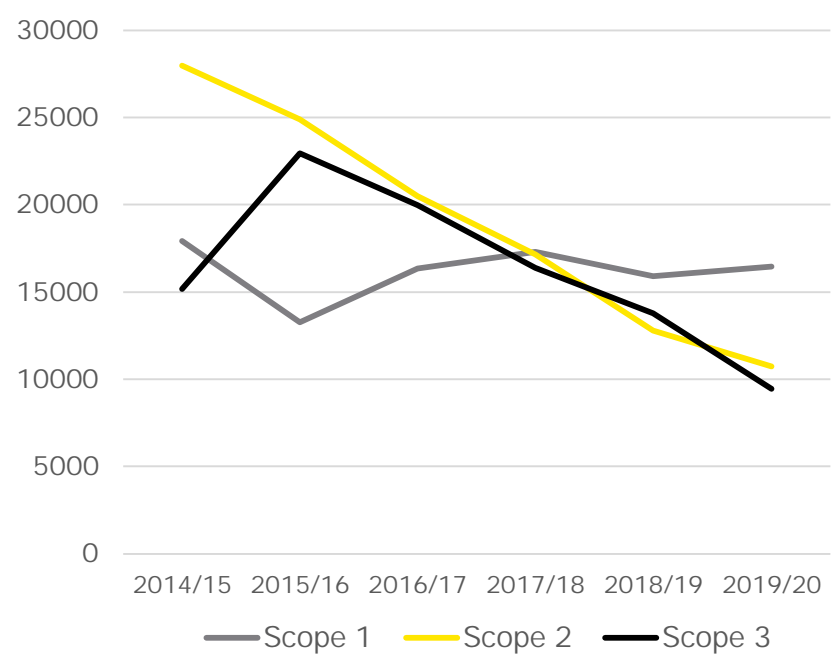
The Council has committed to the target to achieve net zero on its buildings, energy and transport emissions by 2045.

Measuring and reporting emissions is essential to help the Council to reduce its greenhouse gas emissions.

This is an area where measurement standards and reporting requirements will continue to develop.

- Scope 1 emissions are direct emissions that are released into the atmosphere from sources that are owned or controlled by the Council.
- Scope 2 emissions are indirect emissions from the generation of purchased energy, which for most organisations are primarily emissions released during the generation of the electricity it uses.
- Scope 3 emissions are all other indirect emissions that occur because of an organisation's activities but from sources not owned or controlled by the Council.

Exhibit 5: The Council reports within its annual climate duties report that it has reduced emissions by over 40% since 2013/14



Source: Annual Report on Compliance with Climate Change Duties submitted to the Scottish Sustainability Network

The Council has recognised that achieving a net zero emissions position will require significant financial, resource and infrastructure support from the Scottish Government and others. The Council will continue to work with government, partners and other agencies to quantify the scale of the challenges presented and identify appropriate solutions.

*Looking ahead: Sustainability Reporting*

Significant advances have been made in sustainability reporting in the corporate sector and central government sectors over a number of years. There are not yet any mandatory emissions measurement and reporting requirements for local government, although it is an area many local authorities are exploring.

Mandatory requirements are likely to be required in the coming years. In March 2022, the International Sustainability Standards Board issued an Exposure Draft consultation, on requirements for the disclosure of climate-related matters. The proposals in the exposure draft set out requirements for identifying, measuring and disclosing climate-related risks and opportunities based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The consultation closed on 29 July 2022. In Appendix G we set out the key reporting areas of TCFD disclosures, along with annotations in green boxes with recommendations of good practice from other sectors.

# 4 Appendices

A – Code of Audit Practice: responsibilities

B – Independence and audit quality

C – Required communications with the Audit Committee

D – Action plan, including follow up of prior year recommendations

E – Adjusted errors identified during the audit

F – Timing and deliverables of the audit

# Appendix A: Code of Audit Practice Responsibilities

## Audited Body's Responsibilities

Corporate Governance	<p>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, risk and governance committees or equivalent) in monitoring these arrangements.</p>
Financial Statements and related reports	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.</li> <li>• maintaining proper accounting records.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>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.</p>
Standards of conduct / prevention and detection of fraud and error	<p>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.</p>
Standards of conduct / prevention and detection of fraud and error	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• such financial monitoring and reporting arrangements as may be specified</li> <li>• compliance with any statutory financial requirements and achievement of financial targets</li> <li>• balances and reserves, including strategies about levels and their future use</li> <li>• how they plan to deal with uncertainty in the medium and longer term</li> <li>• the impact of planned future policies and foreseeable developments on their financial position.</li> </ul>
Best Value	<p>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.</p>

# Appendix 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.

Matters that we are required to communicate	<p>The FRC Ethical Standard requires that we provide details of all relationships between Ernst &amp; Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.</p> <p>There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.</p>		
Confirmations	<p>We are not aware of any inconsistencies between the Council's policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.</p> <p>We confirm that, in our professional judgment, Ernst &amp; Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.</p> <p>We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.</p>		
Audit Fees		2021/22	2020/21
	Component of fee:		
	Total agreed auditor remuneration	£203,604	£199,390
	Audit fee in respect of s106 Trust Fund	£10,290	£9,990
	Additional audit procedures (see below)	[£TBD]	£24,600
	Audit Scotland fixed charges:		
	Pooled costs	£21,220	£18,960
	Performance audit and best value	£105,430	£105,190
	Audit support costs	£10,870	£10,970
	Total fee	£341,160	£369,100

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year.

Through the 2021/22 audit cycle we have discussed with management areas of the audit which required additional work beyond that usually expected for the Council. The only matter occurring this year is the additional procedures in respect of infrastructure assets accounting, as outlined in this report. Given the ongoing nature of this work, we will discuss and agree any fee variation with management before issuing an updated report as appropriate. Any fee variation will be approved by Audit Scotland and based on the approved day rates in the Audit Scotland planning guidance for auditors.



Matters that we are required to communicate

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 2021 UK Transparency Report can be accessed on our website at [EY UK 2021 Transparency Report | EY UK](#). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

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 (SAQ).

Our Audit Quality Board (AOB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AOB meets monthly and also holds an annual strategy session. The AOB reports to the EY UK Board. The AOB 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.

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: [Quality of public audit in Scotland annual report 2021/22 \(audit-scotland.gov.uk\)](#)

# Appendix C: Required communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the audit, risk and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>Whether the events or conditions constitute a material uncertainty</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The adequacy of related disclosures in the financial statements</li> </ul>	<p>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Corrected misstatements that are significant</li> <li>Material misstatements corrected by management</li> </ul>	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> <li>Enquiries of the audit, risk and governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>A discussion of any other matters related to fraud</li> </ul>	<p>Annual Audit Report</p>



Required communication	Our reporting to you
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Annual Audit Plan</p> <p>This Annual Audit Report – Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report – no significant deficiencies reported</p>
<p>Subsequent events</p> <p>Where appropriate, asking the audit, risk and governance committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of</li> </ul>	<p>Annual Audit Report or as occurring if material.</p>
<p>Group audits</p> <ul style="list-style-type: none"> <li>• An overview of the type of work to be performed on the financial information of the components</li> <li>• 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</li> <li>• 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</li> <li>• Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>• 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</li> </ul>	<p>Annual Audit Plan</p> <p>This Annual Audit Report</p>



# Appendix D: Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Council or management to action.

## Classification of recommendations

Classification of recommendations			
Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.		Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.	
Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.			
No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	The accounting for assets which are subject to revaluation continues to be an area of significant estimation uncertainty.	<p>In our 2020/21 Annual Audit Report we recommended the Council consider its approach going forward as a matter of good practice. In particular, we noted that consideration should be given to reducing the time between full valuations for all major individual asset classes or applying indexation increases on assets not fully valued in the year to reflect some estimate of the movement in their value between formal valuations.</p> <p>Given the recent and ongoing inflationary pressures, this area in particular should be kept under review on an annual basis. A valuation schedule should be agreed with the Council's new external auditor that will allow the Council to complete timely valuation exercises to reflect material changes to asset values, which are more likely to occur within five years in the current environment.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response – A Valuation Scheme will be agreed with the council's new external auditor, Audit Scotland, as a matter of priority.</p> <p>Responsible Officer – D Baird</p> <p>Completion Date – 31 March 2023</p>

### Classification of recommendations

Classification of recommendations			
Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.		Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.	
Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.			
No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
2	The statutory override in respect of infrastructure assets is intended to be a short-term solution to issues in respect of accounting for infrastructure assets.	<p>The Council should ensure that greater detail on infrastructure assets is retained moving forward and appropriate consideration is given to disposals and replacements of infrastructure assets.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: Review of Infrastructure Assets expenditure will be undertaken to address information deficits moving into 2022/23. In particular, the Council will give consideration to:</p> <ol style="list-style-type: none"> <li>1. Updating its fixed asset register to enhance the detail of information held in relation to infrastructure assets, using all remaining information held by the Council wherever possible to more effectively support existence of these assets.</li> <li>2. Reviewing the useful economic lives applied to depreciate infrastructure assets going forward, agreeing appropriate lives based on a breakdown of the type of infrastructure assets held. This will include consideration of sector wide applied useful lives and any future guidance from CIPFA/LASAAC.</li> <li>3. Applying any future guidance or statutory amendments from CIPFA/LASAAC or the Scottish Government in conjunction with discussion with the Council's new auditors.</li> </ol> <p>Responsible officer: Financial Management Unit</p> <p>Implementation date: 31 March 2023.</p>

# Appendix E: Adjusted errors identified during the audit

This appendix sets out the significant adjustments processed as part of finalisation of the financial statements. There were no unadjusted audit differences identified above our reporting threshold.

Adjusted differences			
No.	Description	Income and Expenditure Impact / £000's	Balance Sheet Impact / £000's
1	<i>PPE Valuation – Council dwellings – correction of adjustment factor used in annual impairment calculation</i>		Dr Capital Adjustment Account 656 Cr PPE – Council Dwellings 656
2	<i>Covid-19 grant income – reclassification of income between SOCI line</i>	Dr Grant income 1,124 Cr Covid-19 grant income 1,124	

# Appendix F: Timing and deliverables of the audit

Audit Committee - 21 October 2022  
Agenda Item 5

We delivered our audit in accordance with the timeline set by the Council, in accordance with the annual audit planning guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2021/22 audit cycle, including the remaining areas of work with completion deadlines subsequent to this report.

	Audit Activity	Deliverable	Timing
JAN			
FEB	<ul style="list-style-type: none"> <li>Onsite fieldwork, documentation and walkthrough of key accounting processes</li> <li>Scoping of wider scope work for year</li> </ul>	Annual Audit Plan	Finalised and submitted to Audit Scotland April 2022
MAR			
APR	<ul style="list-style-type: none"> <li>Review of current issues impacting the Council</li> <li>Review of reported frauds</li> </ul>	Quarterly current issue return submission Quarterly fraud return submission	Quarterly throughout the audit cycle
MAY	<ul style="list-style-type: none"> <li>Education Maintenance Allowance (EMA) grant claim testing</li> </ul>	Certified EMA return	Submitted to Audit Scotland July 2022
JUN	<ul style="list-style-type: none"> <li>Submit minimum dataset return to Audit Scotland</li> </ul>	Return for financial overview	Submitted to Audit Scotland August 2022
JUL			
AUG	<ul style="list-style-type: none"> <li>Year-end substantive audit fieldwork on unaudited financial statements</li> <li>Conclude on results of audit procedures</li> <li>Issue opinion on the Council's financial statements</li> </ul>	Whole of Government Accounts assurance statement to NAO (as required) Certify Annual Financial Statements Issue Annual Audit Report Submit minimum dataset return to Audit Scotland	Financial statements audit and annual audit report on course for submission September 2022. WGA guidance and further minimum dataset return requests awaited.
SEP			
OCT			
NOV	<ul style="list-style-type: none"> <li>Completion of Non-Domestic Rates return testing</li> </ul>	Certified Non-Domestic Rates return	On course for completion September 2022
DEC	<ul style="list-style-type: none"> <li>Completion of Housing Benefits claim testing</li> </ul>	Certified Housing Benefit subsidy claim	On course for completion September 2022

# Appendix G: Likely developments in sustainability reporting

In the corporate sector, significant financial reporting developments has meant that there has been a step change in the level of climate related disclosures within company financial statements. There is not yet an equivalent requirement for local government accounting, but guidance from the Scottish Government recently issued [Public Sector Leadership on the global climate emergency guidance](#) which recommends that public bodies should consider reporting to external frameworks such as the Taskforce for Climate Related Financial Disclosure. We outline the key elements below:

The governance processes, controls and procedures the entity uses to monitor and manage climate related risks and opportunities

How climate related risks and opportunities are identified, assessed, managed and mitigated

Cross-reference to where the disclosure can be found. If cross-referencing to another document, explain why the information is not included in the annual report.

Set out key focus areas for next year

Consider explaining readiness to comply with any changes to requirements applicable for next reporting cycle

TCFD elements	TCFD recommendations	Cross-reference or explanation of non-compliance	Next steps and other comments
Governance	a. Board oversight		
	b. Management's role	Consider commenting on progress in preparing a climate transition plan	
Strategy	a. Climate-related risks and opportunities		
	b. Impact on the organisation's businesses, strategy and financial planning		
	c. Resilience of the organisation's strategy to climate-related risks	Consider commenting on progress in being able to report scope 3 GHG emissions	
Risk Management	a. Risk identification and assessment processes		
	b. Risk management process		
	c. Integration into overall risk management		
Metrics and Targets	Climate-related metrics in line with strategy and risk management process		
	Scope 1, 2 (and 3) Green House Gas (GHG) metrics and the related risks		
	Climate-related targets and performance against targets		

Source: Adapted from [Continuing the journey towards TCFD compliance](#), EY Centre for Board Studies, May 2022



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# West Lothian Council

## Annual Accounts

Year ended 31 March 2022



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## INDEPENDENT AUDITOR'S REPORT

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

#### Reporting 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 2022 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, and any other disclosures presented as financial statements and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. 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 were appointed by the Accounts Commission on 26 July 2016. The period of total uninterrupted appointment is six years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the council. 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the council's current or future financial sustainability. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

##### Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

##### Responsibilities of the Head of Finance and Property Services and Audit Committee 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.

## INDEPENDENT AUDITOR'S REPORT

### Independent auditor's report to the members of West Lothian Council and the Accounts Commission (continued)

In preparing the financial statements, the Head of Finance and Property Services is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

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 obtain 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Reporting on other requirements

#### Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

We have audited the part of the Remuneration Report described as audited. In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

#### Other information

The Head of Finance and Property Services is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## INDEPENDENT AUDITOR'S REPORT

### Independent auditor's report to the members of West Lothian Council and the Accounts Commission (continued)

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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 audited 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 nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

### Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

**Stephen Reid, for and on behalf of Ernst & Young LLP**  
**Ernst & Young LLP**  
**Atria One**  
**144 Morrison Street**  
**Edinburgh**  
**EH3 8EX**

## MANAGEMENT COMMENTARY

### 1. Introduction

The Management Commentary outlines the key messages of the council's planning and performance for the year 2021/22 and how this has supported the delivery of the council's corporate priorities. The commentary also looks forward outlining future work and ongoing developments. In addition, key risks and uncertainties are set out that will need to be managed to best meet the needs of the West Lothian population going forward. A key aspect of this is the implications of a number of concurrent risks and the management of resulting challenges in delivery of services to our communities throughout 2021 and continuing in 2022.

### 2. The Council

West Lothian Council lies at the heart of central Scotland. 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:

<b>Education</b>	<b>Social Care Services</b>	<b>Housing</b>
<b>Environmental Health</b>	<b>Planning</b>	<b>Economic Development</b>
<b>Waste Management</b>	<b>Roads and Street Lighting</b>	<b>Transport</b>

The quality and effectiveness of these services relies on the commitment, dedication and ability of the council's 6,784 (Full Time Equivalent) employees, who on a daily basis make a difference to the lives of our customers. West Lothian has an estimated total population of 183,820, which accounts for 3.4% of the total population of Scotland.

Located in the central belt of Scotland, West Lothian is less than 30 miles from Edinburgh and Glasgow which makes it an attractive investment location for many businesses.

Within West Lothian there is a growing younger population and a large increase in the older population. The latest estimates are that West Lothian's population will grow to over 203,000 by 2041. 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 (39.4% increase by 2028 and 120% increase by 2041). 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 ten year capital investment programme approved in February 2018, and subsequently updated on an annual basis each February, supports the delivery of essential council services and will invest over £223 million in maintaining and improving the council's capital infrastructure over the period 2022/23 to 2027/28. In line with the council's established approach to capital financial planning and budgeting, and following the approval of the capital plan at the same meeting as the annual revenue budget and treasury plan early in the calendar year, both the general services and housing capital programmes are reviewed after the financial year end to incorporate accelerated spend and slippage from the previous financial year. The updated capital programmes are considered and approved by the last Council Executive before the summer recess. This year's review was undertaken in May/early June and included detailed consideration of timescales and project costs taking account of implications arising from high and persistent inflation as well as ongoing impact from the pandemic and also the UK's exit from the EU. Both capital programmes were updated, recognising the ongoing impact of these key risk factors. The programmes will continue to be monitored, in line with established budgetary control processes, to identify any further impacts on delivery.

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. During 2021/22, achievements included the completion and opening of new facilities to support service delivery such as the new Calderwood Primary School, and Blackridge and St Mary's Bathgate nurseries. Works are also complete on the renovation and extension of Pinewood School in Blackburn. This is part of the Additional Support Needs (ASN) Strategy and will see the delivery of a new general purpose hall and additional teaching spaces. The completion of the new Cedarbank ASN school during 2021/22 provides an enriched learning environment which includes science labs, multi-optional physical education accommodation and craft, design and technology classrooms. In addition, investment of £15 million has been approved for the construction of a new replacement Beattie ASN school which is due to be fully operational by August 2023.

A new £17.5 million East Calder Primary School will be constructed adjacent to the existing school and is expected to be open to pupils from 2024. The project is jointly funded by the Scottish Government and the council following a successful bid made to the Learning Estate Investment Programme.

## MANAGEMENT COMMENTARY

Within the Winchburgh Core Development Area the largest single education expansion investment undertaken by the council is being delivered. Substantial work has been undertaken during 2021/22 on the new Winchburgh Academy (non-denominational) and Sinclair Academy (denominational secondary) with shared sports facilities, along with the new Holy Family Primary School. All schools will be completed during 2022/23.

In overall terms West Lothian Council budget assumptions are for investment of £84 million in 2022/23 on capital assets such as buildings and roads to support the delivery of essential services.

The council is committed to a plan for 3,000 new homes for West Lothian which includes both building and purchase of new affordable housing supply. Whilst all 3,000 units are either complete or under construction, the impact of the Covid-19 Pandemic and subsequent supplies and resources issues has affected the timescales for affordable housing delivery throughout Scotland, with an estimated impact across all programmes of work of approximately twelve months. Expenditure on the New Housing Supply Programme amounted to £26.2 million in 2021/22. More handovers are anticipated in the coming period along with an accelerated programme of open market acquisitions.

The construction works at Eliburn in Livingston have been completed with all 20 units handed over. At Standhill in Bathgate, works are also now complete, with 17 of the 22 units handed over by 31 March 2022 and the remaining handovers finalised in early April 2022. Although revised spend profiles against the planned works at Wellhead Farm in Livingston resulted in overall slippage, the first phase of four units was handed over in March 2022, with further phases underway and expected to complete over 2022/23. A total of 41 new build completions were handed over during 2021/22 and 31 houses were acquired through the Open Market Acquisition scheme. This is in addition to the 225 open market acquisitions that have been added to the housing stock in previous years since the scheme was introduced.

The Housing Capital Programme includes planned expenditure to support both the new build programme and continued investment in existing housing infrastructure to ensure that homes are suitable for 21st century living. A total of £19.3 million was spent on existing housing stock during 2021/22.

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 is 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 2021/22 was £77.9 million (2020/21 £69.4 million).

The central location, infrastructure and range of industrial, commercial and office 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 West Lothian area and that existing businesses have opportunities to expand.

West Lothian has three 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.

### 3. Impact of the Covid-19 Pandemic

The Covid-19 pandemic has been the most significant public health emergency that the UK has faced in generations. The lockdown restrictions introduced by the UK and Scottish Government on 23 March 2020 placed significant restrictions on the ability of people to meet, travel and attend work and have had a huge impact nationally and locally on businesses, communities and residents.

The restrictions put in place to contain and control the spread of the virus have presented unprecedented challenges for the council. Compliance with the ongoing restrictions during 2021/22, as required by the Scottish Government's Covid-19 Strategic Framework, continued to have impacts on council service delivery although this was significantly less in comparison to the previous year.

In June 2021, an updated Covid-19 Recovery and Renewal Plan was reported to Council Executive and can be accessed on the following link.

#### Covid-19 Recovery and Renewal Plan

This plan sets out the measures the council put in place in order to continue the recovery of council services as lockdown restrictions continued to ease during 2021 and into 2022. Plans remained under regular review taking account of changing guidance, advice and circumstances.



## MANAGEMENT COMMENTARY

The council will continue to use its response to the Covid-19 pandemic to positively challenge service delivery, in order that the council can maximise opportunities to make West Lothian a smarter, healthier, wealthier, fairer and greener place to live and work in.

### Recovery and Renewal

The council's plans for recovery take account of the emerging priorities of our communities most affected by Covid-19. This means considering not only how we restore services to our communities, but also how to help them to rehabilitate. Recovery and renewal arrangements therefore need:

- To be flexible to meet the needs of our communities and businesses
- To set clear objectives for recovery and renewal which are regularly monitored and reviewed
- To place collaboration and working in partnership with communities at the heart of the design and delivery of services
- To embrace digital transformation, mobile and flexible working, and other innovative ways of working to successfully transform services using a combination and balance of people, processes and technology.
- To help the council achieve climate change targets.

### Positive Legacy from the Pandemic

The pandemic has changed the way in which people have been living their lives and the way in which they interact and access council and other public sector services. There have been aspects of change which presented challenges during this period, but there are also a number of positive experiences from the last two years that the council is keen to develop and build upon as a positive legacy from the pandemic: -

- Placing our communities at the centre and greater public engagement
- Targeted interventions for vulnerable communities
- A renewed focus on inequalities
- Strong community spirit in the face of adversity
- Improved local/national working
- Improved public health leadership and greater engagement in public health
- Greater awareness and focus on physical and mental wellbeing
- Increase in active travel
- Increased outdoor recreation
- Learning from outbreak management and greater preparedness for any future pandemic

Building upon the experience of the pandemic the council will also continue to make the most effective use of its assets, in terms of people (staff), buildings, information technology, information and data, and financial resources.

Due to the pandemic, the majority of office based council staff had largely worked from home since March 2020. As restrictions significantly eased, and in many cases ended during 2022, the council implemented a new flexible working pilot in April 2022 for a twelve month period. This policy recognised the critical role that employees have in respect of service delivery, continuous improvement and transformational change. In line with recovery and renewal objectives around innovative and flexible working, the key objective of the pilot was to support staff to deliver critical services while maintaining a positive work life balance.

In this regard the Flexible Working Pilot seeks to support the council's People Strategy outcome to be an employer of choice where people:

- Make a difference
- Feel valued and rewarded
- Feel supported and committed
- Are encouraged to be flexible and committed
- Are encouraged to be flexible and innovative
- Are able to embrace change
- Feel confident and capable

## MANAGEMENT COMMENTARY

The Flexible Working Pilot will be monitored throughout the twelve month prior and reviewed on conclusion in consultation with recognised trade unions. In addition, the overall recovery arrangements will be monitored and reviewed on an ongoing basis to ensure that they remain fit for purpose.

### 4. Corporate Strategy

The Corporate Plan sets West Lothian Council's strategic direction and identified priorities for the period 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.

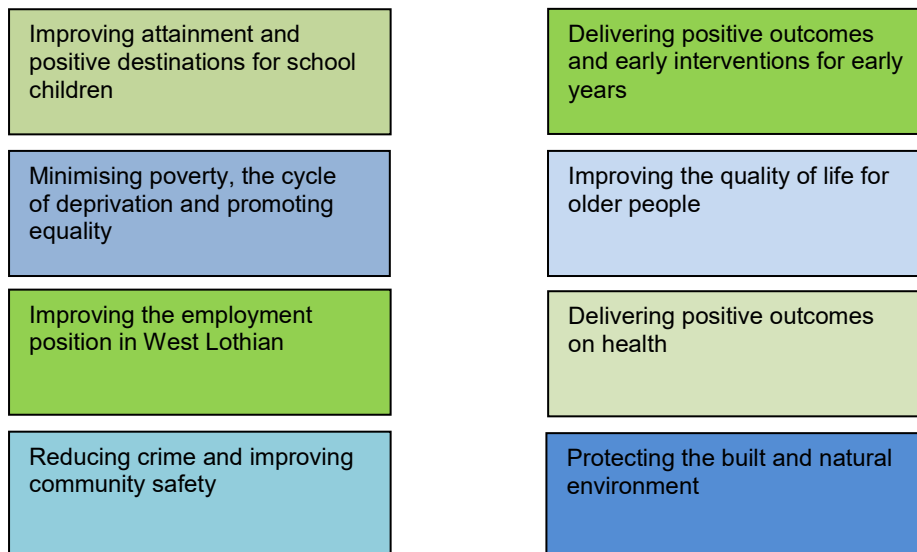
The most recent performance results confirm that the council continued to perform well in key priority areas, such as educational attainment, housing and tenancy management and mitigating the impact of poverty in West Lothian.

The council's Corporate Plan can be accessed using the following link: -

[West Lothian Council Corporate Plan 2018/19 to 2022/23](#)

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. This reflects the public consultation exercise (Transforming Your Council) undertaken in autumn 2017. The consultation focused on three key areas – taxation, priorities and areas for budget savings. The consultation received over 45,000 comments that helped shape and inform the corporate and financial plans for the five year period. Feedback received showed strong support for the council's eight priorities shown below:

#### Key Priorities



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

Corporate Strategies support the delivery of the Corporate Plan priorities by achieving specific, linked outcomes. These strategies capture cross-cutting 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 can be found on the council's website:

[West Lothian Council - Factfile](#)

Each Administration coincides with the development of a new Corporate Plan, as well as medium term financial plan, together encompassing the key service delivery and resource priorities for the council for the next five year period.

On 15 February 2022 the council agreed that it will continue to adopt the approach of integrating corporate and financial planning in line with the principles agreed by Council Executive in June 2018 and the requirements of the CIPFA Financial Management Code.



## MANAGEMENT COMMENTARY

Following the local election in early May 2022, the council is progressing the development of the corporate strategy for 2023/24 to 2027/28 which, as in past Administrations, will take account of the outcome of a large scale public consultation. Councils are operating in a difficult and uncertain strategic context and face medium term financial pressures, with significant uncertainty around future year funding and the prospect of major service reform connected to the proposals to set up a National Care Service.

With the challenges and opportunities ahead, it is clear that the council must undergo transformative change in the next five years in order to continue to meet statutory duties and maintain best value in the provision of services to the community. It is recognised that such change requires the input and support of our key stakeholders, in particular our customers and staff.

A report on the proposed consultation approach to inform the council's strategic direction and how the public can best be engaged in the development of the next Corporate Plan and council priorities for the period 2023/24 was reported to Council Executive on 21 June 2022. This set out a three-stage consultation approach to form the council's priorities and budget strategy for 2023/24 to 2027/28. The Phase 1 consultation on the council's strategic priorities for the five year period concluded on 31 July 2022 and the outcome of this will be reported to Council Executive on 4 October 2022. The Phase 2 consultation on budget proposals is due to be issued on the 7 October 2022.

### 5. Budget Strategy and Budget Setting

Ongoing Covid-19 implications have been a key consideration for the council in the review and update of approved budget plans for future years. In line with the council's integrated approach to corporate and financial planning, the 2022/23 budgets for general services revenue, general services capital, housing revenue and capital budgets along with the 2022/23 treasury management plan, were approved by full Council on 15 February 2022.

Approval of the updated revenue budget for 2022/23, the final year of the existing five year financial strategy, 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. The 2022/23 budget plans included £14.841 million of one-off resource to meet estimated Covid-19 cost pressures and for investment in priority areas including climate change, jobs creation and employability. Budget savings of £9.1 million were also agreed by Council, as part of a balanced budget. The approved savings cover all service areas and include measures such as service redesign, integration and modernisation, channel shift and digital transformation, income and concessions, partnership working, empowering communities and revised assessment and eligibility for care. Officers continue to monitor announcements and other information to review and refine budget assumptions.

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 2022/23 activity budget is published on the council's intranet on this link: [Activity Budget](#).

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 long term general services capital programme supports the delivery of the council's eight Corporate Plan priorities. The programme also takes into consideration comments received during budget consultations where there was support for the effective and efficient management of our assets and reducing energy use. It is important that resources are prioritised on an ongoing basis to ensure investment has the maximum impact on the core assets necessary to sustain existing service delivery. A five year housing capital strategy and ten year general services capital investment strategy were approved by Council on 13 February 2018, along with the Corporate Asset Management Strategy on 19 March 2019. These strategic financial investment plans are reviewed and updated annually with the latest updates approved by Council in February 2022.

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.

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 and are required 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. It is assessed that the council's revenue, capital and treasury financial plans are compliant with the Prudential Code.

## MANAGEMENT COMMENTARY

The CIPFA Financial Management Code is designed to support good practice in financial management and assist in demonstrating financial sustainability. Compliance with the Code is the collective responsibility of elected members, the Head of Finance and Property Services and the council's leadership team. There was a requirement of full compliance with the code by financial year 2021/22 and in February 2021 Council Executive agreed an action plan with areas identified to further meet the needs of the Code and in doing so ensure the council is well placed to deliver ongoing compliance as well as agreed priorities and financial sustainability within constrained resources. A report to Partnership and Resources Policy Development and Scrutiny Panel on 4 February 2022 noted the council's continued compliance with the Code.

Since the council's budget plans were approved in February 2022, a number of concurrent risks including the ongoing impact of Covid-19 and growing inflationary pressures have continued to be closely monitored.

While the full financial implications resulting from these concurrent risks including increasing economic issues resulting from the war in Ukraine and leaving the EU remain uncertain, they are likely to be significant for 2022/23 and future years. Taking account of this, COSLA and all 32 local authorities in Scotland continue to work together to monitor the financial implications resulting particularly from the resulting inflationary pressures which are currently at a level not seen for many decades. This will be an ongoing process across the council's revenue and capital plans to ensure that a clear understanding of financial implications and these will be considered as part of regular updates to financial planning assumptions. The impact of inflation particularly on utility costs but also across the wider economy has been a growing financial pressure over 2022 and this is being closely monitored to ensure the council's budget assumptions including for future years are being updated as necessary.

The council's Corporate Transformation Programme Team (CTPT) supports the implementation of corporate and financial plans through ensuring delivery of service changes and budget saving measures. The team report to a Depute Chief Executive and 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 medium to long term. The CTPT provides and builds internal council capacity to support ongoing modernisation reflecting the challenges facing local government. The performance of the team is assessed through the successful completion of saving projects and the implementation of agreed budget saving measures.

The CTPT have helped support the development, approval and implementation of a number of significant and complex projects during 2021/22. A key aspect of the CTPT will be the continued research and feasibility work on future transformation opportunities and initiatives taking account of the implications of Covid-19, and potential transformation and saving options for the period beyond 2022/23. They will undertake scanning and benchmarking exercises to identify potential opportunities for change in areas such as but not limited to charging, commercial management, volunteering and effective and efficient use of assets.

An update on the council's draft budget model for the five year financial planning period 2023/24 to 2027/28 was reported to Council Executive on 21 June 2022. The report outlined the next steps for developing the financial plan, taking account of the council's public consultation, and the target timescale of approval of a detailed three year budget / high level five year financial plan by the council in February 2023.

### 6. Performance Overview

West Lothian Council has 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 investment 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 that 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 whilst also supporting target setting and benchmarking that enables timely, appropriate interventions.

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

[Service and Public Performance Reporting](#)

and on comparative performance:

[Council Performance - Benchmarking](#)

## MANAGEMENT COMMENTARY

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). The programme of self-evaluation in the Council was suspended during the pandemic to allow services to focus on operational pressures and recovery and renewal activities. During this time the Council has reviewed and re-designed the self-evaluation process and will be adopting the new EFQM 2020 Model for the next cycle of WLAM assessment, starting in 2022/23.

The results of the WLAM process are reported to the Performance Committee and the results of the VSE are reported to the Education (Quality Assurance) Committee. The papers and agendas for these committees are available on the council's COINS system on the following link:

[West Lothian Council Committee Information Pages](#)

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 2020/21.

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 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.

- **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 through measurement of the key activities and processes that they deliver. The outcomes a service achieves are 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 2021/22 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 also had to mitigate the varied impacts of the Coronavirus pandemic on service performance in this year, which required some services to cease for a significant part of the year, or delivered in different ways. Though elements of service performance was impacted by the constraints of this period, performance remained on target in many of the key performance outcomes.

## MANAGEMENT COMMENTARY

The council will continue to target improvement in performance service processes and waiting times in customer services. We will target reductions in the cost of providing a range of services through transformation and digitisation activities.

### 7. 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.

#### 7.1 Financial Ratios

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

Council Tax	2021/22	2020/21	Notes on Ratios
In-year collection rate	96.8%	96.1%	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.
Target for year	96.5%	96.5%	
Council tax income as a percentage of overall funding	19.9%	19.4%	This shows the proportion of total funding that is derived from council tax. In terms of the budget strategy for 2021/22, a council tax freeze was implemented as the Scottish Government offered local authorities a £90 million incentive to freeze council tax rates to prevent household bills rising, this was equivalent to a 3% increase.
<b>Debt and Borrowing – Prudence</b>			
Capital Financing Requirement (£'000)	763,286	713,242	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. The council continues to invest in its assets, and in particular building new council houses and schools. The council's borrowing requirement increased in 2021/22 due to the continued borrowing for new council house investment and General Services borrowing to deliver the new high schools in Winchburgh.
<b>Debt and Borrowing – Affordability</b>			
Financing costs to net revenue stream – General Fund	3.4%	4.8%	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 continued to grow, mainly as a result of increased ring fenced Scottish Government grants for the Covid-19 pandemic, whilst debt servicing costs reduced substantially in 2021/22 following the Covid-19 loans principal repayment holiday of £6.6 million agreed in February 2021. This means that annual debt servicing costs became a lower percentage of the total revenue stream. For HRA the percentage increased to reflect increased debt servicing costs associated with the continued borrowing to deliver new council houses and increased rental income. These percentages are deemed to be affordable as outlined in the 2021/22 treasury plan and approved indicators.
Financing costs to net revenue stream – HRA	23.8%	22.3%	

## MANAGEMENT COMMENTARY

### 7.2 Financial Outturn

Net expenditure on General Services is met from government grants and council tax. In 2021/22 government grants accounted for 80.1% (80.6% 2020/21) of the council's external funding with the remaining 19.9% (19.4% 2020/21) from council tax. The in-year collection rate for council tax in 2021/22 was 96.8% (96.1% 2020/21).

In 2021/22 the council incurred net expenditure of £571.7 million (£547.7 million 2020/21) against a budget of £570.6 million (£548 million 2020/21), utilising 100% (99.3% 2020/21) of available budget.

The Expenditure and Funding Analysis (EFA), Note 5 on page 60, 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 application 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 £16.017 million. This was made up as follows: -

Service Expenditure	2021/22 Budget £'000	2021/22 Actual £'000	Variance £'000
<b>Education, Planning, Economic Development and Regeneration</b>			
Schools, Education Support	242,730	243,301	571
Planning, Economic Development and Regeneration	10,722	10,722	-
<b>Corporate, Operational and Housing</b>			
Operational Services	81,395	81,438	43
Housing, Customer and Building	11,888	13,125	1,237
Corporate Services	17,884	17,886	2
<b>Social Policy</b>			
IJB – Adult and Elderly Services	77,856	77,856	-
Non- IJB – Children's Services	36,614	36,693	79
<b>Chief Executive, Finance and Property</b>	57,929	57,786	(143)
<b>Joint Boards</b>	1,304	1,304	-
<b>NET SERVICE EXPENDITURE</b>	<b>538,322</b>	<b>540,111</b>	<b>1,789</b>
<b>Non-Service Expenditure</b>			
Pensions, NDR Relief and Benefit Payments and General Covid-19 Funding	32,286	31,598	(688)
<b>TOTAL EXPENDITURE</b>	<b>570,608</b>	<b>571,709</b>	<b>1,101</b>
<b>FUNDING</b>			
Scottish Government Grant	(363,768)	(363,768)	-
Council Tax	(89,189)	(90,371)	(1,182)
<b>TOTAL FUNDING</b>	<b>(452,957)</b>	<b>(454,139)</b>	<b>(1,182)</b>
<b>NET OUTTURN POSITION</b>	<b>117,651</b>	<b>117,570</b>	<b>(81)</b>
Expenditure Funded from Committed General Fund Balance	(117,651)	(101,553)	16,098
<b>Deficit for the year</b>	<b>-</b>	<b>16,017</b>	<b>16,017</b>

The 2021/22 net budget underspend was £81,000. Additional expenditure resulting from the financial impact of the ongoing pandemic response and recovery efforts was met by Scottish Government funding, including earmarked grants and additional one-off council investment.

## MANAGEMENT COMMENTARY

The main areas of variance in 2021/22 were as follows:

- Education overspent by £571,000 largely due to additional expenditure being incurred in relation to the Early Learning & Childcare expansion plan. The increase in flexibility and choice for parents and carers, as required by Scottish Government policy, has resulted in a significant increase in the parental demand for funded placements in private providers which has subsequently placed pressure on the revenue budget.
- Operational Services overspent by £43,000 as a result of the net impact of higher costs in relation to contractor payments, transport and other variable costs being partially offset by savings mainly in concessionary travel, staff costs and street lighting.
- Social Policy had an in-year overspend of £79,000 due to pressure in external residential schools and external foster care placements. This was due to delays in progressing plans for moving on and new placements during the year, both as a result of Covid-19 and limited availability of suitable accommodation. This is partially offset by early delivery of staffing savings relating to the redesign of services for Looked After Children.
- The underspend in Chief Executive, Finance & Property Services of £143,000 relates largely to delays in recruitment due to the Covid-19 pandemic, resulting in a number of vacancies across the services.
- The underspend in non-service expenditure of £668,000 relates to a continuing decrease in housing benefit caseloads as people who require additional assistance with housing costs will claim universal credit unless they meet specific criteria. There was also an underspend in pension costs in relation to 'added years' awarded to retiring staff.
- Grant funding remains higher in 2021/22 mainly as a result of additional funding received from Scottish Government to help deliver support packages during the pandemic, assist with the recovery from it and also to help manage the financial consequences of Covid-19. Additional funding exceeded £38 million, both for specific ringfenced policy areas and more general funding for local government.
- There was an over recovery in council tax income of £1.182 million largely due to the payments received for prior years which was fully provided for within the bad debt provision.

While there was an underspend of £81,000 for 2021/22, there continues to be recurring pressures within the revenue budget and relevant Heads of Service are progressing various actions to ensure they are mitigated on a recurring basis. Actions are being implemented to ensure future spend in these areas is managed within available resources. In addition, other key demand led areas of the budget will be closely monitored during 2022/23, including the recently emerging escalating cost pressures such as utilities and fuel. Any overspend risks will be highlighted on a timely basis to ensure action can be taken to mitigate pressures.

The approved revenue budgets for 2021/22 to 2022/23 included significant one-off resources to address the Covid-19 pandemic and additional time limited investment for other council priorities. These resources are retained in a reserve to be drawn down to match the agreed pressures. The revenue budget report approved by Council in February 2021 noted that the Head of Finance & Property Services would keep one-off spend under review, as part of the budget monitoring process, identifying refinements to assumptions while also considering potential new pressures. Spend in relation to the one-off resources has been considered as part of the draft outturn position and there is a net saving of £6.771 million. This is largely due to staff costs and materials for school cleaning costs being less than anticipated, the provision for Council Tax and CTRS not being fully required reflecting improved collection rates and relevant social care Covid-19 related costs being funded from the Health & Social Care mobilisation plan.

Since the 2022/23 Revenue Budget was approved by Council on 15 February 2022 some additional cost pressures are emerging, particularly in regard to utilities. Based on the latest price guidance from Scottish Procurement it is estimated that the additional cost of utilities (gas and electricity) in 2022/23 will be around £2.7 million. Officers therefore recommend to Council Executive that £2.7 million of the net saving in one-off resources of £6.771 million is earmarked to fund these estimated additional costs.

On 15 February 2022, Council agreed that to assist with future financial planning, should any one-off underspends materialise in the 2021/22 and 2022/23 budgets, that the underspends should be preserved until the future revenue financial plan is considered early in 2023 to help manage the challenging financial position. In accordance with the council decision it is proposed that both the uncommitted General Fund Balance of £2.081 million and the net saving in one-off resource of £4.071 million, after taking account of the resources required to fund the estimated additional utilities costs, will be retained for this purpose.

Further regular updates on the financial position will be provided to Council Executive during 2022/23.



## MANAGEMENT COMMENTARY

The following table reconciles the outturn report to column 1 of Note 5 Expenditure and Funding Analysis (EFA)

	<b>Service Outturn Report</b>	<b>Covid-19 Grants / Loan Fund Review</b>	<b>Depreciation</b>	<b>Pensions</b>	<b>Employee Statutory Adjustment</b>	<b>EFA Column 1 Note 5</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Cost of Services</b>	571,709	(26,325)	(91,076)	(37,941)	(900)	415,467
Other Income and Expenditure	(555,692)	-	91,076	37,941	900	(425,775)
<b>Deficit / (Surplus) on Provision of Services</b>	<b>16,017</b>	<b>(26,325)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,308)</b>

The net deficit of £16 million, offset by the additional grant income carry forward of £16.3 million and funds committed by council decisions £10 million, increases the General Fund balance to £52.8 million at 31 March 2022.

Existing commitments against the balance are £50.7 million, mainly arising from £26 million of Council resources earmarked for the Covid-19 response, Government grants carry forward £5.1 million, a Modernisation Fund of £4 million, developer contributions from HRA of £1.5 million, a Winter Resilience fund of £1 million, funds for Whitburn Community Centre Works of £1.8 million, schools delegated carry forward balances of £1.9 million and committed funds from the Loans Fund Review £4.1 million. There is £0.6 million for time limited projects where investments in specific programmes or activities for a short period of time can be made 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 34 on page 89.

The council has a remaining provision of £0.4 million for the settlement of costs arising from claims for back pay in respect of equal pay. The council's equal pay claims are settled, the remaining provision is considered sufficient to meet the requirements of final pension costs. During 2020/21 the council's known holiday pay claims were settled, the remaining provision of £0.31 million has now been written back as there are no further liabilities on the holiday pay provision. Full details of the provisions are provided in Note 18 on page 75.

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 £19.3 million has been paid from the Modernisation Fund. As at 31 March 2022, the balance of the Modernisation Fund is £4 million (£2.7 million as at 31 March 2021).

Included in the Comprehensive Income and Expenditure Statement is £0.2 million (£0.7 million during 2020/21) of expenditure in relation to the cost of agreed employee exit packages payable to seven staff (17 staff during 2020/21) as part of the council's strategy to balance the budget.

In 2021/22, valuations were undertaken for properties subject to material change in valuation, community centres, day centres, old people's homes, partnership centres, pavilions and miscellaneous land. As a result, £11.4 million was charged to the Comprehensive Income and Expenditure Account. The revaluation charge has no impact on the General Fund Balance carried forward.

## MANAGEMENT COMMENTARY

### 7.3 Covid-19 Scottish Government Funding

Additional Scottish Government funding provided in relation to Covid-19 has been accounted for as grant income in line with all other government grant income on an accruals basis, and any related expenditure recognised separately in the financial statements.

Grants have been designated as either agency or principal based on the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) with further guidance provided by the LASAAC Guidance on Accounting for Coronavirus (Covid-19) Grants / Funding Streams. Definitions and treatment of grants are as follows: -

- Agency**

Income where the council is acting as an agent, as an intermediary in distributing funds from the Scottish Government, has not been recorded in the Comprehensive Income and Expenditure Account as the council does not retain the risks and rewards of the income and related expenditure.

The agency grants administered by the council during 2021/22 are as follows: -

Scottish Government Grants – Agency	2021/22 £'000	2020/21 £'000
Transitional Support Fund for Childcare Providers	-	305
Business Closure Fund	-	475
Business Contingency Fund: Soft Play & Nightclubs	-	240
Furlough Support Fund	-	117
Small Business Grants	-	27,414
Self Employed Hardship Fund	-	303
Covid Spring Hardship	-	708
Covid Winter Hardship Grants	-	608
£500 payments Social Care Staff	-	633
£500 payments Social Care Providers	-	822
Covid-19 Business Support – Support for Brewers, Travel Agents & Indoor Football	-	125
Temporary Restrictions Fund for Childcare Providers	88	143
Strategic Framework Business Fund	8,526	13,687
Business support - small accommodation providers paying council tax	12	68
SWF Self Isolation Grants	1,330	202
Taxi and Private Hire Driver Support Fund	1,441	594
Low Income Pandemic Payments	2,115	-
Scottish Child Payment Bridging Payments	2,990	-
National Qualifications 2020-21 Additional Teacher Payment	392	-
Route Map Extension Restrictions Fund	262	-
Soft Play Support Fund	16	-
Hospitality and Leisure	1,471	-
Business Ventilation Fund	7	-
Nightclub Closure Fund	100	-
Scottish Brewers Support Fund	6	-
Public House Table Service Restriction Fund	127	-
Childcare Sector Omicron Impacts Fund	172	-
<b>Total Agency Grants</b>	<b>19,055</b>	<b>46,444</b>



## MANAGEMENT COMMENTARY

- Principal**

Income where the council is acting as principal, on its own behalf, has been recorded in the CIES and the notes to the financial statements.

Note 33 to the accounts on page 87 provides a detailed analysis of grants in 2021/22 totalling £115.4 million (£116.9 million 2020/21) where the council has acted as principal for grants, this includes Covid-19 grant funding from Scottish Government through specific service grant of £2.227 million in 2021/22 (£5.929 million 2020/21).

### 7.4 Revenue Budget – Housing 2021/22

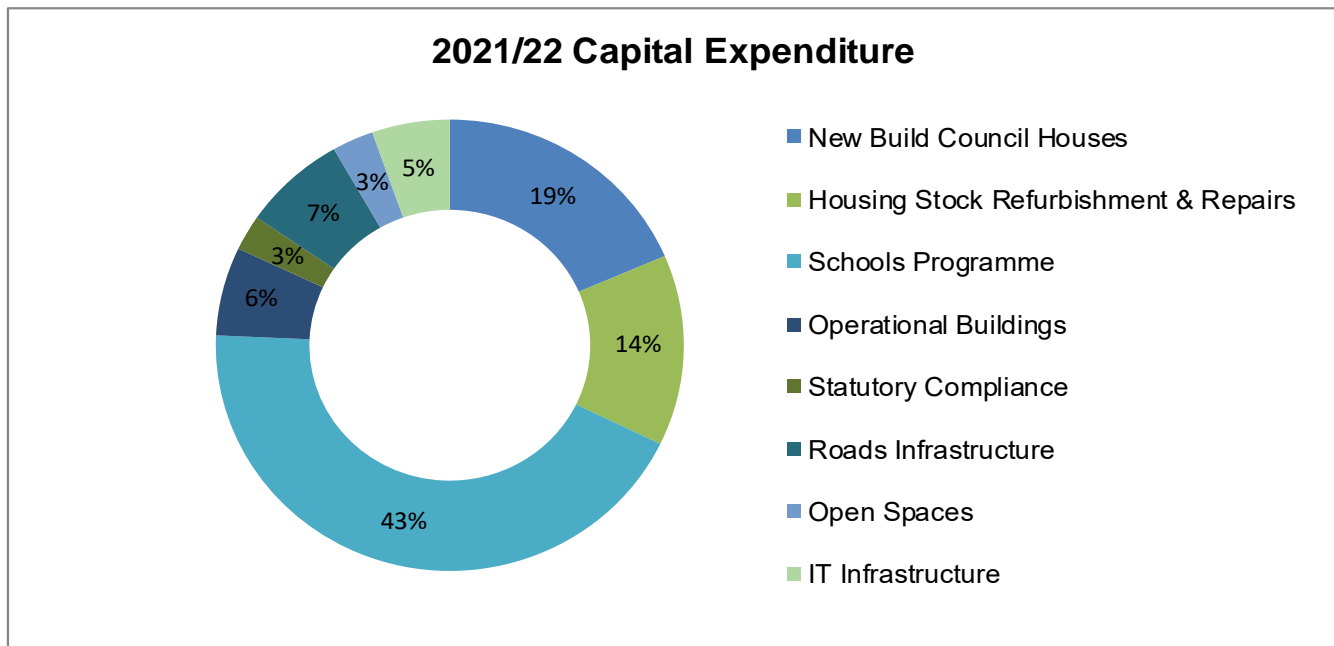
Statement 9 (page 93) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £25.8 million (£17.7 million 2020/21). Statement 10 (page 94) the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £25.8 million (£17.7 million 2020/21). The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.9 million (£0.9 million 2020/21).

### 7.5 Capital Budget 2021/22

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 2021/22 was £763.3 million (£713.2 million 2020/21), £492.5 million (£463.6 million 2020/21) for general services and £270.8 million (£249.6 million 2020/21) for Housing Revenue Account. External debt levels were £715.7 million during 2021/22 (£688.1 million 2020/21).

### 7.6 Capital Programme 2021/22



The General Fund and Housing Revenue Account capital outturns are detailed in the following table: -

	2021/22			2020/21		
	Budget £'000	Actual £'000	Over/(Under) Spend £'000	Budget £'000	Actual £'000	Over/(Under) Spend £'000
<b>Capital Programme</b>						
General Services	77,456	95,794	18,338	47,409	56,182	8,773
Housing Revenue Account	49,027	45,505	(3,522)	29,241	23,116	(6,125)
<b>Total Capital Expenditure</b>	<b>126,483</b>	<b>141,299</b>	<b>14,816</b>	<b>76,650</b>	<b>79,298</b>	<b>2,648</b>

## MANAGEMENT COMMENTARY

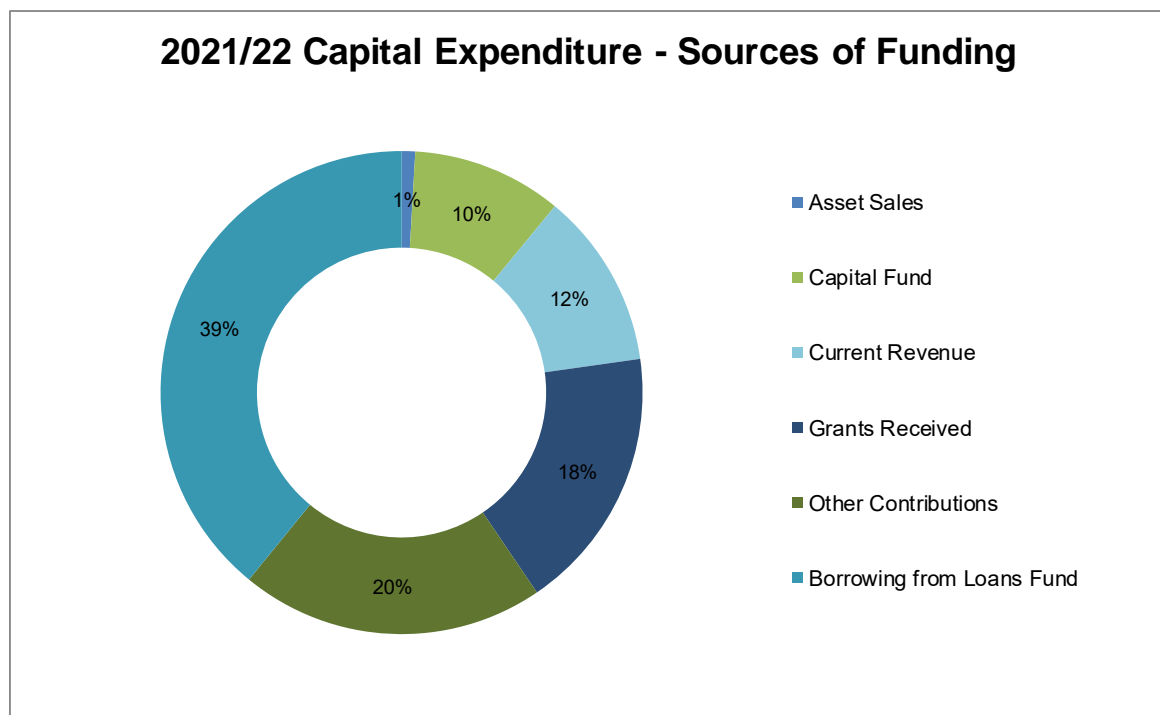
The 2021/22 General Services capital programme had a budget of £77.5 million and the final outturn for 2021/22 was £95.8 million resulting in a net variance of £18.3 million. During 2021/22, a number of projects progressed more quickly than originally anticipated, namely the Developer Funded new Secondary Schools at Winchburgh which had accelerated spend of £13.1 million and the additional support needs school projects with accelerated spend of £4.2 million within the property asset programme. In addition, successful installation and rollout of robotics and automation meant the digital transformation project within ICT also had accelerated spend. The increased spend in 2021/22 due to earlier implementation of projects will be managed within total project budgets available.

The HRA capital programme had a budget of £49 million and actual expenditure of £45.5 million resulting in a net variance of £3.5 million. The Covid-19 shutdown period had a major impact on new build provision in the previous financial year, with delays incurred due to ongoing restrictions, however good progress resumed during 2021/22. A total of 41 new build completions were handed over during 2021/22. The current pandemic has had, and will continue to have, a material impact on the housing capital programme. Government guidance is continually being reviewed and budget assumptions are being revised to take account of the situation.

The total council capital expenditure was funded as follows: -

Sources of Funding	2021/22 £000	2020/21 £000
Asset sales and contributions from third parties / funds	69,402	57,345
Revenue contributions to capital	16,665	18,168
Borrowing	55,232	3,785
<b>Total Funding</b>	<b>141,299</b>	<b>79,298</b>

Total debt outstanding at 31 March 2022 (2021) was £637.9 million (£607.8 million). The details of the debt outstanding are shown in note 15.3.



### 7.7 Public Private Partnership (PPP) and Design, Build, Finance and Maintain (DBFM) Contracts

The PPP and DBFM 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 and DBFM assets in the balance sheet at 31 March 2022 is £209.7 million (£221.3 million as at 31 March 2021).

The outstanding liabilities on the PPP and DBFM contracts are £79.2 million (£81.6 million 2020/21) of which £2.6 million (£2.4 million 2020/21) is shown under current liabilities and £76.7 million (£79.2 million 2020/21) under long term liabilities.

Details of the annual costs of these contracts are shown in note 35.

## MANAGEMENT COMMENTARY

### 7.8 Significant Trading Operations (STO)

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

During 2021/22 the STO achieved an in-year surplus of £2.3 million (£1.5 million 2020/21).

In the three years to 31 March 2022 the trading account sustained a statutory aggregate surplus of £4.1 million, therefore achieving the statutory financial requirement to breakeven over a three year period.

Note 29 provides further detail.

### 7.9 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 negative Pension Reserve of £143.7 million at 31 March 2022 (£311.8 million at 31 March 2021).

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuation date was 31 March 2020 with the subsequent results based on a rollforward from the formal valuation. The council is a member of the Contribution Stability Mechanism (CSM) and as a result the pension contribution rates from 1 April 2021 remain frozen for four years at 21.8% and then increase/decrease by a maximum of 0.5% per annum. LPF will continue to monitor the CSM in the intra-valuation period.

The pension deficit has decreased as a result of a combination of

- investment returns being significantly greater than expected leading to a positive impact. The total investment return achieved by the Fund over the accounting period was 10.8%, compared to an expected accounting return of 2%.
- the net discount rate (discount rate net of inflation) has increased. The discount rate assumption has increased by more than the increase in the CPI assumption resulting in a positive impact. It is estimated by the actuary that the gain is in the region of a 6 - 8%.
- The longevity assumptions have changed from the previous accounting period to reflect the latest available mortality improvement table resulting in a gain on the obligations. It is estimated by the actuary that the decrease in obligations are in the region of 0.5%.

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.

### 7.10 Other Reserves

The following table details the usable reserves held by the council for the five year period 2017/18 to 2021/22.

<b>Fund</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>2021/22 £'000</b>
Committed General Fund	21,805	15,290	16,875	40,258	50,746
Uncommitted General Fund	2,101	2,373	2,994	2,261	2,081
HRA Fund	926	926	926	926	926
Capital Fund	58,963	61,713	57,917	45,580	38,640
Insurance Fund	10,125	10,391	9,317	7,596	7,307
<b>Total</b>	<b>93,920</b>	<b>90,693</b>	<b>88,029</b>	<b>96,621</b>	<b>99,700</b>

The reduction in the Capital Fund of £6.94 million from 2020/21 is a result of the planned usage of the fund to supplement the capital programme. The 2021/22 capital investment programme and treasury management plan agreed and acknowledged the use of the council's capital fund to support investment in General Services assets of £95.8 million as outlined in section 7.6 of this commentary.

## MANAGEMENT COMMENTARY

As part of the annual revenue budget setting process, the Head of Finance and Property Services assesses and reflects on the appropriateness of the unallocated general fund balance. The review is undertaken each year, and for 2021/22, was considered in the revenue budget report to the Council on 25 February 2021. It was concluded that, in order to ensure that sufficient funds are held in reserve to deal with the financial consequences of uncertain future events, that the uncommitted balance be maintained at a minimum of £2 million. This level is assessed as appropriate as the council has an approved medium term financial strategy which is underpinned by clear financial planning arrangements, sound financial management and a number of other earmarked reserves.

Details of the committed General Fund balance are shown in note 34 on page 89.

### 7.11 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 104 and 105. For the purposes of consolidation and incorporation with the Group Accounts the council had one subsidiary company during 2021/22, West Lothian Leisure (WLL).

- **Subsidiary - West Lothian Leisure (WLL)**

The impact of the Covid-19 pandemic continued to detrimentally impact WLL in 2021/22. All of WLL's facilities were closed for part of the year with the majority of venues reopening on 26 April 2021. In addition, the Scottish Government's Covid-19 restrictions reduced the extent and capacities of activities offered by WLL during part of 2021/22 and consumer confidence reduced foot fall during the whole of the year. This resulted in a greater than normal funding requirement of the council during 2021/22.

In addition to its normal management fee and landlord maintenance funding, the revenue budget plan that the council approved for 2021/22 and 2022/23 on 25 February 2021 included an additional £3 million to help WLL meet the continuing financial challenges of Covid-19, £1.5 million of which was provided to WLL in 2021/22. In addition, Council Executive agreed a one-off capital payment to WLL of £0.370 million on 23 March 2021, £0.183 million of this was provided to WLL in 2021/22.

On 16 August 2022, Council Executive agreed that the Head of Finance and Property Services would issue a letter of comfort to WLL which confirmed that the council would continue to undertake cash flow management with WLL to allow it to meet its everyday cash liabilities over the financial year 2022/23.

- **Associate - Lothian Valuation Joint Board**

Lothian Valuation Joint Board is deemed to be an associate under group accounts guidance.

- **Joint Venture – West Lothian Integration Joint Board (IJB)**

The council also has a joint venture in relation to the health and social care partnership in the form of the West Lothian Integration Joint Board (IJB).

In terms of West Lothian IJB, Covid-19 represents an ongoing challenge for the delivery of health and social care services. Taking account of this integration authorities submitted Local Mobilisation Plan cost updates during 2021/22 detailing the additional financial implications resulting from the pandemic. These plans and associated financial costs were closely reviewed during the year with regular updates being provided to the Scottish Government. Regular updates on the financial implications reflected in the Mobilisation Plan cost updates were also reported via budget monitoring reports to the Board and Council. The IJB has a statutory responsibility in relation to the strategic planning of future health and social care delivery. The implications arising from Covid-19 on delivery of care services and current strategic planning and commissioning plans are continuing to be kept under close review for 2022/23 through the established processes in place.

The council, along with NHS Lothian, have a statutory duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to review the integration scheme every five years. An integration scheme represents an important governance document, not only for the West Lothian Integration Joint Board, but for the partner health board and local authority.

The first review of the Integration Scheme was scheduled to have been completed in June 2020. The process was started and a timetable was agreed by the council and NHS Lothian. As reported in 2020/21, due to the intervention of the Covid-19 emergency the process could not be progressed after the council and health board prioritised resources for tackling the pandemic and it was formally postponed. The process was resumed in 2021/22 and the statutory consultation and review process has been concluded. The revised scheme was approved by the council in April 2022 and by the health board in June 2022. It is currently subject to ministerial approval and will come into effect on the date specified by Scottish Ministers.

## MANAGEMENT COMMENTARY

On the 9 August 2021, the Scottish Government launched the consultation, a National Care Service for Scotland, which sought the public's views ahead of the proposed creation of a National Care Service (NCS). The council agreed a response to the Scottish Government on its consultation at the meeting of Council Executive on 5 October 2021. The National Care Service Bill was published on 21 June 2022 and makes provision for the establishment of new Care Boards and will make Scottish Ministers accountable for adult social care in Scotland. There remains uncertainty at this stage on the specific implications of the Bill and it is noted that a co-design approach will be taken and that a number of future decisions will be made through secondary legislation. The Scottish Government have indicated that the NCS will be operational by the end of this parliament and the position will continue to be kept under close review

### 8. Risk and Uncertainty

At present, there are no confirmed Scottish Government budget allocations for local government beyond 2022/23. The uncertainty around the financial implications of various concurrent risks will continue to be significant issues for local government and the wider economy going forward. The Scottish Government response to these risks will be ongoing and any further budget and expenditure changes resulting for the council due to these risks and any associated policy decisions made will be taken account of in the council's financial planning.

The council's financial planning 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, there are a number of risks, uncertainties and potential cost pressures that could impact on the council's ability to balance the revenue budget. The Scottish Government's Resource Spending Review announced on 31 May 2022 set out high level spending plans for the remainder of the current parliamentary term (2023/24 to 2026/27). For local government this essentially set out a flat cash funding position for the period up to 2025/26 which implies a very challenging period ahead for the council. The position on the overall Scottish funding envelope allocated to local government will continue to be kept under close review especially with an increasing risk in relation to inflation and the performance of the wider UK and Scottish economy.

It is important that the council continues to reflect on a fast changing position where there are fundamental areas of risk in respect of the ongoing impact of Covid-19 and wider economic risks that could have a range of impacts on the council's achievement of objectives. With regard to this, there are regular reports to the Council's Governance and Risk Committee on the following:

- Concurrent Risks Resilience and Preparedness Planning – this report has provided an update to each committee meeting on the concurrent risks identified by the council in relation to the Covid-19 pandemic, the UK's withdrawal from the European Union (EU) and other associated risks. This regular review of concurrent risks alongside business continuity planning and other workforce resilience and preparedness plans has helped to ensure the council has arrangements in place to mitigate against service disruptions that may occur. Moving forward, concurrent risks will be monitored through Pentana, the council's risk management system, and will be reported to the Governance and Risk Committee as part of the regular update of the council's corporate high risks.
- High Risks – an update on the council's high risks is provided to each committee meeting. This report provides an update on all the council's high risks and sets out the action being taken to manage these risks. This includes the current controls in place and further additional risk actions being progressed to further mitigate the potential impact of these risks. The council's high risks are also reported on a regular basis to both the Governance and Risk Board, an officer group that exercises oversight over the council's governance and risk management arrangements, and the Executive Management Team (EMT).
- Strategic Risks – the council's strategic risks are defined as those risks which, if they occur, could have a major impact on the ability of the council to achieve its objectives. This includes serious failures of a regulatory or compliance nature. The strategic risks fall into a small number of categories including those relating to economic uncertainties or financial constraints, those relating to health and safety including statutory compliance and business continuity. These risks are regularly reviewed by the Governance and Risk Committee, Governance and Risk Board and EMT.

Other key risks in relation to funding and overall financial planning assumptions include:

- More ring fencing of grant funding, constraining how local authorities allocate their resources to deliver local priorities.
- General economic uncertainty, where economic growth is not in line with forecasts due to worldwide market conditions including the impact of the war in Ukraine, the ongoing impact of leaving the EU and the pandemic, and how these impact on public spending levels, especially as the overall Scottish funding envelope is now highly contingent on economic performance.

## MANAGEMENT COMMENTARY

- The council's ability to meet its statutory homeless duty and maintain spend on housing need within budget. One of the council's mitigating measures relates to the new build housing programme and it is anticipated that there will be a significant number of secondary lets which will be allocated to homeless applicants.
- Increases to pay award, employers' National Insurance and pension contributions above the rates assumed in the council's financial plan. At this stage there is no agreed pay settlement for 2022/23, but it is clear that pay costs will be in excess of 2022/23 budget assumptions. There is also a risk associated with the pay costs for the period of the next five year financial plan.
- Increase in costs in demand led services is greater than financial planning assumptions. Continued and accelerated increases, greater than forecasts, will create additional pressures.
- High and persistent inflation that is in excess of budget assumptions and funding made available by the Scottish Government. The council's inflationary assumptions for future years are closely monitored and updated as necessary taking account of various sources of information including specific inflationary indices for utilities, fuel and food.
- Actual pupil numbers exceeding forecasts, requiring more teachers to be employed.
- House building assumptions used for financial planning are not realised resulting in changes to council tax and school demographic assumptions.
- Policy changes by the UK or Scottish governments which restrict the council's flexibility to decide how to deliver services locally.
- Full delivery of approved budget reduction measures, although good progress has been made to date in implementing savings.
- The impact on the council of the establishment of the new National Care Service and resulting implication for council funding and expenditure.

### 9. Future Work and Ongoing Developments

West Lothian Council approved an updated budget for 2022/23 at the Council meeting of 15 February 2022. In order to achieve a balanced budget for 2022/23 the council is required to deliver budget savings of £9.1 million, which have been fully identified.

An estimate of the ongoing financial implications associated with the Covid-19 pandemic was included in the budget report. The ongoing implications of the pandemic means there will be continued additional costs for the council and it is estimated at this stage that the council could face cost pressures and a requirement for additional Covid-19 costs totalling £8.817 million in 2022/23. The council plans to meet these costs through a combination of additional Scottish Government funding support and other flexibility provided.

The updated financial plan highlighted a number of risks over the period that will be closely monitored. In addition, an assessment of the risk to deliverability of each of the proposed budget saving measures was included in the budget report to assist councillors in the scrutiny aspect of their budget setting role. There will be further regular monitoring of progress towards the deliverability of approved savings over the three year period and this will take account of any implications resulting from Covid-19.

The report to Council on 15 February 2022 also set out an updated central planning scenario for the period 2023/24 to 2027/28 based on budgeting assumptions at that time. This showed an estimated budget gap of £45.7 million over the five year period. Officers continue to update and refine assumptions reflecting the council's previously agreed approach to having a five year financial plan, aligned with political administrations, and three year detailed revenue budgets. Assumptions have also been updated to reflect the Scottish Government's Resource Spending Review announcement of 31 May 2022 and a further update on the five year financial plan outlook was presented to Council Executive on 21 June 2022 with an updated forecast budget gap of £38.4 million. Given 2022/23 pay award developments and further increases in utility costs since June 2021, it is highly likely that the five year budget gap will increase significantly. The council's agreed public consultation process for the five year period to 2027/28 will assist in the prioritisation and allocation of resources to activities with the objective of ensuring the council is able to balance its budget over the period. A detailed three year budget and high level five year budget plan is intended to be reported to Council for approval in February 2023.

The council continues to face unprecedented challenges and risks, including the impact of a number of concurrent risks which together are contributing to very significant inflationary pressures that are having a detrimental impact on the recovery of the economy following the pandemic. As a result of this the council is seeing significant cost increases emerging in a number of areas such as pay, energy, fuel and in a wide range of services and materials. Construction costs are also increasing and there are significant risks in terms of future pay award costs being in excess of budget resources available.



## MANAGEMENT COMMENTARY

Taking account of these pressures and risks, the 2022/23 budget will require to be closely monitored and mitigating actions will be required as necessary during the year to ensure spend can be contained within funding resources available. The ongoing impact of risks and additional cost resulting will also require to be taken account of in updating the financial planning assumptions for 2023/24 to 2027/28. It will be important that up to date budget assumptions for 2023/24 to 2027/28 assist elected members and officers in effectively focusing on medium term sustainability and ensuring budgets are balanced, priority outcomes are met and performance in key areas of service delivery is maintained or maximised within available resources for key areas of service delivery.

To ensure the council has balanced budgets going forward for the next five year period, fundamental changes are likely to be required to a number of services which contribute less to council priorities and the introduction of new models of service delivery will be necessary in some areas. The council's Corporate Transformation Programme Team will help facilitate transformational change in the council and assist with fully developing 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 2022/23, 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, the council's committee information system on the link [West Lothian Council Committee Information Pages](#)

The council has made good progress in securing its ongoing financial sustainability through the approval of the 2022/23 revenue budget and the long term capital investment programme. Significant preparatory work is progressing on the development of the next five year financial plan covering the period 2023/24 to 2027/28. The development of the next five year financial plan will be linked to the new Corporate Plan and will be subject to consultation as part of the medium term planning framework adopted by the council for the continued delivery of balanced budgets.

There remains significant uncertainty for local government around future funding levels, the impact of the plans to establish a National Care Service and the longer term inflationary impacts of a number of major concurrent risks, and these factors and the overall budget position and assumptions will continue to be closely monitored during 2022/23 with further updates provided to Council Executive as part of the overall monitoring arrangements in place.

The nature of medium to long term financial planning means that identifying expenditure and funding growth for future years is challenging and uncertain under any circumstances and the current cost risks and wider risks to the economy only increases uncertainty at this point in time. However, it is widely acknowledged by bodies such as Audit Scotland and CIPFA that a short term budgeting process is not conducive to achieving the aims consistent with planning to meet future service delivery demands and prioritising resources to achieve this and therefore the objective will be to further review and develop the medium term financial plan during 2022/23 with the intention of reporting the next five year plan and detailed three year revenue budgets to Council in early 2023.

**Donald Forrest CPFA**  
**Head of Finance and Property Services**

**Graham Hope**  
**Chief Executive**

**Councillor Lawrence Fitzpatrick**  
**Leader of the Council**

**27 September 2022**

## 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 27 September 2022.

**Signed on behalf of West Lothian Council**

**Councillor Lawrence Fitzpatrick**  
**Leader of the Council**  
**27 September 2022**

### 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 2022.

**Donald Forrest CPFA**  
**Head of Finance and Property Services**  
**27 September 2022**



# ANNUAL GOVERNANCE STATEMENT

# STATEMENT 2

## 1. Introduction

- 1.1 The corporate governance framework comprises the systems, processes, culture and values by which the council is directed and controlled and by which it engages with and is accountable to the West Lothian community. The council's governing bodies (full council and committees), individual councillors and members of staff must try to achieve its objectives while acting in the public interest at all times. That implies primary consideration of the benefits for society, which should result in positive outcomes for stakeholders.
- 1.2 The council, through all of its members, has overall responsibility for good governance arrangements. In practice, the council entrusts the delivery of those tasks to committees and to appropriate council officers but subject to monitoring and scrutiny arrangements, including receiving evidence-based assurance on the governance framework's effectiveness and completeness.
- 1.3 The council's Corporate Plan 2018/19 to 2022/23 cements the place of corporate governance as an "enabler". Along with risk management, financial planning and modernisation/improvement it is an essential back-office corporate service necessary to assist setting goals and priorities, monitoring achievement and reporting corporate priorities and outcomes. The Corporate Plan acknowledges the wide understanding that good governance promotes good decisions.
- 1.4 The statement is presented in these sections: -
1. Introduction
  2. Executive summary and assurance
  3. Political structure and administration
  4. Management structure
  5. Decision-making and scrutiny arrangements
  6. Local Code of Corporate Governance
  7. Annual internal audit opinion
  8. Annual compliance statements
  9. Compliance with the CIPFA Financial Management Code (2019)
  10. Audit Committee
  11. Governance & Risk Committee
  12. Other internal scrutiny arrangements
  13. Officer roles and activity
  14. External scrutiny
  15. Past and current governance issues
  16. Governance issues ahead
  17. Covid-19
  18. Conclusion and assurance

## 2. Executive summary and assurance

- 2.1 The conclusion and assurance in this statement is based on: -
- the annual internal audit opinion by the Audit Risk & Counter Fraud Manager on the effectiveness of the framework of governance, risk management and control, the statutory review of the system of internal control
  - annual compliance statements produced by the Monitoring Officer and stand-alone reports in relation to significant council policies and procedures
  - the newly-populated evidence-based Local Code of Corporate Governance
  - the progress made in the reporting year on areas of governance concern
  - full compliance with the CIPFA Financial Management Code (2019)
  - the additional commentary and assessment relating to Covid called for by CIPFA guidance and advice

**ANNUAL GOVERNANCE STATEMENT****STATEMENT 2**

- 2.2 There are inevitably issues on which future work is required, but, based on the sources and evidence described in this statement, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2021/22.

### 3. Political structure and administration

- 3.1 West Lothian Council has nine electoral wards and 33 councillors. Two by-elections were held in 2021. At the end of the reporting year the 33 councillors were made up of 14 SNP members, 10 Labour members, 8 Conservative members and 1 Independent member. The minority Labour administration established in May 2017 remained in place throughout. The council's committee structure established in June 2017 remained structurally intact as well, albeit with additions where necessary to meet new legislative requirements (e.g., community asset transfer applications). That political composition changed as a result of the local government elections in May 2022. There are presently 12 Labour members, 15 SNP, 4 Conservative, 1 Independent and 1 Liberal Democrat. A minority Labour administration was established again. The committee structure was re-adopted largely intact. The most significant change, in June 2022, was in relation to Policy Development & Scrutiny Panels. They are working groups that allow participation by non-councillors and provide a discussion forum for new or amended policy proposals before their final consideration at committee. Their number was reduced from 9 to 7, their remits were modernised and streamlined, and their membership was adjusted as a result of the change in political composition of the council.
- 3.2 At the end of the reporting year, the leadership positions comprised the Provost, the Council Leader, eight Executive Councillors (portfolio holders in relation to council services) and chairs and vice-chairs of other committees. Senior councillor payments are agreed each year. The statutory annual report for 2021/22 on elected members' remuneration, allowances, expenses and training was reported to Council Executive on 7 June 2022. The number of leadership positions remains the same after the local government elections. However, in June 2022 the council reallocated some of those to committee chairs as a result of the reduction in the number of Policy Development and Scrutiny Panels which in turn reduced the portfolio holder positions.

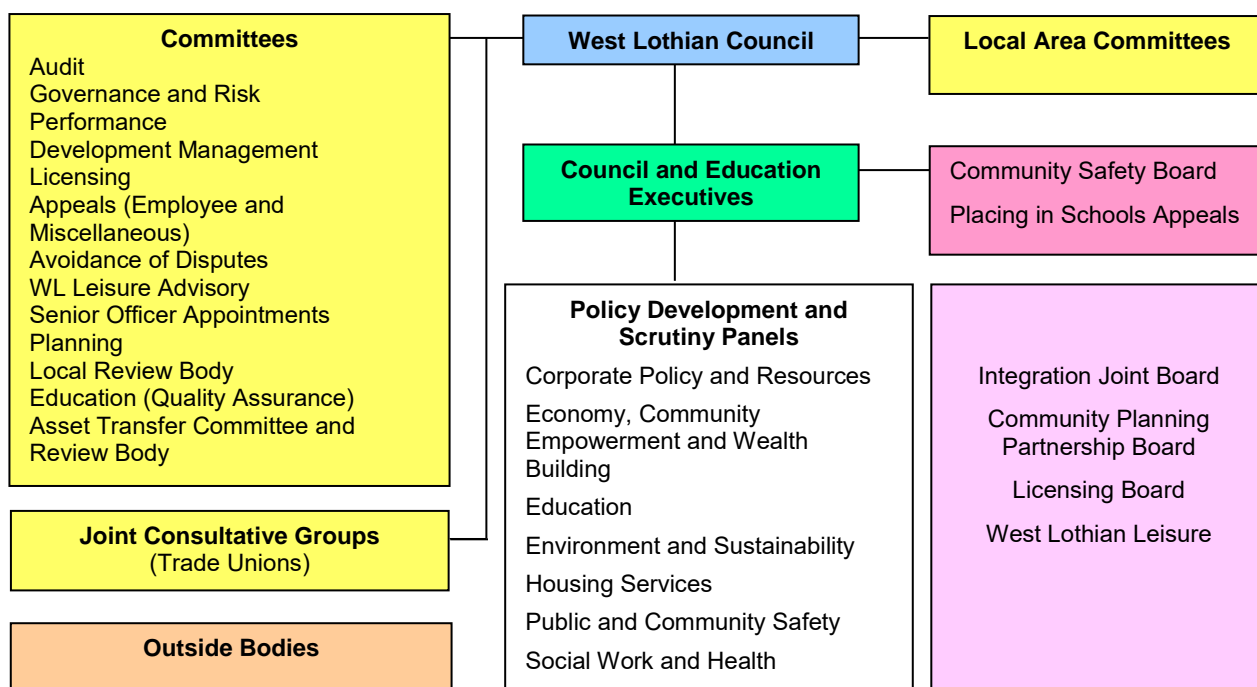
### 4. Management structure

- 4.1 The council's services are managed through its Executive Management Team (Chief Executive, three Depute Chief Executives and the Head of Finance & Property Services). Those officers and seven Heads of Service, with the Governance manager, form the Corporate Management Team. Each service has a Senior Management Team and other service managers, team leaders and teams within its structure. A new Depute Chief Executive (Alison White) responsible for the Health & Social Care Partnership was appointed on 5 July 2021 after a successful cooperative appointment process amongst council, health board and the West Lothian Integration Joint Board. Two vacant Heads of Service post in Education Services were filled after recruitment processes. The post of Head of Housing, Customer & Building Services fell vacant in 2021. The Head of Corporate Services has moved to that post on an interim basis, pending a permanent appointment. The HR Services manager is acting Head of Corporate Services, after the end of the reporting year. The statutory post of Monitoring Officer, allocated to the Head of Corporate Services, has been assumed by the Governance Manager on a temporary basis until the vacant Head of Service post is filled on a permanent basis.
- 4.2 The service management structure at 31 May 2022 was as follows: -



**ANNUAL GOVERNANCE STATEMENT****STATEMENT 2**

- 4.3 The council in February 2018 established a Corporate Transformation Team, made up of senior council officers seconded from across its service areas and managed by a Depute Chief Executive. The team's contribution and structure were reviewed and in 2019/20 it was embedded in the council's management arrangements, with permanent appointments made, to help take forward the ongoing transformation of council services and delivery of budget reduction measures. It was diverted temporarily in March 2020 to new tasks as the Covid-19 Resilience Team. It has gradually resumed its original remit as the pandemic and lockdown restrictions eased in 2020 and 2021. It will resume its intended and significant role as the council takes forward arrangements for adopting a new Corporate Plan in February 2022 and tackling the significant budget deficit forecast over the next five years.
- 4.4 Internal cross-service working amongst officers is enabled by a hierarchy of Executive Boards, Project Boards and Working Groups. They all have defined remits and roles, membership from appropriate service areas and grades across the council and appropriate reporting arrangements. They are added to on an ad hoc basis, as required (e.g. the Concurrent Risks Working Group looking at Brexit and COVID-19 risks and impacts, and the Remobilisation Working Group dealing with post-lockdown return of staff to council workplaces). A survey of members of these internal boards and working groups was carried out in 2021/22. Its findings have been reported to the boards and improvement actions are being designed.
- 5. Decision-making and scrutiny arrangements**
- 5.1 The council has a well-established framework of committees and working groups set out in its Scheme of Administration. It remains in place after the elections in May 2022 but changes may be made at the council meeting on 22 June 2022. Standing Orders for the Regulation of Meetings and the Scheme of Administration 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 delegated to officers. That too is part of Standing Orders and is updated every three months to reflect changes agreed by council and its committees.
- 5.2 There are two main policy and decision-making committees (Council Executive and Education Executive). Proposed policy changes are considered before committee decision-making at one of (currently) nine Policy Development & Scrutiny Panels (PDSPs). There are a number of scrutiny, regulatory and appeals committees in the structure. There is one local area committee for each ward to help focus ward issues and provide a link form local areas and concerns to the decision-making function at the corporate centre. Scrutiny is carried out through Audit Committee, Governance & Risk Committee, Performance Committee, Education (Quality Assurance) Committee, West Lothian Leisure Advisory Committee and the nine PDSPs. Full council meets every 8 weeks to deal with reserved matters and political debate and scrutiny.

**Decision Making Structure**

**ANNUAL GOVERNANCE STATEMENT****STATEMENT 2**

5.3 A wide-ranging review of decision-making arrangements was instructed by members in February 2018. After changes being agreed in previous years, it was progressed to its conclusion in the reporting year with changes to Standing Orders for the Regulation of Meetings and the Scheme of Administration. The most significant changes in the year were those required to allow for meetings to be conducted by hybrid arrangements, whereby members may choose to take part by being physically present in the council chamber or by remote access/online arrangements. A substantial investment has been made in the equipment required to enable those arrangements. Live audio/visual webcasts will be possible and recordings made available after the event. Those arrangements are now scheduled to start in August 2022.

## **6. Local Code of Corporate Governance**

6.1 The council's governance arrangements are 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. The current Local Code of Corporate Governance was adopted in April 2018. Its operation is considered each year by officers and members through the process of reporting on corporate governance and is scheduled for a full review in the next administrative term.

6.2 The Code adopts the seven over-arching principles from the Framework: -

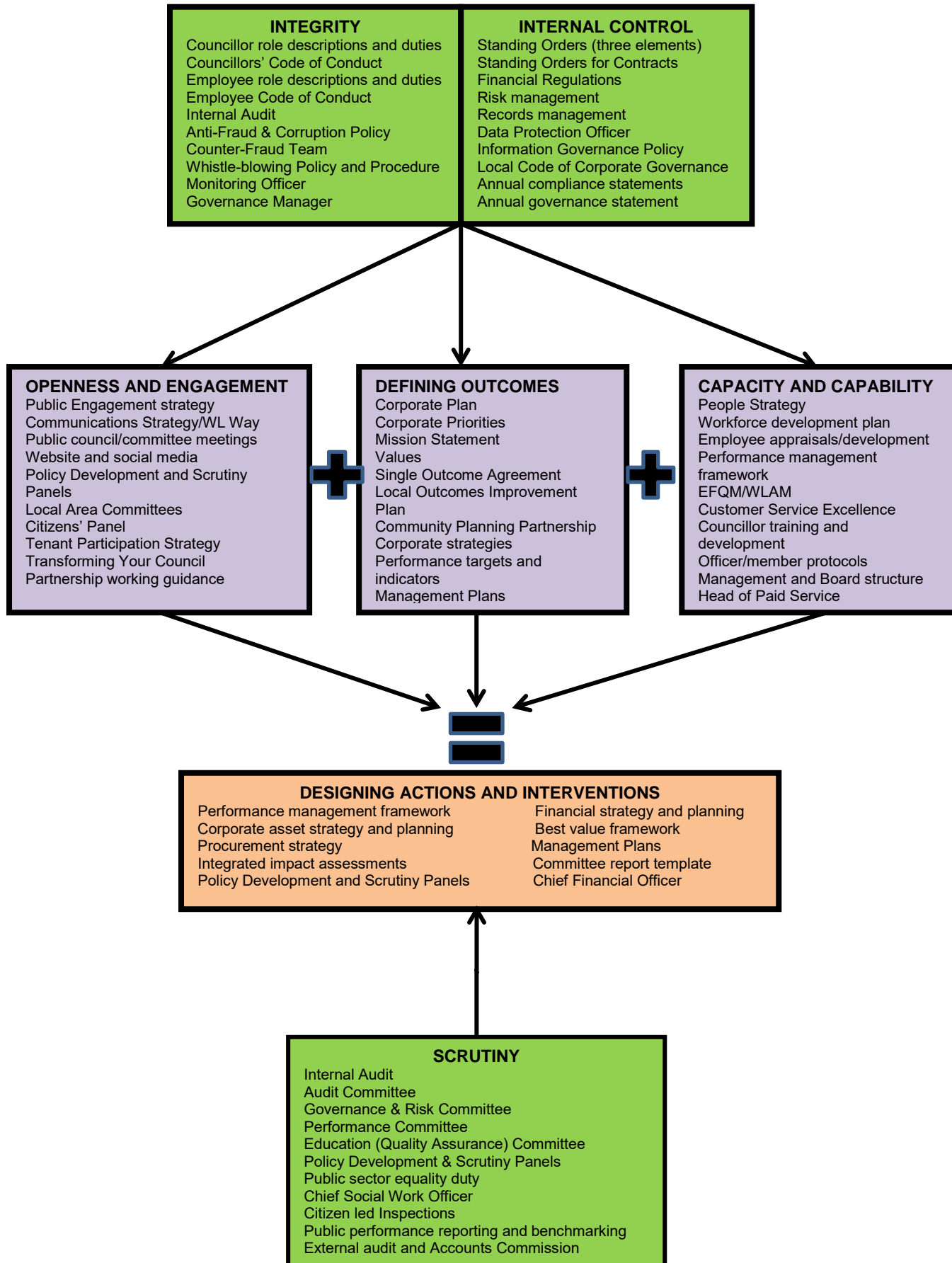
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary 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

6.3 Each of those principles is broken down into sub-principles and then into a hierarchy of separate elements to allow a more focused approach to the evidence-based components of each. The diagram below shows the seven principles and their interaction, and a list for each of them of the most significant sources of evidence used to establish corporate governance compliance each year.

6.4 These sources of evidence and the product of scrutiny arrangements are used to assess compliance and performance over the year to determine whether the council exceeds, meets or fails to meet the required standards. Areas of concern are picked out, actions are identified and allocated, and progress is monitored through officer oversight and the Governance & Risk Committee.

6.5 The Code is used to inform the drafting and approval of the annual governance statement through the Governance & Risk Board, Corporate Management Team and Governance & Risk Committee. It is reported on in detail to Governance & Risk Committee when it approves the annual governance statement in June each year. In previous years it was then reported to Council Executive as part of a summary report on corporate governance. From 2022/23 it will be reported to full council after the summer recess, to the same meeting as the annual report by the external auditor and the council's annual accounts. Deficiencies are identified and reported and are translated into actions which are monitored throughout the following reporting year by Governance & Risk Board and Governance & Risk Committee.

6.6 Compliance in 2021/22 with the standards in the Code remains high. Continuing and lingering impacts from the pandemic have been noted and assessed as the Code has been populated. Under a red/amber/green assessment system there are no "red" scores. There are 219 standards out of 258 assessed as "green", representing 85% of the total entries. Comparable figures from previous years for green scores under the same assessment process were 82%, 79%, 81%, 84% and 84%.

**ANNUAL GOVERNANCE STATEMENT****STATEMENT 2****GOVERNANCE PRINCIPLES AND COMMON SOURCES OF EVIDENCE**



**ANNUAL GOVERNANCE STATEMENT****STATEMENT 2****7. Annual internal audit opinion**

- 7.1 A significant part of the council's governance arrangements is its system of internal control. It is designed and reviewed 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. It includes financial regulations and a system of management supervision, delegation and accountability, supported by regular information, administrative procedures and segregation of duties. Its key elements include an 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.
- 7.2 As required under the Public Sector Internal Audit Standards (PSIAS), the Audit Risk & Counter Fraud Manager in his role as chief audit executive provides an annual opinion to members on the adequacy and effectiveness of the framework of governance, risk management and control. That opinion precedes and informs this statutory annual governance statement which in turn requires approval by the council through the Governance & Risk Committee and incorporation into the annual accounts and financial statements.
- 7.3 Following his review for 2021/22, reported to Governance & Risk Committee and Audit Committee in June 2021, his conclusion and assurance to members are that the framework of governance, risk management and control is sound. Based on internal audit investigations and reports throughout the year he identified no areas where control was considered to be unsound. The results of two counter fraud investigations were reported to Audit Committee. One report (October 2021) was in relation to the payment of emergency grants (section payments) in Social Policy. A follow-up report was brought to committee in March 2022. Time has been allocated in the risk-based annual plan to follow up the second item. The other was in relation to the misappropriation of school funds (March 2022). He has identified other areas where improvements should be made and confirmed that recommendations will be followed up and reported when required. The conclusions and assurances from his reports were accepted by committee. The practice of reporting progress on recommendations ranked as of "high" importance to Audit Committee will continue. Starting in 2022/23 actions ranked as of "medium" importance will be followed up by the service but not reported to committee alongside those ranked as of "high" significance.

**8. Annual Compliance Statements**

- 8.1 The council's Monitoring Officer arranges the production of annual compliance statements which sit alongside the Code and also inform the drafting and approval of this annual governance statement. They deal with compliance with the law and with the council's most significant corporate policies and procedures. They are prepared after consultation with services and senior officers and consider oversight by external regulatory and inspection bodies. 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.
- 8.2 Instead of producing annual compliance statements, separate and stand-alone reporting is carried out annually on the Councillors' Code of Conduct, Freedom of Information and Data Protection, and on Covert Surveillance and Accessing Communications Data. From 2020/21 the annual report on the Councillors' Code of Conduct is reported to full council, so to all members, rather than to a committee.
- 8.3 They cover the following areas of activity: -
- Best Value Framework - Head of Finance & Property Services
  - Procurement - Head of Corporate Services
  - Fraud and Corruption - Head of Finance & Property Services
  - Employee Whistleblowing - Head of Corporate Services
  - Discipline and Grievances - Head of Corporate Services
  - Occupational Health & Safety - Head of Corporate Services
  - Protection of Vulnerable Groups - Head of Corporate Services
  - Information Security - Head of Corporate Services
  - Public Sector Equality Duty - Head of Corporate Services
  - Breaches of the law - Monitoring Officer
- 8.4 The statements identify significant developments, issues of concern and issues to be addressed going forward. The statement by the Monitoring Officer is particularly important since the Monitoring Officer is one for the four statutory officer posts. The postholder is 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. Not all breaches are material to the council's operations or its finances.

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8.5 The Monitoring Officer secured information from service managers and consulted with the Heads of Service, the Chief Solicitor and the Audit, Risk and Counter Fraud Manager. He identified a number of instances where improvements to the council's compliance with legislation were required. He highlighted the most significant of those and they are summarised as follows: -

- The statutory deadline was missed in 2020/21 for the review of the Integration Scheme relating to the delegation of health and care functions to the West Lothian Integration Joint Board. That review has been progressed in 2021/22 but it remains an ongoing breach of a statutory duty. The current Scheme continues to operate effectively. A revised draft Scheme has now been approved and has been submitted to the Scottish Ministers for approval
- As in 2020/21, the Housing Needs Service breached the Unsuitable Accommodation Order 2004 by using bed and breakfast and hotel accommodation on a number of occasions for more than 7 days until suitable temporary dispersed accommodation was provided. The cause was again a shortage of temporary accommodation to meet the needs of larger families or those waiting to secure temporary accommodation in particular areas. Remedial measures have been designed and the West Lothian Rapid Rehousing Transition Plan 2019/20 to 2023/24 is being implemented. Additional financial resources have been allocated in 2021/22 to address the ongoing problems of compliance
- Procedures under the Community Empowerment (Scotland) Act 2015 for the establishment of a new register of common good property had not been followed in 2020/21. That breach carried over into 2021/22 until compliance was secured through the publication of an initial register following Council Executive approval in March 2022. Work is ongoing in relation to the consequent governance and review measures with an update report due to Council Executive in mid-2022/23
- Investigation revealed a historic issue of legal compliance in relation to leases for nominal sums to community education centre management committees. In a number of cases those leases have been found not to have complied with the legislative requirements around disposing of property at less than market value. Legal advice has been given and actions have been designed to address the issue identified.

8.6 Although they are of concern, none of those breaches was considered to present significant risk to the continuing operation and effective delivery of council services and control. The Monitoring Officer's opinion is that there have been no material or significant breaches of the law by the council in 2021/22 which have or will have a material or significant impact on the operations or finances of the council. He has certified that the council is complying in all material respects with its legal requirements.

## **9. Compliance with the CIPFA Financial Management Code (2019)**

9.1 As part of its legal obligation to comply with accepted accounting standards and Code of Practice, the council adopted the CIPFA Financial Management Code (2019) in February 2021. The Code is designed to support good practice in financial management and assist in demonstrating financial sustainability. The council is expected to adopt processes and procedures to demonstrate adherence to six principles of good financial management and 17 underlying financial management standards.

9.2 Before adoption the Code was presented for consideration to Partnership & Resources PDSP, Audit Committee and Governance & Risk Committee, all of which have an interest in different aspects of the Code. The report by which its adoption was secured was a lengthy and comprehensive exposition and explanation of the Code – its purpose, the principles and the management standards. It included a description of the available evidence of the council's present compliance, the extent of that compliance and the areas where improvement was indicated. It included a detailed list of actions with associated timescales, all designed to secure compliance in full for the reporting year 2021/22.

9.3 The information provided by the Chief Financial Officer to committee at the time indicated that the council was already compliant to a significant extent and was well-placed to secure full compliance on time. A list of actions was identified and agreed to secure full compliance. Completion of the actions identified was included in last year's statement as a governance issue for future monitoring. Those actions were duly completed in this reporting year. A report was presented to Partnership & Resources Policy Development & Scrutiny Panel in February 2022 confirming that all actions were complete and that the council was fully compliant. Ongoing compliance has been incorporated into the evidence assessed through the Local Code of Corporate Governance each year.

## **10. Audit Committee**

10.1 Audit Committee operates in compliance with the Public Sector Internal Audit Standards (PSIAS). It undertakes a corporate overview of the council's control environment, develops an anti-fraud culture to ensure the highest standards of probity and public accountability, and evaluates the arrangements in place for securing the economical, efficient and effective management of resources. It remains in place following the formation of the new administration after the elections in May 2022. It considers an annual review of the overall adequacy and effectiveness of the council's control framework. It monitors the independence and effectiveness of the Audit, Risk & Counter Fraud Unit.

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The organisational status and independence of internal audit is set out in the Internal Audit Charter. The Chair must be appointed from councillors who are not in the ruling administration political group. The majority of members are from outwith that group. The committee includes one non-councillor member recruited for a three-year tenure to bring a different perspective and expertise to the work of the committee. Following the local government elections in May 2022 the committee has a new chair and some new members.

- 10.2 The committee meets four times each year. It operates through an annual work plan approved by the committee. It carries out an annual self-assessment exercise to identify improvements in its operation that might be made. The outcome of internal audit and counter-fraud investigations judged to be significant are reported. Reports are presented and considered in public unless there is clear legal justification for excluding the public. They express an opinion as to whether control is effective, satisfactory, requires improvement or unsound. In accordance with an agreed protocol, significant findings from audit and inspection reports are entered into the council's risk management system as risk actions. Risk actions arising from internal audit and other audit and inspection reports which remain outstanding after their target dates are reported to the Governance & Risk Board during the year and to the Audit Committee twice yearly. By the end of the reporting year there were fifteen actions which were due for completion by that date but had not been completed. The up-to-date position was reported to Audit Committee on 21 June 2022. There were six actions still to be completed. Explanations were provided to committee and new dates have been assigned. Progress will continue to be monitored through the established cycle of reporting to the committee.
- 10.3 The committee also 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 views of the external auditors 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 the council's financial statements are referred to the Governance & Risk Committee and Audit Committee by council after it approves the audited accounts for signature in September each year. Any actions identified are noted and are followed up through periodic reporting to committee on progress or completion.
- 10.4 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.

**11. Governance & Risk Committee**

- 11.1 The committee takes a corporate overview of the council's corporate governance and risk management arrangements, develops a culture of good corporate governance and risk awareness, and reviews the council's strategy and systems for the management of risk. It considers regular reports from the Governance Manager and the Audit, Risk & Counter Fraud Manager in relation to matters within its remit. It remains in place following the formation of the new administration after the elections in May 2022. Its previous chair has resumed that role and it has new members appointed to it.
- 11.2 The committee meets at least four times each year. It operates through a work plan presented and updated at every meeting. The Chair of the committee must be drawn from members who are not in the ruling administration political group. The majority of members are from outwith that group. It carries out an annual self-assessment exercise to identify improvement that might be made in its operations. It receives reports 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 and at every second meeting on strategic risks. It received reports at every meeting throughout the reporting year on the concurrent risks posed by EU withdrawal and the pandemic. It examines ad hoc risk and governance issues, such as cyber-security risks and ash die-back. It considers risk reports from the council's external risk advisers. It is charged with approving the annual governance statement after considering the findings of the annual review of the system of internal control. It monitors progress against governance areas of concern. In March 20-22 it considered a report on benchmarking against the risk management and monitoring arrangements in other councils.
- 11.3 In March 2020 its membership was formally expanded to include a non-councillor member to bring a different perspective to the work of the committee. An appointment to that position was made at the same time although induction and participation were delayed by the Covid-19 emergency until June 2020. The position fell vacant in March 2021 but was filled again in September 2021.

**12. Other internal scrutiny arrangements**

- 12.1 The council deals with the remainder of its scrutiny function by members in four other places – Policy Development & Scrutiny Panels (PDSPs), Performance Committee, Education (Quality Assurance) Committee and West Lothian Leisure Advisory Committee. Except for the last of those, the majority of members on each of these bodies is from outwith the ruling administration political group.



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- 12.2 PDSPs are working groups of members and representatives from external community bodies. Their scrutiny role involves considering quarterly performance reports from the service areas included in their remit. Members and external representatives are able to question officers on service performance and failures and make recommendations to them about improvement actions. Members receive information on both service and financial performance measured against agreed indicators and outcomes.
- 12.3 Performance Committee is established to consider the performance of service units against the council's performance appraisal system, the West Lothian Assessment Model (WLAM). Its Chair is an Independent councillor. It receives written reports presented at public committee meetings by senior service managers and can question them and make recommendations to them about improvement actions. The committee also scrutinises quarterly and annual reports on the council's complaints handling policy and performance. It oversees the Citizen Led Inspection Programme. It considers the results of the local authority benchmarking review carried out annually in conjunction with the Improvement Service. The committee's business has been limited to an extent due to the concentration of council resources on tackling the pandemic.
- 12.4 The Education (Quality Assurance) Committee carries out a scrutiny role solely in relation to internal and external schools assessment and inspection reports. Its Chair is an Independent councillor. The committee includes 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. It provides a dedicated and specialised forum for scrutiny of performance and inspection results for schools and educational establishments. The committee's business has been affected by the pandemic as both external and internal inspections and assessments were temporarily interrupted.
- 12.5 Leisure and culture services are delivered through an arms' length external organisation called West Lothian Leisure Ltd. The council is its sole shareholder. Taking into account best practice, there is a dedicated advisory committee called the West Lothian Leisure Advisory Committee, attended by senior officers of West Lothian Leisure, where scrutiny of service and financial performance is carried out. There is an ongoing review of the relationship between the council and West Lothian Leisure, a best practice requirement reflected in the council's Scheme of Administration. It will report in 2022/23.
- 13. Significant officer roles**
- 13.1 The council is required to operate a professional and objective internal audit service. The Audit, Risk and Counter Fraud Unit includes internal audit, 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). The organisational status and independence of internal audit required by PSIAS is also set out in the Internal Audit Charter. An annual audit work plan is prepared based on an assessment of risk and is approved by the Audit 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. Also as required by PSIAS, Financial Regulations state that the internal audit function is free from interference in determining the scope of internal auditing, performing work, and communicating results, and that the Audit, Risk and Counter Fraud Manager has the right of direct access to the Chair of the Audit Committee and to the Chief Executive. The Audit, Risk and Counter Fraud manager reports annually on compliance with PSIAS, particularly the requirement of independence and ready access to the Chief Executive and elected members. An interim report is brought to committee during each year to advise of progress towards completion of the annual plan. An Internal Audit and Counter Fraud Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. An annual report on progress against agreed outcomes is made to Audit Committee each year.
- 13.2 Legislation requires the council to appoint a Chief Financial Officer. That role is to be performed conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) and in the CIPFA Financial Management Code (2019). 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 & 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. From 2021/22, compliance with the CIPFA Financial Management Code will also apply. Treasury Management reports and capital asset management strategy reports are made to full council twice each year.
- 13.3 Risk Management is overseen by the Audit, Risk & 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 service risk as a matter of routine at their meetings. A Risk Management Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. A revised Risk Management Policy was approved in October 2021, after some delay due to COVID. An annual report on progress against agreed outcomes is made to Governance & Risk Committee each year.

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- 13.4 The council's counter fraud activities are managed within the Audit, Risk & Counter Fraud Unit. The service is operated in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). The unit manages the council's whistleblowing hotline. It also administers the council's participation in the National Fraud Initiative. An Internal Audit and Counter Fraud Strategy 2018/19 to 2022/23 was approved in June 2018 as one of the corporate strategies supporting delivery of the Corporate Plan. An annual report on progress against agreed outcomes is made to Audit Committee each year. The review and approval of a revised Anti-Fraud & Corruption Policy was postponed due to the diversion of resources to pandemic-related work, and will now be reported on 22 June 2021. The annual report confirms counter fraud work continued nevertheless and that the work plan was completed. An annual compliance and assurance statement is provided each year as part of the evidence informing this statement.
- 13.5 Governance and risk management are supervised on the officer side of the council by the Governance & Risk Board. It is chaired by a Deputy Chief Executive and its members include the Monitoring Officer, the Audit Risk & 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. Its recommendations are referred to the Corporate Management Team or committee as appropriate. In 2019/20 it assumed oversight of the Information Management Working Group after the introduction of the new Information Governance Policy. 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.
- 13.6 In addition to performance reporting to members, management teams routinely monitor their performance through Pentana, utilising the high-level performance indicators and service standards 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. The WLAM programme was reviewed in 2021/22 and a new approach is being implemented across the council in 2022/23.
- 13.7 As required by statute, the council has appointed a Chief Social Work Officer who has statutory professional responsibility for the oversight of specified social work functions. The Scheme of Delegations states that in relation to those statutory functions the Chief Social Work Officer's decisions are not subject to change by more senior officers, but are, subject to council or committee decisions, final and binding on the council. An annual report is made to members and to the Scottish Government. Since 2019/20 that report has been made to full council rather than to a committee.
- 14. External scrutiny**
- 14.1 The external auditor's annual report was not delayed by COVID and was considered at council in September 2021. It was referred on to Audit Committee (on the accounting and financial aspects) and Governance & Risk Committee (on its wider-scope audit work) for further scrutiny. An amber assessment was made in relation to financial sustainability. That reflected the ongoing challenge facing all local authorities and the significant level of risk and uncertainty outside the council's control which could impact its ability to deliver savings, all of which had been exacerbated by the ongoing impact of Covid-19. One action was identified by the auditor in relation to accounting for assets subject to revaluation. An action was agreed to address that issue and it was completed by its due date in January 2022. An unqualified audit opinion was issued. The report concluded that the council continued to demonstrate good practice in forward financial planning, good financial management arrangements, and continued to demonstrate good financial control of the in-year budget.
- 14.2 The key features of good governance were found to be in place and operating effectively. The council was again found to have responded quickly to ensure that governance arrangements were appropriate and operating effectively during the global pandemic. The report stated that a number of key characteristics of Best Value were in place, including effective performance monitoring and robust governance arrangements. The Council's arrangements for performance monitoring, improvement and self-assessment were found to be back on the normal planned schedule for reporting following the impact of Covid-19. The council was reported to have a culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. Council services continued to perform well compared to other councils. The auditor gave green assessments against Value for Money, Financial Management and Governance and transparency. It gave an amber assessment for Financial Sustainability which reflected the ongoing challenge facing all local authorities and the significant level of risk and uncertainty outside the council's control which could impact its ability to deliver savings.
- 14.3 In partnership with other scrutiny bodies the auditor participates in the Local Area Network (LAN) to identify any risks requiring external scrutiny and agree the council's local scrutiny plan (LSP). The auditor acts as the LAN lead for the council's shared risk assessment process. The LAN met on 1 March 2021 to discuss the 2021/22 shared risk assessment. The LAN concluded that no additional scrutiny requirements were identified and that no local scrutiny plan would be published.

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- 15.1 Issues of concern identified in previous years were aggregated and reported to Governance & Risk Committee in June 2021 and December 2021 for monitoring and scrutiny.
- 15.2 Nineteen such issues were identified in June 2021, reducing to twelve in January 2021 and, in June 2021, only two remain. Those have been carried forward into the next reporting year. Both are works in progress and plans are in place to address them and ensure their completion. Progress is being reported separately to Governance & Risk Committee on 13 June 2022. The one governance matter outstanding at the end of the year of particular significance is reviewing the council's relationship with West Lothian Leisure (its leisure services ALEO). This is a best practice recommendation by Audit Scotland and is a requirement of the council's Standing Orders. The need for the review has been brought more into focus by West Lothian Leisure's financial position due to COVID closures and fee income reductions. The work on the review was delayed due to COVID, with priority given to the financial pressures caused by lockdown restrictions. Progress has however been slow. There have been regular and frequent reports to West Lothian Leisure Advisory Committee, Council Executive and Governance & Risk Committee to ensure members are aware of the risks and to enable decisions to be taken to help mitigate those risks. Evidence-gathering and stakeholder engagement is progressing and an update report is planned for the West Lothian Leisure Advisory Committee meeting on 23 June 2022. The failures in legal compliance in the Monitoring Officer's compliance statement last year have been or are being addressed to his satisfaction.
- 15.3 Annual reports on progress and performance against the Internal Audit and Counter Fraud Strategy and Risk Management Strategy were completed as planned. The review and approval of a revised Anti-Fraud & Corruption Policy was concluded at Council Executive in June 2021.
- 15.4 Audit Committee considered internal audit and counter fraud reports throughout the year. In several of them, controls were found to require improvement and actions were agreed. The interim and annual reports for both services summarised the work carried out and the findings, with those also being noted in the review of the system of internal control. There were no findings that control was unsound in any of the audit reports presented to the committee. An external review of the council's compliance with the Public Sector Internal Audit Standards (PSIAS) commenced with a report to Audit Committee in March 2022. A report on its conclusion is to be presented to the June meeting of the committee.
- 15.5 Governance & Risk Committee continued its scrutiny of risk arrangements through standing reports on high risks, health and safety risks and strategic risks. It returned to the reporting, as standing items, of the concurrent risks of EU withdrawal and the pandemic. It received reports about on subjects such as property compliance, insurance risks and claims, IT risks, counter-terrorism duties, health and safety risks and emergency planning. It approved the annual governance statement, at the same time reviewing the standards and evidence in the Local Code of Corporate Governance and progress on governance issues. The committee noted the external auditor's opinion that the key features of good governance at the council are in place and operating effectively; the council responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic; the council has arrangements in place to appropriately scrutinise activities across its Group, in particular where financial support is being provided to entities in financial difficulty (West Lothian Leisure).
- 15.6 The membership of Governance & Risk Committee had been expanded to allow for a non-councillor appointment and an appointment was made in March 2020. The member resigned in March 2021. A new appointment was made in September 2021.
- 15.7 A variety of changes was made to Standing Orders and the Scheme of Administration as a result of the ongoing review of decision-making arrangements. That series of revisions concluded in September 2021 when changes required to facilitate the transition to hybrid meeting arrangements were approved. Those took effect on 1 May 2022.
- 15.8 The schedule of significant corporate policies and procedures calling for a review in each administrative term was almost entirely completed. Progress and completion are being reported on separately at Governance & Risk Committee on 13 June 2022.
- 15.9 After a short period of suspension of council and committee meetings in March 2020 due to COVID they resumed in May 2020 by remote access and have continued by that method to date. The council invested significant sums in new IT equipment in 2021/22 to allow meetings to take place on a hybrid basis. The installation has been completed and hybrid meetings are due to start on 31 May 2022.

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- 16.1 Issues of concern from this and previous annual governance statements will be carried forward and reported to committee when it approves this statement and later as part of the annual report to full council on corporate governance. Progress will continue to be reported on an interim and annual basis to Governance & Risk Committee. The outstanding and overdue review of the council's relationship with West Lothian Leisure (its leisure ALEO) is again the most significant, since it is required by Standing Orders and such a periodic review is indicated as best practice to ensure relationship is fit for purpose and delivers best value.
- 16.2 Significant concerns arising from the annual compliance statements, in particular breaches of the law identified by the Monitoring Officer, will be pursued and remedial action taken.
- 16.3 Following the elections in May 2022 the transition to a new administration will bring challenges in addressing desired changes to the decision-making structure and arrangements. All councillors will require support and training, especially those in positions of additional responsibility such as chairs and Executive Councillors.
- 16.4 The concerns highlighted in the internal audit of Corporate Procurement reported to Audit Committee in January 2022 will be addressed. Three findings were ranked as of "high" importance and those have been completed. The most significant one remaining, from a governance perspective, is an absence for a protracted period of time of formal corporate procurement procedures. Those are required by Contracts Standing Orders to complement them, to guide officers in their work on tenders and contracts, and to help them and the council comply with legal obligations and procedures.
- 16.5 A new corporate plan is due to be developed and approved in early 2023. The new plan, the prior public engagement and the identification of corporate priorities will be a major piece of work and will inform the council's planning and service delivery for many years. The governance arrangements around it, such as the approval of corporate strategies and progress and performance reporting, will be monitored. Related to that will be the ongoing work with community planning partners on the Local Outcomes Improvement Plan.
- 16.6 There are likely to be consequences for the council flowing from the long-running Scottish Government/COSLA Review of Local Governance. The details remain to be established but the indication is for devolution of decision-making and control in some service areas to a tier sitting below local authorities with some regional collaboration on strategic matters such as spatial planning and public transport.
- 16.7 The further development and the implementation of community empowerment measures will be significant (especially Community Choices) as well as the linkage between the community empowerment themes and the newer community wealth-building agenda.
- 16.8 The citizen led inspection programme was suspended during the pandemic. It features in the Code of Corporate Governance as an item of evidence relied on to demonstrate compliance. A decision should be made about refreshing the programme or its replacement. Similarly, work on the refresh of the Citizens Panel has not progressed for some time and that should be taken forward alongside work on a public engagement strategy.
- 16.9 Actions arising from internal and external audit reports will continue to be monitored through Audit Committee and follow-up reports on previous areas of concern will be made as instructed.
- 16.10 The schedule of significant corporate policies, procedures and controls prepared and monitored in 2021/22 to ensure their review in each administrative term will be maintained and monitored as part of the checks on progress on governance issues.
- 16.11 The Officer Working Group on members' training and support will continue to meet. The success of the post-elections Induction Programme will be assessed and lessons learned for future programmes. The successful completion of the programme will be important in ensuring that all councillors have the awareness and skills they need to ensure the council continues its successes and continues to deliver best value.
- 16.12 Following the Feeley Report in January 2021 and the Scottish Government's plans for a national care service, there will be impacts on the council corporately, on its services and on its staff. Those development will be kept under review and actions designed and taken as required.
- 16.13 Although the Scottish Government has not advanced remedial legislation in relation to its incorporation of the UN Convention of the Rights of the Child, preparatory work has started and will continue to ensure the council is able to meet its expected legal duties successfully.
- 16.14 The conduct of meetings through hybrid arrangements, from May 2022, will require training for members and officers and the design and implementation of guidance and protocols to ensure the effective conduct of business.

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- 16.15 The triennial inspection of the council's arrangements to secure compliance with its duties under the Regulation of Investigatory Powers (Scotland) Act 2000 will take place in 2022/23. Arrangements will be made to ensure the actions identified in the previous inspection have all been addressed and that the council is fully compliant.

**17. COVID-19**

- 17.1 The annual governance statements and Management Commentaries for 2019/20 and 2020/21 included information about the impact of COVID on governance arrangements. CIPFA recommends that practice is continued. Lingering effects of the pandemic continued throughout this reporting year. As confirmed by the external auditor in the last two annual reports the council was found to have reacted well and the governance framework proved to be robust and capable of adaptation to the extreme circumstances rather than requiring significant amendment in response.
- 17.2 Over the last year, a full calendar of council and committee meetings has continued to be conducted wholly online without any significant or obvious impact on decision-making. Steps have been taken to introduce the technology and the procedural rules to enable a move to hybrid meeting arrangements. Those are due to start on 31 May 2022. Hybrid will be the norm going forward, ensuring maximum flexibility for elected members, officers and members of the public.
- 17.3 During the suspension of meetings, decisions were taken under existing emergency delegated powers vested in the Chief Executive. No amendments were required to Standing Orders, including the Scheme of Delegations to Officers, to enable those decisions to be made. When meetings resumed the need to use these delegated powers diminished and over the last year the occasions when those powers had to be used has returned to a pre-pandemic level. Overall, existing arrangements were able to be used and practices adapted to meet the demands of the pandemic without requiring urgent changes to Standing Orders. The process for keeping members informed of urgent decisions made by officers adopted during the pandemic has been maintained and now formalised in Standing Orders.
- 17.4 Emergency coronavirus legislation allowed councils to choose to postpone compliance with statutory duties to publish annual and other reports concerning council functions and services. That power was not exercised. All statutory reporting due to take place during the emergency period was carried out to normal timescales. That includes the preparation and approval of the annual accounts and financial statements.
- 17.5 The same legislation allowed the temporary suspension of statutory duties to make hard copies of certain documents available for physical inspection and copying. That power was exercised in relation to eleven such duties where those documents could be readily available by electronic means. It ceased when the enabling legislation expired in March 2022.
- 17.6 Working from home arrangements continued throughout the reporting year. Remote meeting platforms were used extensively, latterly MS teams. A Remobilisation Working Group chaired by the Head of Finance & Property Services was established and led to a phased return to the workplace starting in April 2022. Working from home will continue to feature, based on the assessment of job requirements, service needs and personal preferences, where possible.
- 17.7 Reporting on the financial consequences of the pandemic has taken place on a regular basis as part of the normal pattern of budget-monitoring reports to Council Executive. The reports to council when council tax was set and budgets approved included additional information and provision relating to the pandemic. Horizon-scanning reports to PDSP have provided more generalised reviews and forecasts of impacts.
- 17.8 In June 2020 it was agreed that there would be quarterly reports to committee concerning the joint oversight arrangements amongst council health board and integration joint board in relation to care homes and COVID. Those reports have continued, providing elected members with an accurate picture of the impact on care homes and the actions taken under emergency coronavirus legislation and guidance.
- 17.9 A Concurrent Risk Working group was established during the pandemic and continued to meet until May 2022. A separate risk register arising from COVID-19 and EU withdrawal was established, and that has latterly been subsumed into the normal risk register and risk management practices. Reporting on those concurrent risks has been a standing item on agendas for meetings of Governance & Risk Committee.
- 17.10 Meetings of Education Executive since June 2020 to date have considered detailed reports on education recovery.

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- 17.11 The priorities in the Corporate Plan remained in place, delivery on the supporting corporate strategies continued and progress reports to members resumed. The well-established approach to long-term financial planning has continued as well. Delivery of budget-saving measures has been largely maintained with slippage and changes reported to and agreed by council in February 2022.
- 17.12 Despite the lingering effects of the pandemic, it is judged that sufficient information has been available to fully inform this statement. Interruptions to corporate programmes and policies have been identified in this statement, in the annual compliance statements, and in the Local Code of Corporate Governance, and normal practice has resumed. It has not been considered that the assurances given in relation to corporate governance for 2021/22 require to be qualified or restricted as a result of Covid-19.

**18. Conclusion and assurance**

There are inevitably issues on which on which future work is required, but, based on the sources and evidence described in this statement, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2021/22.

**Graham Hope**  
Chief Executive

**27 September 2022**

**Councillor Lawrence Fitzpatrick**  
Leader of the Council



**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 2021/22 the salary for the Leader of West Lothian Council was £37,213 (£35,713 2020/21). The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2021/22 the salary of the Provost of West Lothian Council was £27,910 (£26,785 2020/21). The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2021/22 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 2021/22 shall not exceed £325,596 (£312,471 2020/21). 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 2021/22 (2020/21) West Lothian Council had 12 (12) senior councillors and the basic salary paid to these councillors totalled £324,466 (£312,471 2020/21). 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 9 February 2021 and is available on the following link: [here](#)

**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 convener or a vice-convener of a Joint Board. The Regulations require the remuneration to be paid by the council of which the convener or vice-convener is a member. The council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Scheme.

In 2021/22 the amount recharged to Lothian Valuation Joint Board for Councillor A McGuire, in respect of a vice-convener position was £3,491 (£3,439 2020/21).

**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**

Salaries  
Allowances  
Expenses

**Total**

2021/22 £'000	2020/21 £'000
737	698
9	7
6	11
<b>752</b>	<b>716</b>

The annual return of Councillors' salaries and expenses for 2021/22 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 the following link: [Elected Member Remuneration 2021/22](#)

**REMUNERATION REPORT****STATEMENT 3****2.4 Council Leader, Provost and Senior Councillors Remuneration**

The following table provides details of the remuneration paid to the Council's Senior Councillors and remuneration paid to councillors with the responsibility of a convenor or vice-convenor of a Joint Board during 2021/22: -

Name	Post Title	Total Remuneration 2021/22 £	Total Remuneration 2020/21 £
<b>Council Leader, Provost and Senior Councillor payments</b>			
L Fitzpatrick	Leader of the Council	37,213	35,713
T Kerr	Provost (Civic Head)	27,910	26,785
H Cartmill	Executive Councillor - Health and Social Care	27,133	26,039
T Conn	Executive Councillor - Environment	27,133	26,039
D King <sup>1</sup>	Executive Councillor - Culture and Leisure (Depute Provost)	3,063	26,039
C Muldoon	Executive Councillor - Development and Transport (Depute Provost)	27,133	26,039
C Horne	Chair of Audit Committee	27,133	26,039
D Doran-Timson	Chair of Governance and Risk Committee	27,133	26,039
K Sullivan	Executive Councillor - Voluntary Organisations (Depute Leader)	27,133	26,039
CJ Kennedy	Chair of Development Management Committee	27,133	26,039
A Doran-Timson	Executive Councillor - Social Policy	27,133	26,039
D Dodds	Executive Councillor - Education	27,133	26,039
G Paul	Executive Councillor - Services for the Community	27,133	26,039
A McGuire <sup>2</sup>	Executive Councillor – Culture and Leisure & Lothian Valuation Joint Board	22,940	21,293
P Heggie	Chair of Licensing Committee	27,133	26,039
<b>Total</b>		<b>389,589</b>	<b>396,259</b>

1. During May 2021 Councillor D King sadly passed away. A by-election was held on 5 August 2021 for his ward.
2. West Lothian appointee on Lothian Valuation Joint Board. The amount recharged to Lothian Valuation Joint Board in 2021/22 was £3,491 (£3,439 2020/21) in respect of Councillor A McGuire.

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 six 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 eight 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/151 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2021/22.

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. A Short was appointed as Chief Officer on 30 September 2019 and subsequently left the council for new employment on 2 May 2021. A new Depute Chief Executive (Alison White) took up post on 5 July 2021. 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 the body, which employs the post holder directly.



**REMUNERATION REPORT****STATEMENT 3****3.2 Senior Employees Remuneration**

The senior employees included in the table are any council employee:

- Who has responsibility for management of the council 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 2021/22.

<b>Name and Post Title</b>	<b>Full Year Equivalent Salary £</b>	<b>Total Remuneration<sup>6 &amp; 8</sup> 2021/22 £</b>	<b>Total Remuneration 2020/21 £</b>
<b>G Hope<sup>1</sup></b> Chief Executive	145,727	150,960	144,927
<b>A Short<sup>2</sup></b> Depute Chief Executive / Chief Officer West Lothian Integration Joint Board (until 2 May 2021)	99,974	4,166	50,899
<b>A White<sup>3</sup></b> Depute Chief Executive / Chief Officer West Lothian Integration Joint Board (from 5 July 2021)	123,612	44,272	-
<b>R G Struthers</b> Depute Chief Executive	127,464	127,664	126,664
<b>E Cook</b> Depute Chief Executive	127,464	127,664	126,664
<b>D Forrest</b> Head of Finance and Property Services	104,374	104,574	103,574
<b>J Jack</b> Head of Operational Services	96,672	96,872	95,872
<b>A M Carr</b> Head of Housing, Customer and Building Services (until 15 August 2021)	92,817	37,438	95,872
<b>M G Mackie</b> Interim Head of Housing, Customer and Building Services (from 26 July 2021 until 9 January 2022)	92,817	42,416	-
<b>C McCorriston</b> Head of Planning, Economic Development and Regeneration	96,672	96,872	95,872
<b>J Whitelaw</b> Head of Corporate Services (until 9 January 2022) Interim Head of Housing, Customer and Building Services (from 10 January 2022)	96,672	97,741	95,872
<b>L Henderson</b> Interim Head of Corporate Services (from 10 January 2022)	92,817	20,959	-
<b>J Cameron</b> Head of Education (Learning, Policy and Resources)	104,374	104,574	103,574
<b>D McMaster<sup>4</sup></b> Head of Education (Curriculum, Quality Improvement and Performance) (until 18 October 2020)	103,574	-	56,799
<b>C Hatch<sup>5</sup></b> Acting Joint Head of Education (Secondary Schools) (from 1 October 2020)	100,518	95,065	92,738
<b>G Welsh<sup>5</sup></b> Acting Joint Head of Education (Early Years & Primary Schools) (from 1 October 2020)	100,518	89,020	83,670
<b>J MacPherson</b> Head of Social Policy	104,374	104,574	101,636
<b>Subsidiary</b> <b>T P J Dent<sup>7</sup></b> Chief Executive, West Lothian Leisure Ltd		81,399	81,399
<b>Total</b>		<b>1,426,230</b>	<b>1,456,032</b>

**REMUNERATION REPORT****STATEMENT 3**

1. G Hope remuneration includes a returning officer payment in 2021/22 £5,033 (2020/21 £nil).
2. A Short was appointed Depute Chief Executive/Chief Officer West Lothian Integration Joint Board on 30 September 2019 and is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. A Short is no longer remunerated by the council, having left the Depute Chief Executive role on 2 May 2021. The total pension contribution paid by WLC in relation to A Short in 2021/22 is £1,741 (2020/21 £10,533).
3. A White was appointed Depute Chief Executive/ Chief Officer West Lothian Integration Joint Board on 5 July 2021 and is remunerated by West Lothian Council with National Health Service (NHS) contributing 50% of her total cost of employment.
4. D McMaster left employment with the council on 18 October 2020.
5. C Hatch and G Welsh were appointed to the Acting Joint Head of Education on 1 October 2020, with the role and remuneration split equally between the two appointees on teachers' terms and conditions. They were therefore not eligible for the Chief Officers pay award.
6. The pay award for 2021/22 was backdated to 1 January 2021, was paid in January 2022, and is included in the 2021/22 total remuneration.
7. The Chief Executive of West Lothian Leisure Ltd, T P J Dent, is remunerated by the council's subsidiary company, West Lothian Leisure Ltd.
8. There were no compensation payments for loss of employment or annual compensation payments in 2021/22 or 2020/21 for the council.

**3.3 Employee Information by Pay Band**

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

Remuneration Bands	Number of Employees	
	2021/22	2020/21
£50,000 - £54,999	142	124
£55,000 - £59,999	152	159
£60,000 - £64,999	66	55
£65,000 - £69,999	54	59
£70,000 - £74,999	21	21
£75,000 - £79,999	4	2
£80,000 - £84,999	4	5
£85,000 - £89,999	6	3
£90,000 - £94,999	3	5
£95,000 - £99,999	4	5
£100,000 - £104,999	3	3
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	2	2
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	1
£145,000 - £149,999	-	-
£150,000 - £154,999	1	-
<b>Total</b>	<b>462</b>	<b>444</b>

The number of officers whose remuneration, including benefits were £50,000 or more in the year increased by 18 in 2021/22. The increases were largely due to the nationally agreed 2021/22 pay award, which was backdated to 1 January 2021 but paid in January 2022. Other reasons included incremental salary progression and voluntary severance.

**REMUNERATION REPORT****STATEMENT 3****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 2021/22 or 2020/21.

Exit package Cost Range	Number of employee exit packages agreed		Total cost of employee exit packages in each band	
	2021/22	2020/21	2021/22 £'000	2020/21 £'000
£0 - £20,000	4	6	38	62
£20,001 - £40,000	-	2	-	66
£40,001 - £60,000	2	4	101	203
£60,001 - £80,000	1	3	74	207
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	2	-	209
<b>Total</b>	<b>7</b>	<b>17</b>	<b>213</b>	<b>747</b>

The application for early retirement or voluntary severance (ERVS) is prepared by the staff members line manager and Human Resources. The application contains employee personal details, details of the business case and includes a summary of costs and savings populated by Human Resources. The application for ERVS is reviewed and signed by the relevant Head of Service and Depute Chief Executive.

**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 2021/22 remain at the 2020/21 rates, however the ranges have changed as follows:

Whole time pay	Range 2021/22	Range 2020/21	Contribution rate 2021/22	Contribution rate 2020/21
On earnings up to and including	£22,300	£22,200	5.5%	5.5%
On earnings above	£22,301 and up to £27,300	£22,201 and up to £27,100	7.25%	7.25%
On earnings above	£27,301 and up to £37,400	£27,101 and up to £37,200	8.5%	8.5%
On earnings above	£37,401 and up to £49,900	£37,201 and up to £49,600	9.5%	9.5%
On earnings above	£49,901	£49,601	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).

**REMUNERATION REPORT****STATEMENT 3**

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 three 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 2022 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 2022	For year to 31 March 2021	As at 31 March 2022		Difference from 31 March 2021	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
Council Leader, Provost and Senior Councillor contributions							
L Fitzpatrick	Leader of the Council	8,112	7,821	9	2	2	-
T Kerr	Provost (Civic Leader)	2,028	5,866	7	2	-	-
H Cartmill	Executive Councillor - Health and Social Care	5,915	5,703	5	-	1	-
T Conn	Executive Councillor - Environment	5,915	5,703	7	2	1	-
C Muldoon	Executive Councillor - Development and Transport	5,915	5,703	7	2	1	-
C Horne	Chair of Audit Committee	5,915	5,703	3	-	1	-
D Doran-Timson	Chair of Governance and Risk Committee	5,915	5,703	3	-	1	-
K Sullivan	Executive Councillor - Voluntary Organisations (Depute Leader)	5,915	5,703	3	-	1	-
CJ Kennedy	Chair of Development Management Committee	5,915	5,703	3	-	1	-
A Doran-Timson	Executive Councillor - Social Policy	5,915	5,703	3	-	1	-
D Dodds	Executive Councillor - Education	5,915	5,703	4	-	1	-
P Heggie	Chair of Licensing Committee	5,915	5,703	3	-	1	-
Total		69,290	70,717	57	8	12	-

All senior Councillors, under the age of 75, 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 McGuire and G Paul are not members of the LGPS. All Councillors under 75 years of age are eligible for participation in the LGPS. Councillor Kerr turned 75 during 2021, therefore was ineligible to continue in the LGPS.

## REMUNERATION REPORT

## STATEMENT 3

### 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 2022 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.

Name	Post Title	In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2022	For year to 31 March 2021	As at 31 March 2022		Difference from 31 March 2021	
		£	£	Pension £'000	Lump Sum £'000	Pension £'000	Lump Sum £'000
G Hope <sup>1</sup>	Chief Executive	32,909	31,739	76	118	5	1
A White	Depute Chief Executive (from 5 July 2021)	9,652	-	1	-	-	-
R G Struthers	Depute Chief Executive	27,831	27,739	63	94	4	1
E Cook	Depute Chief Executive	27,831	27,739	74	-	3	-
D Forrest	Head of Finance and Property Services	22,797	22,683	51	77	2	-
J Jack	Head of Operational Services	21,118	20,996	51	82	3	1
A M Carr	Head of Housing, Customer and Building Services (until 15 August 2021)	7,918	20,996	37	88	(14)	(7)
M G Mackie	Head of Housing, Customer and Building Services (from 26 July 2021 until 9 January 2022)	17,674	-	29	36	-	-
C McCorrison	Head of Planning, Economic Development and Regeneration	21,118	20,996	51	82	3	1
J Whitelaw	Head of Corporate Services Interim Head of Housing, Customer and Building Services (from 10 January 2022)	21,307	20,996	39	45	3	-
L Henderson	Interim Head of Corporate Services (from 10 January 2022)	16,939	-	33	45	-	-
J Cameron	Head of Education (Learning, Policy and Resources)	22,797	22,683	82	-	3	-
D McMaster	Head of Education (Curriculum, Quality Improvement and Performance) (until 18 October 2020)	-	12,439	-	-	-	-
J MacPherson <sup>2</sup>	Head of Social Policy	7,526	22,258	52	92	1	-
<b>Total</b>		<b>257,417</b>	<b>251,264</b>	<b>639</b>	<b>759</b>	<b>13</b>	<b>(3)</b>

1. Chief Executive in-year contributions total includes pension benefits for Returning Officer duties in 2021/22. The Chief Executive undertook no Returning Officer duties during 2020/21.

2. J MacPherson has left the LGPS scheme.

C Hatch and G Welsh Acting Joint Head of Education are currently not members of the LGPS pension scheme, as both remain members of SPPA as a result of their acting status.

The McCloud and Goodwin judgements, as outlined in note 20 (net pension liability), may have an impact on the valuation of accrued pension benefits disclosed in notes to the Remuneration Report 4.2 and 4.3 above, as the impact of these rulings is considered and implemented across the Lothian Pension Fund. However, while an estimate on the impact of these rulings has been made at the fund level it is not possible to assess the value of the impact for any specific individual at this stage.

**REMUNERATION REPORT****STATEMENT 3****4.4 Facility Time Report 2021/22**

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 for 2021/22 is summarised in the following table:

		<b>Non-Teacher</b>	<b>Teacher</b>
Number of employees who were relevant union officials during 2021/22		35	13
Number of FTE employees who were relevant union officials during 2021/22		32.9	12.5
Percentage of time spent on facility time	0%	20	4
	1% - 50%	10	8
	51% - 99%	4	-
	100%	1	1
Percentage of pay bill spend on facility time	Total cost facility time	£130,309	£73,379
	Total pay bill	£143,911,145	£167,368,633
	Percentage of total pay bill on facility time	0.09%	0.04%
Paid trade union activities		3.96%	-

Full details are available at the link: [Trade Union Facility Time Reports](#)

**Graham Hope**  
Chief Executive  
27 September 2022

**Councillor Lawrence Fitzpatrick**  
Leader of the Council

**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 2022**

	Note	2021/22			2020/21		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		272,566	27,379	245,187	278,346	27,132	251,214
Planning, Economic Development and Regeneration		15,626	5,703	9,923	14,375	5,945	8,430
Operational Services		91,189	7,632	83,557	82,686	6,143	76,543
Housing, Customer and Building Services		28,488	7,664	20,824	20,927	6,519	14,408
Corporate Services		2,014	562	1,452	1,898	507	1,391
Social Policy – IJB, Adult and Elderly Services		190,387	112,531	77,856	173,173	103,820	69,353
Social Policy – non-IJB Children's Services		46,922	5,325	41,597	43,743	5,126	38,617
Chief Executive, Finance and Property		58,754	7,936	50,818	50,765	7,353	43,412
Joint Boards		1,304	-	1,304	1,193	-	1,193
Other Services		45,376	44,827	549	50,261	47,324	2,937
<b>Net Cost of General Fund Services</b>		<b>752,626</b>	<b>219,559</b>	<b>533,067</b>	<b>717,367</b>	<b>209,869</b>	<b>507,498</b>
Housing Revenue Account		71,218	56,573	14,645	61,747	54,329	7,418
<b>Net Cost of Services</b>		<b>823,844</b>	<b>276,132</b>	<b>547,712</b>	<b>779,114</b>	<b>264,198</b>	<b>514,916</b>
Other Operating Expenditure	9	(603)	-	(603)	(1,272)	-	(1,272)
Finance and Investment Income and Expenditure	10	59,986	28,213	31,773	60,396	29,094	31,302
Taxation and Non-Specific Grant Income	11	-	497,716	(497,716)	-	477,506	(477,506)
<b>Deficit on Provision of Services</b>	5	<b>883,227</b>	<b>802,061</b>	<b>81,166</b>	<b>838,238</b>	<b>770,798</b>	<b>67,440</b>
<b>Items that will not be reclassified to the Deficit on the Provision of Services</b>							
Surplus on revaluation of property, plant and equipment				(39,579)			(394,340)
Remeasurement of the net defined benefit (gain) / loss				(212,645)			63,868
<b>Items that may be reclassified to the Deficit on the Provision of Services</b>				<b>(252,224)</b>			<b>(330,472)</b>
(Surplus) / deficit from investments in equity instruments designated at fair value through other comprehensive income				(20)			79
<b>Other Comprehensive Income and Expenditure</b>				<b>(252,244)</b>			<b>(330,393)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(171,078)</b>			<b>(262,953)</b>

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

## MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2022

	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
<b>Balance at 1 April 2020</b>		19,869	926	57,917	9,317	88,029	657,256	745,285
<b>Movement in Reserves during 2020/21</b>								
Total comprehensive income and expenditure		(49,708)	(17,732)	-	-	(67,440)	330,393	262,953
Adjustments between accounting basis and funding basis under regulations	13	76,005	17,732	(17,705)	-	76,032	(76,032)	-
Net increase (decrease) before transfers to other statutory funds		26,297	-	(17,705)	-	8,592	254,361	262,953
Transfers (to) / from other statutory funds	12	(3,647)	-	5,368	(1,721)	-	-	-
<b>Increase (decrease) in year</b>		<b>22,650</b>	<b>-</b>	<b>(12,337)</b>	<b>(1,721)</b>	<b>8,592</b>	<b>254,361</b>	<b>262,953</b>
<b>Balance at 31 March 2021</b>		<b>42,519</b>	<b>926</b>	<b>45,580</b>	<b>7,596</b>	<b>96,621</b>	<b>911,617</b>	<b>1,008,238</b>
<b>General Fund analysed over:</b>								
Amounts Earmarked	34	40,258						
Amounts Uncommitted		2,261						
<b>Total General Fund Balance at 31 March 2021</b>		<b>42,519</b>						
<b>Movement in Reserves during 2021/22</b>								
Total comprehensive income and expenditure		(55,368)	(25,798)	-	-	(81,166)	252,244	171,078
Adjustments between accounting basis and funding basis under regulations	13	72,668	25,798	(14,221)	-	84,245	(84,245)	-
Net increase (decrease) before transfers to other statutory funds		17,300	-	(14,221)	-	3,079	167,999	171,078
Transfers (to) / from other statutory funds	12	(6,992)	-	7,281	(289)	-	-	-
<b>Increase (decrease) in year</b>		<b>10,308</b>	<b>-</b>	<b>(6,940)</b>	<b>(289)</b>	<b>3,079</b>	<b>167,999</b>	<b>171,078</b>
<b>Balance at 31 March 2022</b>		<b>52,827</b>	<b>926</b>	<b>38,640</b>	<b>7,307</b>	<b>99,700</b>	<b>1,079,616</b>	<b>1,179,316</b>
<b>General Fund analysed over:</b>								
Amounts Earmarked	34	50,746						
Amounts Uncommitted		2,081						
<b>Total General Fund Balance at 31 March 2022</b>		<b>52,827</b>						



**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 council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves 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'.

		<b>As at 31 March 2022 £'000</b>	<b>As at 31 March 2021 £'000</b>
<b>LONG TERM ASSETS</b>	<b>Note</b>		
<b>Property, Plant and Equipment</b>			
- Council Dwelling		464,291	473,070
- Other Land and Buildings		1,168,207	1,166,446
- Vehicles, Plant, Furniture and Equipment		12,788	11,059
- Infrastructure Assets		245,630	240,321
- Community Assets		501	501
- Assets under construction		88,006	39,799
- Surplus Assets, not yet held for disposal		23,134	22,856
- Intangible Assets		3,569	1,746
	14.1	2,006,126	1,955,798
Heritage Assets		861	779
Long Term Investments	15.1	508	491
<b>TOTAL LONG TERM ASSETS</b>		<b>2,007,495</b>	<b>1,957,068</b>
<b>CURRENT ASSETS</b>			
Short Term Investments	15.1	42,579	15,083
Inventories		1,623	1,730
Short Term Debtors	16	54,535	77,845
Cash and Cash Equivalents	26	48,955	71,946
<b>TOTAL CURRENT ASSETS</b>		<b>147,692</b>	<b>166,604</b>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowing	15.1	(69,225)	(79,196)
Short Term Creditors	17	(95,609)	(85,641)
Provisions	18	(374)	(573)
Capital Grant Receipts in Advance	33	(21,439)	(30,066)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(186,647)</b>	<b>(195,476)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(38,955)</b>	<b>(28,872)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,968,540</b>	<b>1,928,196</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Creditors	19	(240)	(316)
Long Term Borrowing	15.1	(568,641)	(528,641)
Defined Benefit Scheme Liability	20.3	(143,677)	(311,763)
Other Long Term Liabilities	19	(76,666)	(79,238)
<b>TOTAL LONG TERM LIABILITIES</b>		<b>(789,224)</b>	<b>(919,958)</b>
<b>TOTAL NET ASSETS</b>		<b>1,179,316</b>	<b>1,008,238</b>
<b>Financed by:</b>			
<b>USABLE RESERVES</b>			
General Fund Balance	34	52,827	42,519
Housing Revenue Fund Balance		926	926
Capital Fund	21.2	38,640	45,580
Insurance Fund	21.1	7,307	7,596
<b>TOTAL USABLE RESERVES</b>		<b>99,700</b>	<b>96,621</b>
<b>UNUSABLE RESERVES</b>	22	<b>1,079,616</b>	<b>911,617</b>
<b>TOTAL RESERVES</b>		<b>1,179,316</b>	<b>1,008,238</b>

The unaudited accounts were considered by the Audit Committee on 21 June 2022 and the audited accounts were authorised for issue on 27 September 2022.

DONALD FORREST CPFA, Head of Finance and Property Services

27 September 2022

**CASH FLOW STATEMENT****STATEMENT 7****PURPOSE**

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	<b>Note</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Net Deficit on the provision of services		<b>(81,166)</b>	<b>(67,440)</b>
Adjustments to net deficit on the provision of services for non-cash movements	23	193,891	143,094
Net cash flows from Operating Activities		112,725	75,654
Net cash flows from Investing Activities	24	(163,384)	(2,762)
Net cash flows from Financing Activities	25	27,668	(18,962)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(22,991)</b>	<b>53,930</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>71,946</b>	<b>18,016</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	26	<b>48,955</b>	<b>71,946</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****1. ACCOUNTING POLICIES**

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 2021/22 (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.

**Basis of Preparation Statement**

The council financial statements for 2021/22 have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future, and in particular for the period of at least 12 months from the approval of these financial statements to the end of September 2023. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting. In accordance with the CIPFA Code of Local Government Accounting (2021/22), the council is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the council will continue in operational existence for the foreseeable future.

West Lothian Council approved the 2022/23 revenue budget at the Council meeting on 15 February 2022. In order to maintain a balanced budget for 2022/23 the council is required to deliver budget savings of £9.1 million in addition to use of one-off resources of £2.6 million. The budget highlighted a number of risks that continue to be closely monitored. As part of setting the 2022/23 budget, an update was provided on the budget scenarios for 2023/24 to 2027/28 following the publication of the local government finance settlement. Council agreed that the approach of integrating corporate and financial planning over the next five year period should be retained in line with financial planning principles agreed by Council Executive in June. Council also agreed that, in accordance with the CIPFA Financial Management Code and best practice, the council will prepare a priority based revenue financial plan for 2023/24 to 2027/28, to set out how the Corporate Plan priorities will be delivered over this period.

Following the approval of the 2022/23 budget, the council continues to face unprecedented challenges, in particular the cost of living crisis and the highest level of inflation in a decade, in delivering essential services whilst resources are constrained. Officers are working to understand the impact of increased costs on the council's 2022/23 budget with a specific focus on energy costs. The position will be closely monitored as part of the council's risk based approach to budget monitoring.

The council is currently in the process of developing a new five year revenue financial plan, three year detailed revenue budgets and ten year capital investment programme. Financial planning scenarios for ten years were reported to Council Executive in October 2021, setting out the process for ensuring the council continues to have a balanced budget. A further updated central budget scenario was presented to Council in February 2022 and June 2022, with further work being undertaken by officers to refine planning assumptions based on recent energy forecasts and the ongoing pay negotiations.

The council's minimum uncommitted general fund balance is £2 million. The uncommitted general fund balance at 31 March 2022 is £2.081 million. Although the council's minimum uncommitted balance is low compared to other authorities in Scotland, the council has a high level of general services committed usable reserves, totalling £97 million at 31 March 2022 (£93 million at 31 March 2021). The HRA balance at 31 March 2022 (2021) is £0.926 million (£0.926 million). The value of earmarked reserves is subject to ongoing monitoring and review.

The council has balances of cash and short term investments, totalling £48.955 million at 31 March 2022 (£71.946 million at 31 March 2021). Normally when investments mature they are reinvested for periods up to a year. During 2020/21, as a result of the pandemic, maturing investments were retained in highly liquid instruments, such as the overnight bank account or money market funds, to ensure that the funds were available as required. The council returned to normal investment practice during 2021/22. The council's cash flow is monitored weekly by management and the council does not forecast any cash flow shortage.

The council continues to regularly monitor its financial position and provide full financial updates to Council Executive and the Council as appropriate, including options on addressing any new budget gaps and spending pressures. It is anticipated that following the completion of the capital accounting review by local government, a further update can be provided during 2022 on the potential service concession flexibility that was unable to be deployed during 2021/22.

Management is continuing to liaise with Scottish Government and COSLA on ensuring sustainable funding going forward.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****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.

Where debtor balances for council tax are identified as impaired, the asset is written down and a charge made to the Financing and Investment Income in the Comprehensive Income and Expenditure Statement.

**Intangible Assets**

Intangible assets are non-monetary assets that do not have a physical substance but are controlled by the council. Non-current intangible assets include software which is not an integral part of IT systems within the council. The accounting treatment of intangible assets is the same as for Property, Plant and Equipment assets. The council accounts for software and licences financed through the capital programme as intangible assets and they are shown at cost. The assets are amortised over three years on a straight-line basis.

**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 2020/21 the council houses were revalued by the Valuation Office Agency – DVS Property Specialists for the Public Sector.

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

Information on the accounting for and disclosure around infrastructure assets held by the council can be found at note 14.8 on page 69.

**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.

During 2021/22, all properties subject to material change in valuation; community centres, day centres, old people's homes, partnership centres, pavilions and miscellaneous land were revalued. As a result, £11.4 million was charged to the Comprehensive Income and Expenditure Account. The revaluation charge has no impact on the General Fund Balance carried forward.

In total, the revalued properties 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 2021/22 had their useful lives updated. The council undertakes an annual review to ensure assets are valued with sufficient regularity to be fairly stated.

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

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****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, donations, disposals, or council owned additions to the Heritage Asset portfolio during the financial year 2021/22.

The council's external valuer for its heritage assets (Bonhams – Fine Art Auctioneers and Valuers) carried out a valuation of the full collection as at 31 March 2022. These insurance valuations are updated on a quinquennial basis.

**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.

Additional Scottish Government funding provided in relation to Covid-19 has been accounted for as grant income in line with all other government grant income on an accruals basis, and any related expenditure recognised separately in the financial statements.

Grant income has been accounted for on the basis that the council is acting either as principal or agent based on the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) with further guidance provided by the LASAAC Guidance on Accounting for Coronavirus (Covid-19) Grants / Funding Streams. Definitions and treatment of grants are as follows: -

**Agency**

Grant income where the council is acting as an agent, as an intermediary in distributing funds from the Scottish Government, has not been recorded in the CIES as the council does not retain the risks and rewards of the income and related expenditure. The balance sheet records the debtors and creditors for these transactions.

Note 7.3 on pages 15 and 16 of the Management Commentary provides a detailed analysis of grants where the council has acted as an agent for Covid-19 grant funding from Scottish Government.

**Principal**

Grant income where the council is acting as a principal, on its own behalf, has been recorded in the CIES and the notes to the financial statements.

Notes 33.1 and 33.2 on page 88 of the financial statements provides a detailed analysis of grants where the council has acted as principal for Covid-19 grant funding from Scottish Government.

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 and have a repayment period of 35 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.

**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 value.

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.



**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****FINANCIAL INSTRUMENTS****Financial Liabilities**

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

**Borrowing**

The amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**Creditors**

Creditors are recognised when a supplier has provided goods and services to the council for an agreed price. The creditors recognised in the Balance Sheet represent the current value of the outstanding liabilities of the council as at 31 March as a proxy for amortised cost.

**Financial Assets****Investments**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

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

**Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Debtors**

Debtors are recognised when goods and services have been provided by the council for an agreed price. The value of the debtors recognised in the Balance Sheet represents the current value of the outstanding asset of the council as at 31 March as a proxy for amortised cost.

**Expected Credit Loss Model**

The council recognises expected credit losses on all of its financial assets held at amortised cost on a 12 month basis. The expected credit loss model also applies to lease receivables. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

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

**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 council 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.

**Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The council holds no assets under this classification.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****Financial Assets Measured at Fair through other comprehensive income (FVOCI)**

The council holds an equity investment in Lothian Buses Limited. The investment is held for strategic purposes. Under IFRS9 the council designates that this investment be classified as being measured at Fair Value through Other Comprehensive Income. Any gain or loss on this investment will be held in the Financial Instrument Revaluation Reserve. The investment in Lothian Buses Limited has 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.

**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.

**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 insurance risk and includes premiums and self-funding 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 2022 was £38.640 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.

**Financial Instrument Revaluation Reserve (FIRR)**

The FIRR represents the gains made by the council arising from increases in the value of its investments that are measured at Fair Value through Other Comprehensive Income. The balance is reduced when the investments are impaired downward or disposed of and gains realised.

**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.

**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.

**Revenue from Contracts with Customers**

IFRS 15 enables users of the annual accounts to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts.

Council income was assessed using a five step approach: Identification of the contract, identification of the performance obligations, identification of the contract price, allocation of the contract price and finally recognition of the revenue as the obligation is satisfied.

Following review of the council's income no material income streams required change to the revenue recognition applied. All new income streams are reviewed on an annual basis.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****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**

A charge 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, which employees can carry forward into the next financial year. The charge is made at the remuneration rates applicable in the following financial year and is required, under statute, to be reversed out of the General Fund Balance by a credit to the Employee Statutory Adjustment 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)  
Design, Build, Finance and Maintain (DBFM)**

The treatment of PPP and DBFM 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 and DBFM schools are recognised as property assets, with recognition of a liability for the financing of these assets. The unitary charge paid to the 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 separate 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 2021/22 discount rate was 2.7% (2.0% 2020/21). 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.



**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8**

**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 28.

#### **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 detailed in note 18.

#### **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).

#### **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 have been no prior period adjustments in 2021/22.

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

For 2021/22 the following accounting policy changes require to be reported as issued but not yet adopted by the code.

Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes four changed standards:

- IFRS1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – Amendment removes a misleading example that is not referenced in the code material
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances

There is no impact of these changes on the accounts covering the 2021/22 financial year.

#### **IFRS 16 Leases**

Following its emergency consultation on exploratory proposals for changing the Code, CIPFA/LASAAC Local Authority Accounting Code Board and the Financial Reporting Advisory Board have agreed to defer IFRS 16 Leases until 1 April 2024.

IFRS16 eliminates nearly all off balance sheet accounting for lessees as existing rules no longer apply for treating lease transactions as operating or finance leases.

All contracts that convey the right to use an asset for a period of time in exchange for consideration could meet the definition of a lease, and require to be examined. The council will continue to review its current lease portfolio in preparation for the new accounting requirements.

In preparation for implementation, the council has made significant progress in identifying lease type agreements and has engaged with Link Asset Services for the provision of a lease asset register. Whilst progress has been made, the council is not in a position to quantify the impact on the financial statements for 2021/22. Moving forward to the financial statements in relation to 2023/24 the council will be in a position to quantify the impact. The council will adopt IFRS16 with effect from 1 April 2024. The implementation and compliance with IFRS16 is recognised as potentially significant for most leases.

## **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 in particular in relation to the impact of Covid-19 on the council's financial position. The critical judgements made in the annual accounts are:

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

- **PPP / DBFM** - The council is deemed to control the services provided under the PPP and DBFM agreements for the provision of educational establishments in accordance with IFRC12. Details of the partnership agreements to which this judgement applies are included in Note 35. 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 council therefore applies the accounting policies for public private partnerships and these schools are recognised on the council's balance sheet at a net book value of £209.7 million, with a corresponding liability in relation to future payments to be made under the scheme of £272.8 million.
- **Uncertainty over future funding** - There is a high degree of uncertainty around future levels of funding for local government, which may significantly impact the council's ability to maintain its property, plant and equipment assets. This uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a reduction in funding and subsequently require changes to investment and capital strategies. Officers are currently undertaking work in relation to a new ten year capital investment strategy to 2032/33 which will consider this further. In addition to the impact of the Covid-19 pandemic recovery on income streams and the impact of increased operating costs, there remains uncertainty over the medium term. In particular in relation to the funding from Scottish Government to meet the additional costs arising from Covid-19 recovery and, as a consequence, the potential impact on the council's budget strategy detailed in section 5 of the Management Commentary.
- **Acting as a principal or agent in income and expenditure transactions** – The council has applied its judgement in determining the recognition of income and expenditure related to government grants where it may be considered either an agent or the principal in receiving and distributing funds. In 2021/22 the council has applied its judgement in line with the LASAAC Guidance on Accounting for Coronavirus (COVID-19) Grants / Funding Streams in respect of funds related to Covid-19 received and distributed in the year. The impact of this interpretation results in £18.4 million for 2021/22 (£43.3 million 2020/21) being recognised as income and subsequent expenditure where the council is considered to be a principal, notes 33.1 and 33.2, with a further £19.1 million for 2021/22 (£46.4 million 2020/21) not recognised in the financial statements where the council is considered to be an agent, detailed in note 30 and section 7.3 of the Management Commentary.

#### 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 council about the future or that are otherwise uncertain.

Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available at the time of preparing the financial statements.

However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### PENSIONS LIABILITY

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

The actuarial inputs into the pension liability valuation are subject to annual review, and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension increase rate to have material impacts on the year end valuations on a year to year basis. The potential impact of future changes is detailed below. The council's pension liability at 31 March 2022, following the updated actuarial valuation, was £143.7 million, a decrease of £168.1 million from 31 March 2021. This was driven by a 0.7% increase in the discount rate partially offset by a 0.35% increase in the pension inflation rate.

Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the council expects future liabilities to continue to change significantly going forward.

Sensitivities at 31 March 2022	Approx % increase to Employer Liability	Approx monetary amount £'000
0.1% decrease in Real Discount Rate	2%	28,120
0.1% increase in the Salary Increase Rate	0%	3,166
0.1% increase in the Pension rate	2%	24,730
1 year increase in member life expectancy	4%	57,685

For sensitivity purposes, it is estimated that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 - 5%, increasing it by approximately £43 million - £72 million. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 20 to the accounts, including information on the key assumptions, risks and sensitivities. An update is also included in this note on the latest development around a number of equalisation adjustments to pension liabilities which have occurred in LGPS and may continue to materially impact the valuation of the council's liability going forward.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

**ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (Continued)****FAIR VALUE MEASUREMENTS**

**Uncertainties:** At the 31 March 2022 the council held on its balance sheet assets totalling £0.232 billion related to Surplus Assets not yet available for sale, Level 2 and 3 Financial Instruments and Pension Plan Assets. These are outlined in more detail in note 20 to the financial statements. The fair value of these assets is subject to greater estimation uncertainty than other assets as they cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs). Their fair value is instead measured using 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, estimation 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. More Information about valuation techniques and inputs used in determining the fair value of these assets is set out in note 15.

**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. Given the nature of the estimation techniques used as outlined above it is difficult to quantify the potential valuation movement without understanding the nature of the inputs which are subject to change on an annual basis. Given the ongoing uncertainty around the markets impacting these valuations and the materiality of the estimated balances, it is likely that future changes will materially impact the financial statements.

**DEBTORS**

**Uncertainties:** At 31 March 2022, the council had a balance of debtors of £41.3 million - Accounts Receivable debtors of £10.8 million, Council Tax debtors of £25.4 million and Housing Rent debtors of £5.1 million. In 2021/22 a total of £25.7 million was written off or provided for by the council. The council reviewed all debtors' balances at 31 March 2022 and determined that a total allowance for doubtful debts of £25.7 million was appropriate. This is based on historic assessment of recoverability, review of individual balances, correspondence with third parties, professional assessments of likely recovery and ageing analysis of debt at year end. The provision for doubtful debts consists of Accounts Receivable £0.5 million, Council Tax £20.7 million and Housing Rent and Homeless Debtors of £4.5 million. This results in a reduction in outstanding debt not provided for of £1.4 million., reducing from £9.1 million in 2020/21 to £7.7 million in 2021/22.

It is recognised that in the current economic climate and taking into account the ongoing impact of the cost of living crisis there remains an increased uncertainty around the recoverability of these debtor balances. The council continues to review all material outstanding balances and has based the amended provisions for doubtful debts to reflect current collection rates and values of outstanding debt.

**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 £1.6 million to be set aside as an allowance. Given the uncertainty around the ongoing financial environment the council is unable to fully assess the likelihood of such an increase occurring.

**VALUATION OF PROPERTY**

**Uncertainties:** The valuation of the council's property, plant and equipment which are subject to revaluation are subject to significant estimation due to a number of factors, such as ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards, the remaining useful economic lives of the assets. Given the material nature of the council's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the council's assets at 31 March 2022 is outlined and broken down by asset category at note 14.1.

In particular, additional consideration continues to be given to the effects of the Covid-19 Recovery on the council's property assets and their associated values. In order to take an informed view and to gauge the position of the wider valuation profession on this matter, consultation has taken place with colleagues from a wide range of Scottish local authorities, private practice surveyors, the District Valuers Office, the Association of Chief Estate Surveyors (ACES) and the Royal Institute of Chartered Surveyors (RICS).

**2021/22 revaluations**

In 2021/22, valuations were undertaken for the Council's partnership centres, community centres, day centres, old peoples' homes and heritage assets. The asset valuations were based on a depreciated replacement cost (DRC) basis and resulted in a net upwards revaluation of assets of £28.3 million (25% from previous revaluation).

A valuation movement of £11.4 million was charged to the Comprehensive Income and Expenditure Account.

The changes in valuation in assets in 2021/22, compared to 2020/21, represent updated information around the assets since the most recent full valuation.

**Ongoing assessment of asset valuation**

In addition to full valuations of property, plant and equipment on a rolling basis over a five year period, the council assesses all assets to ensure there are no material changes that should drive an earlier valuation, to ensure that, in line with the CIPFA code, assets are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

Building indices are not applied to approximate for those assets that are not subject to the revaluation process in the year.

The council's Corporate Estates Manager has determined in his professional opinion that, at 31 March 2022, there has been no material change in the assets not subject to revaluation in the year that would require an earlier revaluation.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (Continued)****Ongoing assessment of valuation (continued)**

As a result of this process no additional assets in the council's portfolio were subject to early revaluation. The council has also continued to assess the valuation of its asset base subsequent to the financial year end to ensure new information does not indicate a change in valuation at the balance sheet date.

**Effect if actual results differ from assumptions:**

The value of all council property, plant and equipment subject to revaluation through the 5 year revaluation cycle is £2 billion.

Assets revalued in 2021/22, totalled £111 million before revaluation. The impact of a 5% change in valuation would be a total of £5 million. This would either result in an increase or decrease in the council's revaluation reserve or an additional impairment charge. There would be no impact on the council's general fund.

Given the wide ranging nature of the assets under revaluation, as well as the differing and overlapping estimates involved in the valuations, it is not possible for management to provide an expected range of estimate outcomes going forward. However, given the experience in past years and materiality of the asset values, it is expected that these balances will continue to be subject to change as estimates are updated annually.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****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 46.

**EXPENDITURE AND FUNDING ANALYSIS  
FOR THE YEAR ENDED 31 MARCH 2022**

	<b>Net Expenditure Chargeable to the General Fund and HRA Balances  £'000</b>	<b>Adjustments Between the Funding and Accounting Basis (Note 6) £'000</b>	<b>Net Expenditure In the Comprehensive Income and Expenditure Statement £'000</b>
<b>2020/21</b>			
Schools, Education Support	163,762	87,452	251,214
Planning, Economic Development and Regeneration	5,632	2,798	8,430
Operational Services	60,202	16,341	76,543
Housing, Customer and Building Services	6,470	7,938	14,408
Corporate Services	11,211	(9,820)	1,391
Social Policy – IJB, Adult and Elderly Services	69,353	-	69,353
Social Policy – non-IJB, Children's Services	29,376	9,241	38,617
Chief Executive, Finance and Property	32,770	10,642	43,412
Joint Boards	1,193	-	1,193
Other Services	15,746	(12,809)	2,937
<b>Net Cost of General Fund Services</b>	<b>395,715</b>	<b>111,783</b>	<b>507,498</b>
Housing Revenue Account	-	7,418	7,418
<b>Net Cost of Services</b>	<b>395,715</b>	<b>119,201</b>	<b>514,916</b>
Other Income and Expenditure	(418,365)	(29,111)	(447,476)
<b>Surplus</b>	<b>(22,650)</b>	<b>90,090</b>	<b>67,440</b>
	<b>General Fund</b>	<b>HRA Fund</b>	<b>Total</b>
<b>Opening General Fund and HRA Balance</b>	<b>(19,869)</b>	<b>(926)</b>	<b>(20,795)</b>
Net increase before transfers to other statutory reserves	(26,297)	-	(26,297)
Transfers to other statutory reserves	3,647	-	3,647
<b>Closing General Fund and HRA Balance as at 31 March</b>	<b>(42,519)</b>	<b>(926)</b>	<b>(43,445)</b>
<b>2021/22</b>			
Schools, Education Support	177,403	67,784	245,187
Planning, Economic Development and Regeneration	5,425	4,498	9,923
Operational Services	64,752	18,805	83,557
Housing, Customer and Building Services	7,633	13,191	20,824
Corporate Services	11,901	(10,449)	1,452
Social Policy – IJB, Adult and Elderly Services	77,856	-	77,856
Social Policy – non-IJB, Children's Services	26,649	14,948	41,597
Chief Executive, Finance and Property	30,249	20,569	50,818
Joint Boards	1,304	-	1,304
Other Services	12,295	(11,746)	549
<b>Net Cost of General Fund Services</b>	<b>415,467</b>	<b>117,600</b>	<b>533,067</b>
Housing Revenue Account	-	14,645	14,645
<b>Net Cost of Services</b>	<b>415,467</b>	<b>132,245</b>	<b>547,712</b>
Other Income and Expenditure	(425,775)	(40,771)	(466,546)
<b>Surplus</b>	<b>(10,308)</b>	<b>91,474</b>	<b>81,166</b>
	<b>General Fund</b>	<b>HRA Fund</b>	<b>Total</b>
<b>Opening General Fund and HRA Balance</b>	<b>(42,519)</b>	<b>(926)</b>	<b>(43,445)</b>
Net increase before transfers to other statutory reserves	(17,300)	-	(17,300)
Transfers to other statutory reserves	6,992	-	6,992
<b>Closing General Fund and HRA Balance as at 31 March</b>	<b>(52,827)</b>	<b>(926)</b>	<b>(53,753)</b>

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



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

<b>6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS</b> Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	<b>Adjustments for Capital Purposes (Note 6.1) £'000</b>	<b>Net change for the Pensions Adjustments (Note 6.2) £'000</b>	<b>Other Differences (Note 6.3) £'000</b>	<b>Total Adjustments £'000</b>
<b>Adjustments between Funding and Accounting Basis 2020/21</b>				
Schools, Education Support	77,069	4,689	5,694	87,452
Planning, Economic Development and Regeneration	666	613	1,519	2,798
Operational Services	10,205	3,797	2,339	16,341
Housing, Customer and Building Services	(26)	2,614	5,350	7,938
Corporate Services	2,112	1,095	(13,027)	(9,820)
Social Policy – non-IJB, Children's Services	16	4,815	4,410	9,241
Chief Executive, Finance and Property	12,689	1,215	(3,262)	10,642
Other Services	(685)	(1,679)	(10,445)	(12,809)
<b>Net Cost of General Fund Services</b>	<b>102,046</b>	<b>17,159</b>	<b>(7,422)</b>	<b>111,783</b>
Housing Revenue Account	19,310	-	(11,892)	7,418
<b>Net Cost of Services</b>	<b>121,356</b>	<b>17,159</b>	<b>(19,314)</b>	<b>119,201</b>
Other income and expenditure from the Expenditure and Funding Analysis	(51,389)	5,379	16,899	(29,111)
<b>Difference between General Fund deficit and Comprehensive Income and Expenditure Statement deficit on the Provision of Services</b>	<b>69,967</b>	<b>22,538</b>	<b>(2,415)</b>	<b>90,090</b>
<b>Adjustments between Funding and Accounting Basis 2021/22</b>				
Schools, Education Support	51,106	9,910	6,768	67,784
Planning, Economic Development and Regeneration	567	1,464	2,467	4,498
Operational Services	7,841	7,900	3,064	18,805
Housing, Customer and Building Services	(28)	5,493	7,726	13,191
Corporate Services	3,799	2,186	(16,434)	(10,449)
Social Policy – non-IJB, Children's Services	71	9,812	5,065	14,948
Chief Executive, Finance and Property	23,437	2,654	(5,522)	20,569
Other Services	(1,348)	(1,478)	(8,920)	(11,746)
<b>Net Cost of General Fund Services</b>	<b>85,445</b>	<b>37,941</b>	<b>(5,786)</b>	<b>117,600</b>
Housing Revenue Account	27,675	-	(13,030)	14,645
<b>Net Cost of Services</b>	<b>113,120</b>	<b>37,941</b>	<b>(18,816)</b>	<b>132,245</b>
Other income and expenditure from the Expenditure and Funding Analysis	(59,684)	6,618	12,295	(40,771)
<b>Difference between General Fund deficit and Comprehensive Income and Expenditure Statement deficit on the Provision of Services</b>	<b>53,436</b>	<b>44,559</b>	<b>(6,521)</b>	<b>91,474</b>

**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 council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****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 council's expenditure and income is analysed as follows:

	<b>Schools with Education Support £'000</b>	<b>Planning, Economic Development and Regeneration £'000</b>	<b>Operational Services £'000</b>	<b>Housing, Customer and Building Services £'000</b>	<b>Corporate Services £'000</b>	<b>Social Policy - IJB, Adult and Elderly Services £'000</b>	<b>Social Policy - non IJB, Children's Services £'000</b>
<b>2020/21</b>							
<b>Expenditure</b>							
Employee Expenses	166,003	5,924	35,058	11,773	2,371	33,194	19,000
Other Services Expenses	28,225	6,023	33,016	3,845	364	139,883	20,479
Support Services	4,493	1,749	4,179	5,309	(2,949)	-	4,215
Depreciation, Amortisation, Impairment	79,625	679	10,433	-	2,112	96	49
Interest Payments	-	-	-	-	-	-	-
Gain on the disposal of non-current assets	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>278,346</b>	<b>14,375</b>	<b>82,686</b>	<b>20,927</b>	<b>1,898</b>	<b>173,173</b>	<b>43,743</b>
<b>Income</b>							
Fees, Charges and Other Service Income	8,476	5,945	6,143	6,519	507	103,820	2,065
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	18,656	-	-	-	-	-	3,061
<b>Total Income</b>	<b>27,132</b>	<b>5,945</b>	<b>6,143</b>	<b>6,519</b>	<b>507</b>	<b>103,820</b>	<b>5,126</b>
<b>Deficit on Provision of Services</b>	<b>251,214</b>	<b>8,430</b>	<b>76,543</b>	<b>14,408</b>	<b>1,391</b>	<b>69,353</b>	<b>38,617</b>
	<b>Chief Executive, Finance and Property £'000</b>	<b>Joint Boards £'000</b>	<b>Other Services £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Cost of Services £'000</b>	<b>Not included in Cost of Services £'000</b>	<b>Total £'000</b>
<b>Expenditure</b>							
Employee Expenses	7,177	-	174	4,606	285,280	-	285,280
Other Services Expenses	28,963	1,193	49,905	25,710	337,606	943	338,549
Support Services	709	-	182	-	17,887	593	18,480
Depreciation, Amortisation, Impairment	13,916	-	-	31,431	138,341	1,384	139,725
Interest Payments	-	-	-	-	-	57,476	57,476
Gain on the disposal of non-current assets	-	-	-	-	-	(1,272)	(1,272)
<b>Total Expenditure</b>	<b>50,765</b>	<b>1,193</b>	<b>50,261</b>	<b>61,747</b>	<b>779,114</b>	<b>59,124</b>	<b>838,238</b>
<b>Income</b>							
Fees, Charges and Other Service Income	7,353	-	47,324	54,329	242,481	4,464	246,945
Interest and Investment Income	-	-	-	-	-	24,630	24,630
Income from Council Tax	-	-	-	-	-	76,626	76,626
Government Grants and Contributions	-	-	-	-	21,717	400,880	422,597
<b>Total Income</b>	<b>7,353</b>	<b>-</b>	<b>47,324</b>	<b>54,329</b>	<b>264,198</b>	<b>506,600</b>	<b>770,798</b>
<b>Deficit on Provision of Services</b>	<b>43,412</b>	<b>1,193</b>	<b>2,937</b>	<b>7,418</b>	<b>514,916</b>	<b>(447,476)</b>	<b>67,440</b>



**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****7. EXPENDITURE AND INCOME ANALYSED BY SEGMENT AND NATURE (CONTINUED)**

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

<b>2021/22</b>	<b>Schools with Education Support £'000</b>	<b>Planning, Economic Development and Regeneration £'000</b>	<b>Operational Services £'000</b>	<b>Housing, Customer and Building Services £'000</b>	<b>Corporate Services £'000</b>	<b>Social Policy - IJB, Adult and Elderly Services £'000</b>	<b>Social Policy - non IJB, Children's Services £'000</b>
<b>Expenditure</b>							
Employee Expenses	179,331	8,175	40,616	15,351	3,460	37,882	20,346
Other Services Expenses	33,223	4,223	36,653	5,409	277	152,475	21,386
Support Services	5,846	2,626	5,126	7,728	(5,522)	-	5,074
Depreciation, Amortisation, Impairment	54,166	602	8,794	-	3,799	30	116
Interest Payments	-	-	-	-	-	-	-
Gain on the disposal of non-current assets	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>272,566</b>	<b>15,626</b>	<b>91,189</b>	<b>28,488</b>	<b>2,014</b>	<b>190,387</b>	<b>46,922</b>
<b>Income</b>							
Fees, Charges and Other Service Income	6,064	5,703	7,632	7,664	562	112,531	2,319
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	21,315	-	-	-	-	-	3,006
<b>Total Income</b>	<b>27,379</b>	<b>5,703</b>	<b>7,632</b>	<b>7,664</b>	<b>562</b>	<b>112,531</b>	<b>5,325</b>
<b>Deficit on Provision of Services</b>	<b>245,187</b>	<b>9,923</b>	<b>83,557</b>	<b>20,824</b>	<b>1,452</b>	<b>77,856</b>	<b>41,597</b>
	<b>Chief Executive, Finance and Property £'000</b>	<b>Joint Boards £'000</b>	<b>Other Services £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Cost of Services £'000</b>	<b>Not included in Cost of Services £'000</b>	<b>Total £'000</b>
<b>Expenditure</b>							
Employee Expenses	9,005	-	301	4,803	319,270	-	319,270
Other Services Expenses	28,811	1,304	45,026	27,060	355,847	1,009	356,856
Support Services	(1,632)	-	49	-	19,295	211	19,506
Depreciation, Amortisation, Impairment	22,570	-	-	39,355	129,432	999	130,431
Interest Payments	-	-	-	-	-	57,767	57,767
Gain on the disposal of non-current assets	-	-	-	-	-	(603)	(603)
<b>Total Expenditure</b>	<b>58,754</b>	<b>1,304</b>	<b>45,376</b>	<b>71,218</b>	<b>823,844</b>	<b>59,383</b>	<b>883,227</b>
<b>Income</b>							
Fees, Charges and Other Service Income	7,936	-	44,827	56,573	251,811	4,501	256,312
Interest and Investment Income	-	-	-	-	-	23,712	23,712
Income from Council Tax	-	-	-	-	-	80,054	80,054
Government Grants and Contributions	-	-	-	-	24,321	417,662	441,983
<b>Total Income</b>	<b>7,936</b>	<b>-</b>	<b>44,827</b>	<b>56,573</b>	<b>276,132</b>	<b>525,929</b>	<b>802,061</b>
<b>Deficit on Provision of Services</b>	<b>50,818</b>	<b>1,304</b>	<b>549</b>	<b>14,645</b>	<b>547,712</b>	<b>(466,546)</b>	<b>81,166</b>

**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.

	2021/22			2020/21		
	Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support	272,566	27,379	245,187	278,346	27,132	251,214
Planning, Economic Development and Regeneration	15,677	5,754	9,923	14,425	5,995	8,430
Operational Services	97,579	14,022	83,557	88,754	12,211	76,543
Housing, Customer and Building Services	61,123	40,299	20,824	48,225	33,817	14,408
Corporate Services	22,014	20,562	1,452	17,856	16,465	1,391
Social Policy – IJB, Adult and Elderly Services	190,387	112,531	77,856	173,173	103,820	69,353
Social Policy – non-IJB Children's Services	46,922	5,325	41,597	43,743	5,126	38,617
Chief Executive, Finance and Property	80,728	29,910	50,818	68,383	24,971	43,412
Joint Boards	1,304	-	1,304	1,193	-	1,193
Other Services	45,377	44,828	549	50,262	47,325	2,937
<b>Cost of General Fund Services</b>	<b>833,677</b>	<b>300,610</b>	<b>533,067</b>	<b>784,360</b>	<b>276,862</b>	<b>507,498</b>
HRA	71,218	56,573	14,645	61,748	54,330	7,418
<b>Net Cost of Services</b>	<b>904,895</b>	<b>357,183</b>	<b>547,712</b>	<b>846,108</b>	<b>331,192</b>	<b>514,916</b>

**9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
- OTHER OPERATING EXPENDITURE**

Gain on disposal of non-current assets

2021/22 £'000	2020/21 £'000
603	1,272

**10. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
- FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

Interest payable and similar charges  
Net interest on the defined benefit liability (asset)  
Interest receivable and similar income  
(Surplus) / Deficit on trading operations

2021/22 £'000	2020/21 £'000
27,804	28,602
6,618	5,379
(367)	(1,135)
(2,282)	(1,544)
<b>31,773</b>	<b>31,302</b>

**11. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
- TAXATION AND NON-SPECIFIC GRANT INCOME**

Council tax income  
Non-domestic rates distribution  
Non-ring-fenced government grants  
Capital grants and contributions

2021/22 £'000	2020/21 £'000
80,054	76,626
60,063	52,042
303,705	310,977
53,894	37,861
<b>497,716</b>	<b>477,506</b>

**12. MOVEMENT IN  
RESERVES STATEMENT -  
TRANSFERS TO OR (FROM)  
OTHER STATUTORY  
RESERVES - 2020/21**

Transfer (to) / from Insurance Fund  
Transfer (to) / from Capital Fund

General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
1,721	-	-	(1,721)	-	-	-
(5,368)	-	5,368	-	-	-	-
<b>(3,647)</b>	<b>-</b>	<b>5,368</b>	<b>(1,721)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**TRANSFERS TO OR (FROM)  
OTHER STATUTORY  
RESERVES - 2021/22**

Transfer (to) / from Insurance Fund  
Transfer (to) / from Capital Fund

General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
289	-	-	(289)	-	-	-
(7,281)	-	7,281	-	-	-	-
<b>(6,992)</b>	<b>-</b>	<b>7,281</b>	<b>(289)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE ANNUAL ACCOUNTS

# STATEMENT 8

13. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS							
	General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
<b>2020/21</b>							
Depreciation and impairment of non-current assets	107,801	31,534	-	-	139,335	(139,335)	-
Amortisation of intangible assets	390	-	-	-	390	(390)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(37,861)	-	-	-	(37,861)	37,861	-
Gain on disposal of non-current assets	(1,272)	-	-	-	(1,272)	1,272	-
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							
- adjustment for interest on stepped interest rate loans	(36)	-	-	-	(36)	36	-
- annual recharge of deferred discounts from refinancing of debt	(393)	-	-	-	(393)	393	-
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	22,393	145	-	-	22,538	(22,538)	-
Statutory provision for repayment of debt	(10,412)	(1,845)	-	-	(12,257)	12,257	-
Statutory charge for lifecycle capital (PFI)	(200)	-	-	-	(200)	200	-
Capital expenditure charged to the General Fund and HRA	(6,047)	(12,121)	-	-	(18,168)	18,168	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	1,642	19	-	-	1,661	(1,661)	-
Capital receipts transferred to the Capital Fund	-	-	(17,705)	-	(17,705)	17,705	-
	<b>76,005</b>	<b>17,732</b>	<b>(17,705)</b>	<b>-</b>	<b>76,032</b>	<b>(76,032)</b>	<b>-</b>
<b>2021/22</b>							
Depreciation and impairment of non-current assets	90,264	39,455	-	-	129,719	(129,719)	-
Amortisation of intangible assets	712	-	-	-	712	(712)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(53,894)	-	-	-	(53,894)	53,894	-
Gain on disposal of non-current assets	(603)	-	-	-	(603)	603	-
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							
- adjustment for interest on stepped interest rate loans	(36)	-	-	-	(36)	36	-
- annual recharge of deferred discounts from refinancing of debt	(394)	-	-	-	(394)	394	-
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	44,385	174	-	-	44,559	(44,559)	-
Statutory provision for repayment of debt	(3,038)	(2,150)	-	-	(5,188)	5,188	-
Statutory charge for lifecycle capital (PFI)	(645)	-	-	-	(645)	645	-
Capital expenditure charged to the General Fund and HRA	(4,985)	(11,680)	-	-	(16,665)	16,665	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	902	(1)	-	-	901	(901)	-
Capital receipts transferred to the Capital Fund	-	-	(14,221)	-	(14,221)	14,221	-
	<b>72,668</b>	<b>25,798</b>	<b>(14,221)</b>	<b>-</b>	<b>84,245</b>	<b>(84,245)</b>	<b>-</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 14. PROPERTY, PLANT AND EQUIPMENT

## 14.1 Movements in 2020/21

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2020</b>	<b>463,934</b>	<b>1,275,116</b>	<b>58,087</b>	<b>315,960</b>
Additions	20,150	11,943	5,862	9,522
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,178	(57,437)	-	-
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(14,676)	(3,385)	-	-
Derecognition - disposals	(150)	(836)	(72)	-
Other movements in cost or valuation	2,634	3,471	-	213
<b>At 31 March 2021</b>	<b>473,070</b>	<b>1,228,872</b>	<b>63,877</b>	<b>325,695</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2020</b>	<b>80,130</b>	<b>325,079</b>	<b>45,587</b>	<b>77,242</b>
Depreciation charge	15,831	94,128	5,557	8,132
Depreciation written out to the Revaluation Reserve	(95,961)	(354,759)	-	-
Depreciation written out to the Deficit on the Provision of Services	-	(1,984)	-	-
Derecognition - disposals	-	(38)	(72)	-
Other movements in depreciation and impairment	-	-	-	-
<b>At 31 March 2021</b>	<b>-</b>	<b>62,426</b>	<b>51,072</b>	<b>85,374</b>
<b>Net Book Value At 31 March 2021</b>	<b>473,070</b>	<b>1,166,446</b>	<b>12,805</b>	<b>240,321</b>
<b>At 31 March 2020</b>	<b>383,804</b>	<b>950,037</b>	<b>12,500</b>	<b>238,718</b>
	<b>Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2020</b>	<b>567</b>	<b>13,895</b>	<b>22,672</b>	<b>2,150,231</b>
Additions	-	32,021	-	79,498
Revaluation increase / (decreases) recognised in the Revaluation Reserve	31	-	359	(55,869)
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	-	-	-	(18,061)
Derecognition - disposals	-	-	(71)	(1,129)
Other movements in cost or valuation	(97)	(6,117)	(104)	-
<b>At 31 March 2021</b>	<b>501</b>	<b>39,799</b>	<b>22,856</b>	<b>2,154,670</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>528,038</b>
Depreciation charge	-	-	-	123,648
Depreciation written out to the Revaluation Reserve	-	-	-	(450,720)
Depreciation written out to the Deficit on the Provision of Services	-	-	-	(1,984)
Derecognition - disposals	-	-	-	(110)
Other movements in depreciation and impairment	-	-	-	-
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,872</b>
<b>Net Book Value At 31 March 2021</b>	<b>501</b>	<b>39,799</b>	<b>22,856</b>	<b>1,955,798</b>
<b>At 31 March 2020</b>	<b>567</b>	<b>13,895</b>	<b>22,672</b>	<b>1,622,193</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

14.1 Movements in 2021/22				
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- structure Assets £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2021</b>	<b>473,070</b>	<b>1,228,872</b>	<b>63,877</b>	<b>325,695</b>
Additions	25,950	25,894	8,744	13,577
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	6,431	-	-
Revaluation increases / (decreases) recognised in the Deficit on the Provision of Services	(19,442)	(15,143)	-	-
Derecognition - disposals	-	(9)	-	-
Other movements in cost or valuation	3,458	14,801	-	102
<b>At 31 March 2022</b>	<b>483,036</b>	<b>1,260,846</b>	<b>72,621</b>	<b>339,374</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2021</b>	<b>-</b>	<b>62,426</b>	<b>51,072</b>	<b>85,374</b>
Depreciation charge	18,745	67,225	5,192	8,370
Depreciation written out to the Revaluation Reserve	-	(33,068)	-	-
Depreciation written out to the Deficit on the Provision of Services	-	(3,704)	-	-
Derecognition - disposals	-	(4)	-	-
Other movements in depreciation and impairment	-	(236)	-	-
<b>At 31 March 2022</b>	<b>18,745</b>	<b>92,639</b>	<b>56,264</b>	<b>93,744</b>
<b>Net Book Value At 31 March 2022</b>	<b>464,291</b>	<b>1,168,207</b>	<b>16,357</b>	<b>245,630</b>
<b>At 31 March 2021</b>	<b>473,070</b>	<b>1,166,446</b>	<b>12,805</b>	<b>240,321</b>
	<b>Community Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Surplus Assets £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>				
<b>At 1 April 2021</b>	<b>501</b>	<b>39,799</b>	<b>22,856</b>	<b>2,154,670</b>
Additions	-	67,126	-	141,291
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	-	(72)	6,359
Revaluation increases / (decreases) recognised in the Deficit on the provision of Services	-	-	(18)	(34,603)
Derecognition - disposals	-	-	(190)	(199)
Other movements in cost or valuation	-	(18,919)	558	-
<b>At 31 March 2022</b>	<b>501</b>	<b>88,006</b>	<b>23,134</b>	<b>2,267,518</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,872</b>
Depreciation charge	-	-	-	99,532
Depreciation written out to the Revaluation Reserve	-	-	(236)	(33,304)
Depreciation written out to the Deficit on the Provision of Services	-	-	-	(3,704)
Derecognition – disposals	-	-	-	(4)
Other movements in depreciation and impairment	-	-	236	-
<b>At 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>261,392</b>
<b>Net Book Value At 31 March 2022</b>	<b>501</b>	<b>88,006</b>	<b>23,134</b>	<b>2,006,126</b>
<b>At 31 March 2021</b>	<b>501</b>	<b>39,799</b>	<b>22,856</b>	<b>1,955,798</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****14.2 Property, Plant and Equipment - PPP and DBFM Schools**

The value of assets held under two PPP contracts and a DBFM contract are as follows: -

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
<b>Cost or Valuation</b>		
Value as at 1 April	221,340	197,522
Additions	645	200
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	23,618
Value as at 31 March	<b>221,985</b>	<b>221,340</b>
<b>Aggregate Depreciation</b>		
Value as at 1 April	-	63,602
Charge for year	12,240	16,344
Depreciation written out to the Revaluation Reserve	-	(79,946)
Value as at 31 March	<b>12,240</b>	<b>-</b>
<b>Net Book Value</b>		
As at 31 March	<b>209,745</b>	<b>221,340</b>

**14.3 Financial Liabilities - PPP and DBFM Schools**

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

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
As at 1 April	<b>81,622</b>	<b>85,364</b>
Additions / Adjustments	9	(60)
Principal repayments	(2,384)	(3,682)
As at 31 March	<b>79,247</b>	<b>81,622</b>
<b>Split</b>		
Short term Creditors	2,581	2,384
Long term Creditors	76,666	79,238
	<b>79,247</b>	<b>81,622</b>

**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.

	<b>2021/22</b>		<b>2020/21</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening Capital Financing Requirement</b>		<b>713,242</b>		<b>721,714</b>
<b>Capital Investment</b>				
Property, Plant and Equipment and Intangible Assets		141,291		79,498
		<b>854,533</b>		<b>801,212</b>
<b>Sources of Finance</b>				
Capital Receipts	(14,855)		(19,484)	
Government Grants	(25,067)		(24,147)	
Contributions from Other Bodies	(28,827)		(13,714)	
Capital Financed from Current Revenue	(16,665)		(18,168)	
Finance Lease Principal (incl. PPP)	(3,051)		(3,978)	
Loans Fund Principal	(2,782)	<b>(91,247)</b>	(8,479)	<b>(87,970)</b>
<b>Closing Capital Financing Requirement</b>		<b>763,286</b>		<b>713,242</b>
<b>(Decrease) / Increase in Capital Financing Requirement</b>		<b>50,044</b>		<b>(8,472)</b>

**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: -

<b>Date of Valuation</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Surplus Assets £'000</b>	<b>Total £'000</b>
1 April 2017	1,990	131,512	18,626	152,128
1 April 2018	69	161,891	4,519	166,479
1 April 2019	400	125,930	641	126,971
1 April 2020	465	78,275	660	79,400
31 March 2021	468,494	832,469	-	1,300,963
1 April 2021	-	102,357	468	102,825
	471,418	1,432,434	24,914	1,928,766
Net historical cost alterations	11,618	328,914	(1,780)	338,752
<b>Gross Valuation</b>	<b>483,036</b>	<b>1,761,348</b>	<b>23,134</b>	<b>2,267,518</b>

Valuations of the above categories of assets are undertaken over a five year rolling programme by independent expert valuers engaged by the council and by the council's Chartered Surveyors in the Property Services Team, in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors (RICS).

In 2021/22, valuations were undertaken for the Council's partnership centres, community centres, day centres, old peoples' homes and heritage assets. The asset valuations were based on a depreciated replacement cost (DRC) basis and resulted in a net upwards revaluation of assets of £28.3 million. More information about the valuation process and the estimates made in the financial statements is available on pages 58 and 59 in the estimates and judgements section of the accounting policies.

**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 2021/22 was £99.532 million (£123.648 million 2020/21). Amortisation of intangible assets for 2021/22 accounted for £0.712 million (£0.390 million 2020/21).

**14.7 Capital Commitments**

At 31 March 2021 the council has commitments on capital contracts of £10.359 million (£14.352 million 2020/21) for the Housing Programme and £16.279 million (£69.151 million 2020/21) for the Composite Programme.

The housing commitment of £10.359 million is a result of ongoing investment in the new council house build programme to deliver the commitment of 3,000 new homes for West Lothian, with £1.615 million for Deans South, £0.741 million for Eaglebrae, £2.741 million for Mossend, £5.247 for Wellhead Murieston and £0.015 million for Standhill Bathgate developments.

The committed expenditure of £16.279 million in the Composite Programme is a consequence of several significant capital investment projects namely Winchburgh Schools (£9.277 million), Adult complex Care Housing (£3.6 million), Howden Primary School Refurbishment (£0.452 million) and Whitburn Partnership Centre (£1.017 million). The remaining commitment is spread over a number of roads and bridge infrastructure projects and property projects.

**14.8 Infrastructure Assets**

The council's infrastructure assets have been recognised on the Balance Sheet at depreciated historic cost in line with the council's established accounting policy. A useful life of 40 years is applied to these assets and used in the calculation of the annual depreciation charge, based on the council's assessment of the average useful economic life of these assets, with the exception of where the useful life is known to be different from this amount as a consequence of a council decision.

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

The council has applied both available statutory overrides for infrastructure assets:

- Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

The value of Infrastructure assets is as follows: -

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Net carrying amount at 1 April	<b>240,321</b>	<b>238,718</b>
Depreciation	(8,370)	(8,132)
Additions	13,679	9,735
Balance outstanding at 31 March	<b>245,630</b>	<b>240,321</b>



**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****15. FINANCIAL INSTRUMENTS****15.1 Types of Financial Instruments**

The carrying amounts of financial assets and liabilities presented in the Balance Sheet relate to the following measurement categories.

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
<b>Financial Assets Amortised Cost</b>								
Investments	289	293	-	-	42,579	15,083	-	-
Debtors	-	-	-	-	-	-	10,434	14,231
Cash and Cash Equivalent	-	-	-	-	48,955	71,946	-	-
<b>Assets Held at FVOCI</b>								
Equity	219	198	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>508</b>	<b>491</b>	<b>-</b>	<b>-</b>	<b>91,534</b>	<b>87,029</b>	<b>10,434</b>	<b>14,231</b>
Assets not defined as financial instruments	-	-	-	-	-	-	44,101	63,614
<b>Total</b>	<b>508</b>	<b>491</b>	<b>-</b>	<b>-</b>	<b>91,534</b>	<b>87,029</b>	<b>54,535</b>	<b>77,845</b>

	Non-Current				Current			
	Borrowing		Other Liabilities		Borrowing		Other Liabilities	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
<b>Financial Liabilities Amortised Cost</b>								
Borrowing	(568,641)	(528,641)	-	-	(69,225)	(79,196)	-	-
Creditors	-	-	-	-	-	-	(7,766)	(13,201)
PFI and Financial Lease Liabilities	-	-	(76,666)	(79,238)	-	-	(2,584)	(2,405)
<b>Total Financial Liabilities</b>	<b>(568,641)</b>	<b>(528,641)</b>	<b>(76,666)</b>	<b>(79,238)</b>	<b>(69,225)</b>	<b>(79,196)</b>	<b>(10,350)</b>	<b>(15,606)</b>
Assets not defined as financial instruments	-	-	-	-	-	-	-	-
Pensions Assets and Liabilities recognised in the Balance Sheet	-	-	(143,677)	(311,763)	-	-	-	-
Short-term Creditors	-	-	-	-	-	-	(85,259)	(70,035)
<b>Total</b>	<b>(568,641)</b>	<b>(528,641)</b>	<b>(220,343)</b>	<b>(391,001)</b>	<b>(69,225)</b>	<b>(79,196)</b>	<b>(95,609)</b>	<b>(85,641)</b>

**Investments in equity instruments designated at fair value through other comprehensive income**

The council designates the following equity as fair value through other comprehensive income: -

	25,000 Nominal Shares @ £1 £'000	Fair Value £'000	Change in Fair Value during 2021/22 £'000	Dividends £'000
<b>Lothian Buses</b>	25	218	20	-

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****15.1 Types of Financial Instruments (Continued)**

The council holds 25,000 ordinary shares in Lothian Buses, representing 0.4% of the company's capital. The core purpose of Lothian Buses Limited is to deliver a high quality, integrated and socially inclusive transport service with a long term vision to be an integral part of the future success of Edinburgh and the Lothians.

As the asset is not held for trading or income generation, but as a longer term policy initiative the equity has been designated as fair value through comprehensive income.

The shares in this company are not traded in an active market and therefore the fair value of £0.218 million (£0.198 million 2020/21) is 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 of £8.74 multiplied by the council's shareholding. The council has no current intention to dispose of the shareholding. No dividend was paid in 2021/22 or 2020/21 as a result of circumstances arising from Covid-19.

**Items of income, expense, gains and losses**

The gains and losses recognised in the Income and Expenditure Account in relation to financial instruments are made up as follows:

	<b>2021/22 Other Comprehensive Income and Expenditure £'000</b>	<b>2020/21 Other Comprehensive Income and Expenditure £'000</b>
<b>Gain / Loss on:</b>		
Amortised Costs	-	-
<b>Interest Expense</b>		
Amortised Cost	23,521	24,081
PFI and finance lease liabilities	4,283	4,521
<b>Total Interest Expense</b>	<b>27,804</b>	<b>28,602</b>
<b>Interest Income</b>		
Amortised Cost	(367)	(1,135)
<b>Total</b>	<b>27,437</b>	<b>27,467</b>

**15.2 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 2022 for PWLB vary from 1.26% 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 assets and liabilities, 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. The accounting policy for the Fair Value Measurement is included in Statement 8 note 4 on page 58.

The fair values are calculated as follows: -

	<b>31 March 2022</b>		<b>31 March 2021</b>	
	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>	<b>Carrying Amount £'000</b>	<b>Fair Value £'000</b>
<b>Financial Assets</b>				
<b>Loans and receivables – Bonds</b>				
The bond valuation is made by the prevailing benchmark rates	289	693	293	730
<b>Loans and receivables - Cash</b>				
The loans and receivables valuation is calculated using the prevailing benchmark rates	47,250	47,269	70,110	70,117
<b>Loans and receivables - Fixed Term Deposits</b>				
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	42,579	42,486	15,083	15,062
	<b>90,118</b>	<b>90,448</b>	<b>85,486</b>	<b>85,909</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****15.2 Fair Value of Assets and Liabilities carried at Amortised Cost (Continued)**

The fair value is more than the carrying amount because the council's 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 £0.077 million.

**Financial Liabilities****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.

**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.

31 March 2022		31 March 2021	
Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
574,340	704,675	544,283	749,251
63,526	91,184	63,554	99,741
<b>637,866</b>	<b>795,859</b>	<b>607,837</b>	<b>848,992</b>

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.

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

The council's activities expose it to a variety of financial risks: -

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the council.
- **Liquidity risk** - the possibility that the council might not have funds available to meet its commitments to make payments.
- **Re-financing risk** - the possibility that the council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- **Market risk** - the possibility that financial loss might arise for the council as a result of changes in such measures as interest rates and stock market movements.

The council's management of treasury risks actively works to minimise its 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.

This risk is minimised through the Treasury Management Plan which required that deposits are only placed 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 adviser and to restrict lending to a prudent maximum amount of each institution.

The credit ratings of investments as at 31 March 2022 are: -

**Investments**

West Calder High School DBFM  
Bank of Scotland Plc – Main Banking Provider  
Standard Chartered Bank Plc  
Goldman Sachs  
Al Rayan Bank  
Santander UK Plc  
National Bank of Kuwait  
Sumitomo Mitsui Banking Corporation

**Total**

Credit Risk	Investment Value at 31 March 2022 £'000	%
AA	289	-
A+	40,250	44
A+	7,000	8
A+	7,000	8
A+	14,500	16
A	7,000	8
A	7,000	8
A	7,000	8
	<b>90,039</b>	<b>100</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****15.3 Nature and Extent of Risks arising from Financial Instruments (Continued)**

The Treasury Management Plan, which is set annually and is monitored throughout the year, sets out the limits on both duration and maximum levels of deposits. These counterparties are chosen using credit rating data supplied by the council's treasury advisers. This is based on data from the three main credit rating agencies, overlaid by:

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

The council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally; as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2022 that this was likely.

The Treasury Management Plan for 2021/22 was approved by Council on 25 February 2021 and is available on the council's website link: [Treasury Management Plan for 2021/22](#)

**Amounts Arising from Expected Credit Losses**

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited / credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. During 2021/22 the credit losses recognised related only to receivables (debtors) and was based on a lifetime basis.

	Amount at 31 March 2022 £'000	Historical experience of non- payment adjusted for market conditions at 31 March 2022 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	90,118	0%	-
Customers (other income)	41,325	3.0%	1,240

The council does not generally allow credit for customers, however, £32.276 million of the £41.325 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Debtors - Local Taxation £'000	Other Debtors £'000	Total £'000
Less than three months	-	2,084	2,084
Three to six months	-	1,272	1,272
Six months to one year	1,780	1,419	3,199
More than one year	23,616	2,105	25,721
	<b>25,396</b>	<b>6,880</b>	<b>32,276</b>

The council has provided £25.677 million against possible bad debts at 31 March 2022 (£25.21 million at 31 March 2021), providing for approximately 80% (76%) of all debt outstanding at 31 March 2022 (2021).

**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 2022 £'000	31 March 2021 £'000
Less than one year	69,225	79,196
Between one and two years	-	-
Between two and five years	873	-
Between six and ten years	42,500	33,373
More than ten years	525,268	495,268
	<b>637,866</b>	<b>607,837</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****15.3 Nature and Extent of Risks arising from Financial Instruments (Continued)****Refinancing and Maturity Risk**

The council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameter used to address this risk.

The council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes: -

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The council policy is to ensure that no 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 review but are unlikely to be repaid at that point.

**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 2022 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 2021/22, with all other variables held constant.

**Impact on tax-payer and rent-payers**

Increase in interest payable on variable rate borrowings

**£'000**

-

Increase in interest receivable on variable rate lending

(378)

**Net effect on Income and Expenditure Account****(378)**

Housing Revenue Account's Share

**(146)****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 the 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.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8**

16. SHORT TERM DEBTORS	2021/22		2020/21	
	£'000	£'000	£'000	£'000
Central Government Bodies		14,774		44,457
Other Local Authorities		1,176		2,237
NHS Bodies		20,429		10,532
Public Corporations and Trading Funds		345		338
Other Entities and Individuals				
• Council Tax Debtors	25,396		27,420	
• Provision for Council Tax Debtors	(20,675)		(21,112)	
• Trade Debtors	8,543		7,716	
• Provision for Trade Debtors and Other Debtors	(5,002)		(4,098)	
• Other Entities and Individuals	9,549		10,355	
		17,811		20,281
<b>Total Short Term Debtors</b>		<b>54,535</b>		<b>77,845</b>

**Analysed as follows: -**

Trade Receivables

Prepayments

Other Receivables

Debtors for Local Taxation

**Total Short Term Debtors****2021/22****£'000****2020/21****£'000**

6,669

9,899

3,765

4,332

32,700

46,684

**43,134****60,915**

11,401

16,930

**54,535****77,845****17. SHORT TERM CREDITORS**

Central Government Bodies

Other Local Authorities

NHS Bodies

Public Corporations and Trading Funds

Other Entities and Individuals

**Total Short Term Creditors****2021/22****£'000****2020/21****£'000**

14,753

10,778

3,670

3,383

53

2,093

264

547

76,869

68,840

**95,609****85,641****Analysed as follows: -**

Trade Payables

Other Payables

**Total Short Term Creditors****2021/22****£'000****2020/21****£'000**

10,350

15,606

85,259

70,035

**95,609****85,641****18. PROVISIONS**

Equal pay settlements

Holiday pay settlements

Total Provisions

Balance at  
31 March  
2021  
£'000Increase /  
(Reduction)  
in Provision  
in Year  
£'000Payment /  
(repayment)  
in year  
£'000Balance at  
31 March  
2022  
£'000

379

-

(5)

374

194

(310)

116

-

573

(310)

111

374

**Equal Pay Provision**

The council's equal pay claims are largely settled, the remaining provision of £0.374 million is deemed sufficient to meet the outstanding liability due in respect of equal pay pension liabilities due to Lothian Pension Fund.

**Holiday Pay Provision**

The council's known holiday pay claims are now settled, the remaining provision of £0.310 million has now been written back as there are no further liabilities on the provision.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8**

<b>19. LONG TERM CREDITORS</b>	<b>Sum Outstanding 2021/22 £'000</b>	<b>Sum Outstanding 2020/21 £'000</b>
Finance Leases - outstanding principal	-	3
Open Space Agreements	212	223
Economic Development Business Gateway	28	90
	<b>240</b>	<b>316</b>
<b>OTHER LONG TERM LIABILITIES</b>		
PPP1 Schools	9,975	9,757
PPP3 Schools	41,443	43,353
DBFM School	25,248	26,128
	<b>76,666</b>	<b>79,238</b>

**20. PENSION SCHEMES****20.1 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 2018. 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 council 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 2021/22 the council paid an employer's contribution of £20.670 million (£20.062 million 2020/21) at the prescribed rate of 23% (23% 2020/21) 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 2021/22 (2020/21) these amounted to £0.356 million (£0.395 million) representing 0.26% (0.28%) 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.

**Guaranteed Minimum Pension (GMP)**

GMP was accrued by members of the Local Government Pension Scheme (LGPS) between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females, however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

The fund's actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the liabilities of West Lothian Council for financial reporting purposes. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards. This increased liability has been reflected since 2019/20 in the annual accounts as a past service cost, with no further impact assessed at 31 March 2021 or 31 March 2022.

**McCloud Judgement**

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination.

The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

In July 2020, following the UK Government consultation, the Lothian Pension Fund's actuary adjusted GAD's estimate to better reflect the council's local assumptions, particularly withdrawal rates and salary increases. The estimated impact of the McCloud judgement included in the 2020/21 financial statements as a past service cost was estimated at £5.9 million. These numbers are a high level estimate based on a combination of scheme and fund level calculations and therefore depend on various key assumptions which may or not be borne out in practice. This had no further impact assessed at 31 March 2022.



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### 20.2 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:

#### Comprehensive Income and Expenditure Statement Cost of Services

Current Service cost  
Past Service Costs  
Effect of Settlements

#### Financing and Investment Income and Expenditure Net Interest Expense

**Remeasurement of the net defined benefit liability comprising:**  
Return on plan assets (excluding the amount included in the net interest expense)  
Actuarial (gains) and losses arising on changes in demographic assumptions  
Actuarial (gains) and losses arising on changes in financial assumptions  
Other experience  
**Total Post-employment Benefits Charged to Comprehensive Income and Expenditure Statement**

2021/22		2020/21	
£'000	£'000	£'000	£'000
69,393		47,370	
280		172	
-	69,673	-	47,542
	6,618		5,379
	76,291		52,921
(103,360)		(143,448)	
(9,001)		(62,173)	
(102,016)		276,412	
1,732	(212,645)	(6,923)	63,868
	(136,354)		116,789

#### Movement in Reserves Statement

Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with Code

#### Actual Amount charged against the General Fund Balance of pensions in the year

Employer's contributions payable to the scheme  
Contributions in respect of unfunded benefits

2021/22		2020/21	
£'000	£'000	£'000	£'000
	168,086		(86,406)
(29,898)		(28,466)	
(1,834)		(1,917)	
	(31,732)		(30,383)

The amount charged to taxation for the Lothian Pension Fund Scheme in 2021/22 (2020/21) was £31.487 million (£29.810 million).

### 20.3 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: -

Fair Value of Assets  
Present Value of Funded Liabilities  
Share of net liabilities  
Present value of unfunded liabilities

#### Net pension liabilities arising from defined benefit obligation

2021/22 £'000	2020/21 £'000
1,298,452	1,164,451
(1,417,309)	(1,448,689)
(118,857)	(284,238)
(24,820)	(27,525)
(143,677)	(311,763)

### 20.4 Reconciliation of the Movements in the Fair Value of Lothian Pension Fund Assets

Opening fair value of assets at 1 April

Interest income on plan assets  
Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense)  
Remeasurement gain / (loss) - Other experience  
Employer's contributions payable to the scheme  
Contributions by scheme participants  
Benefits paid

#### Closing fair value of assets at 31 March

2021/22 £'000	2020/21 £'000
1,164,451	1,019,487
23,345	23,495
103,360	143,448
-	(27,518)
29,898	28,466
8,246	7,870
(30,848)	(30,797)
1,298,452	1,164,451

### 20.5 Reconciliation of the Present Value of Lothian Pension Fund Liabilities

Opening Balance at 1 April

Current Service costs  
Interest cost  
Contributions by scheme participants  
Remeasurement gain / (loss):  
- Actuarial (gains) and losses arising on changes in demographic assumptions  
- Actuarial (gains) and losses arising on changes in financial assumptions  
- Other experience  
Past service costs  
Benefits paid  
Unfunded benefits paid

#### Closing balance of liabilities at 31 March

2021/22 £'000	2020/21 £'000
(1,476,214)	(1,244,844)
(69,393)	(47,370)
(29,963)	(28,874)
(8,246)	(7,870)
9,001	62,173
102,016	(276,412)
(1,732)	34,441
(280)	(172)
30,848	30,797
1,834	1,917
(1,442,129)	(1,476,214)

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****20.6 Lothian Pension Fund Assets by Category**

The asset values below are at bid value as required by IAS 19

**Equity Securities:**

	<b>2021/22</b>		<b>2020/21</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
*Consumer	159,739	12%	151,416	13%
*Manufacturing	171,845	13%	167,904	14%
*Energy and Utilities	71,682	6%	59,323	5%
*Financial Institutions	74,835	6%	71,371	6%
*Health and Care	89,944	7%	72,757	6%
*Information Technology	59,001	5%	55,181	5%
*Other	96,803	7%	92,452	8%

**Private Equity:**

All	5,970	-	7,131	1%
*All	136	-	-	-

**Investment funds and unit trusts:**

*Equities	22,320	2%	16,454	1%
Equities	1,003	-	-	-
Infrastructure	131,649	10%	133,296	12%

**Equity**

<b>884,927</b>	<b>68%</b>	<b>827,285</b>	<b>71%</b>
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**Debt Securities:**

Corporate Bonds A (investment grade)	-	-	39,720	4%
*UK Government	113,392	9%	93,422	8%
*Other	24,354	2%	-	-

**Investment funds and unit trusts:**

*Bonds	24,401	2%	23,967	2%
Bonds	36,403	3%	-	-

**Derivatives:**

*Foreign exchange	61	-	61	-
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**Bonds**

<b>198,611</b>	<b>16%</b>	<b>157,170</b>	<b>14%</b>
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**Real Estate:**

*UK Property	12,090	1%	-	-
UK Property	56,552	4%	60,728	5%
Overseas Property	366	-	137	-

**Property**

<b>69,008</b>	<b>5%</b>	<b>60,865</b>	<b>5%</b>
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**Cash and cash equivalents**

*All	145,906	11%	119,131	10%
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**Cash and cash equivalents**

<b>145,906</b>	<b>11%</b>	<b>119,131</b>	<b>10%</b>
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**Total**

<b>1,298,452</b>	<b>100%</b>	<b>1,164,451</b>	<b>100%</b>
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Assets marked with an asterisk (\*) have quoted prices in active markets and equate to £1,066.509 million (£923.439 million 2020/21) with prices not quoted in active markets totalling £231.943 million (£241.012 million 2020/21).

**20.7 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 2020 and updated for the following period 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 VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised on page 79.

**Investment Returns**

The return on the Fund in market value terms for the period to 31 March 2022 is estimated based on actual Fund returns. Index returns, where used, are based on employer asset holdings. Details are given below:

Actual Returns from 1 April 2021 to 31 March 2022

**10.8%**

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****20.7 Basis for Estimating Assets and Liabilities (Continued)**

**Current Pensioners** - Males  
- Females  
**Future Pensioners** - Males  
- Females

2021/22 Years	2020/21 Years
20.3	20.5
23.1	23.3
21.6	21.9
25.0	25.2

**Financial Assumptions**

Rate of inflation  
Rate of increase in salaries  
Increase in Pensions  
Rate for discounting scheme liabilities

2021/22 %	2020/21 %
3.2%	2.9%
3.7%	3.3%
3.2%	2.9%
2.7%	2.0%

**20.8 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.

0.1% decrease in Real Discount Rate  
0.1% increase in the Salary Increase Rate  
0.1% increase in the Pension Increase Rate  
1 year increase in member life expectancy

Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
2%	28,120
0%	3,166
2%	24,730
4%	57,685

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%, increasing it by approximately £43 – £72 million. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

**20.9 Projected Pension Cost for period to 31 March 2023**

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The most recent formal valuation date was 31 March 2020 with the subsequent results are based on a rollforward from the formal valuation.

The pension deficit has decreased as a result of a combination of

- the investment returns being significantly greater than expected leading to a positive impact. The total investment return achieved by the Fund over the accounting period was 10.8%, compared to an expected accounting return of 2%,
- the net discount rate (discount rate net of inflation) has increased. The discount rate assumption has increased by more than the increase in the CPI assumption resulting in a positive impact. It is estimated by the actuary that the gain is in the region of a 6 - 8%.
- The longevity assumptions have changed from the previous accounting period to reflect the latest available mortality improvement table resulting in a gain on the obligations. It is estimated by the actuary that the decrease in obligations are in the region of 0.5%.

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 11% (24% 2020/21).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2023, based on assumptions as at 31 March 2022: -

31 March 2023			
Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	(62,602)	(62,602)	(45.9%)
Past service cost including curtailments	-	-	-
Effect of settlements	-	-	-
<b>Total Service Cost</b>	<b>(62,602)</b>	<b>(62,602)</b>	<b>(45.9%)</b>
Interest income on plan assets	-	35,137	25.8%
Interest cost on defined benefit obligation	(39,432)	(39,432)	(28.9%)
<b>Total Net Interest Cost</b>	<b>(39,432)</b>	<b>(4,295)</b>	<b>(3.1%)</b>
<b>Total included in Profit or Loss</b>	<b>(102,034)</b>	<b>(66,897)</b>	<b>(49.0%)</b>

The estimated Employer's contributions for the year to 31 March 2023 will be approximately £29.721 million.

**21. USABLE RESERVES**

Movements in the council's usable reserves are detailed in the Movement in Reserves Statement and Notes 12 and 13.

**21.1 Revenue Statutory Funds****Insurance Fund**

Balance at 1 April  
Appropriation

Balance at 31 March

2021/22 £'000	2020/21 £'000
7,596	9,317
(289)	(1,721)
<b>7,307</b>	<b>7,596</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8**

21.2 Capital Fund	2021/22 £'000	2020/21 £'000
Balance at 1 April	45,580	57,917
Transfer (to) / from Capital Adjustment Account	(14,221)	(17,705)
Appropriation	7,281	5,368
Balance at 31 March	<b>38,640</b>	<b>45,580</b>

22. UNUSABLE RESERVES	2021/22 £'000	2020/21 £'000
Revaluation Reserve	834,066	843,918
Financial Instruments Revaluation Reserve	193	173
Capital Adjustment Account	409,634	399,418
Financial Instruments Adjustment Account	(7,117)	(7,547)
Pensions Reserve	(143,677)	(311,763)
Employee Statutory Adjustment Account	(13,483)	(12,582)
<b>Total Unusable Reserves</b>	<b>1,079,616</b>	<b>911,617</b>

22.1 Revaluation Reserve	2021/22 £'000	2020/21 £'000
Balance at 1 April	843,918	504,897
Unrealised gains / (losses) on revaluation of fixed assets	39,579	394,340
Less: Depreciation on revaluations	(49,431)	(55,319)
Balance at 31 March	<b>834,066</b>	<b>843,918</b>

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.

22.2 Financial Instruments Revaluation Reserve	2021/22 £'000	2020/21 £'000
Balance at 1 April	173	252
Revaluation of long-term Investments at fair value	20	(79)
Balance at 31 March	<b>193</b>	<b>173</b>

22.3 Capital Adjustment Account	2021/22 £'000	2020/21 £'000
Balance at 1 April	399,418	396,361
Depreciation and impairment	(129,719)	(139,335)
Amortisation of intangible assets	(712)	(390)
Loans fund principal repayments	5,188	12,257
Capital financed from grants (Government and other bodies)	53,894	37,861
Capital financed from current revenue (General Fund)	5,630	6,247
Capital financed from current revenue (HRA)	11,680	12,121
Gain/ (Loss) on disposal of non-current assets	603	1,272
Revaluation Reserve - Depreciation on revaluations	49,431	55,319
Transfer of Capital Receipts to Capital Fund	14,221	17,705
Balance at 31 March	<b>409,634</b>	<b>399,418</b>

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**

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
<b>22.4 Financial Instruments Adjustment Account</b>		
Balance at 1 April	(7,547)	(7,976)
Appropriations (to) from Movements on Reserve Statement	430	429
Balance at 31 March	<b>(7,117)</b>	<b>(7,547)</b>
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 2022 represents: -		
	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Deferred Premiums less Discounts from Debt Rescheduling	(4,703)	(5,096)
Market LOBO loans restated - balance sheet value	(62,994)	(63,031)
- Deduct: actual loans outstanding	60,580	60,580
	<b>(7,117)</b>	<b>(7,547)</b>
<b>22.5 Pension Fund Reserve</b>		
The pension reserve mirrors the net pensions liability detailed in note 20.3. The movements in the year are summarised as follows:		
Balance at 1 April	(311,763)	(225,357)
Net surplus for year	(44,559)	(22,538)
Actuarial (Losses) Gains in Pension Plan	212,645	(63,868)
Balance at 31 March	<b>(143,677)</b>	<b>(311,763)</b>
<b>22.6 Employee Statutory Adjustment Account</b>		
	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Balance at 1 April	(12,582)	(10,921)
Annual leave and maternity accrual - previous year	12,582	10,921
Annual leave and maternity leave accrual - current year	(13,483)	(12,582)
Statutory adjustment for the year	(901)	(1,661)
Balance at 31 March	<b>(13,483)</b>	<b>(12,582)</b>
The Employee Statutory Adjustment 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.		
<b>23. CASH FLOW STATEMENT - OPERATING ACTIVITIES</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
<b>The following amounts are included in the net cash flows from Operating Activities: -</b>		
Interest paid	23,431	23,679
Interest element of finance lease rental payments including PPP contracts	4,283	4,521
Interest received	(276)	(1,190)
<b>The deficit on the provision of services has been adjusted for the following non-cash movements: -</b>		
Depreciation	98,820	123,258
Amortisation of intangible assets	712	390
Impairment and downward revaluations	30,899	16,077
Amortisation	(36)	(35)
Increase/(decrease) in creditors	(2,701)	21,180
(Increase)/decrease in debtors	22,207	(38,661)
(Increase)/decrease in short term intangible assets	-	-
(Increase)/decrease in inventories	107	(384)
Movement in pension liability	44,559	22,538
Gain on disposal of non-current assets	(603)	(1,272)
Other non-cash items	(73)	3
	<b>193,891</b>	<b>143,094</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****24. CASH FLOW STATEMENT - INVESTING ACTIVITIES**

Purchase of property, plant and equipment and intangible assets  
 Proceeds from the sale of property, plant and equipment  
 Net (increase) decrease in short term investments  
 Net cash flows from Investing Activities

**2021/22  
£'000****2020/21  
£'000**

(137,629)

(78,939)

1,741

174

(27,496)

76,003

**(163,384)****(2,762)****25. CASH FLOW STATEMENT - FINANCING ACTIVITIES**

Cash receipts of short and long term borrowing  
 Cash payments for the reduction of the outstanding liabilities relating to  
 finance leases and on balance sheet PPP contracts  
 Repayments of short and long term borrowing  
 Net cash flows from Financing Activities

**2021/22  
£'000****2020/21  
£'000**

40,000

-

(2,397)

(3,778)

(9,935)

(15,184)

**27,668****(18,962)****26. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS**

Cash held by officers  
 Bank current accounts  
 Short term deposits  
 Total Cash and Cash Equivalents

**2021/22  
£'000****2020/21  
£'000**

121

148

1,584

1,688

47,250

70,110

**48,955****71,946****27. RECONCILIATION OF LIABILITIES  
ARISING FROM FINANCING ACTIVITIES**

Long term borrowing  
 Short term borrowings  
 Finance Lease Liabilities  
 On balance sheet PFI liabilities  
 Total liabilities from financing activities

**1 April 2020  
£'000****Financing  
Cash Flows  
£'000****Non-Cash  
Changes  
£'000****31 March 2021  
£'000**

538,641

(10,000)

-

528,641

84,415

(5,184)

(35)

79,196

60

(36)

-

24

85,364

(3,742)

-

81,622

**708,480****(18,962)****(35)****689,483****1 April 2021  
£'000****Financing  
Cash Flows  
£'000****Non-Cash  
Changes  
£'000****31 March 2022  
£'000**

Long term borrowing  
 Short term borrowings  
 Finance Lease Liabilities  
 On balance sheet PFI liabilities  
 Total liabilities from financing activities

528,641

40,000

-

568,641

79,196

(9,935)

(36)

69,225

24

(22)

-

2

81,622

(2,375)

-

79,247

**689,483****27,668****(36)****717,115****28. CONTINGENT LIABILITIES****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. In 2016 this was subsequently increased to 25%. The council has paid a total of £0.228 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.

**Abuse Claims**

The council recognises the potential for compensation claims deriving from the Scottish Government's Limitation (Childhood Abuse) (Scotland) Bill which has removed the three-year time limit on claims of child abuse. Some claims may be more historic and predate Local Government Reorganisation in 1996. As at 31 March 2022, six claims have been received. However, no claims have been brought that have progressed to a stage where a possible payment can be reliably estimated and accounted for in the financial statements. The council will consider the funding of future claims according to the nature and materiality of claims as they are brought in future years.

**Pension guarantees**

The council provides a formal guarantee to Lothian Pension Fund in respect of any monies due to the fund by West Lothian Leisure should it be unable to meet its obligations to the fund. The council has considered the likelihood of this guarantee being called upon in light of the financial challenges faced by WLL and concluded that there remains no expectation of the council having to settle obligations on its behalf given that its payments to the fund remain up to date and WLL has existing financial support and plans in place to address its financial challenges going forward.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****29. TRADING OPERATIONS**

The Local Government in Scotland Act 2003 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: -

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Turnover	4,501	4,464
Expenditure	2,219	2,920
<b>Surplus for year</b>	<b>2,282</b>	<b>1,544</b>
<b>Budget Surplus for year</b>	<b>2,448</b>	<b>1,791</b>

Included in turnover is internal income of £0.150 million (£0.149 million 2020/21).

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: -

	<b>Surplus / (Deficit) £'000</b>	<b>Loan Interest £'000</b>	<b>Net Surplus / (Deficit) £'000</b>
2019/20	1,546	426	1,120
2020/21	1,544	477	1,067
2021/22	2,282	399	1,883
<b>Surplus over three year period</b>	<b>5,372</b>	<b>1,302</b>	<b>4,070</b>

In the three years to 31 March 2022 the trading account achieved a statutory aggregate surplus of £4.07 million, therefore meeting the statutory financial requirement to breakeven over the three year period.



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

## 30. AGENCY SERVICES

**Expenditure****Local Bus Services**

Cross boundary bus services where other local authorities contract for the services and charge West Lothian for shared cross boundary agreements.

176

93

**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.

608

704

**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.

249

211

**Community Testing Programme**

Costs incurred in the provision of the Community Testing Programme.

736

-

**Other**

Provision of other services – Speech Therapy, Additional Needs Support, Corporate Procurement, Taxi Inspection and Mortuary Fees etc.

1,193

1,014

**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.

58,712

50,517

**Total Expenditure**

61,674

52,539

**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.

557

557

**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.

2,134

1,628

**Local Bus Services**

Cross boundary bus services where West Lothian contract for the services and recharge other local authorities for shared cross boundary agreements.

265

255

**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.

487

358

**Business Gateway**

Agreement between City of Edinburgh Council and West Lothian Council for the provision of management services and for the delivery by WLC to or on behalf of CEC of various economic and business development and training programmes within the Edinburgh and Lothians area.

204

242

**Community Testing Programme**

Recovery of costs for the provision of the Community Testing Programme.

736

-

**Other**

Recovery of the cost of provision of payroll, HR, IT & Telephony Service to the Improvement Service, recovery of the cost of payroll, HR, Corporate Communications/Media support, IT & Telephony Service to West Lothian College.

118

107

**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.

63,833

50,304

**Total Income**

68,334

53,451

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****Covid-19 Response Funding – Scottish Government - Agency**

Covid-19 Scottish Government funding provided and expenditure incurred during 2021/22 where the council has acted as an intermediary for Scottish Government is as follows: -

<b>Scottish Government Grants – Agency</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Transitional Support Fund for Childcare Providers	-	305
Business Closure Fund	-	475
Business Contingency Fund: Soft Play & Nightclubs	-	240
Furlough Support Fund	-	117
Small Business Grants	-	27,414
Self Employed Hardship Fund	-	303
Covid Spring Hardship	-	708
Covid Winter Hardship Grants	-	608
£500 payments Social Care Staff	-	633
£500 payments Social Care Providers	-	822
Covid-19 Business Support – Support for Brewers, Travel Agents & Indoor Football	-	125
Temporary Restrictions Fund for Childcare Providers	88	143
Strategic Framework Business Fund	8,526	13,687
Business support - small accommodation providers paying council tax	12	68
SWF Self Isolation Grants	1,330	202
Taxi and Private Hire Driver Support Fund	1,441	594
Low Income Pandemic Payments	2,115	-
Scottish Child Payment Bridging Payments	2,990	-
National Qualifications 2020-21 Additional Teacher Payment	392	-
Route Map Extension Restrictions Fund	262	-
Soft Play Support Fund	15	-
Hospitality and Leisure	1,471	-
Business Ventilation Fund	7	-
Nightclub Closure Fund	100	-
Scottish Brewers Support Fund	6	-
Public House Table Service Restriction Fund	127	-
Childcare Sector Omicron Impacts Fund	172	-
<b>Total Agency Grants</b>	<b>19,055</b>	<b>46,444</b>

**31. EXTERNAL AUDIT COSTS**

The Accounts Commission for Scotland appointed Ernst & Young LLP as the council's External Auditor for the financial years 2016/17 to 2021/22, with a subsequent notification that the appointment would be extended to cover the audit of the 2021/22 financial year.

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 council's external auditors: -

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	341	359
Audit fee in respect of s106 Trust Funds	10	10
	<b>351</b>	<b>369</b>

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****32. 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 21 June 2022. Events after the balance sheet date have been considered up to 27 September 2022.

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

- **Adjusting events**

Those that provide evidence of conditions that existed at the end of the reporting period which the Annual Accounts are adjusted to reflect.

- **Non Adjusting Events**

Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect these events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of events and their estimated financial effect.

There are no events to consider, however the council continues to monitor and assess the financial impact of Covid-19 recovery and cost of living pressures during 2022/23.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****33. GRANT INCOME**

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Capital Grants and Contributions		
- General Capital Grant	11,457	14,090
- Other Scottish Government Grant	13,610	10,057
- Developers Contributions	26,352	10,498
- Other Capital Contributions	2,475	3,216
<b>Total Capital Grants and Contributions</b>	<b>53,894</b>	<b>37,861</b>
Revenue Support Grant	286,439	273,566
Covid-19 Response Funding - Redetermination (note 33.1)	17,266	37,411
Distribution from Non-Domestic Rate Pool	60,063	52,042
<b>Total Grants credited to Taxation and Non-Specific Grant Income</b>	<b>417,662</b>	<b>400,880</b>
<b>Credited to Services</b>		
<b>Ring Fenced Grants</b>		
Criminal Justice Grant	3,006	3,061
Pupil Equity Funding	6,008	5,010
Early Learning Childcare	15,299	13,638
Gaelic	8	8
	<b>24,321</b>	<b>21,717</b>
<b>Covid-19 Response Funding – Service (note 33.2)</b>	<b>2,227</b>	<b>5,929</b>
<b>Other grants</b>		
Housing Benefits Grant	39,899	42,394
Administration of Benefits Grant	610	606
DWP Discretionary Housing Payment	2,006	602
Integration Joint Board	10,133	10,133
Education Maintenance Allowance	639	765
Schools for the Future Programme	1,912	1,907
Leader	182	393
European Grants	1,110	687
Private Sector Housing Grant	732	732
Home Energy Efficiency Programme for Scotland	930	650
Other Grants	4,405	3,819
Contribution from Local Authorities	1,067	861
Contribution from NHS	25,204	25,666
<b>Total Grants credited to Services</b>	<b>115,377</b>	<b>116,861</b>
<b>Capital Grants Received in Advance</b>		
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: -		
	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Developer Contributions	<b>21,439</b>	<b>30,066</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### 33.1 Covid-19 Response Funding – Scottish Government – Redetermination

The grants detailed below relate to Covid-19 funding received by the council through redetermination in General Revenue Grant and are reported in Taxation and Non-specific Grant Income within the CIES.

Redetermination Grants	2021/22 £'000	2020/21 £'000
Food Fund	-	1,045
Test and Protect	-	163
Additional Education – Teachers, Digital Inclusion, Home Learning Support Fund	-	1,683
Education Recovery Funding	2,360	3,186
Teacher/support staff and Teacher Workforce	-	2,011
Estimate UKG Consequentials Lost Income Scheme	-	4,190
Additional UKG Consequentials	-	1,653
Local Authority Hardship Fund	-	1,687
Winter Plan - RRTP	-	195
Scottish Welfare Fund Top Up	-	712
Community Justice CPP Transitional Funding Extra	-	13
Council Tax Reduction Scheme Additional Support	-	760
Children and Young People's Mental Health	-	511
Business Support Grant Admin	82	313
PESF Boost	-	176
Tackling Financial Insecurity over Winter Funding	-	1,352
Flexible Fund to Support People Impacted by Protection Level Restrictions	-	1,012
Discretionary Fund	-	2,453
Associated with Covid-19	-	5,228
Free School Meals	-	988
General Covid-19 Funding	8,439	7,998
Other Covid-19 Grants (including Registrars of Death and Environmental Health Officers)	-	82
Business Support and Low Income Household	2,615	-
Low Income Pandemic Payments	2,234	-
CO2 Monitors	113	-
Financial Insecurity Flexible Funding	780	-
Local Self Isolation Assistance Service	300	-
Tenant Grant Fund	343	-
<b>Total Grants - Redetermination</b>	<b>17,266</b>	<b>37,411</b>

### 33.2 Covid-19 Response Funding – Scottish Government – Service Grants

The grants detailed below relate to Covid-19 funding received by the council through service specific Covid-19 grants from Scottish Government, which have been applied to service income in the CIES.

Service Grants	2021/22 £'000	2020/21 £'000
Free School Meals	-	699
Winter Plan for Social Protection	-	501
Teacher / Support Staff and Teacher Workforce	-	2,073
Local Authority Discretionary Funding to Support Business	-	1,056
Additional Food Funding for Vulnerable Groups	-	440
No One Left Behind	95	250
Care Experienced & Young People Fund	339	457
Additional Discretionary Housing Payment Funding	-	233
Young Persons Guarantee	1,124	46
PACE	61	120
Other Covid-19 Grants - Admin	44	54
Community Health & Wellbeing Support Framework	110	-
Criminal Justice Pandemic Recovery Work	356	-
Contact Tracing	29	-
SWF Self Isolation Grant Admin	42	-
Hospitality and Leisure Admin	27	-
<b>Total Grants - Service</b>	<b>2,227</b>	<b>5,929</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### 34. GENERAL FUND BALANCE

The following amounts have been earmarked within the General Fund Balance.

	Balance at 1 April 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 1 April 2021 £'000	Transfers Out 2021/22 £'000	Transfers In 2021/22 £'000	Balance at 31 March 2022 £'000
<b>General Fund Balance</b>	<b>19,869</b>			<b>42,519</b>			<b>52,827</b>
<b>Movement in Earmarked Reserves</b>							
Balances held by schools under a scheme of delegation	951	-	545	1,496	-	437	1,933
Modernisation Fund	1,538	-	1,141	2,679	(715)	2,000	3,964
Government Grants	5,233	(100)	-	5,133	-	-	5,133
Time Limited Projects	1,062	(433)	-	629	(78)	37	588
Developer Contribution Fund	5,107	(2,830)	-	2,277	(792)	-	1,485
Anti-Poverty Fund Strategy (including Period Poverty)	303	-	-	303	-	-	303
Voluntary Organisations Fund	63	-	-	63	-	-	63
Committed Funds from Loans Fund Review	2,154	(4,353)	5,498	3,299	(5,030)	5,880	4,149
Lifetime Alcohol Licensing Fund	464	-	-	464	(64)	-	400
Scottish Government Funding Carry Forward	-	-	19,328	19,328	(19,328)	-	-
Council Resources Earmarked for Covid Response	-	-	2,837	2,837	(18,155)	41,277	25,959
Winter Resilience Fund	-	-	1,000	1,000	-	-	1,000
Investment for Potholes	-	-	750	750	-	-	750
Whitburn Community Centre Works	-	-	-	-	-	1,750	1,750
Additional Amount to balance 2022/23 on one-off basis	-	-	-	-	-	962	962
Homelessness Provision	-	-	-	-	-	450	450
Ashdieback	-	-	-	-	-	500	500
One-off Energy Provision for increased costs in 2022/23	-	-	-	-	-	609	609
Winchburgh High School Early Opening one-off costs	-	-	-	-	-	748	748
<b>Total Earmarked Reserves</b>	<b>16,875</b>	<b>(7,716)</b>	<b>31,099</b>	<b>40,258</b>	<b>(44,162)</b>	<b>54,650</b>	<b>50,746</b>
<b>Uncommitted General Fund Balance</b>	<b>2,994</b>			<b>2,261</b>			<b>2,081</b>

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.933 million (£1.496 million 2020/21) 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 2022/23 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.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### 35. LEASING, PPP AND DBFM 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: -

	2021/22 £'000	2020/21 £'000
Plant and Vehicles	1,236	1,673
Property	523	536
	<b>1,759</b>	<b>2,209</b>

Assets acquired under finance leases have been capitalised.

#### Operating Leases

The future cash payments required under operating leases are: -

	2021/22 £'000	2020/21 £'000
2022/23 (2021/22) - Land and Buildings	552	535
- Other Operating Leases	1,101	1,127
2023/24 to 2026/27 (2022/23 to 2025/26) - Land and Buildings	1,603	1,470
- Other Operating Leases	2,188	1,503
2027/28 onwards (2026/27 onwards) - Land and Buildings	6,367	6,476
- Other Operating Leases	-	-

The cumulative value of leases in 2021/22 where the council is a lessor is £5.456 million for 738 units (£5.939 million for 738 units 2020/21).

#### Education Service PPP1 Schools Project

PPP1 is a 31 year Public Private Partnership 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 responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 7 November 2032.

The unitary charge is subject to annual RPI indexation. The PPP contractor has price risk for utilities, therefore the council may be entitled to a rebate on the unitary charge, 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

PPP3 is a 31 year Public Private Partnership 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.



## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 8

### 35. LEASING, PPP AND DBFM PAYMENTS (CONTINUED)

#### Education Service DBFM West Calder High School Project

DBFM is a 25 year Design, Build, Finance and Maintain (DBFM) contract for the construction of a new high school in West Calder to replace the existing high school. The school was handed over to the council on 29 June 2018 and became operational on 20 August 2018. The DBFM contractor is responsible for the majority of the ongoing maintenance of the school facilities, which requires ongoing procurement of construction services, plant and equipment. The council operates the school facilities (janitorial, cleaning and security services) and is responsible for some elements of ongoing maintenance, such as grounds maintenance, kitchen equipment maintenance, replacement floor finishes and redecoration. The contract expiry date is 29 June 2043.

The Monthly Service Payment is subject to annual RPI indexation. The council has price risk on insurance premiums and both price and consumption risk for utilities. The council is entitled to receive a 30% share of any refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities every day of the calendar year. The DBFM contract specifies standards for the services to be delivered by the DBFM contractor, payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities must achieve a specified standard when they are handed over to the council on the contract expiry date. Both parties have rights to terminate the contract, but compensation may be payable.

#### PPP and DBFM Payments

The future cash payments under two PPP schools and the DBFM school contracts are analysed as follows: -

Range	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	Schools for the Future Revenue Funding £'000	2021/22 Total £'000	2020/21 Total £'000
Within one year	2,581	4,240	657	9,964	(1,867)	15,575	15,380
2 to 5 years	14,576	14,763	1,719	42,118	(7,468)	65,708	64,880
6 to 10 years	23,299	13,787	1,944	60,692	(9,335)	90,387	89,251
11 to 15 years	20,136	7,337	213	46,738	(9,335)	65,089	72,128
16 to 20 years	15,948	2,582	-	25,238	(9,335)	34,433	46,281
21 to 25 years	2,707	135	-	1,105	(2,327)	1,620	2,941
<b>Total</b>	<b>79,247</b>	<b>42,844</b>	<b>4,533</b>	<b>185,855</b>	<b>(39,667)</b>	<b>272,812</b>	<b>290,861</b>

The Schools for the Future Programme, in order to ensure successful delivery of the DBFM Project at West Calder High School, has committed to provide revenue funding support for a period of 25 years commencing during 2018/19. The level of funding will total £46.677 million towards operating costs of the project.

### 36. RELATED PARTIES

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council. The council has chosen a de-minimus level of £0.1 million as its threshold disclosure level for individual items of income and expenditure, but considers any identified related party transactions on a case by case basis for disclosure.

#### 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 on a principal basis, where council is acting on its own behalf, are set out in note 33 on page 87, whilst grants provided on an agency basis, where the council is an intermediary for Scottish Government, are detailed in note 30 on Page 85.

#### Councillors

Members of the Council have direct control over the council's financial and operating policies.

The Councillors Code of Conduct requires elected members to complete a Register of Interest which contains a list of financial interests and important non-financial interests which each member is required to make public. Details of elected Members interests can be assessed from each councillor's page on the following link: [Register of Interests](#)

There are no related party transactions with members of the council.

The total of Councillors Remuneration allowances paid in 2021/22 are shown in the Remuneration Report note 2.3 on page 38.

**NOTES TO THE ANNUAL ACCOUNTS****STATEMENT 8****36. RELATED PARTIES (CONTINUED)****Officers**

Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that may directly or indirectly influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest would opt out of taking part in any discussion or decisions relating to transactions with these parties.

During 2021/22 there were no material transactions between the council and any company in which any officer had an interest.

The total remuneration paid to senior officers is detailed in the remuneration report note 3.2 on page 40.

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. The council has interests in a number of companies over which it has significant influence or control as detailed in the Group Accounts note G2, G3, and G6 on pages 103 and 104.

	2021/22 £'000	2020/21 £'000
<b>EXPENDITURE</b>		
<b>Government Payments</b>		
PAYE and National Insurance	68,424	64,792
Superannuation – Teachers	20,670	20,062
<b>Other Local Authority Payments</b>		
Lothian Pension Fund - Superannuation	31,379	30,522
Other Payments	935	771
<b>Other Related Party Payments</b>		
Joint Valuation Board – Joint Venture	1,155	1,171
West Lothian Integration Board – Joint Venture	77,856	69,353
West Lothian Leisure Ltd. - Subsidiary	3,592	4,658
Councillors Remuneration	752	715
Criminal Justice Authority	4,422	3,564
SESTRAN / CITY DEAL (formerly SESPLAN)	149	22
Scotland Excel	125	121
	<b>209,459</b>	<b>195,751</b>
<b>INCOME</b>		
Other Local Authority Receipts	1,067	861
Criminal Justice Authority	3,362	3,061
West Lothian Integration Board	77,856	69,353
	<b>82,285</b>	<b>73,275</b>
<b>BALANCE SHEET</b>		
<b>The amounts due (to) or from related parties are detailed below: -</b>		
Government departments	21	33,679
Other local authorities	(2,494)	(1,146)
<b>Related companies</b>		
West Lothian Leisure Ltd.	1,492	1,199
	<b>(981)</b>	<b>33,732</b>

Agenda Item 5

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.		
INCOME		2021/22 £'000	2020/21 £'000
	Dwellings Rent (gross)	(54,715)	(52,830)
	Non-Dwellings Rent (gross)	(498)	(592)
	Other Income	(1,360)	(907)
	TOTAL INCOME	(56,573)	(54,329)
EXPENDITURE			
	Repairs and Maintenance	18,932	14,307
	Supervision and Management	8,251	8,043
	Depreciation and Revaluation of non-current assets	39,455	31,534
	Bad or Doubtful Debts	927	905
	Other Expenditure	3,653	6,958
	TOTAL EXPENDITURE	71,218	61,747
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	14,645	7,418
	HRA Services share of Corporate and Democratic Core (CDC)	100	103
	HRA Share of Employee Statutory Adjustment	(1)	19
	HRA share of Non-Distributed Costs	7	5
	Net Cost of HRA Services	14,751	7,545
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	Profit on disposal of HRA assets	-	-
	Interest payable and similar charges	10,880	10,047
	Net interest on the net defined benefit liability	167	140
Deficit for the year on HRA Services	25,798	17,732	

Agenda Item 5

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	2021/22 £'000	2020/21 £'000	
	Balance on the HRA at the end of the previous year	1	(926)	(926)	
	Deficit for the year on the HRA Income and Expenditure Statement		25,798	17,732	
	Adjustments between accounting basis and funding basis under regulations		(25,798)	(17,732)	
	(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.	<b>Adjustments between accounting basis and funding basis under regulations</b>			
	Depreciation and Revaluation		(39,455)	(31,534)	
	Share of Employee Statutory Adjustment		1	(19)	
	Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund		(174)	(145)	
			(39,628)	(31,698)	
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>				
	Loans fund principal		2,150	1,845	
	Capital expenditure funded by HRA		11,680	12,121	
	<b>Adjustments between accounting basis and funding basis under regulations</b>		(25,798)	(17,732)	
	2.	<b>Housing Stock</b>			
	The council's stock at 1 April 2021 was 14,031 houses, and at 31 March 2022 was 14,075 houses. As a result, the council was responsible for managing an average of 14,053 dwellings during 2021/22.				
	<b>Stock movements can be summarised as follows: -</b>				
	Stock as at 1 April		14,031	14,038	
	New Build Completions		41	34	
	Open Market Acquisitions		31	34	
	Other Additions		14	3	
	Demolitions		-	(4)	
	Stock Reclassification		-	(74)	
	Sales		(42)	-	
	Stock as at 31 March		14,075	14,031	
	<b>Housing Stock Numbers by type are as follows: -</b>				
	1 Bed		2,601	2,586	
	2 Bed		6,654	6,633	
	3 Bed		4,193	4,183	
	4 Bed		481	485	
	More than 4 Bed		146	144	
			14,075	14,031	
	3.	<b>Rent Arrears at 31 March</b>		2021/22 £'000	2020/21 £'000
	Current Tenant			3,502	2,984
	Former Tenant			1,337	1,215
	4.	<b>Losses on Void Properties at 31 March</b>		2021/22 £'000	2020/21 £'000
	Losses on void properties			469	445
	5.	<b>Bad Debt Provision</b>		2021/22 £'000	2020/21 £'000
	Bad Debt Provision for housing rent arrears and former tenant's debt.			4,196	3,594

**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	Gross council tax levied and contributions in lieu <u>Less:</u> Discounts Provision for bad debts Council Tax Reduction Scheme Other deductions  Adjustments for previous years' Council Tax  <b>Transfers to General Fund</b>	2021/22 £'000						2020/21 £'000																																																																																																																																																								
			102,700					101,229																																																																																																																																																								
		(8,059)						(7,938)																																																																																																																																																								
		(2,762)						(3,174)																																																																																																																																																								
		(10,317)						(11,023)																																																																																																																																																								
		(2,940)						(2,848)																																																																																																																																																								
			(24,078)					(24,983)																																																																																																																																																								
	78,622					76,246																																																																																																																																																										
	1,432					380																																																																																																																																																										
	80,054					76,626																																																																																																																																																										
NOTES	1.	Calculation of the Council Tax base 2021/22																																																																																																																																																														
		<table><tr><td></td><td colspan="9">PROPERTY BANDS</td></tr><tr><td></td><td>A</td><td>B</td><td>C</td><td>D</td><td>E</td><td>F</td><td>G</td><td>H</td><td>Total</td></tr><tr><td>Properties</td><td>17,715</td><td>25,072</td><td>10,436</td><td>9,005</td><td>10,344</td><td>6,933</td><td>3,026</td><td>206</td><td>82,737</td></tr><tr><td>Exemptions</td><td>(857)</td><td>(767)</td><td>(240)</td><td>(127)</td><td>(81)</td><td>(47)</td><td>(19)</td><td>(15)</td><td>(2,153)</td></tr><tr><td>Disabled Relief</td><td>174</td><td>(84)</td><td>(6)</td><td>32</td><td>(30)</td><td>(45)</td><td>(39)</td><td>(2)</td><td>-</td></tr><tr><td>Discounts (25%)</td><td>(2,538)</td><td>(2,587)</td><td>(1,083)</td><td>(660)</td><td>(502)</td><td>(216)</td><td>(69)</td><td>(3)</td><td>(7,658)</td></tr><tr><td>Discounts (50%)</td><td>(44)</td><td>(52)</td><td>(27)</td><td>(15)</td><td>(13)</td><td>(6)</td><td>(3)</td><td>(1)</td><td>(161)</td></tr><tr><td>Empty Homes Premium</td><td>113</td><td>87</td><td>31</td><td>25</td><td>19</td><td>9</td><td>3</td><td>2</td><td>289</td></tr><tr><td>Council Tax Reduction Scheme</td><td>(4,284)</td><td>(3,901)</td><td>(1,136)</td><td>(480)</td><td>(262)</td><td>(77)</td><td>(23)</td><td>-</td><td>(10,163)</td></tr><tr><td>Effective Properties</td><td>10,278</td><td>17,768</td><td>7,975</td><td>7,780</td><td>9,475</td><td>6,551</td><td>2,876</td><td>187</td><td>62,889</td></tr><tr><td>Ratio to Band D</td><td>6/9</td><td>7/9</td><td>8/9</td><td>1</td><td>473/360</td><td>39/24</td><td>47/24</td><td>49/20</td><td></td></tr><tr><td>Band D Equivalents</td><td>6,849</td><td>13,820</td><td>7,089</td><td>7,780</td><td>12,448</td><td>10,645</td><td>5,631</td><td>457</td><td>64,719</td></tr><tr><td>Contributions in lieu</td><td colspan="8"></td><td>-</td></tr><tr><td>Level of non-payment provided for</td><td colspan="8"></td><td>1,618</td></tr><tr><td>COUNCIL TAX BASE</td><td colspan="8"></td><td>63,101</td></tr></table>										PROPERTY BANDS										A	B	C	D	E	F	G	H	Total	Properties	17,715	25,072	10,436	9,005	10,344	6,933	3,026	206	82,737	Exemptions	(857)	(767)	(240)	(127)	(81)	(47)	(19)	(15)	(2,153)	Disabled Relief	174	(84)	(6)	32	(30)	(45)	(39)	(2)	-	Discounts (25%)	(2,538)	(2,587)	(1,083)	(660)	(502)	(216)	(69)	(3)	(7,658)	Discounts (50%)	(44)	(52)	(27)	(15)	(13)	(6)	(3)	(1)	(161)	Empty Homes Premium	113	87	31	25	19	9	3	2	289	Council Tax Reduction Scheme	(4,284)	(3,901)	(1,136)	(480)	(262)	(77)	(23)	-	(10,163)	Effective Properties	10,278	17,768	7,975	7,780	9,475	6,551	2,876	187	62,889	Ratio to Band D	6/9	7/9	8/9	1	473/360	39/24	47/24	49/20		Band D Equivalents	6,849	13,820	7,089	7,780	12,448	10,645	5,631	457	64,719	Contributions in lieu									-	Level of non-payment provided for									1,618	COUNCIL TAX BASE									63,101
	PROPERTY BANDS																																																																																																																																																															
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Discounts (50%)	(44)	(52)	(27)	(15)	(13)	(6)	(3)	(1)	(161)																																																																																																																																																							
Empty Homes Premium	113	87	31	25	19	9	3	2	289																																																																																																																																																							
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Ratio to Band D	6/9	7/9	8/9	1	473/360	39/24	47/24	49/20																																																																																																																																																								
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Contributions in lieu									-																																																																																																																																																							
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COUNCIL TAX BASE									63,101																																																																																																																																																							
	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 for 2021/22 of 3% (3.5% 2020/21) of the net income from council tax has been provided, this represents a collection level of 97% (96.5% 2020/21).																																																																																																																																																														
	3.	The council tax charge for each band is as follows: -																																																																																																																																																														
		Band	2021/22 Council Tax £				2020/21 Council Tax £																																																																																																																																																									
		A	850.95				850.95																																																																																																																																																									
		B	992.77				992.77																																																																																																																																																									
		C	1,134.60				1,134.60																																																																																																																																																									
		D	1,276.42				1,276.42																																																																																																																																																									
		E	1,677.07				1,677.07																																																																																																																																																									
		F	2,074.18				2,074.18																																																																																																																																																									
		G	2,499.66				2,499.66																																																																																																																																																									
		H	3,127.23				3,127.23																																																																																																																																																									

**NON-DOMESTIC RATE INCOME ACCOUNT****STATEMENT 12**

<b>PURPOSE</b>	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.		
<b>INCOME</b>		<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
	Gross rates levied and contributions in lieu	95,984	99,817
	<u>Less</u>		
	Reliefs and other deductions	(33,338)	(44,662)
	Payment of interest	(17)	-
	Provisions for bad and doubtful debts	241	(2,589)
		(33,114)	(47,251)
	<b>Net non-domestic rate income</b>	<b>62,870</b>	<b>52,566</b>
	<b>Allocated:</b>		
	National non-domestic rate pool	63,031	52,732
<b>NOTES</b>	Cost of council rate relief	(161)	(166)
		<b>62,870</b>	<b>52,566</b>
	1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2021/22 was £60.063 million (£52.042 million 2020/21).		
	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 49.0p per £ in 2021/22 (49.8p in 2020/21). The rate was 50.3p (51.1p in 2020/21) for properties with a rateable value between £51,000 and £95,000 and 51.6p for properties with a rateable value above £95,000. 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 2021		
		<b>Number</b>	<b>Rateable Value £'000</b>
	Shops, Offices and other Commercial Subjects	3,125	74,597
	Industrial Subjects	1,799	76,286
	Miscellaneous (Schools etc.)	1,757	51,292
	<b>Total</b>	<b>6,681</b>	<b>202,175</b>

**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.		
EXPENDITURE  INCOME  SURPLUS / (DEFICIT)	INCOME AND EXPENDITURE STATEMENT	2021/22 £'000	2020/21 £'000
	Beneficiaries	(6)	(6)
	Loans Fund and Dividend Interest	4	4
	For Year	(2)	(2)
	At 1 April	385	387
	At 31 March	383	385
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	336	339
		383	386
	Current Liabilities	-	-
	TOTAL ASSETS	383	386
	Reserves		
	Capital Fund	165	165
	Revenue Fund	218	221
	TOTAL RESERVES	383	386
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 2021/22 is disbursed in 2022/23.	
	2.	The main fund balances where the council is sole trustee at 31 March 2022 are: -	
		Capital £'000	Revenue £'000
	Irene Elizabeth Miller Trust	60	6
	West Lothian Trust for the Benefit of People with Disabilities	41	16
	Quarter Farm Trust	17	40
	James Wood Bequest	14	55
	Robert Turner of Armadale Trust	11	19
	3.	The council also administered five other trusts in 2021/22, which have external and council trustees. At 31 March 2022 the total assets of these trusts, valued at cost, was £0.216 million (£0.216 million at 31 March 2021).	



**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****2021/22**  
**£'000****2020/21**  
**£'000****Expenditure**

Donations

-

-

**Income**

Interest

-

-

**Surplus / (Deficit)**

-

-

At 1 April

14

14

At 31 March

**14****14****BALANCE SHEET****Non-Current Assets**

Heritable Property

1

1

Furnishings

4

4

**5****5****Current Assets**

Revenue Advances to Loans Fund

18

18

**23****23**

TOTAL ASSETS

FINANCED BY:

**Reserves**

Revenue Balance

14

14

Capital Reserve

9

9

**23****23**

TOTAL LOANS AND RESERVES

**NOTES**

1. Fixed Assets represent book values taken over from former councils as recorded in their Annual Accounts. They consist of: -

	<b>£'000</b>
Furnishings	4
Heritable Property	1
	<b>5</b>

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 2021/22 amounted to £35 (£93 2020/21).

# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP**

# **STATEMENT 15**

<b>PURPOSE</b>	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.
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## **GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2022**

	Group Note	2021/22			2020/21		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		268,569	27,379	241,190	275,759	27,132	248,627
Planning, Economic Development and Regeneration		15,626	5,703	9,923	14,375	5,945	8,430
Operational Services		91,189	7,632	83,557	82,686	6,143	76,543
Housing, Customer and Building Services		28,488	7,664	20,824	20,927	6,519	14,408
Corporate Services		2,014	562	1,452	1,898	507	1,391
Social Policy – IJB, Adult and Elderly Services		190,387	112,531	77,856	173,173	103,820	69,353
Social Policy – non-IJB, Children's Services		46,922	5,325	41,597	43,743	5,126	38,617
Chief Executive, Finance and Property		58,754	7,936	50,818	50,765	7,353	43,412
Joint Boards		1,304	-	1,304	1,193	-	1,193
Other Services		45,376	44,827	549	50,261	47,324	2,937
West Lothian Leisure Ltd.		11,466	7,534	3,932	9,124	6,207	2,917
<b>Net Cost of General Fund Services</b>		<b>760,095</b>	<b>227,093</b>	<b>533,002</b>	<b>723,904</b>	<b>216,076</b>	<b>507,828</b>
Housing Revenue Account		71,218	56,573	14,645	61,747	54,329	7,418
<b>Net Cost of Services</b>		<b>831,313</b>	<b>283,666</b>	<b>547,647</b>	<b>785,651</b>	<b>270,405</b>	<b>515,246</b>
Other Operating Expenditure		(603)	-	(603)	(1,272)	-	(1,272)
Financing and Investment Income and Expenditure		61,074	29,056	32,018	61,395	29,936	31,459
Share of corporation tax of Joint Venture		-	-	-	-	-	-
Taxation and Non-Specific Grant Income		-	497,716	(497,716)	-	477,506	(477,506)
<b>Deficit on Provision of Services</b>		<b>891,784</b>	<b>810,438</b>	<b>81,346</b>	<b>845,774</b>	<b>777,847</b>	<b>67,927</b>
Share of Operating Results of Associates and Joint Ventures		153,858	164,141	(10,283)	144,820	149,348	(4,528)
<b>Deficit on Group</b>		<b>1,045,642</b>	<b>974,579</b>	<b>71,063</b>	<b>990,594</b>	<b>927,195</b>	<b>63,399</b>
<b>Items that will not be reclassified to the Deficit on the Provision of Services</b>							
Surplus on revaluation of property, plant and equipment				(39,579)			(394,340)
Remeasurements of the net defined benefit liability / (asset)				(218,813)			67,750
(Gains) / Losses on Investments in Associates and Joint Ventures				(2,055)			218
<b>Items that may be reclassified to the Deficit on the Provision of Services</b>				<b>(260,447)</b>			<b>(326,372)</b>
(Surplus) / Deficit from investments in equity instruments designated at fair value through other comprehensive income				(20)			79
<b>Other Comprehensive Income and Expenditure</b>				<b>(260,467)</b>			<b>(326,293)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(189,404)</b>			<b>(262,894)</b>

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

**MOVEMENT IN RESERVES STATEMENT - GROUP  
AS AT 31 MARCH 2022**

	Group Note	Single Entity Usable Reserves (Note 1) £'000	Single Entity Unusable Reserves (Note 1) £'000	Group Reserves (Notes 2 & 3) £'000	Total Group Reserves £'000
<b>Balance at 1 April 2020</b>		<b>88,029</b>	<b>657,256</b>	<b>(6,395)</b>	<b>738,890</b>
<b>Movement in Reserves during 2020/21</b>					
Total comprehensive income and expenditure		(67,440)	330,393	(59)	262,894
Adjustments between accounting basis and funding basis under regulations		76,032	(76,032)	-	-
Net increase (decrease) before transfers to other statutory funds		8,592	254,361	(59)	262,894
Transfers to or from other statutory funds		-	-	-	-
<b>Increase (decrease) in year</b>		<b>8,592</b>	<b>254,361</b>	<b>(59)</b>	<b>262,894</b>
<b>Balance at 31 March 2021</b>	<b>G3</b>	<b>96,621</b>	<b>911,617</b>	<b>(6,454)</b>	<b>1,001,784</b>
<b>Movement in Reserves during 2021/22</b>					
Total comprehensive income and expenditure		(81,166)	252,244	18,326	189,404
Adjustments between accounting basis and funding basis under regulations		84,245	(84,245)	-	-
Net increase (decrease) before transfers to other statutory funds		3,079	167,999	18,326	189,404
Transfers to or from other statutory funds		-	-	-	-
<b>Increase (decrease) in year</b>		<b>3,079</b>	<b>167,999</b>	<b>18,326</b>	<b>189,404</b>
<b>Balance at 31 March 2022</b>	<b>G3</b>	<b>99,700</b>	<b>1,079,616</b>	<b>11,872</b>	<b>1,191,188</b>

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.

**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 council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Fund that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that are adjustment accounts that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Group Note	As at 31 March 2022 £'000	As at 31 March 2021 £'000
<b>LONG TERM ASSETS</b>			
<b>Property, Plant and Equipment</b>			
- Council Dwelling		464,291	473,070
- Other Land and Buildings		1,168,207	1,166,446
- Vehicles, Plant, Furniture and Equipment		13,504	12,027
- Infrastructure Assets		245,630	240,321
- Community Assets		501	501
- Assets under construction		88,006	39,799
- Surplus Assets, not yet held for disposal		23,134	22,856
- Intangible Assets		3,569	1,746
Heritage Assets		861	779
Long Term Investments		508	491
<b>TOTAL LONG TERM ASSETS</b>		<b>2,008,211</b>	<b>1,958,036</b>
<b>CURRENT ASSETS</b>			
Short Term Investments		42,579	15,083
Inventories		1,656	1,741
Short Term Debtors		53,213	77,114
Cash and Cash Equivalents		51,409	73,129
<b>TOTAL CURRENT ASSETS</b>		<b>148,857</b>	<b>167,067</b>
<b>CURRENT LIABILITIES</b>			
Short Term Borrowing		(69,225)	(79,196)
Short Term Creditors		(96,445)	(86,637)
Provisions		(374)	(573)
Capital Grants Receipts in Advance		(21,439)	(30,066)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(187,483)</b>	<b>(196,472)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>(38,626)</b>	<b>(29,405)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,969,585</b>	<b>1,928,631</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Creditors		(240)	(316)
Long Term Borrowing		(568,668)	(528,716)
Defined Benefit Scheme Liability		(148,437)	(321,884)
Other Long Term Liabilities		(76,666)	(79,238)
Share of Net Liabilities of Associates and Joint Venture		15,614	3,307
<b>TOTAL LONG TERM LIABILITIES</b>		<b>(778,397)</b>	<b>(926,847)</b>
<b>TOTAL NET ASSETS</b>		<b>1,191,188</b>	<b>1,001,784</b>
<b>Financed by:</b>			
<b>USABLE RESERVES</b>			
General Funds Balance		69,159	47,681
Housing Revenue Fund Balance		926	926
Capital Fund		38,640	45,580
Insurance Fund		7,307	7,596
<b>TOTAL USABLE RESERVES</b>		<b>116,032</b>	<b>101,783</b>
<b>UNUSABLE RESERVES</b>		<b>1,075,156</b>	<b>900,001</b>
<b>TOTAL RESERVES</b>		<b>1,191,188</b>	<b>1,001,784</b>

The unaudited accounts were considered by the Audit Committee on 21 June 2022 and the audited accounts were authorised for issue on 27 September 2022.

DONALD FORREST CPFA, Head of Finance and Property Services

27 September 2022

**CASH FLOW STATEMENT - GROUP****STATEMENT 18****PURPOSE**

The Cash Flow Statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

	<b>Group Note</b>	<b>2021/22 £'000</b>	<b>2020/21 £'000</b>
Net deficit on the provision of services of Group		<b>(71,063)</b>	<b>(63,399)</b>
Adjustments to deficit on the provision of services for non-cash movements		185,254	138,872
Net cash flows from Operating Activities		114,191	75,473
Net cash flows from Investing Activities		(163,449)	(2,818)
Net cash flows from Financing Activities		27,538	(19,208)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(21,720)</b>	<b>53,447</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>73,129</b>	<b>19,682</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>51,409</b>	<b>73,129</b>

**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 council's contribution to the IJB for 2021/22 is £77.856 million (2020/21 £69.353 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 2021/22 show the Balance Sheet with assets and reserves of the IJB of £30.08 million.

**G3. COMBINING ENTITIES**

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 104 and 105.

**West Lothian Leisure Ltd. (WLL)** is a company limited by guarantee, it was assessed that the council exerted significant influence and control and as such, West Lothian Leisure is treated as a subsidiary of the council for financial reporting, details as follows:

- The Chief Executive of WLL is T P J Dent.
- Details of the remuneration of the Chief Executive of WLL is included in section 3.2 of the Remuneration Report on page 40.
- There were no Councillors of West Lothian Council remunerated by the body in 2021/22.
- There were no employees of WLL whose remuneration 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.

**Lothian Valuation Joint Board** is deemed to be an associate.

The council has joint control and right to net assets in West Lothian Integration Joint Board which is defined to be a joint venture.

The following shares of the accounts of these bodies have been included within the Group Accounts.

	2021/22	2020/21
<b>Associates</b>		
Valuation Joint Board - basis - WLC funding to total funding	18.86%	18.86%
<b>Joint Venture</b>		
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 Ltd £'000	Integration Joint Board £'000	Total £'000
Total Assets	2021/22 2020/21	437 439	1,881 1,431	15,040 4,654	17,358 6,524
Total Liabilities and shareholders' equity	2021/22 2020/21	137 (1,786)	(5,623) (11,192)	- -	(5,486) (12,978)
Net Assets / (Liabilities)	2021/22 2020/21	574 (1,347)	(3,742) (9,761)	15,040 4,654	11,872 (6,454)
Included in Surplus / (Deficit) in Group	2021/22 2020/21	(134) (122)	(149) (459)	10,386 4,622	10,103 4,041

**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 Ltd £'000	Integration Joint Board £'000	Total £'000
General Fund Balance	2021/22	274	1,018	15,040	16,332
	2020/21	148	360	4,654	5,162
Capital Fund	2021/22	-	-	-	-
	2020/21	-	-	-	-
Capital Grants Unapplied A/C	2021/22	-	-	-	-
	2020/21	-	-	-	-
Capital Receipts Reserve	2021/22	-	-	-	-
	2020/21	-	-	-	-
Total Usable Reserves	2021/22	274	1,018	15,040	16,332
	2020/21	148	360	4,654	5,162
Unusable Reserves	2021/22	300	(4,760)	-	(4,460)
	2020/21	(1,495)	(10,121)	-	(11,616)
Total Reserves	2021/22	574	(3,742)	15,040	11,872
	2020/21	(1,347)	(9,761)	4,654	(6,454)

The accounting year for the Valuation Joint Board, West Lothian Leisure Ltd. and the West Lothian Integration Joint Board ends 31 March 2022. 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 97 and 98.

**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 2022 is to increase the net assets by £11.872 million (reduction of £6.454 million as at 31 March 2021) representing the council's share of net assets of these organisations. The net liabilities are attributable to the Lothian Valuation Joint Board which has pension assets under IAS 19 of £0.266 million (£1.533 million liabilities 2020/21) and West Lothian Leisure Ltd. with pension liabilities of £4.760 million (£10.121 million 2020/21).

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 2021/22 (2020/21) share of Associates pension interest cost and expected return on pension assets is £0.032 million (£0.028 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 2022 (2021) show a profit (loss) before and after tax of £7,250 (£1,240) with net assets of £645,094 (£637,844).

**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 company was wound up in September 2020 and all assets transferred to WL Ventures Group.

**6.3 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 10 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 2020/21) representing 7.21% (7.12% 2020/21) of the Committee's estimated running costs for the year to 31 March.

**6.4 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 £21,674 (£21,674 2020/21) and had a voting share of 12.5%.



**NOTES TO THE GROUP ACCOUNTS****STATEMENT 19****G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (CONTINUED)****6.5 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 2021/22 and 2020/21 no contributions were made to SESplan by its members. The council has a voting share of 17%.

The Planning (Scotland) Act 2019 removes the need for the preparation of Strategic Development Plans. Strategic planning matters will be set out in the National Planning Framework 4 (NPF4) which is currently being prepared by Scottish Government. SESplan remains a legal entity until NPF4 comes into force and the provisions of the Planning etc (Scotland) Act 2006, insofar as they relate to strategic development planning, remain in force. As there is no longer any decision making function for the SESplan Joint Committee to perform regional spatial planning responsibilities have transferred from the SESplan Joint Committee to the City Region Deal Elected Member Oversight Committee.

**6.6 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 2021/22, the council made a contribution of £124,643 (£120,752 2020/21), 3.3% (3.3% 2020/21) of Scotland Excel's funding.

**6.7 Seemis Group LLP**

Seemis Group is the software provider of the standard management Information system within Scottish Education and works closely with its members and the strategic bodies responsible for education direction in Scotland. West Lothian's student data is processed and managed by Seemis software. Seemis supports local authorities and their associated schools in delivering their statutory and discretionary responsibilities. During 2021/22, the council contributed £190,924 (£183,416 2020/21), 3.9% (3.9% 2020/21) of Seemis Group LLP's funding.

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## **AUDIT COMMITTEE**

### **INTERNAL AUDIT OF WINTER MAINTENANCE**

#### **REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit Committee of the outcome of an internal audit of the controls in place over the delivery of the council's winter maintenance service.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee notes that controls in place are considered to be effective.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	2021/22 Winter Service Plan. Roads (Scotland) Act 1984, Section 34. The audit is relevant to risk RTS001: "Failure to deliver a winter service in accordance with council policy".
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	Weaknesses in internal control may have an adverse impact on performance.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	Managers within Operational Services as part of the audit process.

**D. TERMS OF REPORT**

In accordance with the internal audit plan for 2022/23, an audit has been undertaken of winter maintenance, reviewing the controls and procedures in place to deliver a winter maintenance service in West Lothian.

The resultant internal audit report is attached as an appendix to this report and includes an action plan containing agreed management actions.

**E. CONCLUSION**

Our audit has concluded that the controls in place over the delivery of the winter maintenance service are effective.

**F. BACKGROUND REFERENCES**

Report to the Audit Committee 21 March 2022: Internal Audit Plan 2022/23.

Appendices/Attachments: Internal audit report dated 1 September 2022: Winter Maintenance

Contact Person: Kenneth Ribbons, [kenneth.ribbons@westlothian.gov.uk](mailto:kenneth.ribbons@westlothian.gov.uk) Tel No. 01506 281573

**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

Date of meeting: 21 October 2022



**OS2204**

# **INTERNAL AUDIT REPORT**

## **WINTER MAINTENANCE**

**1 September 2022**

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## 1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2022/23, we have undertaken a review of the winter maintenance service provided by Operational Services and conclude that the level of control is **effective**.
- 1.2 Risk RTS001: *Failure to deliver a winter service in accordance with council policy* is recorded the corporate risk register as a **low** risk.
- 1.3 The audit remit is set out in section two.
- 1.4 The Roads (Scotland) Act 1984, Section 34 states “a roads authority shall take such steps as it considers reasonable to prevent snow and ice endangering the safe passage of pedestrians and vehicles over public roads”.
- 1.5 Operational Services Roads and Transportation Services is responsible for providing a winter service for the roads and footpaths within West Lothian. The winter service plan is based on the UK Roads Liaison Group’s Code of Practice: Well-managed Highway Infrastructure.
- 1.6 A copy of the 2021/22 winter service plan is provided in Appendix B and includes details of:
- the service standards expected;
  - the definition of an “extreme weather event”;
  - a statement of resilience and salt conservation strategy;
  - self-help guidance within Government recommendations.
- 1.7 The normal period of operation of the winter service plan is from the last Thursday in October until the last Thursday in March.
- 1.8 Operational Services has a £2.350 million recurring budget to deliver this service; spending £1.806 million during the winter of 2021/22. A £1 million Winter Resilience Fund, approved by council on 25 February 2021, was not utilised during 2021/22 and will be maintained for use in future winters.
- 1.9 Over a three-year period it is intended that the Winter Resilience Fund will be used to fund 25 strategic self-help salt piles across West Lothian (£375,000); two grit bin replenishment squads (£375,000) the remainder (£250,000) will be retained for contingency use in extreme weather periods. The Winter Resilience Fund will only be utilised if the annual winter service budget is exceeded, thereby protecting it for future winters.
- 1.10 The approximate distance of the road and footpath network covered by the winter service plan is 1,000km of carriageway and 1,300km of footway. Indicative carriage and foot way treatment timescales are provided in Appendix C. Actual timescales will vary depending on the weather conditions.
- 1.11 For the winter period 2021/22 6,869 tonnes of salt was used to treat the road and footway network. Appendix D provides a comparison of the number of carriageway and footpath treatments from 2015/16 to 2021/22. Salt usage for carriageway treatment is also provided.
- 1.12 BEAR Scotland, on behalf of the Scottish Government, are responsible for maintaining the M8 and M9 motorways within West Lothian, not the council.

1.13 For comparison purposes the winter service details available on Aberdeen City, Aberdeenshire and Falkirk councils' webpages were reviewed. These were found to be very similar in prioritisation of treatment of routes within each region and in the information and guidance provided to the public.

1.14 The following key controls were found to be in place:

#### Overall Arrangements

- a winter service plan is presented to council for review and approval annually;
- a high level summary of the winter service plan is communicated to the public via the council website news pages, Facebook and Twitter; the winter edition of the Bulletin and an article in the West Lothian Courier;
- Facebook and Twitter are used to communicate to the public any bad weather forecasts and gritting scheduled throughout the winter when required;
- the gritting and winter maintenance council webpage provides:
  - a winter services in West Lothian leaflet;
  - detailed information on gritting routes,
  - live interactive mapping of gritter locations when in operation;
  - grit bin and self-help salt pick up locations;
  - a link to the Traffic Scotland live camera webpage;
  - a driving in bad weather guidance leaflet;
- a winter maintenance manual, reviewed annually, is available and details the procedures to be followed to assist Operational Services in delivering their winter service plan;
- a risk assessment covering winter maintenance operations is in place and associated safe working procedures are available;
- a carriageway and footway priority system is in place for the treatment of roads and footways; see Tables 1 and 2, Appendix B for further details of the classifications.
- daily 24 hour and 2-10 day weather forecasts are received from MetDesk supported by further forecasts if changes to original forecasts are predicted;
- separate forecasts are provided for north and south of West Lothian to allow specific treatment and resource deployment as required;
- ice detector sensors and weather stations located throughout West Lothian provide information on the prevailing conditions to assist decision making;
- after evaluating forecast information, the duty officer proposes a course of action which is reviewed and authorised by the senior decision maker;
- operatives are provided mobile phones to provide live feedback if the condition of the network is worse than forecast;
- once authorised, any changes to the plan of action must be made following an agreed decision making procedure;
- reciprocal arrangements are in place with South Lanarkshire and City of Edinburgh councils for treatment of roads in the boundary areas.

#### Gritting Arrangements

- a GPS system is fitted to vehicles which records the route taken, to evidence treatment has been delivered in line with the agreed winter service plan;

- there are 11 squad leaders and 50 road operatives (including 40 qualified gritter drivers) in the team to deliver the service; supported by 64 operatives (including 13 qualified gritter drivers) from NETS Ground Maintenance and Street Cleansing;
- there is a long term staff rota in place covering the winter service period, supplemented by updated weekly rotas;
- there are 25 gritters and 29 footpath tractors available to deliver the service;
- Fleet Services continually inspect and maintain the gritters throughout the year, tractors are subjected to pre-use inspections each year;
- pre-use safety checks are completed by operatives before the vehicles are used;
- salt supply is maintained at approximately 30,000 tonnes; with 22,000 tonnes stockpiled in two domes at Whitehill Service Centre, with 10,000 available from a call off contract at short notice;
- salt use is electronically recorded and supplies monitored by management and Operational Service Stores team; a contract framework is in place to replenish stock as necessary;
- there are 2,571 permanent grit bins located across West Lothian;
- a dedicated replenishment team is in place to fill grit bins on an ongoing basis through the winter;
- during the winter period there are also 25 self-help salt pick up points located throughout the county;
- a specific grit bin policy is in place for assessing applications for new grit bins;

#### Other Controls

- an extreme weather event plan is in place to keep primary carriageways and footways open if continuous snow is forecast and likely to give accumulations greater than 10cm and cover the whole of the north or south areas of West Lothian;
- a contractor framework is available if additional resource is required during extreme weather events;
- new road developments are added to the routing plans once they have been formally adopted by the council;
- enquiries and complaints are responded to by management and recorded on the Confirm system;
- operational incidents and accidents reported to management are recorded on Sphera.

- 1.15 None of our findings have been ranked as being of 'High' importance.
- 1.16 The action plan in section three details our findings, grades their importance (Appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.17 We appreciate the assistance Ross McDonald, Senior Engineer, Roads and Transportation Services and all the council staff contacted during the conduct of our audit. Should you require any further assistance please contact Kenny Wilson.

**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

## 2.0 REMIT

- 2.1 The objective of the audit was to review risk RTS001: *Failure to deliver a winter service in accordance with council policy*. The audit reviewed the processes and controls in place that ensure the council's winter service is delivered as expected.
- 2.2 No internal audit report can provide absolute assurance as to the effectiveness of the system of internal control. Our review concentrated on the key controls and testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.3 We agreed the draft report for factual accuracy with Ross McDonald, Senior Engineer, Roads and Transportation Services on 15<sup>th</sup> August 2022.
- 2.4 The Head of Operational Services is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.5 We carry out follow-up reviews on a risk-based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.
- 2.6 In accordance with the council's risk management arrangements services are required to record internal audit findings graded as being of 'high' importance in Pentana as risk actions and to link these to the corresponding risks.
- 2.7 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit Committee and considered for inclusion in the Annual Governance Statement.

### 3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><b><u>Winter Planning – Activities Spreadsheet</u></b></p> <p>The annual review of the winter maintenance manual and planning for the winter season usually starts in August with the final plans presented to council in September/October.</p> <p>Meetings are held every two weeks to discuss the plan and confirm the manual is up to date. To assist with the process and ensure all required tasks are allocated and completed; an activities spreadsheet is used.</p> <p>The 2020/21 and 2021/22 spreadsheets were reviewed; the detail is comprehensive and lists the tasks required to be in place to ensure delivery of the winter service plan; it was found however, that not all the activities had been fully updated; with some actions listed as “still in progress” or “to be confirmed”.</p> <p>Testing confirmed there were no issues with the delivery of the plan and the required tasks had been finalised. However, to remove the potential for a task being missed in future and ensure a full audit trail is in place; once a task has been confirmed as complete; this should be formally recorded on the activity spreadsheet.</p> <p>A final review and sign off process should also be put in place.</p> <p><b><u>Risk</u></b></p> <p><i>Potential for a task not to be fully implemented which may impact the successful delivery of the service plan, resulting in disruption across the council and reputational damage.</i></p>	The activities spreadsheet will be amended to include a final sign off section. The final review / sign off will be completed prior to the 2022/23 Winter Service commencing.	Low
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			26 <sup>th</sup> October 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><b><u>Winter Service Plan and Maintenance Manual</u></b></p> <p>Section 6.1 of the winter maintenance manual states that all winter service managers and supervisory staff must be fully aware of the details of both the winter service plan and winter maintenance manual.</p> <p>We were advised that although both documents are read and the content understood by the appropriate staff there is no evidence available to confirm this.</p> <p>The pre-winter maintenance plan should be updated to include confirmation that all relevant staff have read and understood the updated winter service plan and maintenance manual each year.</p> <p><b><u>Risk</u></b></p> <p><i>Lack of knowledge or understanding of plan and manual could result in the failure to successfully deliver the plan, resulting in disruption across council, harm to staff or the public and reputational damage.</i></p>	The activities spreadsheet will be amended to include confirmation that the relevant staff have read and understood the updated winter service plan and winter maintenance manual.	Low
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			26 <sup>th</sup> October 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><b><u>Senior Decision Maker</u></b></p> <p>The senior decision maker reviews and verifies the treatment decision made by the duty officer prior to any treatment starting.</p> <p>Currently, there is a single person dependency on the Roads Operations senior engineer as they are the only trained senior decision maker in place. Whilst it is noted the Roads Operations manager will undertake this role should the senior engineer be unavailable, they are not officially trained as a senior decision maker.</p> <p>We have been advised Stirling Council are arranging a “Winter Services Decision Making Course” to be delivered by the Institute of Highways Engineers (these are usually only held in Birmingham) and they have asked other councils if they would like participants to share the cost. Roads and Transportation will be sending three duty officers.</p> <p>Attendance at this course should be confirmed as it will provide the appropriate training and cover to remove the single person dependency and allow better rota planning for the role. Once the training has been delivered the current senior decision maker should initially provide ongoing training and mentoring until the trainees become confident in the process.</p> <p><b><u>Risk</u></b></p> <p><i>Lack of knowledge due to absence of key personnel could result in insufficient capability to make appropriate treatment decisions resulting in disruption across council, harm to staff or the public and reputational damage.</i></p>	<p>A further three duty officers have been booked on the 5-day Winter Decision Making training course. This is scheduled as follows:-</p> <p>Days 1-2 September 7<sup>th</sup> and 8<sup>th</sup> Days 3-5 October 26<sup>th</sup>, 27<sup>th</sup> and 28<sup>th</sup></p> <p>The current senior decision maker will continue to take the lead role and mentor the new decision makers throughout winter 2022-23. Thereafter it is anticipated that the new decision makers will be capable of undertaking the role in full from winter 2023-24 onwards.</p>	Medium
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			28 <sup>th</sup> October 2022



Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><b><u>Operative Training and Safe Working Procedures</u></b></p> <p><u>Training Records</u> Operational Services Learning and Development team (L&amp;D) are responsible for maintaining the training records for Operational Services staff. The training records of 13 operatives responsible for delivery of the winter services were reviewed.</p> <p>It was found the service training records do not reconcile to those held by L&amp;D, therefore the current records may not be up to date or staff have not completed all the required training/refresher training.</p> <p>With the assistance of L&amp;D; the training records of all winter maintenance operatives should be reviewed; the specific requirements for each individual confirmed and a schedule agreed to complete any outstanding training and refresher sessions as necessary.</p> <p><u>Safe Working Procedures (SWP)</u> SWP's cover the tasks required to deliver the winter service plan e.g. ice and snow clearance; filling grit bins, hand spreading salt, mounting and demounting gritters.</p> <p>The service is responsible for delivering SWP training which should be completed every three years. From the details provided refresher training is due for the upcoming 2022/23 winter period.</p> <p>If not already scheduled, arrangements should be made to ensure operatives read and evidence their understanding of all required SWP's.</p> <p><b><u>Risk</u></b></p> <p><i>Training and Safe Working Procedure awareness not kept up to date and out of date or wrong processes may be followed resulting in disruption across the council, harm to staff or the public and reputational damage.</i></p>	The Senior Engineer (Operations) is meeting the L & D Team Leader on 18 <sup>th</sup> August 2022 to discuss the anomalies and to review the training records / requirements for all winter maintenance operatives. Thereafter a schedule will be prepared to ensure training is carried out for each operative within the necessary timescales. This will include the delivery of relevant SWP's which will be signed off by the operatives to evidence that they have read and understood them.	Medium
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			31 <sup>st</sup> August 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><b><u>Level Crossing Treatment</u></b></p> <p>There is currently one active level crossing in West Lothian located at Kirknewton station. Section B.7.5.43 of the Well-Managed Highway Infrastructure states: "Network Rail recommends that salting should not be undertaken between the stop lines of level crossings, even when covered with snow".</p> <p>We were advised that only one roads officer; who has been with the team for several years, remembered that drivers were instructed not to grit level crossings but this was between 10 to 15 years ago. It was confirmed that current drivers may not be aware of this requirement.</p> <p>Whilst it is acknowledged Network Rail have only issued a recommendation, the risk of any potential damage to the train tracks is very low and there have been no known issues recorded; all drivers should be advised not to grit the Kirknewton level crossing in future and all route planners and refresher training should be updated to reflect this requirement.</p> <p><b><u>Risk</u></b></p> <p><i>Salt usage on the level crossing could potentially damage the train tracks impacting on the train service causing reputational damage to the council.</i></p>	<p>From winter 2022/23 onwards, the vast majority of primary route treatments will be completed using an automated system. The driver will select the assigned route from a screen in the cab and drive it via a satnav system. Salt is then dispensed automatically at the appropriate sections on the route. The route that contains the level crossing at Kirknewton will be reprogrammed to omit this small section.</p> <p>Drivers will also be advised not to grit the level crossing should it be necessary to revert to the manual system.</p>	Low
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			26 <sup>th</sup> October 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.6	<p><b><u>Weekly Rotas</u></b></p> <p>A master winter service rota is maintained to record shift patterns and the relevant staff contact details. For ease of use a weekly contact sheet is extracted from the main rota.</p> <p>Examples of the weekly sheets were seen during the audit, however we were advised some of the sheets requested for review were not available. The Roads Officer who would usually prepare the information has been unavailable since February. Although the covering officer prepared the weekly sheets as required they were not saved in Objective.</p> <p>To maintain a full audit trail, all officers who may cover this task should be reminded to save a copy of the sheets.</p> <p><b><u>Risk</u></b></p> <p><i>Correct information may not be available to respond to potential enquiries.</i></p>	Officers will be reminded to store the weekly sheets in Objective.	Low
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			26 <sup>th</sup> October 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.7	<p><b><u>Checklists and Decision E-mails</u></b></p> <p>The duty officer receives daily detailed weather and icealert station forecasts; these are interpreted and a decision made and verified by the senior decision maker, on what treatment, if any, is to be taken.</p> <p>To assist with this daily decision making process and planning, the duty officer should complete both a decision on treatment plan and gritter action plan.</p> <p>Sixteen decision on treatment plans were reviewed and these were found to have been completed to a high standard with both the decision and rationale clearly stated.</p> <p>We also confirmed that gritter availability planning was completed by the duty officer, however, the gritter action plans were not used to formally record the details. Whilst it is acknowledged there was no operational impact on this omission, officers should be reminded to complete and save a copy of the plan to ensure an audit trail is available in future.</p> <p>Once the treatment decision has been confirmed, the decision and forecast information is circulated to appropriate council officers and members. We were advised that although all decision e-mails were sent as required only the Decision on Treatment checklist and forecast documentation is retained; therefore, no circulation e-mails were seen.</p> <p>To maintain a full audit trail, going forward a copy of the circulation e-mail should also be saved with the other decision documentation. This will also ensure all information is available should there be any queries received from officers or members at a later date.</p> <p><b><u>Risk</u></b></p> <p><i>Full audit trail of historic information not available to assist in responding to potential queries.</i></p>	<p>Officers will be reminded to complete a gritter action plan and store in Objective.</p> <p>Officers will be advised to store the circulation emails in Objective. These emails have the decision on treatment and forecast information attached so there will be no requirement to store the documents individually.</p>	Low
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			26 <sup>th</sup> October 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.8	<p><b><u>Winter Service Enquiries</u></b></p> <p>All enquiries relating to the winter service are logged on the Operational Services Confirm system and given a unique reference number.</p> <p>For specific enquiries that require a detailed response the customer will be provided the relevant information by e-mail.</p> <p>For general enquiries that do not require a bespoke response, if the customer has provided an email address, on closure of the enquiry, the Confirm system will issue the customer an automated e-mail populated with the information that has been input into the notes section of the system.</p> <p>If no e-mail address is provided the customer should be phoned and the response to their enquiry provided. On one occasion from seven enquiries reviewed, no email address was provided and no record of a phone call being made to the customer was found.</p> <p>All duty officers should be reminded of the need to make a phone call in any similar future cases.</p> <p><b><u>Risk</u></b></p> <p><i>Customer enquiry not responded to resulting in reputational damage.</i></p>	Officers will be reminded of the requirement to telephone customers on occasions where an email address has not been provided.	Low
			<b>Responsible Officer</b>
			Ross McDonald
			<b>Risk Identifier</b>
			RTS001
			<b>Action Date</b>
			26 <sup>th</sup> October 2022

## APPENDIX A

### DEFINITION OF AUDIT FINDINGS & AUDIT OPINION

#### AUDIT IMPORTANCE LEVELS

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

These reflect the importance of audit findings to an effective system of internal control and must be considered in the context of the business processes being audited (Section 2 – Audit Remit).

#### AUDIT OPINION

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

Overall Opinion	Definition
<b>EFFECTIVE</b>	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
<b>SATISFACTORY</b>	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
<b>REQUIRES IMPROVEMENT</b>	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
<b>UNSOUND</b>	A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance.

## APPENDIX B

### WINTER SERVICE PLAN 2021/22

**CARRIAGEWAY CLASSIFICATION, COVERAGE AND TREATMENT (Table 1)**

Carriageways	Road Type	Treatment
Primary Routes <b>(SNOW ROUTES)</b>	Roads of primary importance which form a strategic network, these being Strategic, Main Distributor and Secondary Distributor roads including main traffic routes, bus routes connecting neighbouring council areas, major industrial estates, routes to railway stations and routes to Emergency Service establishments.	Gritting and/or snow ploughing 24 hours a day on all days. Pre-grit if required. Planned or reactive.
Secondary Routes Level 1	Other classified routes, distributor routes, local bus routes, main accesses to schools, medical centres and residential areas.	Gritting and/or snow ploughing during normal working hours i.e. 0800 to 1505 hours Monday to Friday.  Pre-grit as resources allow.
Secondary Routes Level 2	Residential areas and other unclassified roads.	Gritting and/or snow ploughing during normal working hours i.e. 0800 to 1505 hours Monday to Friday.  Reactive treatment only.
Secondary Routes Level 3	Surfaced areas within schools, routes to car parks and car park surfaces.	Gritting and/or snow ploughing during normal working hours i.e. 0800 to 1505 hours Monday to Friday.  Reactive treatment only.

*All carriageway routes can be viewed on the council website using the following link.*

<https://maps.westlothian.gov.uk/wml/Map.aspx?mapName=WinterMaintenance>



**FOOTWAY CLASSIFICATION, COVERAGE AND TREATMENT (Table 2)**

Footways	Footway Type	Treatment
Primary Routes <b>(SNOW ROUTES)</b>	Urban shopping areas and precincts. Routes to schools, accesses to health centres and medical centres, hospitals, etc. main routes to residential areas and bus stops.	<b>During November and March,</b> gritting of widespread ice/snow clearing 0500 to 1505 hours Monday to Friday. <b>During December, January and February</b> the service will be extended to cover weekends and public holidays (0500 to 1505 hours).  Reactive treatment only.
Secondary Routes Level 1	Other routes to schools, residential areas and housing areas in general.	Gritting of widespread ice/snow clearing 0800 to 1505 hours Monday to Friday.  Reactive treatment only.
Secondary Routes Level 2	Footway links to car parks, community centres, day centres etc. and cycle routes	Gritting of widespread ice/snow clearing 0800 to 1505 hours Monday to Friday.  Reactive treatment only.

*All footway routes can be viewed on the council website using the following link.*

<https://maps.westlothian.gov.uk/wml/Map.aspx?mapName=WinterMaintenance>

## **EXTREME WEATHER EVENT**

An extreme weather event will be considered to be an event where continuous snow is forecast and likely to give significant accumulations in excess of 10cm covering the whole of the north or south expanse within the council area. The snow will also be expected to remain in untreated areas for a prolonged period due to low temperatures before a natural thaw disperses it.

During periods of extreme weather and heavy continuous snowfall when roads and footways are affected by significant levels of lying snow, priority will be given to primary carriageway routes and primary footpath routes and these routes will be known as West Lothian Council's "Snow Routes". These routes are defined within the council plan and will be published on the council website. Gritters and footpath resources will be deployed on these specified snow routes continuously until satisfactory snow clearance has been achieved before resources are deployed to any secondary routes.

The plan is aimed at providing a minimum strategic network during periods of extreme weather and will provide access to key facilities and other transport needs.

## **RESILIENCE and SALT CONSERVATION**

West Lothian Council procures and stocks salt supplies for use on the whole of the public carriageway and footway network during the winter period. A stock level of 30,000 tonnes of salt will be available for the winter period.

In periods of an extreme weather event or periods of prolonged conditions that demand a high usage of salt it may be necessary to restrict the use of salt to snow routes only. For West Lothian Council, salt will be restricted to snow routes when the council reaches a minimum stock level of salt for 6 days resilience of continuous salting.

## **STRATEGIC SELF-HELP SALT PICK-UP POINTS**

The provision of 23 self-help strategic salt pick-up points which will assist with community self- help during periods of winter weather. These will be located at: -

1. Xcite Centre, McGinley Way, Linlithgow
2. Xcite Centre, Church Street, Broxburn
3. Livingston North Train Station (South Car Park)
4. Livingston South Train Station Car Park
5. Xcite Centre, Craigswood, Livingston
6. West Calder Business Centre, Dickson Street
7. Blackburn Partnership Centre, Ash Grove
8. Xcite Centre, Jubilee Road, Whitburn
9. Xcite Centre, Torphichen Road, Bathgate
10. Xcite Centre, North Street, Armadale
11. Craig Inn Community Centre, Main Street, Blackridge
12. Xcite Centre, Langton Road, East Calder
13. Eastfield Road car park near the bottle banks, Fauldhouse
14. Community Centre, Bowsett, Torphichen
15. Community Centre, Craigton Place, Winchburgh
16. Bridgend
17. Newton
18. Threemiletown
19. Westfield
20. Ecclesmachan
21. Wilkieston
22. Central Livingston
23. Wester Inch, Bathgate

## GRIT BIN POLICY

In line with other authorities, criteria is set for Urban and Rural areas and flow charts have been introduced for transparency around each process.

The provision of grit bins in urban areas is to offer the public a self-help option to overcome localised difficulties of greatest risk in relation to the effect of winter conditions on roads and footpaths. It is important that the council encourages and helps facilitate self-help by those members of the public who are prepared to carry out this work.

However, the number of grit bins made available needs to be controlled. Maintaining adequate salt levels in the bins results in an operational burden therefore careful consideration is given to the provision and location of grit bins.

Consideration is also given to the following:

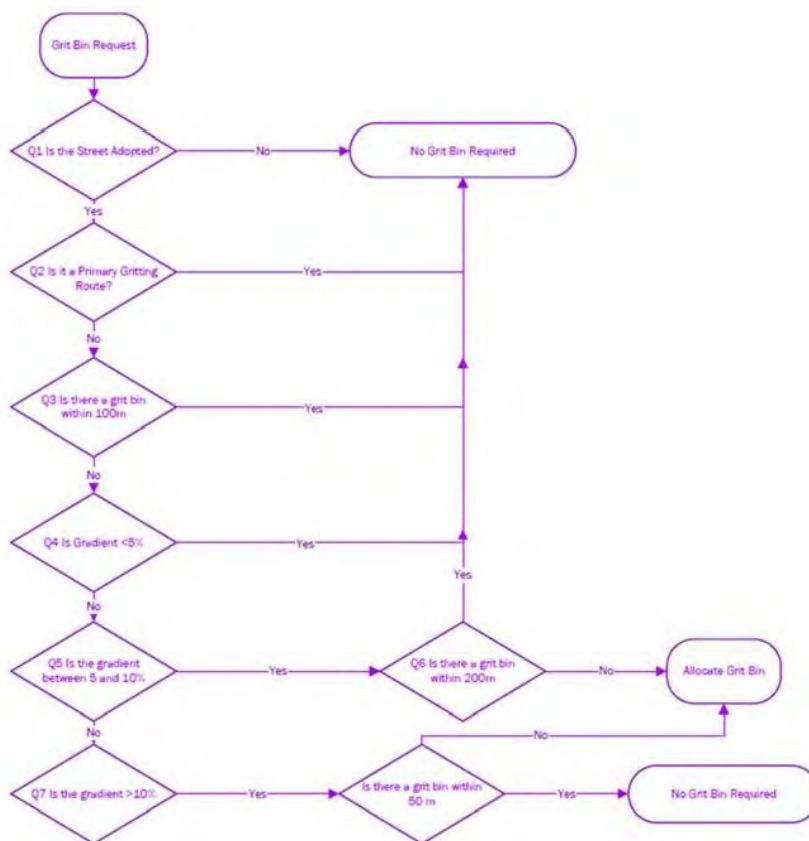
- New grit bins are only provided **in accordance with the urban and rural grit bin criteria**
- If the location is currently on a primary carriageway or footway route then a grit bin will not be considered as the risk should be mitigated from planned treatment
- Grit bins will only be located where they can be accessed and filled from a lorry.
- Grit bins will be replenished at the start of the winter period and then only as an when resources allow thereafter.
- Council grit bins will be left in place all year, we do not refill private grit bins.
- Both the grit bin and grit are purely for use on a public road or footway.
- The [locations of grit bins will be recorded](#) and made available online, to find your nearest grit bin use our map search.
- The council will not provide grit bins in private areas or car parks for use by any other council or any other public or private property such as schools, parks, hospitals, care homes, etc. unless a service level agreement is in place.
- Only those requests [submitted online](#) with the proposed location shown on a map will be considered.
- Applicants will be notified when the application is successful or not, the responsible officer's decision is final.
- A request will not be accepted unless a location to site the bin has been agreed with the responsible officer.
- Grit bins that are stolen/damaged or missing will be first reassessed in line with the criteria, a previous grit bin will not be replaced if the location does not meet the criteria.

**In times of an extreme weather event it is not always possible to service and replenish grit bins due to their location and the deployment of resources in higher priority areas.**

## Urban grit bin criteria and flowchart.

Urban is where the speed limit is 40mph or less. For speed limits we define a village as a length of road of at least 600m where there are at least 20 houses and a density of at least 3 houses in every 100 section.

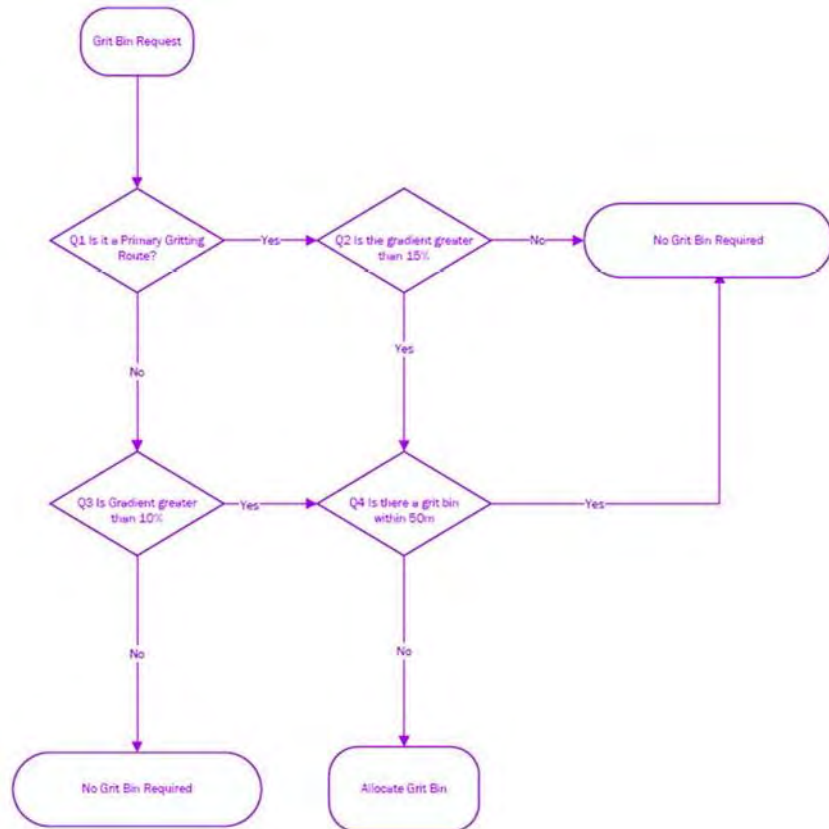
### Urban Grit Bin Criteria



### Rural grit bin criteria and flowchart

Rural is where the speed limit is greater than 40mph. For speed limits we define a village as a length of road of at least 600m where there are at least 20 houses and a density of at least 3 houses in every 100 section.

#### Rural Grit Bin Criteria



***The flow charts will be made accessible to customers online as downloadable PDF's***

***All grit bins can be viewed on the council website using the following link.***

**<https://maps.westlothian.gov.uk/wml/Map.aspx?mapName=WinterMaintenance>**

## SELF HELP – WHAT CAN YOU DO?

There is no law preventing members of the public from clearing snow and ice from public roads and footways outside their properties and businesses. However, people should exercise care and caution when attempting to undertake any snow clearing so that they do not create any further hazards through careless or inconsiderate actions.

Being a good neighbour during severe winter weather is usually welcomed. Detailed below is some advice provided by the Government on clearing roads and footways yourself: -

- Do not use hot water as this could freeze, increasing the risk of injury to persons.
- Choose suitable clothing for the task to ensure that you remain warm, clearly visible to traffic and that footwear provides a good grip.
- Do not take unnecessary risks in the road and be aware that vehicles may find it difficult to stop quickly in icy conditions.
- If shovelling snow consider where you are going to put it to avoid shifting the problem elsewhere, for example, avoid blocking other footways and drainage features such as gullies.
- Use a shovel with a wide blade and do not overload the shovel with snow.
- It is easier to remove fresh snow before pedestrians have compressed the snow into compacted ice.
- Clear a line down the middle of the area to be cleared first to create a safer surface to work from.
- Spread some salt on the area cleared to prevent the formation of ice.
- Do not use too much salt as a few grams, about a tablespoon for each square metre that you clear should be sufficient.
- If there is no salt available then a little sand or grit is a reasonable substitute. It will not have the same de-icing properties as salt but will improve grip underfoot.
- Salt applied to the road or footway could be washed away by rain or snow and subsequently freeze – in this case a further application of salt should be used soon after the rain has ceased and before temperatures approach freezing.
- Particular care and attention should be given to steps and steep gradients to ensure that snow and ice is removed – it may be beneficial to apply additional salt at these locations to reduce the risk of injury.

## APPENDIX C

### INDICATIVE TREATMENT TIMESCALES

Description	Gritting Treatment Time	Comments
Primary Carriageways (Grit)	4 Hours	One direction only.
Primary Carriageways (Plough & Grit)	8 Hours	Both directions.
Secondary 1 Carriageways	4 Hours	One direction only.
Secondary 2 Carriageways	3 Days	Based on typical resource level available.
Secondary 3 Carriageways	1 Day	Dependent on weather conditions and progress against all other carriageways.
Primary Footpaths	3 to 4 Hours	Average, some routes are longer than others.
Secondary 1 Footpaths	3 Days	Depending on conditions of primary routes.
Secondary 2 Footpaths	1 Day	Dependent on weather conditions and progress against all other carriageways.



## APPENDIX D

### **PRIMARY AND SECONDARY LEVEL 1 TREATMENT: 2015/16 to 2021/22**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Primary Carriageway Treatments	11	23	93	51	57	147	97
Secondary Level 1 Carriageway Treatments	7	9	16	12	9	28	10
Total Salt Usage (Tonnes)	5,484	11,777	9,768	5,809	4,787	17,681	6,869

### **FOOTPATH TREATMENT: 2015/16 to 2021/22**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Footpath Treatments	16	9	35	10	13	41	13

DATA LABEL: PUBLIC



## **AUDIT COMMITTEE**

### **INTERNAL AUDIT OF VEHICLE AND DRIVER CHECKS**

#### **REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit Committee of the outcome of the internal audit of the controls in place for vehicle and driver checks undertaken in the council.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee notes that the controls in place require improvement.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Driving at Work Policy and Procedures. Policy on Business Travel and Subsistence.  The audit is relevant to risks: WLC027: "Driver risk - injury or death to members of the public"; OPSHQ023: "Driver risk – injury or death to members of the public".
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	Weaknesses in internal control may have an adverse impact on performance.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	Managers within Corporate Services and Operational Services as part of the audit process.

**D. TERMS OF REPORT**

In accordance with the internal audit plan for 2021/22, an audit has been undertaken of vehicle and driver checks. The objective of the audit was to ensure that for employees who use council vehicles or their own vehicles to undertake council business, that all required driver and vehicle checks are undertaken in accordance with council policies and procedures, and that evidence is maintained by services of these checks having being undertaken.

The resultant audit report is attached to an appendix to this report and includes an action plan containing agreed management actions.

**E. CONCLUSION**

Our audit of the controls in place for vehicle and driver checks has concluded that control requires improvement.

**F. BACKGROUND REFERENCES**

Internal Audit Plan 2021/22, as amended by report to the Audit Committee 24 January 2022: Internal Audit Progress Report

Appendices/Attachments: Internal audit report dated 22 July 2022: Audit of Vehicle and Driver Checks

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**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

Date of meeting: 21 October 2022

**CS2102**



## **INTERNAL AUDIT REPORT**

### **AUDIT OF VEHICLE AND DRIVER CHECKS**

**22 July 2022**

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## 1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2021/22, we have undertaken a review of the arrangements in place in the council for compliance with the vehicle and driver checks required for officers driving on council business, and it is concluded that the level of control **requires improvement**.
- 1.2 Risk OPSHQ023 “Driver Risk– Risk of injury or death to members of the public or council staff from drivers on council business”, and Risk WLC027 “Driver risk – injury of death to members of the public” are both currently assessed as medium risks in the council’s risk register.
- 1.3 The audit remit is set out in section two.
- 1.4 There are two distinct sets of drivers in place across the council, those who are classed as professional drivers where driving is a part of their core role, and the those who are required to drive on council business. Professional drivers are primarily based within Operational Services and comprise of drivers who hold special licences to undertake driving duties for their work e.g. waste and roads vehicles, or buses. In December 2021 arrangements were put in place for checking the licences of these drivers on a quarterly basis. The audit therefore focussed on drivers who fall outwith this quarterly checking process.
- 1.5 Employees who are required to drive on council business will either make use of council vehicles (cars or vans for which a special licence is not required), pool cars, or where authorised they may also use their own personal vehicles on council business, and can reclaim a rate per mile for the mileage incurred.
- 1.6 The audit has reviewed the policies and procedures in place covering employees driving on council business. This included the Driving at Work Policy and Procedure 2020, the Policy on Business Travel and Subsistence 2014 and the iTrent People Manager Guide 2020.
- 1.7 The audit also involved enquiry with services to establish the level of compliance with policies and procedures, and in particular the level of compliance with vehicle and driver checks that should be undertaken. A summary of the sample sizes and response rates for audit testing are noted below, and testing results are summarised in Appendix B.

	Reporting Managers Sampled	Reporting Manager Responses	%	Employees Sampled	Employee Responses	%
Council Vehicles	67	56	84%	231	173	82%
Own Vehicles	27	25	93%	60	55	92%

- 1.8 The following key controls were found to be in place:

- a Driving at Work Policy and Procedure is in place, and the Fleet Services Manager liaises with services in order to promote compliance and to raise any issues as they occur. The policy and procedure covers all professional drivers and any employee who is driving on council business;
- a Policy on Business Travel and Subsistence and iTrent user guides are in place. The former outlines the rules for claiming mileage expenses while on council business, while the latter provides guidance on using iTrent and how to claim mileage expenses using the system;

- audit testing, based on responses received from reporting managers, confirmed that there is a good level of compliance in respect of annual licence checks being undertaken, however there is room for improvement in other aspects of the application of policies and procedures, as set out in our findings below.

1.9 The main findings from the audit are summarise below:

- there is currently a disconnect between the policies and procedures in place in relation to driving on council business. The Driving at Work Policy and procedures are held on the Operational Services intranet site, the HR guidance on iTrent, and the Policy on Business Travel and Subsistence can be found on My Toolkit. However there are no references or links between the two sets of policies and procedures. In addition, none of these policies refer to iTrent and the checks that can be recorded on the system (findings 3.1 and 3.3);
- there is a lack of clarity over the use of the Annual Driving Declaration and Authorisation form. This was substantiated by the results of audit testing where it was established that was a lack of awareness of the form and where to find it (finding 3.2);
- the Own Vehicle Use Authorisation form, in its current format, may now be out of date and should be reviewed to determine how the required information can be more effectively captured and reviewed going forward (finding 3.4);
- there is potential to streamline and to provide further guidance on the process for evidencing vehicle and driver checks, for example, iTrent could be used to record all checks undertaken (finding 3.5);
- there is scope to improve the messaging in iTrent for when new vehicles are added and mileage claims are processed and approved, which may help further ensure all required checking is undertaken (3.7);

1.10 Two audit findings were ranked as being of high importance:

- system controls in iTrent do not ensure that mileage claims are only paid where employees have had the required vehicle and driver checks completed within the system. In the absence of any system control there should be a regular management review process implemented to mitigate the associated risks (finding 3.6);
- audit testing across council services found that levels of compliance with vehicle and driver checks could be further improved. There were a number of occasions where the Annual Driving Declaration and Authorisation form was not completed, and there are some indications that some checks were only being progressed in January 2022 due to the audit having started, and reporting managers being asked to provide this information (finding 3.8).

1.11 During the course of the audit it was noted that a report was presented to the Environment PDSP on 1 February 2022 which recommended the council should stop hiring minibuses located at community centres to external organisations. It was also noted that Education Services also operate minibuses and in light of the recommended changes for community centre minibuses there is also a need to review the arrangements in place of the operation of minibuses by Education Services and schools (finding 3.9).

1.12 It is noted that the Fleet Operations Manager is currently exploring options to have an electronic licence checking system implemented for the council. The implementation of such a system has the potential to ensure that a more accurate and consistent approach is taken to licence checking across the council, has potential to replace some of the manual processes currently in place, and will also help further address some of the findings included in this report.



- 1.13 The action plan in section three details our findings, grades their importance (Appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.14 We appreciate the assistance of those members of staff contacted during the conduct of our audit. Should you require any further assistance please contact Sharon Leitch.

**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

## **2.0 REMIT**

- 2.1 The objective of the audit was to ensure that, for employees who use council vehicles or their own vehicles to undertake council business, that all required driver and vehicle checks are undertaken in accordance with council policies and procedures, and that evidence is maintained by services of these checks having been undertaken.
- 2.2 There are two distinct sets of drivers in place across the council, those who are classed as professional drivers where driving is a part of their core role, and the those who are required to drive on council business. Professional drivers are primarily based within Operational Services and comprise of drivers who hold special licences to undertake driving duties for their work e.g. waste and roads vehicles. The audit therefore focussed on drivers who fall out with this quarterly checking process.
- 2.3 Information from both iTrent and the council's vehicle telematics system was used as the basis for the testing for the audit and contact was made with officers across council services to provide the necessary audit evidence.
- 2.4 No internal audit report can provide absolute assurance as the effectiveness of the system of internal control. Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.5 We agreed the draft report for factual accuracy with Lesley Henderson, Interim Head of Corporate Services and Jim Jack, Head of Operational Services on 20 July 2022.
- 2.6 The Head of Corporate Services and the Head of Operational Services are responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.7 We carry out follow-up reviews on a risk-based approach. The Audit, Risk and Counter Fraud Manager will determine the need for a follow-up review of this report.
- 2.8 In accordance with the council's risk management arrangements services are required to record internal audit findings graded as being of 'high' importance in Pentana as risk actions and to link these to the corresponding risks.
- 2.9 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Governance and Risk Board and Audit Committee and considered for inclusion in the Annual Governance Statement.

### 3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><b><u>Driving at Work Policy and Procedure and HR Guidance</u></b></p> <p>There is currently no direct connection between the Driving at Work Policy and procedures, which can be found on the Operational Services intranet pages, and the HR guidance on iTrent and Policy on Business Travel and Subsistence which can be found on My Toolkit.</p> <p>Both of these sources of information contain guidance on the use of vehicles on council business and they should as a minimum be cross referenced to one and other to ensure staff are aware of all sources of guidance, and the details of the checks required. For example, the Policy on Business Travel and Subsistence makes no reference to the licence checking process on the DVLA website.</p> <p>In our opinion it would be beneficial if all of the related information and guidance was held in the same place on the intranet.</p> <p><b><u>Risk</u></b> <i>Lack of awareness of, and failure to comply with, all relevant policies and procedures, resulting in the risk of accident or injury to an employee or member of the public and reputational damage to the council.</i></p>	<ol style="list-style-type: none"> <li>1. Driving at Work Policy; Driving at Work Procedure and Employee Driving Declaration has been linked into the HR Policy area in My Toolkit where the Travel and Subsistence Policy is held.</li> <li>2. The Travel and Subsistence Policy, along with schedule of mileages and Travel &amp; Subsistence Own Vehicle use Authorisation Form will be linked to the Driving Information held within Operational Services.</li> <li>3. Adding on additional check in iTrent to record the completion of the Employee Driving Declaration (similar to the Driving Licence Check) which will be required to be completed ahead of mileage or fleet usage.</li> </ol>	Medium
			<b>Responsible Officer</b>
			1. Claire Wallace 2. David Cullen 3. Claire Wallace
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			1. Complete 2. 31 July 2022 3. 31 August 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><b><u>Driving at Work Policy and Procedure – Annual Driving Declaration and Authorisation Form</u></b></p> <p>The Driving at Work Policy provides a definition of driving at work as: <i>‘Any driving operation undertaken by employees using personal, council or hired vehicles... in connection with council business’</i>.</p> <p>Section 4 of the same procedure, 4. Driving Polices, 4.8 Declaration states:</p> <p><i>All employees will be asked to sign an annual declaration as part of the Driving Declaration and Authorisation stating that they are medically fit to drive on council business and understand the details laid out in this policy. This will be done as part of the annual licence check process. All completed declarations must be held by Line Managers as part of compliance records’.</i></p> <p>The Driving Authorisation section of the Fleet Services intranet states <i>‘All employees, who drive a council vehicle, must on an annual basis have their licence checked, complete a declaration (which includes a medical declaration, and be authorised to drive by their manager’</i>.</p> <p>There is therefore a lack of clarity over the requirement for all employees driving on council business completing the Annual Driving Declaration and Authorisation form. The Declaration is important as it provides a medical declaration and also confirms that the licence check has been completed electronically through the DVLA website, therefore checking for any endorsements on licences.</p> <p>It would be beneficial if the Declaration was updated to prompt for the MOT and insurance checks for employees using their own vehicles, which can then be evidenced in iTrent. This would result a single, all encompassing, form being used for anyone driving on council business, which covers all of the required checks.</p>	<ol style="list-style-type: none"> <li>1. Update Fleet intranet to reflect the requirement that declaration needs to be signed by all drivers driving on council business. A global email will be issued advising that there have been changes and providing a link to the relevant intranet pages.</li> <li>2. Review and combine “Driving Declaration and Authorisation” and “Own Vehicle Use Authorisation” forms to include all content and requirements detailed on each document.</li> <li>3. Reference to the need to complete the Driving Declaration and Authorisation form being recorded on iTrent and other checks will be added to the Travel and Subsistence Policy and in the iTrent Guides on My Toolkit.</li> </ol>	Medium
			<b>Responsible Officer</b>
			1. David Cullen 2. David Cullen 3. Sophie McKinney
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			1. 31 July 2022 2. 31 August 2022 3. 31 August 2022

	<p>Audit testing was undertaken on the basis that the Annual Driving Declaration and Authorisation form is required for all employees driving on council business, whether using a council vehicle or their own vehicle. This would appear to be the best approach to take, and should be clearly reflected in all relevant policies and procedures.</p> <p><b><u>Risk</u></b>  <i>Employees driving on council business may not be fit to do so resulting in the risk of accident or injury to an employee or member of the public or reputational damage to the council.</i></p>		
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Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><b><u>ITrent Vehicle and Driver Checks / Policy on Business Travel and Subsistence</u></b></p> <p>ITrent is the council's payroll system and is used to process mileage claims when an employee uses their own car on council business. Employees' personal vehicle details must be saved in iTrent, and the date of the licence check, vehicle (MOT) and insurance check can also be entered into the system. Annual system generated reminders are then sent to reporting managers to prompt the annual review of this information.</p> <p>The iTrent People Manager Guide states <i>'If any of your employees are authorised to use their own vehicles on Council business you are required to carry out an annual check to review their relevant documents'</i>.</p> <p>The Policy on Business Travel and Subsistence (dated 2014) section on own vehicle use details the requirement for the completion of an Own Vehicle Use Authorisation Application, and for the annual licence, vehicle and insurance checks to be undertaken. There is no reference to iTrent and the recording of vehicle and driver checks in iTrent in this Policy, since it predates the introduction of iTrent by seven years.</p> <p>The Policy on Business Travel and Subsistence should be reviewed and updated. It should include reference to recording the checks in iTrent. For completeness the iTrent People Manager Guide should also reference to the Policy on Business Travel and Subsistence, and the Driving at Work Policy and procedures.</p> <p><b><u>Risk</u></b> <i>Lack of awareness of, and failure to comply with all relevant policies and procedures, resulting in the risk of accident or injury to an employee or member of the public or reputational damage to the council.</i></p>	<ol style="list-style-type: none"> <li>iTrent will be recording the Driver Declaration form on iTrent which will be included as part of an annual check for drivers</li> <li>HR Policy and Advice and Operational Services will review the policies and procedures and forms to be merged.</li> </ol>	Medium
			<b>Responsible Officer</b>
			1. Sophie McKinney 2. David Cullen / Sophie McKinney
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			1. 31 August 2022 2. 31 August 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><b><u>Own Vehicle Use Authorisation Form</u></b></p> <p>This form is currently required to be authorised by the Head of Service when it is identified that an employee needs to use their own car on council business. It was introduced some time ago, at the same time as pool cars were introduced and essential car user allowances were removed. A one-time authorisation is required with no subsequent review process in place, with some forms reviewed found to have been authorised around ten years ago. Consideration should therefore be given to:</p> <ul style="list-style-type: none"> <li>a regular review of own vehicle users to ensure there continues to be a business need for the own vehicle use;</li> <li>reviewing the required authorisation level for the form, for example, authorisation by service managers may be more appropriate than Head of Service authorisation which is currently required;</li> <li>transferring the recording of the sign off for own vehicle use authorisation onto iTrent so it can be signed off in the same way as driving licence and other checks.</li> </ul> <p>Alternatively, taking the above points into consideration, the Own Vehicle Use Authorisation form could be retired and incorporated into the Annual Driving Declaration and Authorisation form, which would ensure the status of individual employees is reviewed annually and in line with other driving requirements.</p> <p><b><u>Risk</u></b> <i>Employees may continue to use their own vehicles when there is no longer a business need to do so, resulting in unnecessary financial expense to the council.</i></p>	As noted in finding 3.2, agreed action 2, review and combine "Driving Declaration and Authorisation" and "Own Vehicle Use Authorisation" forms to include all content and requirements detailed on each document.	Medium
			<b>Responsible Officer</b>
			David Cullen
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			31 August 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><b><u>Evidencing of Vehicle and Driver Checks and Completion of Forms</u></b></p> <p>The Driving at Work Policy and procedure, the People Manager Guide and the Policy on Business Travel and Subsistence all provide details of the declarations and checking required when driving on council business.</p> <p>iTrent is used mainly to evidence the checks of those using their own vehicles, however it is also used by some reporting managers to record the driving licence check for employees using council vehicles. Approaches to recording checks and storing associated documentation differ across services (see finding 3.8).</p> <p>In order to provide a more consistent approach towards the evidencing of vehicle and driver checks consideration should be given to:</p> <ul style="list-style-type: none"> <li>the recording of all licence checks in one place e.g. on iTrent, irrespective of whether the check is undertaken for driving a council or personal vehicle.</li> <li>recording the completion date of the Annual Driving Declaration and Authorisation form in iTrent so it is checked in the same way and the other vehicle and driver checks.</li> <li>if retained, recording the completion of the Own Vehicle Use Authorisation form in iTrent so it is checked in the same way and the other vehicle and driver checks.</li> </ul> <p>This will help ensure that there is a coordinated and consistent approach to the checking processes in place across the council.</p> <p><b><u>Risk</u></b> <i>Inconsistent approach across the council in respect of the evidencing of vehicle and driver checks, resulting in documents being lost or not easily located, or appropriate checks not being undertaken.</i></p>	<ol style="list-style-type: none"> <li>Driving at Work Policy; Driving at Work Procedure and Employee Driving Declaration has been linked into the HR Policy area in My Toolkit where the Travel and Subsistence Policy is held.</li> <li>The Travel and Subsistence Policy, along with schedule of mileages and Travel &amp; Subsistence Own Vehicle use Authorisation Form will be linked to the Driving Information held within Operational Services.</li> <li>Adding on additional check in iTrent to record the completion of the Driving Declaration (which will be required to be completed ahead of mileage or fleet usage)</li> <li>Service areas will be briefed on the change and requirement for all drivers details to be recorded on iTrent to enable staff to use the council fleet and their own vehicle (even when not claiming mileage).</li> <li>Fleet Services to introduce and administer a fully electronic driver licence checking system as a corporate system (there will be no link to iTrent).</li> </ol>	Medium
			<b>Responsible Officer</b>
			<ol style="list-style-type: none"> <li>Sophie McKinney</li> <li>David Cullen</li> <li>Sophie McKinney</li> <li>Sophie McKinney</li> <li>David Cullen</li> </ol>
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			<ol style="list-style-type: none"> <li>Complete</li> <li>31 July 2022</li> <li>31 August 2022</li> <li>30 September 2022</li> <li>30 September 2023</li> </ol>



Ref	Findings & Risk	Agreed Action	Importance Level
3.6	<p><b><u>iTrent - Mileage Claims for Use of Own Vehicles</u></b></p> <p>Mileage claims cannot be made in iTrent unless an employee's personal vehicle details are recorded in the system. When an employee updates the vehicle to iTrent an email is sent to their reporting manager stating <i>'This is to confirm that 'x' has added a new vehicle. Please check their insurance details and MOT (if relevant).'</i></p> <p>Once the vehicle details are added the employee can then make a mileage claim. It is possible for the manager to approve the claim without the employee licence, vehicle (MOT) and insurance checks being completed, although the system does remind the manager to undertake these checks before authorising claims.</p> <p>There is no system-controlled process for ensuring licence, vehicle (MOT) and insurance checks are completed prior to a mileage claim being authorised and paid. A review of information extracted from iTrent found there where employees who have made claims, and whose vehicle and driver check details were not recorded in the system. Audit testing for a sample of employees confirmed that in the majority of cases these checks were being undertaken, although not always being recorded in iTrent (see finding 3.8).</p> <p>Consideration should be given to implementing system controls to prevent mileage being claimed without the corresponding checks being undertaken. In the event that this is not possible, regular management reports should be extracted from iTrent showing employees where mileage has been claimed, but where the corresponding checks have not been evidenced in the system.</p> <p><b><u>Risk</u></b> <i>Licence, vehicle (MOT) and insurance checks are not undertaken, resulting in an increased risk of accident or injury to staff, customers and general public.</i></p>	A report has been created to identify employees claiming mileage. This needs to be reviewed and instances where claims have been made without the required checks will be reported to managers and Head of Service, as non-compliance with council policy. This process will be undertaken on a monthly basis to ensure compliance (It is not possible to have in built controls in the system).	High
			<b>Responsible Officer</b>
			Claire Wallace
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			31 July 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.7	<p><b><u>iTrent – Adding New Vehicle Details</u></b></p> <p>When vehicle details are added to iTrent the employee adding the vehicle is advised: <i>‘Your manager will require to check your vehicle’s documentation, depending on the age of the car this will be either the registration document (V5) or MOT along with your insurance documentation, before any claim for mileage can be processed’.</i></p> <p>The reporting manager also received a message advising: <i>This is to confirm that ‘x’ has added a new vehicle. Please check their insurance details and MOT (if relevant)’.</i></p> <p>This messaging could be further improved by:</p> <ul style="list-style-type: none"> <li>• adding the requirement to also check the employee’s driving licence.</li> <li>• noting the checking of the documentation should be recorded in iTrent.</li> <li>• noting that claims should not be approved unless these checks are completed.</li> </ul> <p>In addition, in the event that a regular review and report process is implemented as suggested in finding 3.6, this could also be referred to in any revised message.</p> <p><b><u>Risk</u></b>  <i>iTrent messaging does not include appropriate messaging increasing the risk of mileage claims being authorised and paid without the corresponding licence, vehicle (MOT) and insurance checks being completed by reporting managers.</i></p>	<ol style="list-style-type: none"> <li>1. The automated message from iTrent informing a manager of the new vehicle will be reviewed and updated to incorporate the comments.</li> <li>2. The driving related forms will be merged, the iTrent guides will be updated and references into the appropriate policies.</li> </ol>	Medium
			<b>Responsible Officer</b>
			1&2. Claire Wallace
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			<ol style="list-style-type: none"> <li>1. 31 August 2022</li> <li>2. 31 July 2022</li> </ol>

Ref	Findings & Risk	Agreed Action	Importance Level
3.8	<p><b><u>Audit Testing Results – Use of Council Vehicles and Use of Own Vehicles</u></b></p> <p>The results of audit testing in respect of the use vehicles on council business are set out in Appendix B. Audit testing did result in some indications that some checks by reporting managers were only being progressed due to the evidence being requested for the audit. The main findings are as follows:</p> <ul style="list-style-type: none"> <li>as the council emerges from the Covid-19 pandemic greater awareness should be raised of all aspects of the Driving at Work Policy and procedures, ensuring compliance across the council;</li> <li>Driving Declaration and Authorisation forms were not completed for all employees driving on council business</li> <li>there should be clarity on how the Driving Declaration and Authorisation form should be completed e.g. on word document, physically completed and signed, or whether it may be possible to convert the document into an Objective workflow. It may also be appropriate to confirm this position with Legal Services and the council's Insurance Officer;</li> <li>guidance should be issued to ensure there is clarity on how and where the vehicle and driver checks should be evidenced, including where documentation should be stored;</li> <li>services should be reminded that the personal information of employees should not be retained e.g. copy licences, and only details of the check being retained.</li> </ul> <p><b><u>Risk</u></b> <i>Lack of awareness, and failure to comply with all relevant policies and procedures, resulting in the risk of accident or injury to an employee or member of the public or reputational damage to the council.</i></p>	<ol style="list-style-type: none"> <li>Service areas will be briefed on current Driving Licence Check requirements, ensuring all staff who are driving on council business have had the relevant checks, whether they are driving the council fleet (all vehicles) or using their own vehicle and are not claiming mileage. Including what personal information requires to be retained and where that information should be stored</li> <li>iTrent will be updated to allow the Employee/ Driving Declaration to be recorded, and this will be required to be checked annually in line with other checks. Guides will be updated to reflect the change.</li> <li>Service areas will be briefed on updated and merged forms and iTrent updates, ensuring all staff who are driving on council business have had the relevant checks, whether they are driving the council fleet (all vehicles) or using their own vehicle and are not claiming mileage. Including what personal information requires to be retained and where that information should be stored</li> </ol>	High
			<b>Responsible Officer</b>
			1. David Cullen 2. Sophie McKinney 3. David Cullen
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			1. 31 July 2022 2. 31 August 2022 3. 30 September 2022

Ref	Findings & Risk	Agreed Action	Importance Level
3.9	<p><b><u>Use of Minibuses – Education Services and Schools</u></b></p> <p>A report was presented to Environment PDSP on 1 February 2022, entitled <i>Hiring of Council Minibuses to Community Organisations</i> which recommended the council should stop hiring minibuses located at Community Centres to external organisations, due to risks around failure to comply with the terms of the Goods Vehicle Operators Licence.</p> <p>The Fleet Operations Manager advised that in relation to the internal use of minibuses Operational Services has all relevant staff appropriately trained to drive minibuses and other services have provided information on staff who require training going forward.</p> <p>During the course of the audit it was noted schools also have access to minibuses and the Education Transport – Use of Minibuses Policy August 2013 includes the requirements for driving minibuses and the hiring of minibuses to external organisations.</p> <p>With reference to the Environment PDSP report of 1 February 2022 and risks identified in the report the use of minibuses by schools should be further reviewed to ensure that:</p> <ul style="list-style-type: none"> <li>• appropriate training is in place for internal council users of these minibuses, with clarity on the level of checks that should be taken by the lending school;</li> <li>• there is clarity on the position on the use of these minibuses i.e. whether they minibuses can be hired to external organisations, and the general scope of their use by schools.</li> </ul> <p>Any review should also involve a review and update of the Education Transport – Use of Minibuses Policy August 2013.</p> <p><b><u>Risk</u></b> <i>Inadequate arrangements in place for the management and use of minibuses resulting in the risk of accident or injury to an employee or member of the public or reputational damage to the council.</i></p>	<ol style="list-style-type: none"> <li>1. Finalise external hire of Council owned minibuses to Community Organisations and revise any associated policies or guidance.</li> <li>2. Agree MiDAS training requirement and communicate to Services.</li> <li>3. Schedule and deliver MiDAS training to drivers (circa 100 (Social Policy &amp; Education)</li> </ol>	Medium
			<b>Responsible Officer</b>
			1, 2 & 3. David Cullen
			<b>Risk Identifier</b>
			OPSHQ023
			<b>Action Date</b>
			<ol style="list-style-type: none"> <li>1. 31 October 2022</li> <li>2. 31 October 2022</li> <li>3. 31 August 2023</li> </ol>

## APPENDIX A

### DEFINITION OF AUDIT FINDINGS & AUDIT OPINION

#### AUDIT IMPORTANCE LEVELS

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

These reflect the importance of audit findings to an effective system of internal control and must be considered in the context of the business processes being audited (Section 2 – Audit Remit).

#### AUDIT OPINION

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

Overall Opinion	Definition
<b>EFFECTIVE</b>	No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.
<b>SATISFACTORY</b>	No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.
<b>REQUIRES IMPROVEMENT</b>	A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.
<b>UNSOUND</b>	A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance.

## APPENDIX B

### **RESULTS OF AUDIT TESTING – USE OF COUNCIL VEHICLES**

#### **Approach**

- information from the Operational Services telematics system was used to identify employees using council vehicles.
- the employee details were then cross referenced to iTrent to identify the reporting managers as recorded in iTrent.
- employees who could be identified as professional drivers were removed. These drivers are covered by more detailed monitoring processes operated by Fleet Services.
- a sample of the remaining employees (approximately 22% of those listed), from across council services, were selected and the reporting managers were asked the following:

Question 1: Annual Driving Declaration and Authorisation Form completed.

Question 2: Date completed, *and if possible provide a copy of this form with your response.*

Question 3: Driving licence check, including check to the DVLA website for any endorsements etc

Question 4: Date completed.

Question 5: Reviewed annually.

Question 6: Please explain how/where you record the above checks.

#### **Sample and Response Rate**

	Reporting Managers	Corresponding Employees
Contacted	67	213
Responded	56	175
<b>Response Rate</b>	<b>84%</b>	<b>82%</b>

Note: at the time of writing three reporting managers, for different reasons, advised they were in the process of undertaking the checks, and are not included in the above figures.

#### **Results**

##### **Driving Declaration and Authorisation Forms**

- eight reporting managers responded that in relation to their staff the Driving Declaration and Authorisation forms had not been completed. Some advised they were not aware of this requirement or where to find the forms, and once advised of where to find the form, six have since completed the forms and two have confirmed this will be done.
- one of the eight reporting managers advised they had stopped completing the forms since the electronic licence checking process with the DVLA was implemented, but has also confirmed this will now be reinstated for relevant employees.
- 27 reporting managers returned information showing that the forms had been completed in January 2022, after the date of the request for information from internal audit.
- eight of the 27 explicitly stated the normal review process was undertaken at this time, a further six were from the eight who were not aware of the forms, with the remaining managers responding that the checks had lapsed to some degree during the pandemic and had now been done, or making no comment as to the timescales for completion.
- 54 reporting managers eventually confirmed the forms had been completed and provided a corresponding date; although some required assistance with this as noted above, and here were some responses of n/a with corresponding explanations provided.

- copies of the Driving Declaration and Authorisation forms were provided by 45 reporting managers.
- the copy forms were either word documents with typed or 'scanned' signatures or scanned PDFs with handwritten signatures and dates.

#### Annual Licence Checks

- only one manager advised that annual licence checks had not been undertaken for their staff, but has since confirmed that this will now be done.
- 22 reporting managers returned information showing the licence checks had been completed in January 2022, after the date of the request for information from internal audit.

#### Recording of Checks

- there were a range of ways in which reporting managers advised that the checks were recorded e.g. People Manager, Objective Employee Files, Central Objective Files and other local records. Some services also keep central lists of the checks e.g. Building Services and NETs and Land Services.
- some comments were received that reporting managers were finding it difficult to find the requested information as it had been, for example, completed by the previous post holder.
- some reporting managers advised that copies of documents were kept securely in files and were therefore advised by internal audit that copies of employee personal records should not be retained, only evidence of the checks undertaken.

#### Conclusions

- from the results of audit testing there remains a need for increased awareness of the driver checks required for making use of council vehicles and in particular the completion of the Driving Declaration and Authorisation form.
- there should be clarity over how the Driving Declaration and Authorisation form should be completed. Word documents with typed signatures may be acceptable with the reduced levels of contact during the pandemic, however there should be clarity going forward, and the use of an objective workflow could be considered for this process.
- there is scope for greater consistency around how the checks are evidenced and where the corresponding documentation should be stored, including consideration of use of People Manager.
- reporting managers should be reminded of the requirement that employees' personal information should not be retained, only evidence of the checks undertaken.

## **RESULTS OF AUDIT TESTING – OWN VEHICLE USE**

### **Approach**

- information from iTrent was used to identify employees who had mileage recorded against them, with the assumption that this meant that own vehicles are being used on council business. However, it was subsequently established the some of the employees on the iTrent list had not in fact claimed mileage, but were in receipt of excess mileage as a result of a change in workplace location.
- for these employees the licence, MOT and insurance check fields in iTrent were reviewed at the start of the audit and it was noted that only approximately 33% of the employees listed had these checks completed in iTrent.
- a sample of employees (approximately 29% of those listed), from across council services, was selected and the reporting managers were asked the following:

Question 1: Use of Own Vehicle Authorisation Form completed.

Question 2: Date completed, *and if possible provide a copy of this form with your response.*

Question 3: Annual Driving Declaration and Authorisation Form completed.

Question 4: Date completed, *and if possible provide a copy of this form with your response.*

Question 5: Driving licence check, including check to the DVLA website for any endorsements etc

Question 6: Date completed.

Question 7: Annual MOT (if applicable).

Question 8: Date completed.

Question 9: Annual Insurance Certificate check, including check for business use

Question 10: Date completed.

Question 11: Reviewed annually.

Question 12: Please explain how/where you record the above checks.

### **Sample and Response Rate**

	Reporting Mangers	Corresponding Employees
Contacted	27	60
Responded	25	55
<b>Response Rate</b>	<b>93%</b>	<b>92%</b>

Note: at the time of writing one reporting manager advised they were in the process of undertaking the checks, and are not included in the above figures.

## **Results**

### **General**

- three reporting mangers responded that the employees in the sample did not use their own vehicles on council business, and subsequently were able to confirm that they were in receipt of excess mileage payments.
- one reporting manager advised that driving is not required in the employee's current post.

### **Use of Own Vehicle Authorisation Form**

- two reporting managers responded that they had not completed the Use of Own Vehicle Authorisation forms for their staff, and were provided with further information to enable these to be completed for the relevant employees.



- three reporting managers returned information showing the Use of Own Vehicle Authorisation forms had been completed in January 2022, after the date of the request for information from internal audit; one reporting manager did note that they were new in post and were unable to locate any previously completed documentation, and the remaining two made no comments as to the timescales for completing the forms.
- 19 reporting managers confirmed the forms had been completed and provided a corresponding completion date.
- copies of the Use of Own Vehicles Authorisation forms were provided by eight reporting managers.
- the copy forms were either word documents with typed or 'scanned' signatures or scanned PDFs with handwritten signatures and dates.

#### Driving Declaration and Authorisation Forms

- nine reporting managers responded that in relation to their staff the Driving Declaration and Authorisation forms had not been completed, and were provided with further information to enable these to be completed.
- a further six reporting managers provided information showing the forms had been completed in January 2022, after the date of the request for information from internal audit; three of the six explicitly stated the normal review process was undertaken at this time, two noted management changes had resulted in difficulty finding the information and one made no comment as to the timescales for completing the forms.
- 12 reporting managers confirmed the forms had been completed and provided a corresponding date.
- copies of the Driving Declaration and Authorisation forms were provided by six reporting managers.
- the copy forms were either word documents with typed or 'scanned' signatures or scanned PDFs with handwritten signatures and dates.

#### Driving Licence, MOT and Insurance Checks

- all reporting managers confirmed that they had undertaken the licence, MOT (where applicable), and insurance checks.
- five reporting managers returned information showing these checks had been completed in January 2022, after the date of the request for information from internal audit.
- however, some reporting managers advised that the checks were normally done at this time of the year, or that the checks had lapsed to some degree due to the pandemic.

#### Recording of Checks

- there were a range of ways in which reporting managers advised that the checks were recorded e.g. People Manager and Objective. Some reporting managers noted that People Manager was only starting to be used to record the checks, due to issue when the system was first implemented.
- some reporting managers advised that copies of documents were kept securely in files and were therefore advised by internal audit that copies of employee personal records should not be retained, only evidence of the checks undertaken.

#### Conclusions

- driving licence, MOT (if applicable) and insurance checks were confirmed as having been completed for all relevant employees included in the sample.
- from the results of audit testing there is a need for increased awareness of the driving checks and in particular the completion of the Driving Declaration and Authorisation form.
- there should be clarity over how the Use of Own Vehicle Authorisation form and Driving Declaration and Authorisation form should be completed. Word documents with typed

signatures may be acceptable with the reduced levels of contact during the pandemic, however there should be clarity going forward, and the use of an objective workflow could be considered for this process.

- there is scope for greater consistency around how the checks are evidenced and where the corresponding documentation should be stored, including remind reporting managers of the checks that can be evidenced in People Manager.
- reporting managers should be reminded of the requirement that employees' personal information should not be retained, only evidence of the checks undertaken.

DATA LABEL: PUBLIC



## **AUDIT COMMITTEE**

### **SCOTLAND'S FINANCIAL RESPONSE TO COVID-19**

### **REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

#### **A. PURPOSE OF REPORT**

To provide the Audit Committee with a summary of the report *Scotland's Financial Response to Covid-19* published by Audit Scotland in June 2022.

#### **B. RECOMMENDATION**

It is recommended that the Audit Committee notes the key messages and recommendations within the Audit Scotland report.

#### **C. SUMMARY OF IMPLICATIONS**

<b>I</b>	<b>Council Values</b>	Being honest, open and accountable, making the best use of resources and working in partnership.
<b>II</b>	<b>Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The council has a statutory duty to consider Accounts Commission reports.
<b>III</b>	<b>Implications for Scheme of Delegations to Officers</b>	None.
<b>IV</b>	<b>Impact on performance and performance Indicators</b>	The constrained and uncertain financial outlook for local government as a result of the Covid-19 pandemic will directly impact the overall performance of councils.
<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	The Accounts Commission overview reports are intended to assist councils in delivering services that achieve local single outcome agreements.
<b>VI</b>	<b>Resources - (Financial, Staffing and Property)</b>	Scottish Government grant funding is not sufficient to meet the increasing costs and demand for services.
<b>VII</b>	<b>Consideration at PDSP</b>	None.
<b>VIII</b>	<b>Other consultations</b>	None.

## **D. TERMS OF REPORT**

### **D.1 Introduction**

Covid-19 is the biggest fiscal and policy challenge faced by the Scottish Government, councils, and other public bodies since devolution. While the emergency phase has now passed, the Scottish Government, councils and other public bodies continue to direct public spending in response to the pandemic at the same time as developing and implementing plans for funding recovery. The Accounts Commission's series of reports provide a summary of their views on the overall financial response to Covid-19. This report outlines the fiscal context in which the Scottish Government, councils and public bodies have been operating since March 2020 and provides a high-level analysis of their financial response to the Covid-19 pandemic. The report considers:

- How decisions were made about where Covid-19 funding should be spent
- The challenges of fast-paced and high-volume decision-making about public spending, in a context of financial uncertainty and existing policy commitments
- The effectiveness of the governance and management of the financial response
- How money flowed through the system from the UK and Scottish governments to people, public services and organisations, and how the impact of spending has been evaluated.

### **D.2 Key Messages**

To highlight the scale of the challenge, the Accounts Commission note that the Scottish Government has allocated £15.5 billion to its Covid-19 response in 2020/21 and 2021/22. A total of £1.8 billion was allocated to councils by the Scottish Government in 2020/21 and 2021/22.

The overview report includes a number of key messages and recommendations. The report is structured around three themes:

- Deciding the public financial response
- Managing overall financial implications
- Managing Covid-19 public spending programmes

In summary, the key messages are:

- The Scottish Government worked collaboratively and at pace with local and UK government to direct significant public spending in difficult circumstances. It is critical that lessons are learned about what worked well, and what did not to improve the public sector response to any future crises.
- The Scottish Government streamlined governance arrangements to direct funds quickly, but it is hard to see how some financial decisions were reached.
- The Scottish Government directed a large proportion of funding to councils and other public bodies who had existing systems and local knowledge to enable them to spend quickly.
- The Scottish Government has managed its overall budget effectively but some Covid-19 funding remains unspent.
- It is vital for transparency and financial planning that the Scottish Government and other public bodies are clear about how one-off Covid-19 funding has been spent, including where spending commitments may last for several years.
- More work is needed by the Scottish Government to show how the wide range of Covid-19 spending measures have worked together to address the harms caused by the pandemic.

### **D.3 Part 1 – Deciding the public financial response**

The public health crisis caused by Covid-19 has had a profound effect on every aspect of Scottish society. Throughout the pandemic, the Scottish Government, councils and other public bodies have had to make decisions quickly and manage public finances in a fast-moving and

unpredictable environment. The Scottish Government defined four harms of the pandemic which informed its decisions, including those with financial implications. The four harms are:

- **Direct health.** Covid-19 has caused direct and tragic harm to people's health, reflected in hospital and intensive care admissions and the number of deaths.
- **Indirect health.** The virus has had a wider impact on health and social care services and how people are using those services in both the short and longer term.
- **Societal.** Restrictions introduced to reduce the direct harms of the virus caused broader societal harms (e.g. the disruption to education and increased levels of mental ill-health).
- **Economic.** All aspects of the economy from the provision of goods and services to taxes to fund public services, employment and income levels have been affected.

Since March 2020, the Scottish Government has announced over 300 separate spending measures relating to Covid-19, many of which directly affected the finances of councils and other public bodies.

The report highlights that the Scottish Government worked closely with the other governments in the UK when developing their response and the UK Government's schemes influenced the Scottish Government's financial response to the pandemic. It also notes areas in which the Scottish Government amended some schemes or developed specific schemes to meet local needs.

Governance arrangements were streamlined by the Scottish Government and councils to help them respond more quickly to the crises. The Accounts Commission's Local Government in Scotland Overview 2021 found that councils made swift changes to governance arrangements at the start of the pandemic. This involved some councils suspending meetings and others creating specific Covid-19 committees. Since then, councils have continued to adapt and now offer online and hybrid meetings.

The Auditor General and Accounts Commission's Community empowerment: Covid-19 update reported that community planning partnerships and the voluntary sector were vital in supporting and empowering people and communities to support the most vulnerable in society during the pandemic. In areas where existing relationships were stronger, some communities were able to provide a faster and more targeted response. This enabled rapid allocation of funding to well-established organisations supporting those most affected by Covid-19.

Issues with data availability to support financial decision making and establishing clear and transparent decision making trails for some funds are highlighted and the report makes recommendations for improvement.

#### **D.4 Part 2 – Managing overall financial implications**

In total, over the two years of the pandemic the Scottish Government has allocated £15.5 billion in its budgets to its Covid-19 response. This was funded largely from £14.4 billion of Barnett consequential arisings from spending on Covid-19 in devolved areas in England. The remaining £1.1 billion has been funded by redirecting existing budgets and from the Scotland Reserve.

The Accounts Commission reports that the Scottish Government managed its overall budget well, but struggled to maintain transparency, which limited scrutiny. The Scottish Government had to manage an uncertain and quickly changing budget, making sure it could meet the financial commitments made throughout the pandemic. The initial response required large amounts of additional public spending without a clear understanding of how this would be funded. As the pandemic progressed, the Scottish Government monitored expected funding and spending closely, allocating available funding while keeping within overall budget limits.

The Scottish Government, councils and other bodies worked well together to respond to the pandemic and the Scottish Government allocated significant additional funding to public bodies to enable key front-line services to keep operating. One such example was funding to

councils and other bodies to allow them to keep operating despite losing income because of the pandemic, for example from leisure centres or parking.

Other key messages in this section of the report are that the Scottish Government directed a large proportion of funding to partners who had the existing systems and local knowledge to deliver funds and relied on established systems within councils and public bodies to detect and prevent fraud within its business support schemes. The important role played by councils in delivering grants on behalf of the Scottish Government, putting a significant strain on their resources, is recognised.

## **D.5 Part 3 – Managing Covid-19 public spending programmes**

The Accounts Commission note that the Scottish Government had spent £11.8 billion on its Covid-19 response up to December 2021. Over time, the Scottish Government's measures have increasingly changed from highly targeted, specific interventions to wider support for public services and recovery measures. This reflects its assessment of need at different phases of the pandemic. Increasingly, Covid-19 spending and existing spending priorities have run alongside each other. This approach recognises the relationship between spending measures across the four harms. This also means that it has become harder to classify and identify Covid-19 spending over time. Covid-19 is not a budgetary or accounting classification so is not consistently recorded.

The Scottish Government and councils used tools, such as reserves, to smooth Covid-19 funding between years. This allows public services to spend money to address the harms caused by the pandemic at the time they judge to be most appropriate. This is recognised as a sensible approach and an important component of good financial management. Councils added £1.2 billion to their reserves. This was a 46 per cent increase on the previous year, largely attributable to Covid-19 funding received from the Scottish Government late in the 2020/21 financial year. It is important that the Scottish Government and local government explain clearly how they are using Covid-19 funding in reserves. This is essential to maintain transparency and to enable effective ongoing democratic and public scrutiny.

Additional Covid-19 spending programmes have protected the financial position of public services in the short term. The Scottish Government largely maintained existing budgets and directed additional funding to areas it considered to be facing significant additional demands. However, the underlying financial sustainability pressures previously facing many public services remain and have undoubtedly been exacerbated by the pandemic. The Accounts Commission's Local Government in Scotland: Financial overview 2020/21 highlights that, excluding additional Covid-19 funding, councils have seen a real terms reduction in funding from the Scottish Government of 4.2 per cent since 2013/14. Given the underlying financial pressures, it will be critical that the available funding is managed closely to enable recovering public services to operate sustainably.

## **D.6 Recommendations**

The overview report includes a number of recommendations. There are specific recommendations for Scottish Government and wider recommendations for Scottish Government, councils, NHS boards and integration authorities. These wider recommendations are that Scottish Government, councils, NHS boards and integration authorities should:

- Improve the transparency of public finances to support scrutiny of Covid-19 funding and spending measures by:
  - Collecting, drawing together and analysing Covid-19 funds data to establish how much money was spent, where, and how quickly it was issued and received
  - Reporting through their accounts and management information how Covid-19 funding held in reserves has been spent, and the extent to which Covid-19 funded spending commitments will exist in future years

- Reviewing their medium-term and longer-term financial plans to reflect the ongoing impact and financial consequences of the pandemic. This should include the longer-term impact on resources and potential costs of continuing to support citizens and restore lost income.
- Continue to monitor and report on fraud and error arising from Covid-19 business support payments to ensure that processes are working in practice, funds are allocated correctly, and steps are taken to recover funds paid in error.
- Work together to learn lessons from the financial response to the pandemic by:
  - Collecting and sharing findings from their response, including financial information to demonstrate the impact the spending has had and to allow others to benefit from good practice
  - Considering what systems should be in place to enable consistent spending information to be collected while minimising the administrative burden
  - Collectively understanding the ongoing challenges and longer-lasting impacts of the pandemic which will allow them to work together to recover
  - Developing robust processes which will improve the public sector response to future crises or other cross-cutting issues, such as climate change and child poverty
  - Evaluating whether Covid-19 spending delivered the desired outcomes.

## **E. CONCLUSION**

The Audit Scotland *Scotland's Financial Response to Covid-19* report outlines the fiscal context in which the Scottish Government, councils and public bodies have been operating since March 2020. Covid-19 is the biggest fiscal and policy challenge faced by the Scottish Government, councils, and other public bodies since devolution. It is important that lessons are learned about what went well, and what did not to improve the public sector response to any future crises.

## **F. BACKGROUND REFERENCES**

Scotland's Financial Response to Covid-19

<https://www.audit-scotland.gov.uk/publications/scotlands-financial-response-to-covid-19>

Appendices/Attachments: None

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**Donald Forrest**  
**Head of Finance and Property Services**  
21 October 2022





DATA LABEL: PUBLIC



## **AUDIT COMMITTEE**

### **SCOTLAND'S COUNCILS' APPROACH TO ADDRESSING CLIMATE CHANGE**

#### **REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

##### **A. PURPOSE OF REPORT**

The purpose of this report is to inform the Audit Committee of Audit Scotland's recent report into Scotland's councils' approach to addressing climate change.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee:

1. Note the contents of this report and appendix, and;
2. Notes the areas of alignment with the council's approach set out in the Climate Change Strategy 2021-2028 as well as areas for further development in future.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I</b>	<b>Council Values</b>	Being honest, open and accountable; making best use of our resources; working in partnership.
<b>II</b>	<b>Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	Specific risk assessments and method statements covering the works will be agreed before they commence.
<b>III</b>	<b>Implications for Scheme of Delegations to Officers</b>	None.
<b>IV</b>	<b>Impact on performance and performance Indicators</b>	None.
<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	We make the most efficient and effective use of resources by minimising our impact on the built and natural environment.
<b>VI</b>	<b>Resources - (Financial, Staffing and Property)</b>	None.
<b>VII</b>	<b>Consideration at PDSP</b>	None.
<b>VIII</b>	<b>Other consultations</b>	None.

## **D. TERMS OF REPORT**

### **D.1 Background**

In June 2021 the Auditor General for Scotland published a blog titled “Making climate change an audit priority”. In it he set out the role of Audit Scotland in supporting efforts to achieve net-zero targets and ensure a just transition and recovery from the covid-19 pandemic, using the organisation’s unique role as auditor of the public sector to:

- scrutinise action and spend on climate change by public bodies;
- use Audit Scotland’s knowledge and expertise of how public bodies operate to provide assurance on how they are managing their actions on climate change, and;
- look across the public sector to assess the collaboration needed to tackle climate change, assessing how well public bodies work with the private and third sector and within communities.

This was followed by a round-table meeting with representatives from the public sector in July 2021 where there was a strong consensus that the time is right for independent audit and scrutiny to help achieve Scotland’s climate change ambitions.

In February 2022, the Accounts Commission approved the scope for a Local Government Climate Change Briefing. The scope sets out that the overarching aim of the audit work is to assess councils’ climate change ambitions to reduce overall emissions and increase climate resilience, and to consider the extent to which these aims are integrated into strategic decision making. A focus group meeting, attended by the council’s Energy and Climate Change Manager, was held in April 2022. The purpose of this focus group was to help Audit Scotland gather evidence in relation to the strategic decision-making element of the scope.

All of this work ultimately led to the publication of the report attached as Appendix 1 in September 2022.

### **D.2 Key Recommendations**

The report sets out five key recommendations that it asks local authorities to consider in relation to their response to the climate emergency. These are:

1. Ensure clear and transparent emissions targets are in place;
2. Increase action on adaptation and climate resilience;
3. Make action plans clear about the gaps and challenges that remain;
4. Increase collaboration efforts, and;
5. Embed climate change into decision-making at all levels.

Each of these recommendations have a number of suggested actions to help achieve these outcomes. Section D.3 of the report considers each of the recommendations and how they align with the approach taken by the council.

### **D.3 Alignment with West Lothian Council Approach**

Following a motion to West Lothian Council in September 2019 declaring a Climate Emergency, the council published its Climate Change Strategy 2021-2028 in October 2021. This was followed in April 2022 by the Adaptation Action Plan. The strategy provides a framework for the council's actions as a public sector organisation aimed at reducing greenhouse gas emissions and preparing for the unavoidable impacts of changing weather patterns through the period 2021-2028 while also considering the pathway to achieving a net-zero West Lothian by 2045 at the latest. The summaries below outline the council's current approach in relation to the five recommendations set out in D.2 and highlights areas for future development and refinement.

#### **D.3.1 Ensure clear and transparent emissions targets are in place**

The council has had a clearly defined emissions scope since our baseline year of 2013/14 and has been reporting this through Scotland's Climate Change Declaration and then the mandatory Public Bodies Duties Annual Climate Change Report. Our reported emissions include a range of scope 3 emissions including waste, water supply and treatment and an estimate for home working emissions. In addition to a net-zero target of 2045, the council has set out interim targets within the strategy, aligning these with the wider Scottish Government objectives. The strategy makes it clear that emissions should be reduced to as close to zero as possible while still recognising there will be some residual emissions. A natural capital audit has been commissioned which will set out the current and future potential for carbon offsetting on council owned land, effectively informing the level of residual emissions which must be achieved.

Future considerations include identifying an appropriate methodology for calculating and reporting on supply chain emissions from procured goods and services.

#### **D.3.2 Increase action on adaptation and climate resilience.**

Outcome 4 of the council's Climate Change Strategy deals specifically with adaptation, resilience and biodiversity. The key action set out was the publication of the Adaptation Action Plan which was approved by Council Executive in April 2022. The Action Plan identifies seven adaptation outcomes which the council will work towards through implementing over 70 actions over the next six years (2022 - 28).

Officers are currently developing a Local Biodiversity Action Plan focused on protecting and enhancing existing habitats and joining up green networks.

#### **D.3.3 Make action plans clear about the gaps and challenges that remain.**

Section 3.2 of the Climate Change Strategy sets out that emissions targets will be reviewed annually as part of the Climate Change Report and fully updated every five years. Each of the actions contained in the Strategy have been added to Pentana and progress reports are provided to the Environment and Sustainability PDSP as part of agreed quarterly climate change updates. A Carbon Management Plan is being developed that will clarify the emissions pathway to the first interim target (61% reduction by 2028), identifying any gaps and setting out proposals to ensure that they are closed.

#### **D.3.4 Increase collaboration efforts.**

The council's Climate Emergency Declaration and Strategy both recognise the importance of a partnership approach to tackling the climate emergency, with the declaration itself recognising the work that had already been undertaken. A Community Planning Partnership (CPP) climate change seminar held in October 2019 was well attended by partners, community representatives and pupils from local high schools and resulted in the development of a draft CPP action plan. Officers recently met with a number of partners to establish how a collaborative approach could add value to existing plans and strategies through forthcoming revisions to the Local Outcomes Improvement Plan. There is also a specific action within the Strategy to hold further similar events with our partners.

Council officers are also engaging at a community level, supporting initiatives such as Climate Action Towns (Blackburn) and the Climate Action Hub and will continue to work with local community groups to drive climate action. Officers are also active participants in wider knowledge sharing forums such as the Sustainable Scotland Network and Scottish Energy Officer's Network.

#### **D.3.5 Embed climate change into decision-making at all levels.**

Outcome 6 of the Climate Change Strategy deals specifically with embedding climate action. Actions include providing climate information and training for elected members to ensure that they are best placed to consider climate change in their planning and decision-making processes and providing online learning modules as part of the induction process for council staff with specific training where required.

Future opportunities include reviewing committee and business case templates to include explicit consideration of climate change /sustainability consultations and impacts.

### **E. CONCLUSION**

The Audit Scotland report, and the actions contained within, are a useful contribution to support local authorities in their efforts in responding to the climate emergency. While the council's Climate Change Strategy (and supporting plans such as the Adaptation Action Plan) broadly encompass the recommendations set out in the report, there are areas for development which will be considered as part of future reviews.

### **F. BACKGROUND REFERENCES**

[Audit Scotland Report – Scotland's Councils' Approach to Addressing Climate Change](#)

[West Lothian Council Climate Change Strategy 2021-2028](#)

[West Lothian Council Adaptation Action Plan](#)

Appendices/Attachments: None

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**Donald Forrest**  
**Head of Finance & Property Services**

21 October 2022



DATA LABEL: PUBLIC



**AUDIT COMMITTEE**

**CORPORATE STRATEGY ANNUAL UPDATE – INTERNAL AUDIT AND COUNTER FRAUD STRATEGY**

**REPORT BY HEAD OF FINANCE AND PROPERTY SERVICES**

**A. PURPOSE OF REPORT**

The report provides a review of the Internal Audit and Counter Fraud Strategy 2018/23, including progress against the planned actions and an overview of the performance to date.

**B. RECOMMENDATIONS**

It is recommended that the Audit Committee:

1. notes the performance against the outcomes;
2. notes the progress made in implementing the actions.

**C. SUMMARY OF IMPLICATIONS**

- |  |   |
|--|---|
| <b>I. Council Values</b>                                       | Being honest, open and accountable, making best use of our resources.   |
| <b>II. Policy and Legal</b>                                    | <p>The Local Authority Accounts (Scotland) Regulations 2014 require that local authorities must operate a professional and objective internal audit service.</p> <p>The council's Anti Fraud and Corruption Policy sets out a policy of zero tolerance to all aspects of fraud, corruption and criminality.</p> <p>The council's Disclosure of Information by Employees (Whistle Blowing) Policy sets out principles in relation to the reporting of serious wrongdoing by employees.</p> |
| <b>III. Implications for Scheme of Delegations to Officers</b> | None.   |
| <b>IV. Impact on performance and performance indicators</b>    | A performance scorecard has been developed to support the delivery of the strategy outcomes. This is used to track and monitor performance of key indicators throughout the period of the strategy and reported publicly.   |

V.	<b>Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI.	<b>Resources (Financial, Staffing and Property)</b>	None.
VII.	<b>Consideration at PDSP</b>	None.
VIII.	<b>Details of consultations</b>	The strategy was developed through consultation with the key stakeholders, CMT and the Partnership and Resources PDSP. The strategy was approved at Council Executive on 12 June 2018.

## **D. TERMS OF REPORT**

### **D.1 Background**

The council has a clear mission, values and strategic outcomes. These influence every part of the way that we operate but also how we evaluate our success as an organisation. The council developed a set of integrated corporate strategies for the period 2018/19 to 2022/23 that will improve the quality and value of our services and drive a culture of performance and transformation at all levels of the organisation.

There are two features that allow tracking of progress in the strategy outcomes and measurable achievement:

- performance indicators that are linked to the strategy outcomes and key activities;
- action plans comprising actions with defined outcomes, timescales and responsible officers.

In line with monitoring and reporting requirements for corporate strategies, this report provides an update for 2021/22 on the performance in strategy outcomes and progress on the action plan.

### **D.2 Strategy Outcomes**

Effective internal audit and counter fraud arrangements are a key component of the council's corporate governance arrangements.

The Internal Audit and Counter Fraud Strategy indirectly supports all of the eight priorities in the council's Corporate Plan 2018/23. It also directly contributes to the enablers in relation to corporate governance and risk, and modernisation and improvement.

The strategy outcomes are:

1. The deployment of an internal audit service which provides assurance on the council's risk management, control and governance processes, and adds value to the council's operations.
2. Counter fraud arrangements which assist in minimising the risk of fraud and ensure that alleged frauds and irregularities are timeously reported, effectively investigated, and taken to an appropriate conclusion.







### D.3 Performance Scorecard

The strategy scorecard is a reporting tool that is used to monitor progress in the performance indicators in each strategy outcome. Achievement in the key activities can be tracked and it also allows the council to identify areas for improvement.

The scorecard provides a snapshot of performance to date across the whole strategy and is included as Appendix 1.






A total of eight performance indicators are contained in the scorecard and this is managed using the council's performance management system, Pentana. At present, the status of those indicators are as follows:

Summary of Performance Indicator Status (RAG)	
Status (against target)	Number of PIs
 Green	7
 Amber	1
 Red	0
 Unknown	0

The amber performance indicator is the average length of time in weeks to issue draft fraud reports, which was 16.7 weeks. Resources are focused on high priority fraud investigations which, due to their complexity, may take longer to complete. Performance on this indicator will continue to be monitored during 2022/23.

### D.4 Strategy Actions

There were two actions to support the delivery of the Internal Audit and Counter Fraud Strategy outcomes during 2021/22 and these are summarised below and in Appendix 2.

Summary of Action Status (RAG)	
Status (against target)	Number of Actions
 Completed	1
 In Progress	0
 Approaching Due Date	0
 Overdue	1
 Cancelled	0

The overdue action is the external review of compliance with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that an external assessment of compliance be conducted at least once every five years by a qualified, independent assessor. The last external assessment of compliance was undertaken by the internal audit team of Moray Council and was reported to the Audit Committee on 30 June 2017. The current PSIAS review is being carried out by the internal audit team of Dundee City Council. Due to staffing changes within that team, the review has been delayed and is now overdue. Dundee City Council have confirmed that they intend to complete the review in time for the findings to be reported to the Audit Committee on 20 January 2023.

**E. CONCLUSION**

Progress continues to be made in relation to the Internal Audit and Counter Fraud Strategy outcomes.

**F. BACKGROUND REFERENCES**

[West Lothian Council Corporate Plan 2018/23](#)

[West Lothian Council Internal Audit and Counter Fraud Strategy](#)

**Appendices/Attachments:**

Appendix 1: Internal Audit and Counter Fraud Strategy Scorecard

Appendix 2: Internal Audit and Counter Fraud Strategy Action Plan Update

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**Donald Forrest**  
**Head of Finance and Property Services**





**21 October 2022**

## APPENDIX 1

### (a) Outcome 1 - The deployment of an internal audit service.

Status	Performance Indicator	Last Update	Current Value	Current Target	Lead officer(s)
	P:IA007_6a.7 Percentage of customers who rated the overall quality of the service provided by internal audit as good or excellent.	2021/22	100%	100%	.Head of Finance and Property Services (D Forrest)
	P:IA012_9a.1d Cost of internal audit per £1 million of West Lothian Council's net expenditure.	2021/22	£435	£460	.Head of Finance and Property Services (D Forrest)
	P:IA014_9b.1a Percentage of audits in the annual audit plan completed for the year.	2021/22	95%	100%	.Head of Finance and Property Services (D Forrest)
	P:IA015_9b.1a Average length of time (in weeks) to issue draft audit reports.	Q4 2021/22	10.4	10.0	.Head of Finance and Property Services (D Forrest)



### (b) Outcome 2 - Counter fraud arrangements which assist in minimising the risk of fraud.

Status	Performance Indicator	Last Update	Current Value	Current Target	Lead officer(s)
	P:IA037_6a.7 Percentage of customers who rated the overall quality of the service provided by counter fraud as good or excellent.	2021/22	100%	100%	.Head of Finance and Property Services (D Forrest)
	P:IA039_6b.5 Percentage of fraud referrals assessed and decided within 3 working days of receipt.	Q4 2021/22	98.7%	100%	.Head of Finance and Property Services (D Forrest)
	P:IA040_9b.1a Average length of time (in weeks) to issue draft fraud reports.	Q4 2021/22	16.7	14	.Head of Finance and Property Services (D Forrest)
	P:IA042_9b.1a Percentage of National Fraud Initiative recommended data matches investigated to a conclusion	2021/22	100%	100%	.Head of Finance and Property Services (D Forrest)

## APPENDIX 2

### Internal Audit and Counter Fraud Strategy Action Plan Update

### Internal Audit and Counter Fraud Strategy Action Plan Update

Status	Action Title	Code	Assigned To	Progress Bar	Latest Update
	External review of compliance with PSIAS	IA21001_Ar	Kenneth Ribbons	<div><div>50%</div></div>	In accordance with the external quality assessment (EQA) process facilitated by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), Dundee City Council to conduct an external assessment of internal audit's compliance with the Public Sector Internal Audit Standards (PSIAS). The assessment has been delayed due to staffing changes within the internal audit team at Dundee. It has now been agreed their findings will be reported to the Audit Committee on 20 January 2023.
	Annual review of counter fraud procedures	IA21005_Ar	Stuart Saunders	<div><div>100%</div></div>	

DATA LABEL: PUBLIC



**AUDIT COMMITTEE**

**FRAUD AND IRREGULARITY 2021/22**

**REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

**A. PURPOSE OF REPORT**

To inform the Audit Committee of the Audit Scotland report Fraud and Irregularity 2021/22.

**B. RECOMMENDATION**

It is recommended that the Audit Committee considers the themes and messages in the report.

**C. SUMMARY OF IMPLICATIONS**

<b>I</b>	<b>Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II</b>	<b>Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	The council's Anti-Fraud and Corruption Policy sets out a zero tolerance policy to all forms of fraud and corruption. Relevant to council risk WLC020: "Failure to prevent and detect fraud / theft".
<b>III</b>	<b>Implications for Scheme of Delegations to Officers</b>	None.
<b>IV</b>	<b>Impact on performance and performance Indicators</b>	Weaknesses in internal control may have an adverse impact on performance.
<b>V</b>	<b>Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI</b>	<b>Resources - (Financial, Staffing and Property)</b>	None.
<b>VII</b>	<b>Consideration at PDSP</b>	None.
<b>VIII</b>	<b>Other consultations</b>	None.

## **D. TERMS OF REPORT**

### **D.1 Introduction**

Audit Scotland's report shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity. External auditors have shared specific details about significant frauds and other irregularities in public bodies during 2021/22.

External auditors are required to report frauds or suspected frauds to Audit Scotland where they are caused or facilitated by weaknesses in public bodies' internal controls. Frauds and irregularities are considered significant where the value of the loss is over £5,000 or where it is of significance owing to the nature of the activity.

### **D.2 Fraud and Irregularity Identified**

The report groups the key fraud risks identified by external auditors into the following categories:

- Pension fund;
- Expenditure fraud;
- Income fraud;
- Covid-19 funding;
- Cybercrime.

The report sets out case studies as examples of the categories and identifies control weaknesses which contributed to the fraudulent and irregular activity as follows:

- Not checking customer details are up to date;
- Procedures not being followed;
- Weak IT security arrangements;
- A lack of staff training;
- A weak authorisation process for payments;
- Easily circumvented procedures.

The report recommends that public bodies ensure that effective counter-fraud arrangements are in place, and specifies ways of reducing fraud risks.

### **D.3 West Lothian Council: Counter Fraud and Internal Audit Activity**

The annual counter fraud plan provides for the maintenance of the whistleblowing hotline, the recording and investigation of fraud referrals, and the provision of counter fraud training. Both counter fraud and internal audit teams maintain good communication channels with services. The counter fraud team advises the Audit Committee of any significant frauds established, and keeps the Audit Committee informed of progress on the counter fraud plan via interim and annual reports. The most recent counter fraud annual report covering the financial year 2021/22 was submitted to the Audit Committee on 21 June 2022.

The annual internal audit plan is the council's mechanism for ensuring that there is a regular and independent review of controls in place to mitigate key risks to the council's objectives. The internal audit plan normally includes coverage of key fraud risks and the 2022/23 plan includes audits in relation to fraud risks such as security of stores, plant and equipment, school funds, and cyber security.

Where counter fraud and internal audit reports identify weaknesses an action plan containing improvement actions is agreed with management. Findings considered to be of "high" importance are entered into Pentana as risk actions and followed up as a matter of course to determine progress. High importance findings which are not implemented are reported to the Audit Committee.

**E. CONCLUSION**

The Audit Scotland report highlights cases of fraud and irregularity identified during 2021/22, and sets out ways to reduce fraud risks.

**F. BACKGROUND REFERENCES**

Report to Audit Committee 21 March 2022: Counter Fraud Plan 2022/23

Report to Audit Committee 21 March 2022: Internal Audit Plan 2022/23

Report to Audit Committee 21 June 2022: Counter Fraud Annual Report 2021/22

Appendices/Attachments: Audit Scotland report: Fraud and Irregularity 2021/22

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**Kenneth Ribbons**  
**Audit, Risk and Counter Fraud Manager**

Date of meeting: 21 October 2022

# Fraud and irregularity 2021/22

**Sharing risks and case studies to support the Scottish public sector in the prevention of fraud**

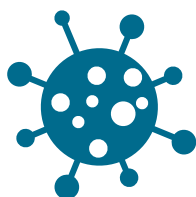


Prepared by Audit Scotland for public bodies and auditors  
July 2022



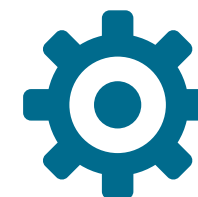
# Key messages

The Covid-19 pandemic heightened the risk of fraud as new systems and ways of working were introduced.



## 1. The Covid-19 pandemic introduced many challenges for the Scottish public sector

Public Bodies delivered both existing and new services in new working environments. These changes resulted in additional fraud risks for public bodies to manage.



## 2. New challenges

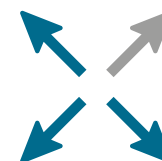
Despite these new challenges, auditors have found that most bodies have responded well by introducing new systems, procedures, and controls.

# Key messages continued



## 3. The Covid-19 pandemic has seen new fraud introduced

For example, fraudsters have targeted the grants to support businesses through the pandemic. Steps have subsequently been taken to reduce fraud and error in these schemes by grant-paying bodies and government.



## 4. Weaknesses in controls contributed to seven cases of fraud and irregularities totalling over £354,000

During 2021/22, internal control weaknesses contributed to seven cases of fraud and irregularity valued at over £354,000 being identified in public bodies. In comparison, 13 cases of fraud and irregularity valued at £401,500 were identified during [2020/21](#). Despite many challenges facing public bodies over the past two years because of the Covid-19 pandemic, the value of fraud and irregularity detected remains low compared to the 2021/22 annual Scottish budget of [£54 billion](#).

Audit Scotland's [counter-fraud hub](#) contains useful counter-fraud information.

# Recommendations

## **Public bodies should ensure effective counter-fraud arrangements are in place. These include:**

- having effective governance and oversight arrangements for counter-fraud
- understanding the current and emerging counter-fraud risks facing the body
- regularly reviewing their counter-fraud strategy and counter-fraud plan
- regularly assessing and reviewing internal controls and governance arrangements to ensure they remain effective
- considering whether the risks and weaknesses in controls identified in this report may exist in their organisation and taking appropriate corrective actions
- reviewing the independent reviews and associated recommendations that were commissioned by the Scottish Environment Protection Agency (SEPA) following a ransomware attack on its systems.

## **Auditors should confirm that:**

- the governance arrangements in place in their audit clients are effective, regularly reviewed and amended as appropriate for new fraud risks
- internal controls are operating effectively to help prevent fraud and irregularity, including the examples detailed in this report.

# Fraud and irregularity identified during 2021/22

Auditors have provided Audit Scotland with details of cases of fraud and other irregularity discovered in their audited bodies during 2021/22. This report sets out examples of the various categories of fraud and irregularity reported during 2021/22 and the control weaknesses which contributed to these cases.

## Aims of this report

This report shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity, to help prevent similar circumstances happening again. External auditors have shared specific details about significant frauds and other irregularities in public bodies during 2021/22. The level of fraud and irregularity reported by external auditors was over £354,000, which is a very small proportion of the 2021/22 Scottish budget of £54 billion.

External auditors are required to report frauds, or suspected frauds, to Audit Scotland where they are caused or facilitated by weaknesses in public bodies' **internal controls**. Frauds and irregularities are considered significant where the value of the loss is over £5,000 or where it is of significance owing to the nature of the activity.

The cases included in this report are likely to have been investigated internally, but it is not necessary for the police to have been involved or for it to have been proven as fraud in a court of law.

Reporting cases about fraud and irregularity and sharing information about what happened helps highlight weaknesses in internal controls and aims to help prevent similar circumstances from happening in other public bodies.



**Internal controls** help organisations to respond to risks, to comply with legislation and regulations and to prepare quality financial information. This includes policies and procedures organisations put in place to help prevent errors and irregularities.

Public bodies are encouraged to consider whether the weaknesses in internal control that facilitated each of the cases highlighted in this report may also exist in their own arrangements and take the required corrective action.

## Fraud and irregularity identified during 2021/22

Fraud and irregularity reported during 2021/22 totals over £354,000 and falls into the following categories:



**1 case**

Pension fund



**1 case**

Procurement cards



**1 case**

Invalid supplier



**1 case**

Ticket income



**2 cases**

Covid-19 funding - 2 cases are included in this report as examples.



**1 case**

IT and cybercrime

## Control weaknesses

The fraudulent and irregular activity reported by external auditors during 2021/22 highlighted control weaknesses which contributed to the fraudulent and irregular activity.



Not checking customer details are up to date



Procedures not followed



Weak IT security arrangements



A lack of staff training



A weak authorisation process for payments



Easily circumvented procedures

Specific details of the fraud and irregularity are reported on the following pages.

# Pension fraud

Pension fraud relates to people receiving payments from a pension fund to which they are not entitled.

## Case Study 1: Pension fraud

A family member of a deceased pensioner continued to collect £300,000 of pension payments over a 31-year period from a public sector pension fund.



## Key features

The pension fund was not notified of the death of the pensioner and the pension payments continued to be paid.

The fraud was discovered by the pension fund after mail sent to the deceased pensioner was returned.

The fraud was possible as the pensioner's death pre-dated data-matching controls which are now in place to automatically highlight when a pensioner has died.

The pension payments have been stopped and the matter reported to Police Scotland.

# Expenditure fraud

Expenditure frauds relate to cases where a body has incurred additional expenditure because of fraud. This may be due to invalid suppliers, fictitious invoicing, or the redirection of payments intended for legitimate suppliers.



**Action Fraud UK** is the national centre where individuals can report fraud and cybercrime.

## Case Study 2: Corporate procurement card fraud

A council employee misused a corporate procurement card to fund personal purchases valued at over £7,300.



### Key features

The employee used an emergency authorisation process to bypass the requirement to obtain authorisation at a local level. It was therefore not identified that the purchases were not legitimate. The employee also dishonestly accessed emails and misused a computer system to fraudulently authorise their own purchases.

The fraud was identified through budgetary control processes.

The employee has been dismissed and reported to the Procurator Fiscal. Two managers are also subject to the council's disciplinary procedures.

The council has since provided staff with detailed instructions and training which outline the proper process for using and authorising corporate procurement cards.

## Case Study 3: Invalid supplier

A third party defrauded over £23,000 from a public body by purporting to be a supplier to the body.



### Key features

The public body received a request by email to amend a supplier's bank account details. The supplier's email address had been intercepted by a fraudster who requested the change.

The fraud was possible as the public body did not telephone the supplier to verify the change of bank details.

The issue was identified when the genuine supplier queried why the payment had not been received.

The public body's internal audit team has reviewed the process for changing suppliers' bank account details. Improvements have been made to procedures and training has been provided for relevant staff.

The matter has been reported to Police Scotland and **Action Fraud UK** has also been notified of the case.



# Income fraud

Income fraud relates to cases where a body has lost income because of fraud.

## Case Study 4: Admission ticket income

Third parties defrauded over £8,600 in admission ticket income from a public body.



### Key features

Unknown third parties fraudulently purchased and then resold admission tickets for events. The purchases were made using credit cards issued by an international provider. A loss was incurred as tickets had been used before the fraud was identified.

The fraud was discovered when the genuine cardholders subsequently requested refunds.

The fraud was facilitated by the international card provider not having secondary authentication procedures in place. The public body has stopped accepting credit cards without any secondary authorisation procedures in place.

Processes have been put in place to enhance card holder authentication for card payments.

# Covid-19 funding fraud

Covid-19 funding fraud relates to cases where fraudulent funding applications have been paid.

UK Government funding to the Scottish Government to support businesses and individuals throughout the Covid-19 pandemic was provided quickly, and often with lower levels of scrutiny and due diligence than are normally in place. Support was often provided to individuals and businesses that the paying organisation had no previous relationship with. This made verification of claims for funding difficult. To get the funding out quickly to those in need, the Scottish and UK governments introduced schemes which relied on self-declaration by the claimant.

This has resulted in applicants being paid funding which subsequently have been found to have been fraudulent.



The value of some **grants** paid by councils depended on the type of business and the rateable value of the business premises.

## Case Study 5: Covid-19 funding (1)

A council paid out a £10,000 Covid-19 business support grant which later was discovered to be fraudulent.



### Key features

A fraudster submitted an application supported by a forged lease document for the business premises and a forged bank statement. A previous fraudulent change in ratepayer had been notified to the council.

The fraud was identified when the legitimate applicant submitted a grant application.

A second subsequent application has since been made for another grant in a subsequent grant-funding phase. The council did not process this second application.

The council has shared the details of the fraudulent application with other public bodies and has notified Police Scotland.

## Covid-19 funding fraud (continued)

### Case Study 6: Covid-19 funding (2)

A public body paid out a grant of £5,250 to a business based on an application having been received with a self-declaration by the business. The business stated that it had been adversely impacted by Covid-19. The public body paid out funds in accordance with the instructions and procedures issued by the Scottish Government.



### Key features

The public body subsequently received a communication from a third party highlighting concern over the award of the funding to this business. The public body's internal audit team carried out a review and requested further supporting evidence. This established that the recipient did not meet the eligibility criteria for the funding.

The public body is seeking recovery of the grant paid.

# Cybercrime

Cybercrime relates to losses due to crime which has been committed using computer systems and IT networks.

## Case Study 7: Cyber-attack

SEPA suffered a cyber-attack and subsequent data loss on 24 December 2020. Our 2020/21 Fraud and irregularity report contained initial details which were known at that time. Further details and learning from the attack are now available and a summary is provided below.

### Key features

The cyber-attack resulted in SEPA being unable to retrieve a significant amount of its data. This was despite independent reviews finding that SEPA had a high level of cyber security maturity. The criminals demanded a ransom which SEPA did not pay.

Investigations have not yet identified the exact route source of where the cyber-attack breached SEPA's systems. However, there are indications that it was through a **phishing** attack. This means there may have been a degree of human error involved, which is very difficult to mitigate against.

SEPA immediately implemented its emergency management arrangements in response to the cyber-attack. It also worked with the Scottish Government, Police Scotland, the National

Cyber Security Centre (NCSC) and the Scottish Business Resilience Centre (SBRC) to deliver a recovery strategy.

SEPA commissioned [independent reviews](#) to assist it and other public-sector organisations in learning from the incident and to help protect itself and others from ongoing cyber threats. The independent reviews identified a number of recommendations.

Public-sector bodies should review these recommendations and learn lessons from what has happened to SEPA. This incident highlights that no organisation can fully mitigate the risk of the ever-increasing threat and sophistication of a cyber-attack but it is crucial that organisations are prepared.

The Auditor General has published a [report](#) on the cyber-attack against SEPA.



**Phishing** is where criminals send emails purporting to be from reputable sources to deceive individuals into providing information or data such as passwords, or to click on a link that allows malware to be downloaded.

# Ways to reduce counter-fraud risks

There are many ways that public bodies can attempt to mitigate the risk of fraud as well as trying to prevent fraudulent activity from occurring.

This includes:

- understanding the organisation's fraud risks. An appropriate counter-fraud strategy and plan should be in place
- ensuring appropriate governance arrangements are in place, with oversight of counter-fraud arrangements
- agreeing the organisation's fraud risk appetite and approach to newly-emerging risks
- having appropriate fraud prevention and detection processes in place
- regularly carrying out a fraud risk assessment to identify vulnerable areas
- having internal audit regularly reviewing and evaluating controls to ensure they operate effectively and can adapt to new or emerging risks
- ensuring staff are appropriately trained in their area of work. This will include counter-fraud training specific to their role
- ensuring processes are in place to report any suspected fraud or error
- having effective fraud response arrangements in place
- reviewing any instances of fraud or error for any lessons that could be learnt to prevent future losses
- using digital innovations, eg data analytics, to help identify weakness in controls
- using data matching such as the [National Fraud Initiative \(NFI\)](#) and analytical procedures to help identify fraud or error
- working collaboratively with partners to prevent and detect fraud
- ensuring IT systems are protected and the latest guidance from bodies such as the [National Cyber Security Centre](#) is followed.



**The NFI** is a data matching exercise that matches electronic data within and between public and private-sector bodies to prevent and detect fraud.

# Further information

Further information about Audit Scotland's work to support counter-fraud and good governance is available on our website. This includes information about:



Website:  
**Our work on counter-fraud**



Report:  
**Covid-19: Emerging fraud risks**  
July 2020



Report:  
**Red flags in procurement**  
October 2019



Website:  
**The National Fraud Initiative**



Blog:  
**Cybercrime: A serious risk to Scotland's public sector**  
May 2021



Report:  
**How councils can safeguard public money**  
April 2019



Report: **The 2020/21 audit of the Scottish Environment Protection Agency**  
February 2022

# Fraud and irregularity

2021/22

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DATA LABEL: PUBLIC



## **AUDIT COMMITTEE**

### **THE NATIONAL FRAUD INITIATIVE IN SCOTLAND 2022**

#### **REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER**

##### **A. PURPOSE OF REPORT**

To inform the Audit Committee of Audit Scotland's report on the National Fraud Initiative (NFI) data matching exercise.

##### **B. RECOMMENDATION**

It is recommended that the Audit Committee notes that the 2020/21 NFI exercise identified outcomes in Scotland valued at £14.9 million.

##### **C. SUMMARY OF IMPLICATIONS**

<b>I Council Values</b>	Being honest, open and accountable, making best use of our resources.
<b>II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)</b>	<p>Audit Scotland has powers to conduct data matching under the Criminal Justice and Licensing (Scotland) Act 2010. The Audit Scotland Code of Data Matching Practice summarises the key legislation and controls (see appendix 1 of Audit Scotland's report for further detail).</p> <p>The council's Anti-Fraud and Corruption Policy sets out a zero tolerance policy to all forms of fraud and corruption.</p>
<b>III Implications for Scheme of Delegations to Officers</b>	None.
<b>IV Impact on performance and performance Indicators</b>	None.
<b>V Relevance to Single Outcome Agreement</b>	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
<b>VI Resources - (Financial, Staffing and Property)</b>	None.
<b>VII Consideration at PDSP</b>	None.
<b>VIII Other consultations</b>	None.

## **D. TERMS OF REPORT**

The NFI in Scotland is administered by Audit Scotland and is undertaken every two years. Audit Scotland's report, which is attached as an appendix, covers the 2020/21 NFI data matching exercise with the data matches being released in January 2021.

The NFI uses data matching to compare a range of information held on public bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error. These are called 'matches'. A match does not automatically mean that there is a fraud or error, and investigations are required to enable the correct conclusion to be drawn for each match. Public bodies investigate these and record outcomes on a secure website.

The report summarises the national outcomes for the following categories of data match:

- Council tax discounts;
- Blue badges;
- Pensions;
- Housing benefit;
- Housing tenancy;
- Council tax reduction;
- Housing waiting lists;
- Creditors;
- Other.

The 2020/21 data matching exercise resulted in fraud and error outcomes valued at £14.9 million being recorded in Scotland. The figures used for fraud, overpayments and errors include outcomes already delivered (actual amounts participants have recorded) and estimates. Estimates are included where in Audit Scotland's opinion it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching. Appendix 3 of the report sets out how the estimates are calculated.

In relation to West Lothian, the counter fraud annual report submitted to the Audit Committee on 21 June 2022 summarised this council's progress in investigating the 2020/21 NFI data matches. All 1,075 high risk matches were fully investigated and in total there were 721 outcomes involving potential fraud, overpayment or error valued at £591,903.

For West Lothian the three highest categories of outcome by value were as follows:

- Council tax single person discount: £250,734;
- Business rates: £166,918;
- Blue badges: £98,325.

Preparations are now underway for the 2022/23 NFI exercise and the counter fraud team is liaising with services to ensure that data is uploaded in accordance with the prescribed deadlines. The data matches are due to be made available for investigation from 26 January 2023.

## **E. CONCLUSION**

The NFI in Scotland is a biennial counter fraud exercise which aims to prevent and detect fraud. The 2020/21 data matching exercise resulted in fraud and error outcomes valued at £14.9 million being recorded in Scotland.

## **F. BACKGROUND REFERENCES**

Report to Audit Committee 21 June 2022: Counter Fraud Annual report 2021/22.

Appendices/Attachments: Audit Scotland report: The National Fraud Initiative in Scotland 2022

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# The National Fraud Initiative in Scotland 2022



# Key messages

The National Fraud Initiative (NFI) is a counter-fraud exercise which aims to prevent and detect fraud. The exercise operates across the UK public sector and includes 132 public bodies in Scotland. The NFI shares and matches data held by public bodies and helps confirm that services and payments are provided to the correct people. See [Appendix 1](#) for more information about the NFI exercise.

- 1 The 2020/21 NFI exercise has identified **outcomes** valued at £14.9 million ([see page 4](#)).
- 2 The cumulative outcomes from the NFI in Scotland since 2006/07 are now £158.5 million. Across the UK, the cumulative total of NFI outcomes are now £2.4 billion ([see page 4](#)).
- 3 The overall level of fraud identified by the NFI has fallen since our last report. Outcomes from the Scottish NFI exercise fell by £0.4 million in 2020/21, from £15.3 million in 2018/19. The reduction in outcomes could be due to less fraud and error in the system, strong internal controls or due to some key data sets from previous exercises not being included in the latest exercise ([see page 4](#)).
- 4 Data sharing enables matches to be made between bodies and across national borders. Data submitted by Scottish bodies for the 2020/21 NFI exercise helped other organisations in Scotland and across the UK to identify outcomes of £1.2 million ([see page 17](#)).
- 5 Most bodies that participate in the NFI continue to demonstrate a strong commitment to counter fraud and the NFI ([see page 18–19](#)). However, a lower percentage of participating public bodies managed their roles in the 2020/21 NFI exercise satisfactorily compared to the 2018/19 NFI exercise.
- 6 Pilot work to look at potential data matches for future NFI exercises identified £2.2 million in incorrect non-domestic rates relief. The pilot work also identified one £25,000 fraudulent Covid-19 grant payment and 1,737 national entitlement travel cards which should have been cancelled ([see pages 20–23](#)).

An NFI **outcome** describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise as well as an estimate of future losses that it prevents ([see Appendix 3](#)).



# Recommendations

## 1. Maximise the benefits

All participating bodies in the NFI exercise should ensure that they maximise the benefits of their participation. This includes reviewing matches timeously and prioritising high-risk matches.

NFI users should review the guidance within the NFI secure web application, to help ensure the most effective use of limited resources when reviewing and investigating NFI matches.

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## 2. Self-appraisal

The NFI self-appraisal checklist should be reviewed by the audit committee, or equivalent, and staff leading the NFI process. This is to ensure that their organisation's planning, approach, and progress during the next NFI exercise is appropriate.

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## 3. Take improvement action

Where local auditors have identified specific areas for improvement, participating bodies should act on these as soon as possible.

# Outcomes from 2020/21 National Fraud Initiative

Trends in overall outcomes between 2018/19 and 2020/21 NFI exercises



**The number of public bodies participating in the NFI exercise has increased by eight since the last exercise, to 132 bodies.**



**Outcomes in Scotland have fallen by £0.4 million since the last exercise, from £15.3 million to £14.9 million.**



**The number of matches generated has fallen by over 73,000 since the last exercise, to 507,354.**

NFI participants include all councils, NHS bodies, colleges and all larger central government bodies, for example, the Scottish Government, Revenue Scotland and Transport Scotland. In addition, 14 councils include data from Arm's-Length External Organisations (ALEOs), joint boards or subsidiaries within their NFI submissions. A list of all participating bodies is available on our [website](#).

Reduced levels of outcomes could be due to less fraud and error in the system, strong internal controls or some key datasets from previous years not being included in the latest exercise. Residential care home data, direct payments and social care customers' data were not matched in the 2020/21 exercise due to a legal question being raised around the definition of patient data. Immigration data was also not included in the 2018/19 and 2020/21 exercises due to restrictions placed on it by the Home Office.

NFI participants have identified pressures on staffing and services particularly because of the Covid-19 pandemic, and the strengthening of controls where previous fraud or error has been identified, as contributing to reduced outcomes in the 2020/21 exercise.

## NFI outcomes



**£14.9 million**

NFI outcomes in Scotland from the 2020/21 exercise



**£158.5 million**

NFI outcomes cumulatively in Scotland since 2006/07

## UK NFI outcomes



**£442.6 million**

from the 2020/21 exercise

**£2.4 billion**

cumulatively since 2006/07



**4 cases**

referred for prosecution in Scotland

Having fewer outcomes provides some assurance there does not appear to be significant problems in the areas covered by the exercise. However, participants still benefit from the deterrent effect the NFI creates.

The fall in the number of matches is mainly due to the matches between housing benefit and payroll or pensions not being included in the matches returned to councils during the 2020/21 NFI exercise. Instead, this data was matched in Department for Work and Pensions (DWP) systems ([see page 11](#)). In addition, the removal of immigration, residential care home, direct payments and social care customers' data has also reduced the number of matches.

Four cases were referred to the Crown Office and Procurator Fiscal Service for prosecution. One resulted in Police Scotland issuing a caution and the offender is now repaying the money. The outcomes from the other three cases are not yet known.

Although the main purpose of the NFI is to ensure funds and services are provided to the correct people, the review of NFI matches may also identify that a customer is entitled to additional services or payments.

A breakdown of the recorded outcomes for Scottish participants is on our [Counter-fraud hub](#).



# Results

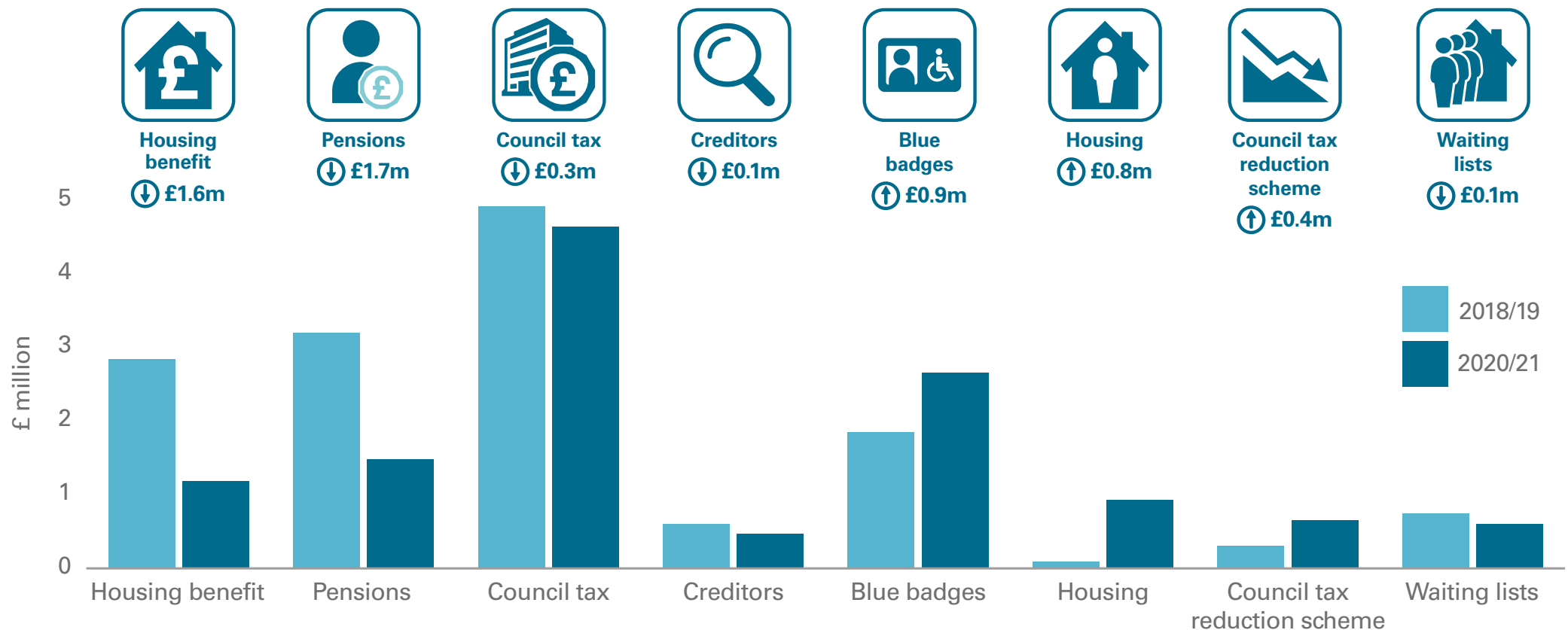
## Overall outcomes

### How the latest outcomes compare to the last exercise

The areas with significant changes are:



NFI outcomes in Scotland have fallen by £0.4 million, to £14.9 million in the 2020/21 exercise



## NFI participants have cited the following reasons as to why outcomes are less in the 2020/21 exercise:

- staff have had less time available to commit to NFI because of the added pressures on services caused by the Covid-19 pandemic
- external agents were used instead of the NFI to carry out certain data matching such as the council tax single occupant discounts
- new controls were introduced because of previous errors identified through the NFI
- a new system was introduced for reporting the death of customers.

More information about the outcomes for each category is provided on [pages 8 to 15](#).

A full breakdown of outcomes for each participating body is available on our [Counter-fraud hub](#).

Once overpayments have been identified, public bodies can take appropriate action to recover the money.



At 31 March 2022

**£4.3 million**

(95%) of cash overpayments  
were being recovered

## How NFI matches help to identify areas for improvement

The NFI exercise has helped participants to identify system weaknesses and to make improvements. These include the introduction of:

- a more robust control environment in the creditors system. This includes monthly purchase ledger reviews, improved checks on new suppliers, and controls to identify duplicate payments and duplicate suppliers
- revised procedures when setting up new suppliers
- a review and cleansing of data held in systems
- strengthened controls in the blue badge system
- improved controls around the change of bank details
- a review of policies aimed at supporting good governance such as declaring interests, registering of conflicts of interest and checks for identifying potential related parties.



# Council tax discounts

People living on their own, or with no countable adults in the household, are eligible for a 25 per cent single person discount (SPD) on their annual council tax bill.

**£4.6 million**

Total outcomes  
in 2020/21 exercise

**£1,248**

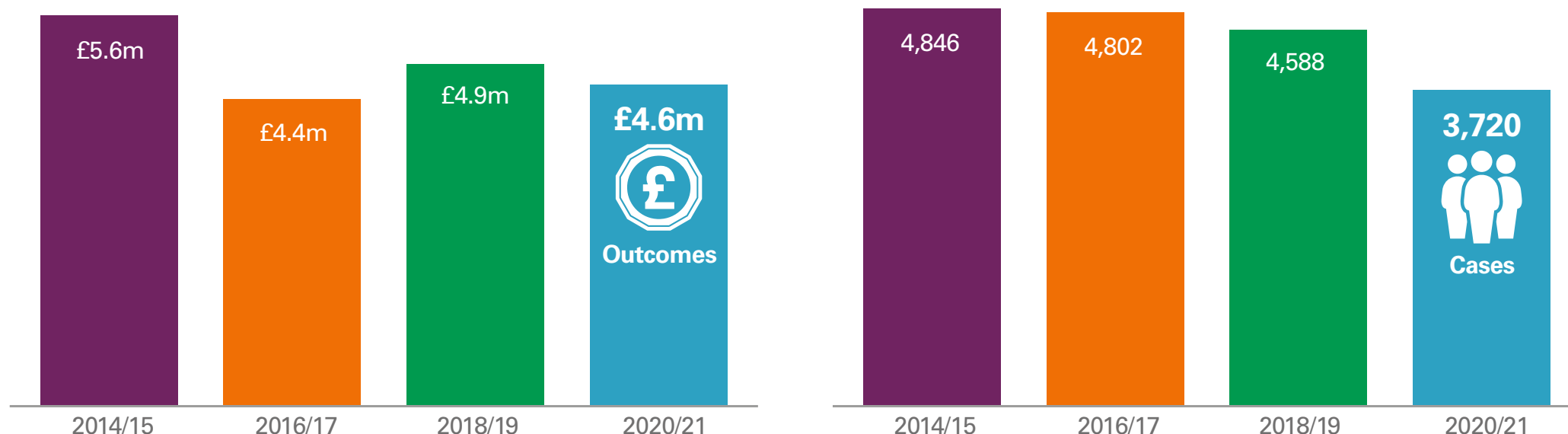
Average outcome

**3,720**

Cases

The 2020/21 NFI exercise found that the total council tax discount incorrectly awarded across Scottish councils totalled £4.6 million.

Four councils reported that they did not use the NFI and instead used alternative data matching or verification arrangements to review SPD cases during 2020/21. The graphs below include outcomes from the other 28 councils.



## Council tax data is matched to:

- ☒ Electoral register
- ☐

Note. Due to an error with the data deletion schedule in the Cabinet Office, some supporting evidence for 11 councils was inadvertently deleted. Therefore, full supporting documentation is not available for these councils. The Cabinet Office has taken steps to prevent this error from re-occurring.



# Blue badges

The blue badge parking scheme allows people with mobility problems to park for free at on-street parking meters, in 'pay and display' bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances.

The 2020/21 NFI exercise identified 4,616 blue badge outcomes, an increase of 1,401 (44 per cent) since the last exercise. The estimated value of these outcomes is £2.7 million.

**£2.7 million**

Total outcomes  
in 2020/21 exercise

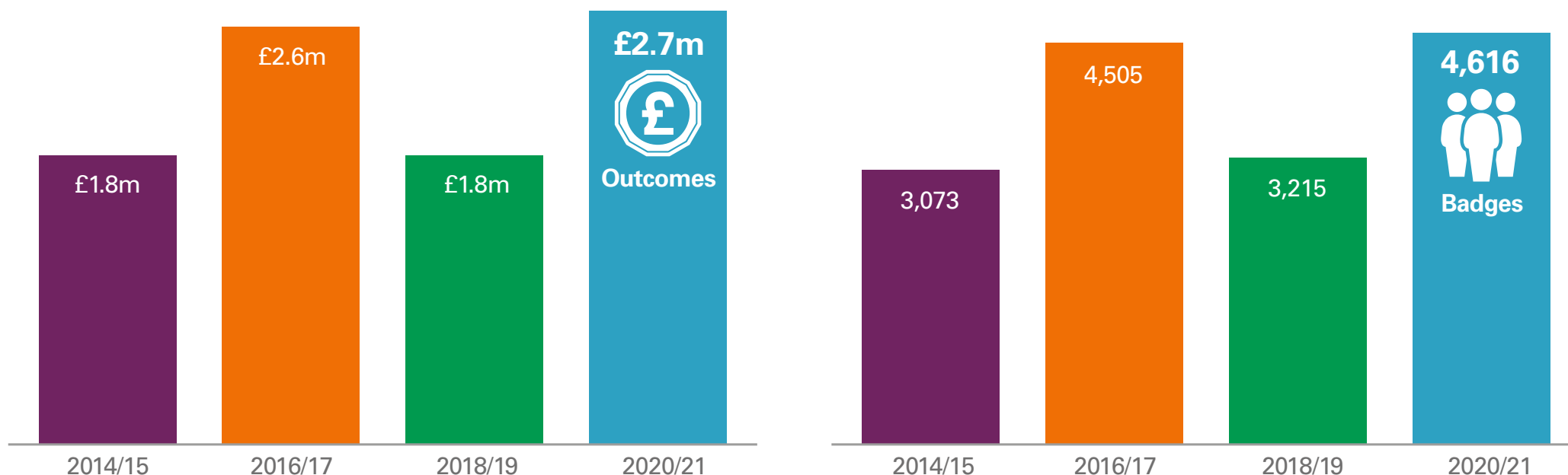
**4,616**

Total number of blue  
badge outcomes in  
2018/19 exercise

**1,401**

Increase from NFI  
2018/19 exercise

Blue badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge.



## Blue badge data is matched to:



Deceased  
persons



Amberhill  
data<sup>1</sup>

<sup>1</sup> Amberhill is a system used by the Metropolitan Police to authenticate documents presented for identity



# Pensions

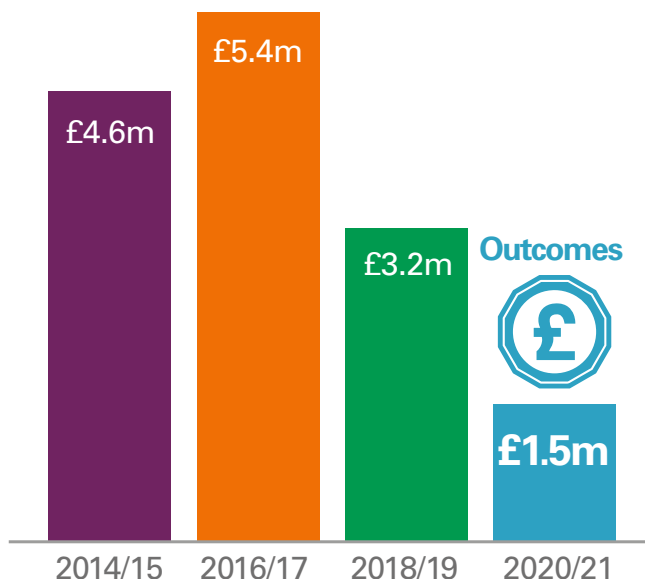
The NFI provides both councils that administer pensions and the Scottish Public Pensions Agency (SPPA) with an efficient and effective way of checking that they are only paying people who are alive.

**£1.5 million**

Total outcomes in 2020/21 exercise

**£1.7 million**

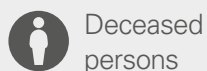
Reduction on the 2018/19 NFI exercise



In total, pension outcomes for the 2020/21 NFI exercise are £1.5 million, down £1.7 million (53 per cent) from the 2018/19 NFI exercise. This includes two outcomes identified through the pre-application screening (AppCheck)<sup>2</sup> part of the NFI system.

Pension outcomes may have fallen due to the 'tell us once'<sup>3</sup> reporting process and to controls working effectively within pension bodies.

## Pension data is matched to:



Deceased persons



Payroll



Housing benefit



Injury benefits



Amberhill data

## Case study



An NFI match identified one fraud with a gross annual pension amount of £10,560 which was stopped and resulted in an overpayment of £6,601. The fraudster had notified Fife Pension Fund of a change of bank details for receipt of the pension after the pensioner had died. The council reported the fraud to Police Scotland which identified the person who submitted the fraudulent bank mandate. Following a police caution, the full amount was repaid. This case was reported as part of a 2020/21 NFI Progress Update to both the council's Standards and Audit Committee and the Superannuation Fund & Pensions Committee in December 2021 for their consideration.

<sup>2</sup> AppCheck is an NFI data matching service used at point of applications for a service or benefit.

<sup>3</sup> 'Tell us once' is a service that lets you report a death to most government organisations when registering the death.



# Housing benefit

Housing benefit helps people on low incomes pay their rent. The NFI provides councils and the DWP with the opportunity to identify a wide range of benefit frauds and errors.

**£1.2 million**

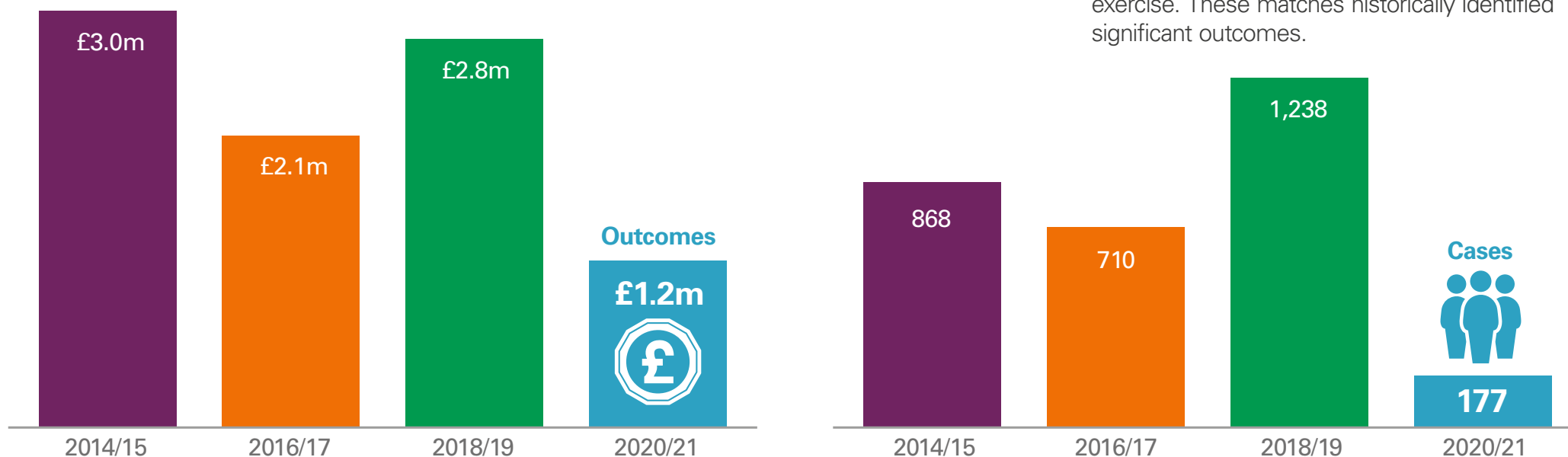
Total outcomes  
in 2020/21 exercise

**£6,663**

Average individual  
value of overpayments

**177**

Cases



The value and number of housing benefit cases recorded with overpayments has significantly reduced, from £2.8 million from 1,238 cases in the 2018/19 NFI, to £1.2 million from 177 cases in the 2020/21 NFI. Over the same period, the average individual value of overpayments has risen from £2,292 in 2018/19 to £6,663 in 2020/21.

The fall in outcomes is mainly due to the matches between housing benefit and payroll or pensions not being included in the 2020/21 NFI exercise. These matches historically identified significant outcomes.

## Housing benefit data is matched to:



These matches were not included in the 2020/21 NFI exercise as similar data matching is undertaken by the DWP's Verify Earnings and Pensions (VEP) Alerts service which identifies discrepancies between payroll and pension details held by HM Revenues & Customs and council benefits services. Alerts from VEP are sent to councils to investigate discrepancies.



# Housing tenancy

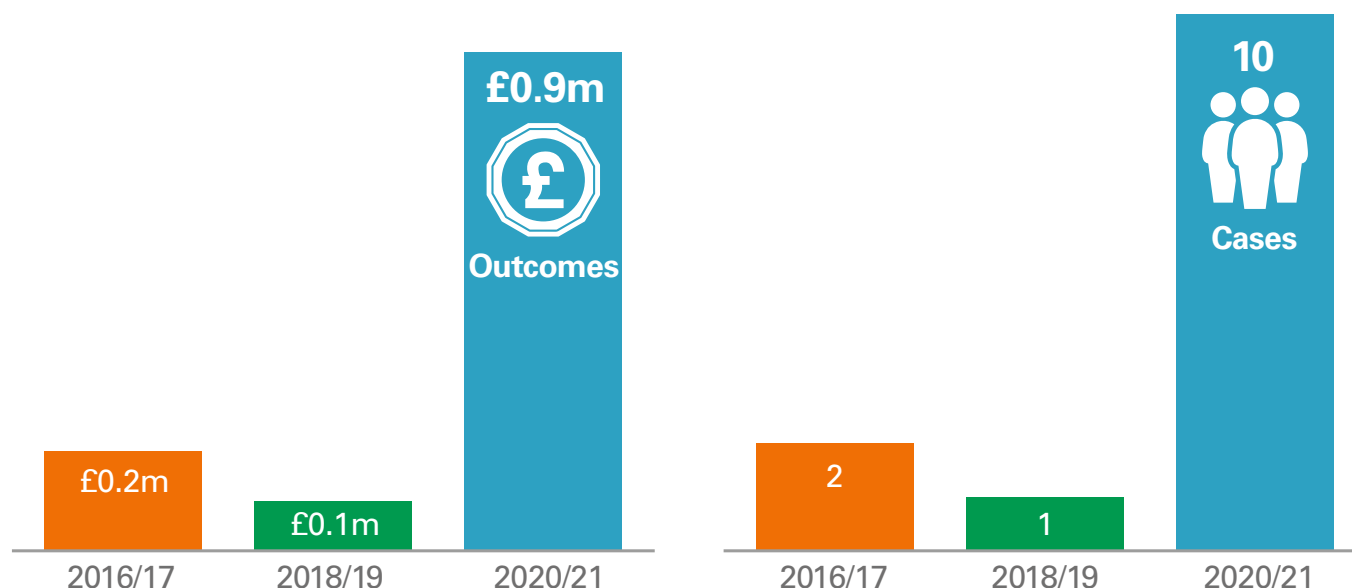
The NFI uses housing tenants' data to identify possible cases of tenancy fraud. This may happen when a tenant has sublet their property. It also helps identify cases where the tenant has died, and the property is either empty or has other individuals living in it.

**£0.9 million**

Total outcomes in 2020/21 exercise

**10**

Cases



## Housing tenancy data is matched to:

- Waiting list
- Housing benefit
- Housing tenants
- Right to buy (in England)
- Deceased persons
- Amberhill data
- Council tax reduction

## Case study



An NFI match identified a Midlothian Council tenant who had failed to disclose that they had purchased a property within another council area at the same time they had been allocated a council house. Enquiries established the tenant moved into the owned property ten years ago and sublet their council house to a family member. The council has recovered the property.

NFI matches resulted in councils recovering ten properties as part of the 2020/21 NFI exercise, compared to one property in 2018/19.

The estimated value of these cases is £0.93 million, based on a calculation of the average four-year fraudulent tenancy.



# Council tax reduction

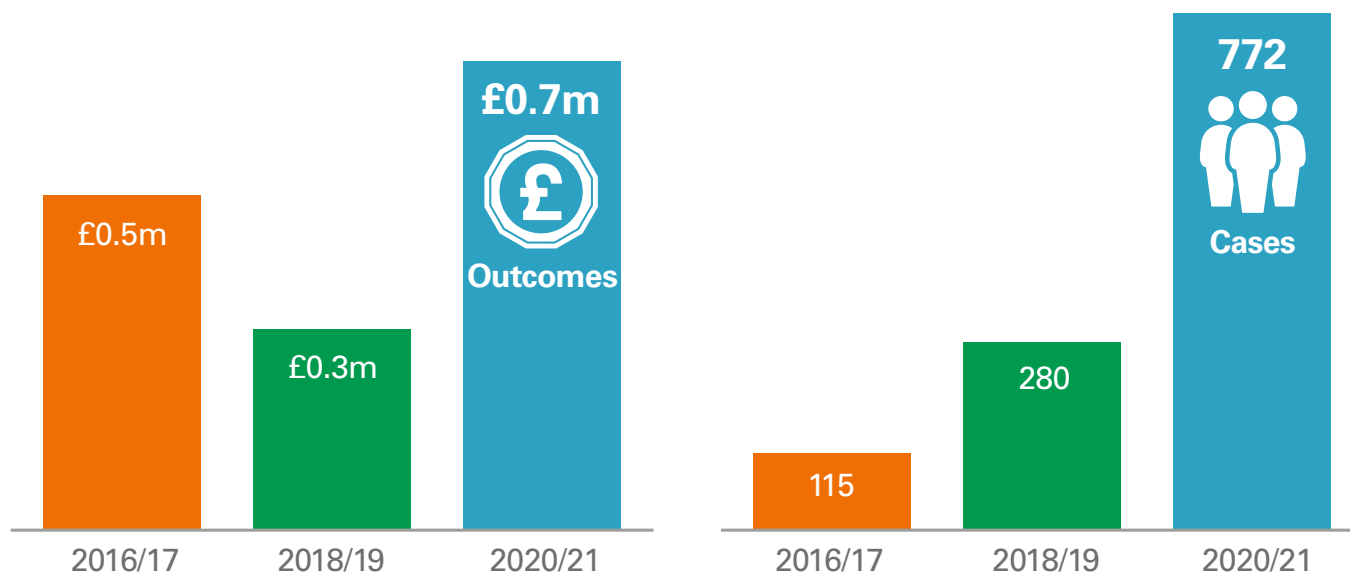
Council tax reduction helps people on low incomes to pay their council tax bills. The NFI provides councils with the opportunity to identify a range of council tax reduction frauds and errors.

**£0.7 million**

Total outcomes in 2020/21 exercise

**772**

Cases



## Council tax reduction data is matched to:



Council tax reduction



Payroll



Pensions payroll



Housing benefit



Housing tenants



Right to buy (in England)



Licences



Deceased persons



Amberhill data

## Case study



An NFI match identified that a council tax reduction claimant in Renfrewshire Council had failed to declare their company pension and pension lump sum. This resulted in the claimant fraudulently receiving £14,450 council tax reduction. This amount is being recovered by the council.

This is a relatively new match which has been included in the NFI since 2016/17.

Outcomes of £0.7 million were identified in the 2020/21 NFI, an increase of £0.4 million from the £0.3 million reported in 2018/19.

Councils have identified 772 cases in 2020/21, more than 2.5 times the number of cases in 2018/19 (280).

One council advised that the increase in outcomes was directly caused by the Covid-19 pandemic. For example, an increase in mortality rates for those with underlying health conditions disproportionately impacted on people in receipt of disability benefits, council tax reduction and blue parking badges. In addition, there was an increase in the number of un-notified increases in the hours worked by those in lower paid service jobs who are more likely to be in receipt of council tax reduction.





# Housing waiting lists

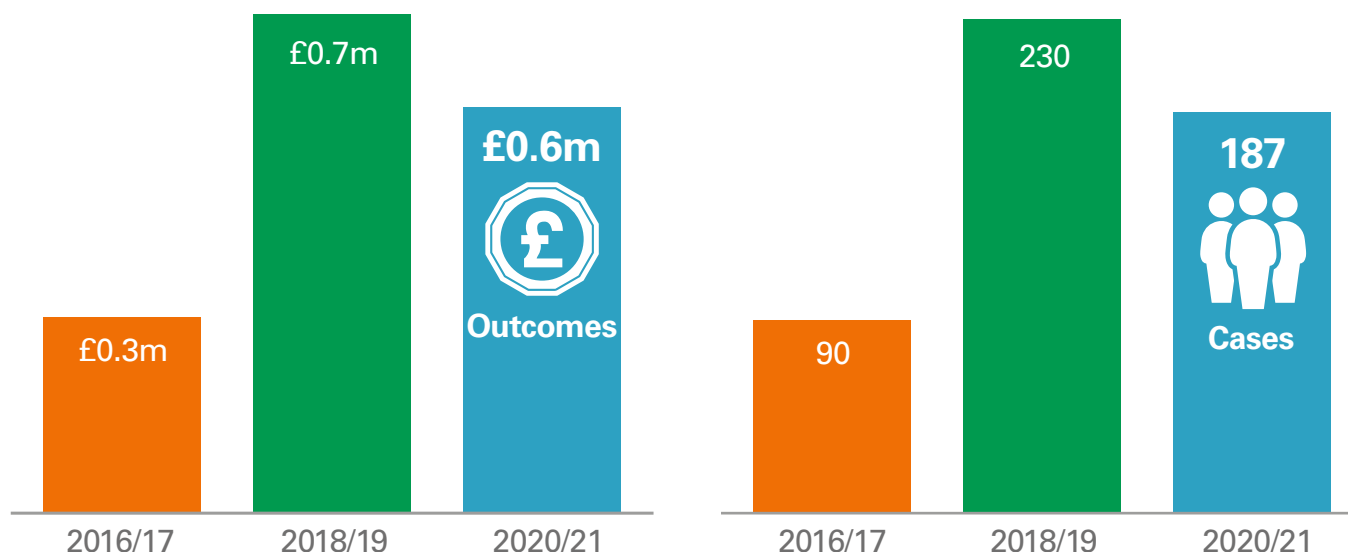
The NFI uses housing waiting list data to identify possible cases of waiting list fraud. This may happen when a person has registered on a council's waiting list but there are possible undisclosed changes in circumstances or false information has been provided. Social housing provides affordable accommodation, allocated according to need. It usually provides a more secure, long-term tenancy when compared to private renting.

**£0.6 million**

Total outcomes in 2020/21 exercise

**187**


Cases



Councils identified 187 cases in 2020/21 where applicants were removed from waiting lists (230 in 2018/19).

The estimated value of these cases is £0.6 million. This is based on a calculation of the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided a property ([see Appendix 3](#)).

## Housing waiting list data is matched to:

-  Waiting list
-  Housing benefit
-  Housing tenants
-  Right to buy (in England)
-  Deceased persons
-  Amberhill data



# Creditors

The NFI provides an efficient way to check for duplicate payments and that payments are only made to appropriate creditors. A creditor is a person or an organisation that a public body pays money to for a good or service.

**£0.5 million**

Total outcomes  
in 2020/21 exercise

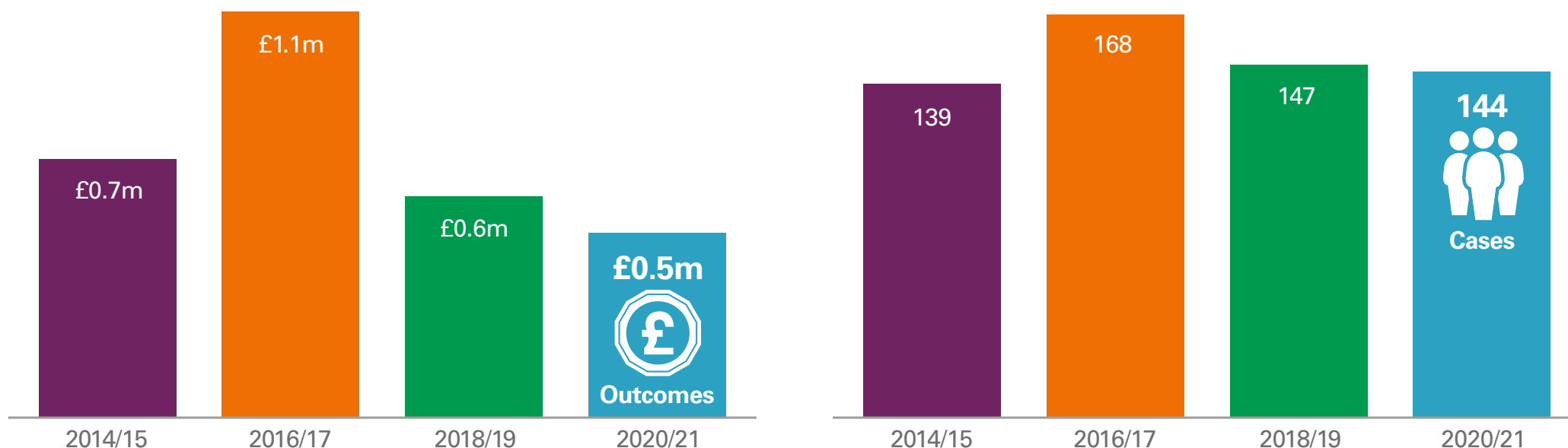
**100%**

Recovery action  
is taking place

**144**

Cases

The 2020/21 NFI exercise identified 144 creditor outcomes of £0.5 million, a fall of three outcomes and £0.1 million from 2018/19. Recovery action is taking place for these overpayments.



Creditor data is matched to:



Creditor data



Payroll



# Other data matches

## Payroll

The NFI also matches all participating bodies' employee payroll data as well as those of MSPs and councillors to identify cases of potential payroll fraud. The 2020/21 NFI exercise identified three outcomes valued at £27,000 compared to eight outcomes valued at £20,000 in the 2018/19 exercise.

Past NFI exercises have identified larger outcomes for payroll. This fall in outcomes is partly due to immigration data not being included in the 2020/21 exercise due to restrictions placed on it by the Home Office.

### 2018/19



eight outcomes valued at

**£20,000**

### 2020/21



three outcomes valued at

**£27,000**

## Case study



An NFI match identified an employee who left Fife Council in September 2019 and who continued to be paid their salary until February 2021. The council overpaid a total of £20,288 to the ex-employee. Recovery of the overpayment is in progress and internal audit services have investigated the circumstance surrounding the overpayment. Recommendations for improvements have been discussed with management and an audit on the council's leavers process is part of the 2022/23 Internal Audit Plan. This case was reported as part of a 2020/21 NFI Progress Update to the council's Standards and Audit Committee in December 2021 for consideration.

## Case study



New NFI matching of non-domestic rates small business bonus scheme (SBBS) in East Dunbartonshire Council identified a case where a ratepayer had failed to declare other business premises in another council area. This resulted in almost £11,000 in SBBS relief being claimed from April 2018. The case is being referred to the Crown Office and Procurator Fiscal Service for prosecution. We understand this is the first business rates case to be reported for prosecution in Scotland.

# Matches benefiting other public bodies

A key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. For those public bodies taking part in the NFI which may not always identify significant outcomes from their own matches, it is important to appreciate that other bodies and sectors may do so.

Data provided by Scottish participants for the 2020/21 NFI exercise helped other public bodies, both within and outwith Scotland, to identify outcomes worth £1.2 million (a reduction of £0.5 million from 2018/19).

Most of these outcomes relate to housing benefits, housing waiting list and council tax reductions where, for example, payroll data from an NHS board may allow a council to identify a council tax reduction fraud or error.



**Councils**

£601,591



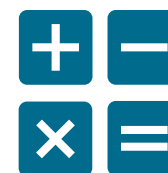
**Central  
government**

£483,943



**NHS**

£100,456



**Colleges**

£0



**Total**

£1,185,990

**2018/19**

£854,760

**2018/19**

£759,879

**2018/19**

£120,408

**2018/19**

£12,672

**2018/19**

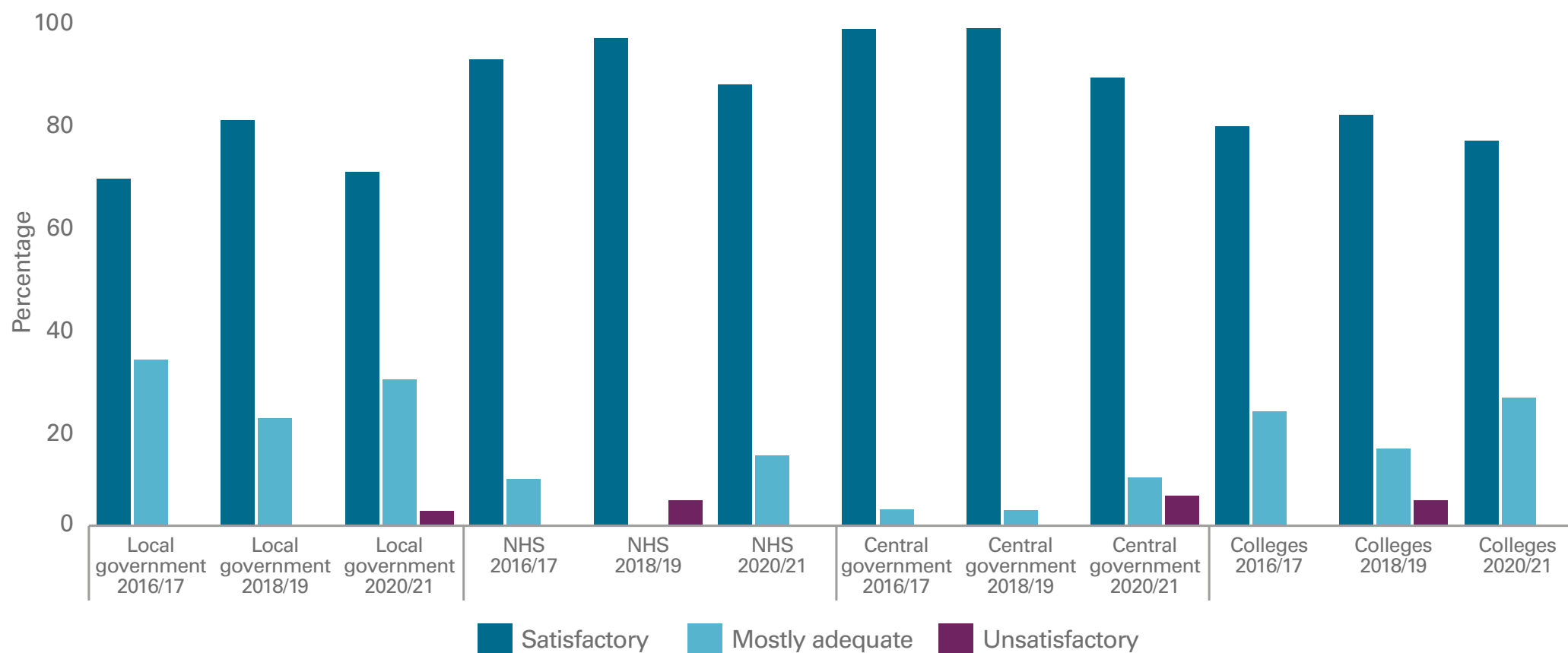
£1,747,719

# How bodies worked with the NFI in 2020/21

## How bodies work with the NFI

### Overall rating of NFI arrangements by year

Auditors reviewed each participating body's planning and progress with the NFI and provided recommendations for improvement where appropriate.



Most participating bodies continue to demonstrate a strong commitment to counter fraud and the NFI. However, across all sectors, a smaller percentage of participating bodies managed their roles in the 2020/21 NFI exercise satisfactorily compared to the 2018/19 NFI exercise.

Auditors identified that some bodies could be more pro-active in their approach to the NFI. One central government body was unable to review matches due to a cyber-attack, one council did not review matches citing resource issues as the reason, and a central government body was unable to action matches due to the impact of reallocating resources to the provision of Covid-19 grant funding to organisations.

Six **key contacts** felt they did not have sufficient time and/or resources to allow them to oversee the NFI exercise. In four bodies, the key contact considered that they lacked sufficient authority to seek action across the relevant departments.

The Covid-19 pandemic created additional pressures for public bodies and impacted upon the resources available to support the NFI exercise. Auditors reported that 15 bodies reduced their participation in the NFI exercise due to resourcing issues including staff vacancies, sickness absences or changing priorities as a result of Covid-19.

We recommend that all bodies use our [checklist](#) to self-appraise their involvement in the NFI before and during the 2022/23 NFI exercise. For the 2020/21 NFI exercise, 64 per cent of bodies completed the checklist, although not all presented it to their audit committee; ten per cent reviewed it but did not complete it; and just over a quarter did not review it. This was reported as being because either the key NFI contact had changed and was unaware of the checklist, staff had prior experience of the NFI process, and Covid-19 pressures.

A **key contact** is appointed by the NFI participating body. They are responsible for coordinating and monitoring the overall NFI exercise, ensuring outcomes from investigations are accurately recorded and nominating appropriate users of the NFI system.



### Public bodies usage of our NFI checklist



**64%** completed the checklist  
**26%** did not review it  
**10%** reviewed it but did not complete it

# Pilots help identify the value of extending the NFI exercise

Audit Scotland undertakes new areas of data matching on a pilot basis to test their effectiveness in identifying fraud.

Only pilots which achieve matches that demonstrate a significant level of success are extended nationally and included in the main NFI exercise going forward. A small number of serious incidents of fraud or a larger number of less serious ones may both be considered successful.

The NFI pilots undertaken or under way over the last two years are shown on the following pages.

## Exemptions for NHS dental and ophthalmic charges



Data matching was undertaken to help identify NHS patients who have claimed to be exempt from NHS dental and ophthalmic charges, when they are not entitled. Patient exemption claims were matched to payroll data to ensure that dental and ophthalmic exemptions, eg for glasses or dental treatment, are only awarded to those patients qualifying for exemptions.

NHS Scotland Counter Fraud Services (CFS) received the matches in the second half of 2019. It worked to identify the highest-risk matches and then started verifying payroll details before undertaking investigations. As part of this investigative work, CFS asked dentists and opticians to supply the original exemption claim signed by the patient. However, CFS was unable to progress this part of the investigation due to dentists, opticians and the CFS being required to close down due to Covid-19 lockdown restrictions. CFS then decided not to use the matches as originally intended but instead use them as intelligence, for example, as an alert if the same people claim again. CFS considered it not worthwhile re-doing the pilot in 2021 as there were very few exemptions claimed between April to December 2020. This was due to opticians and dentists initially being closed and then only able to do emergency treatment which was free of charge. CFS intends to re-run the exercise after new payroll data goes into NFI in autumn 2022.

## Covid-19 grants for businesses



Following a Covid-19 grants data matching pilot exercise in England in the summer of 2020, it was decided to expand the English pilot to cover Covid-19 business grants paid to Scottish businesses.

These grants were paid under the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RHLGF). Scottish councils submitted data from early in 2021. Initial matches were released in April 2021, however, match numbers were low. The Scottish schemes were more complex than similar schemes in other parts of the UK, eg in respect to second and subsequent properties held by each ratepayer. As a result, the algorithms were rechecked and additional matching was undertaken.

Additional matches were released in September 2021. Despite the data having been rematched, only one fraudulent grant payment of £25,000 was identified. Due to Covid-19 grant payments having stopped, it is not expected that this matching will be required again. However, the systems are in place should the matching be required for any similar grants or payments in the future.



**Only one fraudulent grant payment of £25,000 was identified**

## Additional counter-fraud measures introduced by NFI participants in respect of Covid-19 grant funding



Auditors identified that around 43 per cent of NFI participating bodies awarded Covid-19 funding during the pandemic.

Almost three-quarters of these bodies introduced additional counter-fraud measures such as new internal controls. This included actively working through national networks, such as the Scottish Local Authority Investigators Group, the Institute of Revenues Rating and Valuation, the National Anti-Fraud Network, and with Police Scotland as well as strengthening internal controls. This resulted in, for example, Dundee City Council preventing 143 attempted fraudulent applications valued at £381,500 from being paid in 2020/21. It also resulted in Aberdeenshire Council identifying eight fraudulent grants totalling £107,000 plus 14 attempted frauds totalling £151,000. The bodies that did not take additional counter-fraud measures reported these were not necessary as for some, payments were made to existing customers using the existing controls whereas others relied on existing controls around the setting up of new suppliers and associated payments.



**Aberdeenshire Council identified eight fraudulent grants totalling £107,000**



## Non-domestic rates – Small Business Bonus Scheme



In 2019/20, a pilot was undertaken with the Scottish Government and seven Scottish councils to help identify businesses inappropriately claiming Small Business Bonus Scheme (SBBS) relief. The SBBS provides rates relief to owners of non-domestic properties with rateable values under certain thresholds.

The seven participating councils provided 81,827 ratepayer records to the NFI system, which were then matched across the councils and with data from Companies House in order to identify SBBS fraud. The pilot identified £412,974 in incorrect awards.

Due to the success of this pilot, a national roll-out of this data matching exercise was carried out in 2021/22.

The 2021/22 pilot identified 17,676 matches which resulted in £2.2 million in incorrect SBBS relief being identified in 208 SBBS awards. Councils will now try to recover SBBS which was incorrectly awarded. Recovery is already in progress for 119 cases with a value of almost £745,000 in incorrectly awarded relief.

Given the success of the 2021/22 pilot, consideration is now being given as to how this data match can be repeated on a regular basis as part of the main NFI exercise. The pilot report is available on [our website](#).



**The pilot identified £412,974 in incorrect awards**

## National entitlement cards for travel



The National Entitlement Card (NEC) is Scotland's National Smartcard. Supported by the Scottish Government to deliver national and local services, the NEC makes it convenient for people to access various public services and facilities with only one card. The NEC can be used for services such as a travel pass, a library card, a leisure membership card and a Young Scot card as well as providing access to other local services.

In 2021/22, a pilot was undertaken with Fife Council, to match travel passes for elderly and disabled customers with deceased customer records. Fife Council provided a total of 112,044 NEC records for matching against deceased person records. This resulted in 1,737 matches being identified for review by Fife Council (a return rate of 1.6 per cent).

Following Fife Council's review, all 1,737 cards (100 per cent) were cancelled on the NEC system as it was established that the customers had died. This means no further cards can be requested for these customers, and the card will be blocked should someone attempt to use it. No matches were identified where the customer was still alive.

Thirteen matches showed cause for concern as the NECs appeared to have been used after the death of the cardholder. Two of these cards were used for journeys to the value of almost £2,300 for one, and £240 for the other. The value of the journeys for the other 11 cards varied from £3.10 to £69.00.

Given the success of this pilot, consideration will be given as to how this data match can be expanded to other councils in Scotland and included in the main NFI exercise in the future. The pilot report is available on [our website](#).

## Case study

A new NFI pilot matching National Entitlement cards in Fife Council against deceased person records identified one card that had been fraudulently used for bus travel valued at almost £2,300 after the cardholder had died. Investigations are continuing into the individual(s) who used this card.



## Applications for student awards

A pilot was undertaken with Student Awards Agency Scotland (SAAS) to help confirm residency and address details for students applying for awards for tuition fees, grants and bursaries. SAAS funds students from Scotland and as such it is interested in verifying the address of student applicants and flagging where students are potentially fraudulently misrepresenting their address to benefit from the more attractive financial support offered to Scottish students.

Student applications were matched against data held in the NFI system. An initial batch of 50 applications was processed which SAAS found very helpful in verifying and querying address details. One known fraud was put through the NFI pre-application screening service (AppCheck) to test the system. A match was highlighted, demonstrating the benefit AppCheck can bring in preventing fraud.

SAAS is now looking to expand the pilot to allow the upload of a large batch of applications to the NFI system quickly, securely and easily.



## Social security benefits

A pilot is under way with Social Security Scotland to identify any instances where claimants received support but were not residing in Scotland, or where claimants appear to have claimed benefits more than once, eg from more than one Scottish address. Claimant data was matched to data already in the NFI system from across the UK. Data was submitted in March 2022, with matches released to Social Security Scotland in May 2022. Social Security Scotland is currently reviewing the matches.



## Police Scotland's use of AppCheck

Police Scotland's Serious and Organised Crime Interventions Team deals with vetting applications, eg for landlord registration and pre-contract procurement check requests from public bodies such as councils and the NHS. These checks aim to prevent and detect fraud within public procurement and other public services such as landlord registration and taxi licencing. Police Scotland is undertaking a pilot to identify if data in the NFI data base can be used to help its vetting processes to prevent and detect fraud. Data has yet to be shared.



**A match was highlighted, demonstrating the benefit AppCheck can bring in preventing fraud**

# Future developments

The 2022/23 NFI exercise is due to start in late summer 2022. Datasets have been reviewed and updated as necessary.

Audit Scotland continues to work with the Cabinet Office in developing new ways to prevent and detect fraud. This includes piloting new data matching opportunities.

The Scottish Parliament approved The Digital Government (Scottish Bodies) Regulations 2022 in March 2022. These Regulations name Audit Scotland under Regulation 3 - 'Scottish bodies for the disclosure of information in relation to fraud against the public sector'. This allows Audit Scotland to access HM Revenue & Customs income and savings data for Scottish residents for future NFI exercises. This will help identify outcomes where customers have received benefits and services above what they are entitled to.

Audit Scotland continues to work with the Scottish Government in promoting and enhancing participation in the NFI across Scotland.

The Scottish Parliament's Public Audit Committee (PAC) is considering the expansion of legislative powers around the NFI. This may include expanding the NFI to bodies in receipt of significant amounts of public funding that do not fall under the audit remit of the Auditor General for Scotland or the Accounts Commission.

The Cabinet Office recently consulted on extending its legal powers around the purposes for which data matching can be used. It is looking to potentially extend its legal powers in the following areas:

- to assist in the prevention and detection of crime other than fraud
- to assist in the apprehension and prosecution of offenders
- to assist in prevention and detection of errors and inaccuracies. The NFI data could be used to help public-sector bodies to ensure citizens get access to their full benefit entitlements. For example, a number of passported benefits across the welfare system entitle recipients to help with housing costs, free school meals, etc. A match could identify citizens entitled to additional help they are not claiming
- to assist in the recovery of debt owing to public bodies. Public bodies may need to trace individuals with outstanding overdue debt and with no arrangement to pay in place. In some instances, these individuals may be difficult to trace. The NFI data could be used to help identify where a debtor was living or working, for example.

The Cabinet Office is considering the responses and will publish a formal consultation response in due course.

Section 97 of the Criminal Justice and Licensing Act 2010 already permits Audit Scotland to use data matching for the first two purposes. We will monitor developments.

# Appendix 1. Background to the NFI

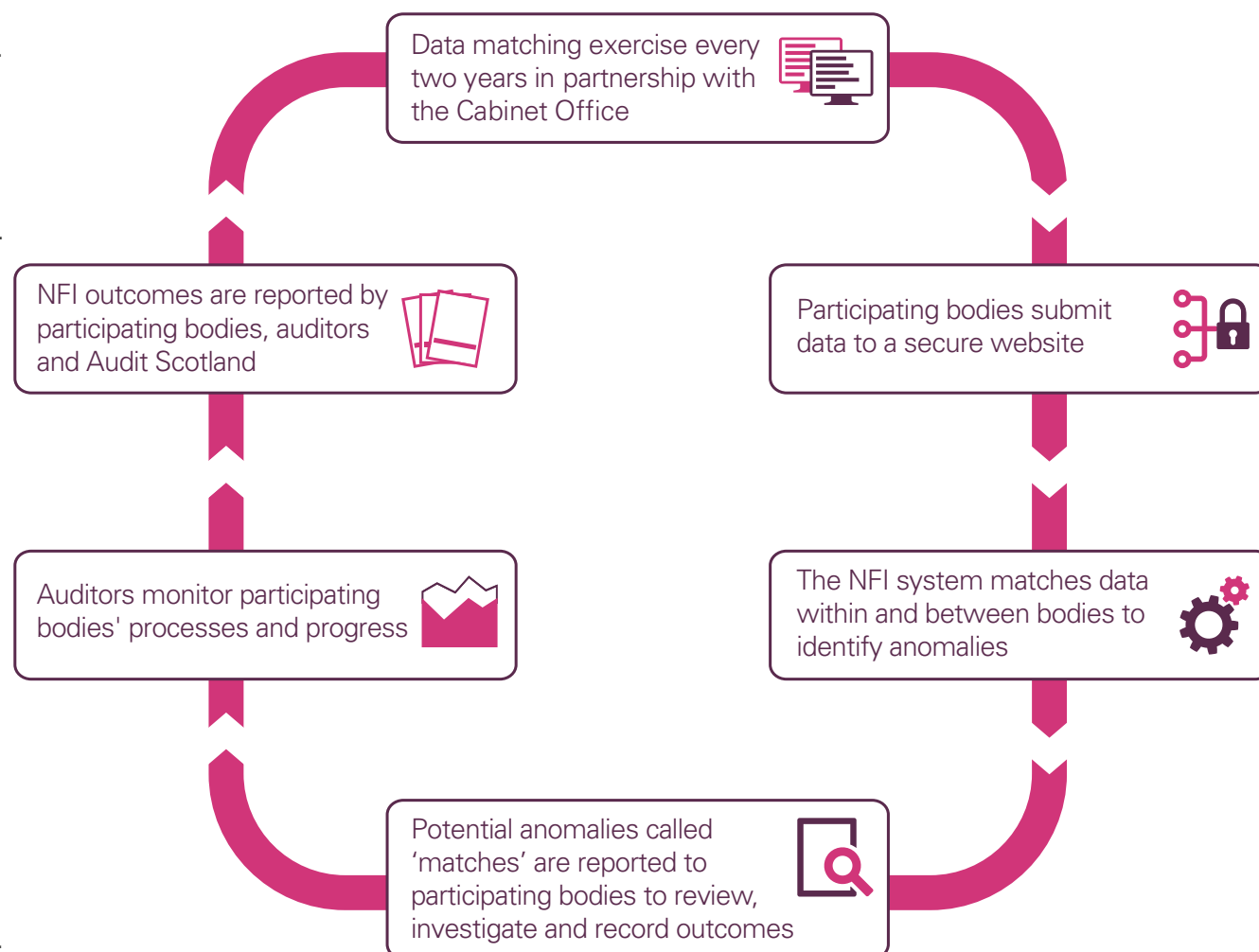
The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Cabinet Office oversees it, and Audit Scotland leads the exercise in Scotland, working with a range of Scottish public bodies and external auditors.

The NFI uses data sharing and matching to help confirm that services are provided to the correct people. The NFI takes place every second year. 132 public-sector bodies in Scotland participated in the 2020/21 exercise including councils, NHS bodies, colleges and larger central government bodies such as the Scottish Government, Revenue Scotland and Transport Scotland. A full list of participants is available [here](#).

The NFI enables public bodies to use computer data matching techniques to detect fraud and error.

We carry out the NFI under powers in The Criminal Justice and Licensing (Scotland) Act 2010. It is important for all parties involved that this exercise is properly controlled, and data is handled in accordance with the law. [The Audit Scotland Code of Data Matching Practice](#) includes a summary of the key legislation and controls governing the NFI data matching exercise.

Although the main purpose of the NFI is to ensure funds and services are provided to the correct people, the review of NFI matches may also identify that a customer is entitled to additional services or payments, eg housing benefit matches may identify customers entitled to council tax discount or reduction.



# Appendix 2. Costs and benefits of participating in the NFI

The Scottish Parliament provides funding to Audit Scotland to cover public-sector participants' NFI fees for the biennial data matching exercise.

Participating bodies incur costs following up matches and investigating. Participating bodies also incur costs for pilot work and additional services such as the AppCheck pre-application screening and the ReCheck<sup>4</sup> flexible data matching service.

Many bodies do not keep separate records for NFI costs as it is just one of many counter-fraud activities they are doing. Those that do have records were able to estimate that their costs ranged from £500 to £71,000. This compares favourably with the average outcome for each public body in Scotland of £113,000 for the 2020/21 NFI exercise.

Overall, the £14.9 million of outcomes from the 2020/21 NFI outweigh the costs.

<sup>4</sup> ReCheck is a flexible data matching service that complements the NFI biennial national exercise. It allows NFI participants re-perform the existing NFI data matching at a time that suits them.








£8,416

Average reported cost of NFI  
(total of 25 bodies)



£204,500

Audit Scotland costs

	No. of bodies reported	Cost range
 <b>Councils</b>	0	£0
 <b>Other local government bodies</b>	● ● 2	£1,397 – £5,000
 <b>NHS bodies</b>	● ● ● ● ● ● ● 7	£1,277 – £71,000
 <b>Central government bodies</b>	● ● ● ● ● ● ● ● ● ● ● 11	£590 – £20,000
 <b>Colleges</b>	● ● ● ● ● 5	£500 – £6,000

# Appendix 3. Estimation bases

The figures used in this report for fraud, overpayments and errors include outcomes already delivered (actual amounts participants have recorded) and estimates. Estimates are included where it is reasonable to assume that incidents of fraud, overpayments and errors would have continued undetected without NFI data matching.

Details of estimate calculations used in the report are shown below.

Data match	Basis of calculation of estimated outcomes
<b>Council tax single person discount</b>	Annual value of the discount cancelled multiplied by two years.
<b>Housing</b>	£93,000 per property recovered, based on average four-year fraudulent tenancy. Includes: temporary accommodation for genuine applicants; legal costs to recover property; re-let cost; and rent foregone during the void period between tenancies.
<b>Housing benefit</b>	Weekly benefit reduction multiplied by 21 weeks.
<b>Pensions</b>	Annual pension multiplied by the number of years until the pensioner would have reached the age of 85.
<b>Payroll</b>	£5,000 for each employee dismissed or resigns as a result of NFI matching, or £10,000 for each resignation or dismissal for employees who have no right to work in the UK.
<b>Council tax reduction scheme</b>	Weekly change in council tax discount multiplied by 21 weeks.
<b>Housing waiting lists</b>	£3,240 for each case based on the annual estimated cost of housing a family in temporary accommodation, the duration a fraud may continue undetected and the likelihood a waiting list applicant would be provided a property.
<b>Blue badges</b>	Number of badge holders confirmed as having died multiplied by £575 to reflect lost parking and congestion charge revenue.

# The National Fraud Initiative in Scotland 2022

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