

# West Lothian Council

## Annual Accounts

Year ended 31 March 2017



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

## Annual Accounts

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## INDEPENDENT AUDITOR'S REPORT

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

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

### Report on the audit of the financial statements

#### Opinion on financial statements

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

In our opinion the accompanying financial statements:

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

#### Basis of opinion

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

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

## INDEPENDENT AUDITOR'S REPORT (continued)

### Other information in the annual accounts

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

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

### Report on other requirements

#### Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

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

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

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

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

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

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

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

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

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



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

## MANAGEMENT COMMENTARY

### 1. THE COUNCIL

#### 1.1 General

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

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

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

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

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

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

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

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

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

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

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

## MANAGEMENT COMMENTARY

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

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

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

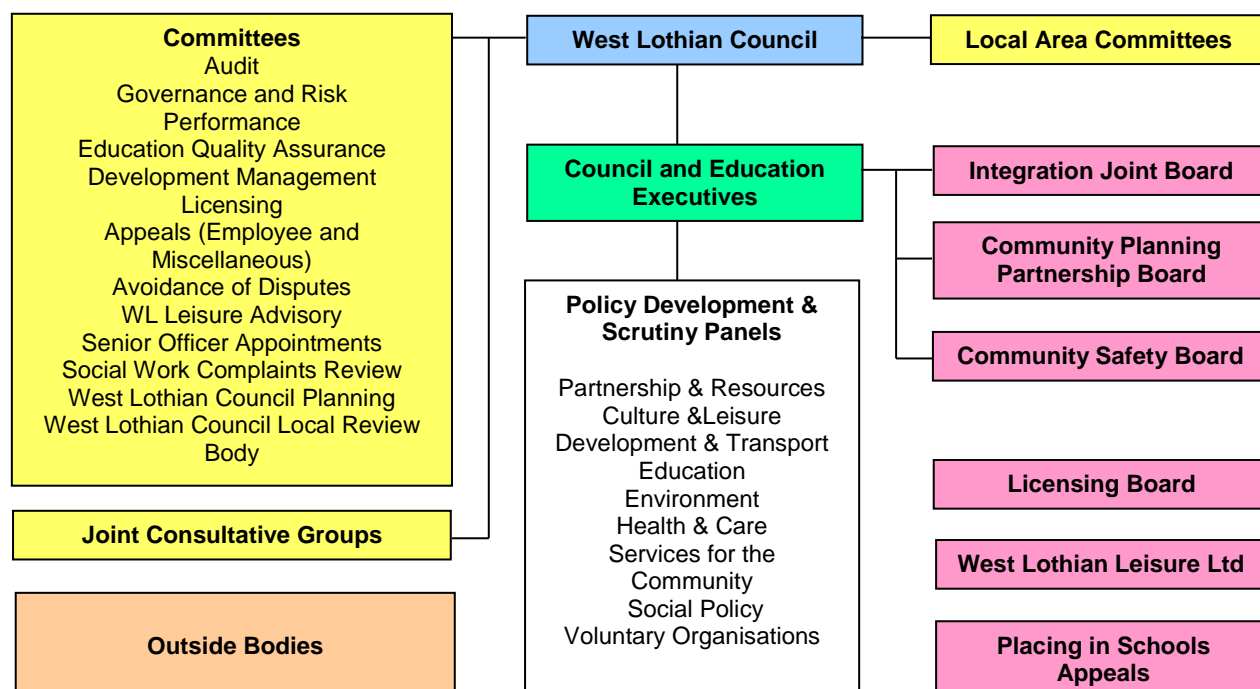
### 1.2 West Lothian - Decision Making Structure

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

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

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

#### Decision Making Structure



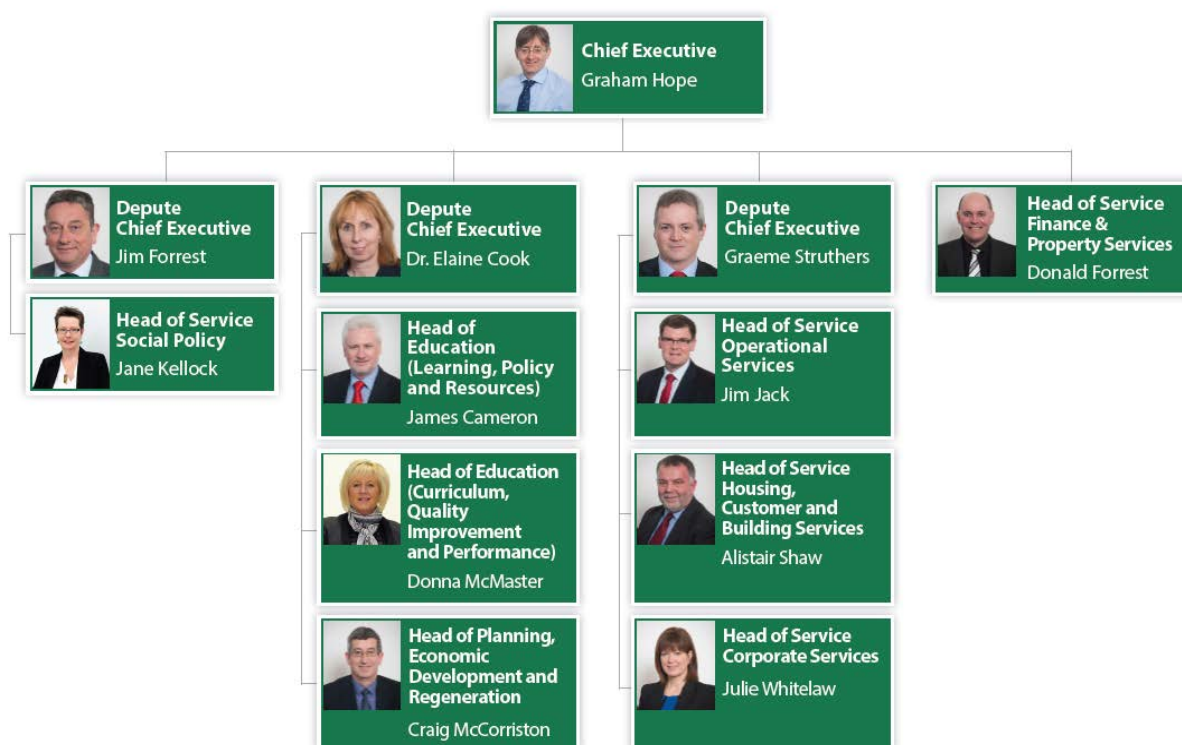
## MANAGEMENT COMMENTARY

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

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

### 1.3 Management Structure

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

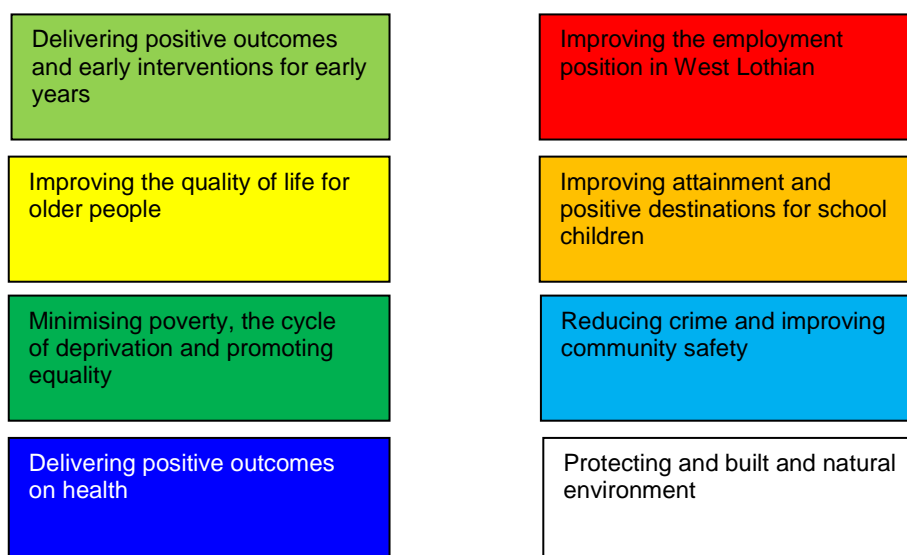


## MANAGEMENT COMMENTARY

### 2. Corporate Strategy

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

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



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

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

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

### 3. Budget Strategy and Budget Setting

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

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

## MANAGEMENT COMMENTARY

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

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

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

### 4. Performance Overview

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

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

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

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

and on comparative performance:

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

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

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

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

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

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

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

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

## MANAGEMENT COMMENTARY

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

### 5. Financial Performance Review

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

#### 5.1 Financial Ratios

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

Council Tax	2016/17	2015/16	Notes on Ratios
In-year collection rate	95.3%	95.2%	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	95.3%	95.0%	
Council Tax income as a percentage of overall funding	18.9%	18.4%	This shows the proportion of total funding that is derived from Council Tax.
<b>Debt and Borrowing – Prudence</b>			
Capital Financing Requirement (£'000)	£652,361	£624,099	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets.
<b>Debt and Borrowing – Affordability</b>			
Financing costs to net revenue stream – General Fund	7.3%	6.7%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year.
Financing costs to net revenue stream – HRA	26.6%	25.3%	
Impact of capital investment on Council Tax (£'000)	£188,820	£183,293	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA.
Impact of capital investment on house rents (£'000)	£463,541	£440,806	

#### 5.2 Financial Out-turn

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

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

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

## MANAGEMENT COMMENTARY

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

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

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

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

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

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

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

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

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

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

### 5.3 Revenue Budget – Housing 2016/17

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

## MANAGEMENT COMMENTARY

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

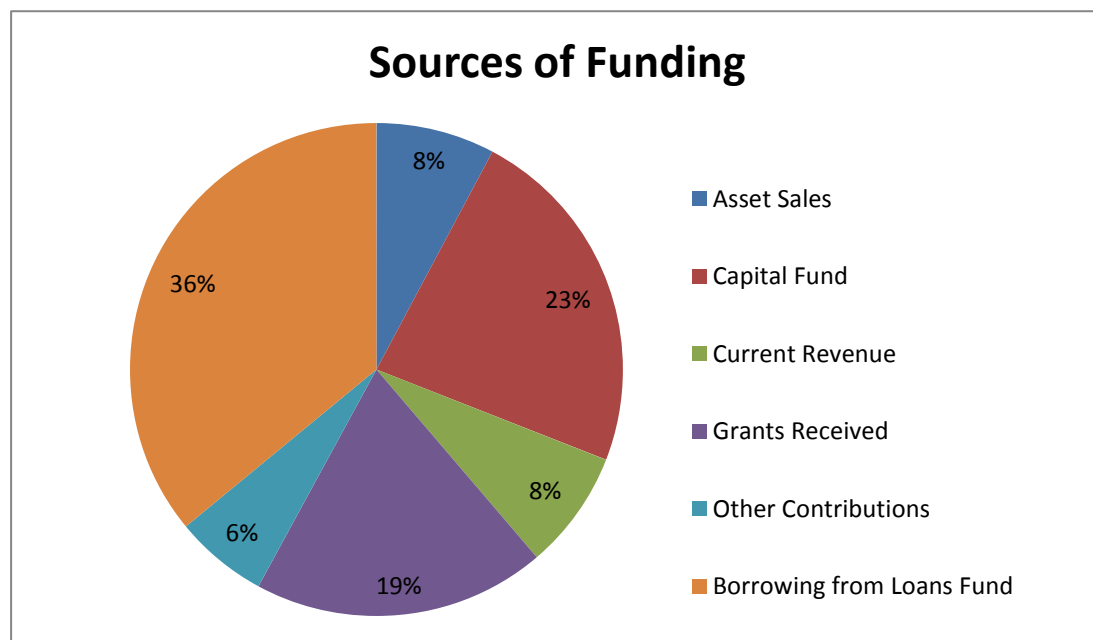
### 5.4 Capital Budget 2016/17

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

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

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

### 5.5 Capital Programme 2016/17

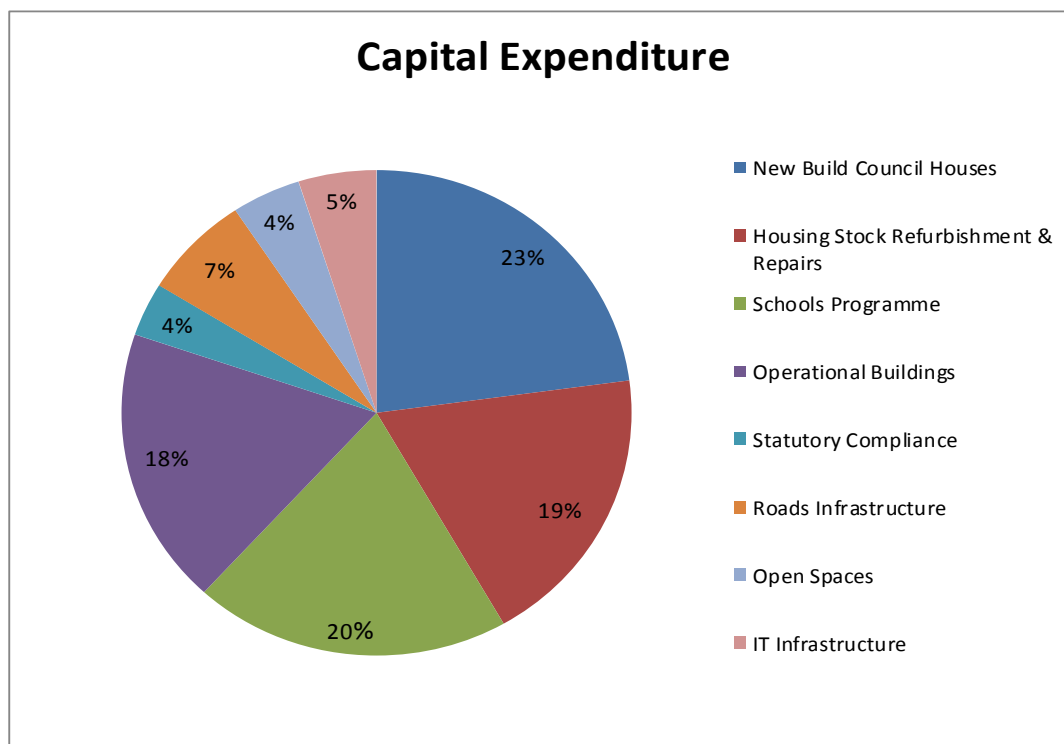


The 2016/17 General Services Capital Programme had a budget of £63.304 million and the final outturn for 2016/17 was £69.616 million. The variance of expenditure compared to budget for the year was £6.312 million due to accelerated spend on major projects from future years. There was net acceleration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

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

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

## MANAGEMENT COMMENTARY



### 5.6 PPP Contracts

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

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

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

### 5.7 Significant Trading Operations (STO)

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

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

### 5.8 Pension Reserve and IAS19

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

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

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

## MANAGEMENT COMMENTARY

### 5.9 Other Reserves

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

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

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

### 5.10 Group Accounts

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

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

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

## 6. Risk and Uncertainty

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

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

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

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

## MANAGEMENT COMMENTARY

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

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

- The council will continue to adopt the approach of integrating corporate planning and financial planning over the 2018/19 to 2022/23, with a Corporate Plan, revenue plan, capital plan and treasury management plan to be considered at the same council meeting, to ensure that a joined up approach is taken.
- In accordance with Audit Scotland and CIPFA best practice, the council will prepare a priority based revenue financial plan for 2018/19 to 2022/23, to set out how the Corporate Plan priorities will be delivered over the period.
- Officers will prepare a consultation with West Lothian citizens, to include council tax levels to be set over the next five years.

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

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

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

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

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

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

**26 September 2017**

**STATEMENT OF RESPONSIBILITIES****STATEMENT 1****THE AUTHORITY'S RESPONSIBILITIES**

The authority is required to:

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

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

**Signed on behalf of West Lothian Council**



**Councillor Lawrence Fitzpatrick**  
**Leader of the Council**  
**26 September 2017**

**THE HEAD OF FINANCE AND PROPERTY SERVICES' RESPONSIBILITIES**

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

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

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

The Head of Finance and Property Services has also:

- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2017.



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

**ANNUAL GOVERNANCE STATEMENT****STATEMENT 2****1. Corporate Governance**

- 1.1 The governance framework is the systems, processes, culture and values by which the council is directed and controlled, and the activities through which it is accountable to, engages with and leads the West Lothian community. These are the arrangements put in place to ensure that the intended outcomes for West Lothian residents and other stakeholders are defined and delivered. They must always be used in the public interest.
- 1.2 The council has overall responsibility for good governance arrangements – for establishing its values, principles and culture, for ensuring the existence and review of an effective governance framework, and for putting in place monitoring and reporting arrangements.
- 1.3 In practice, as with most of its business, the council to a large extent entrusts the delivery of those tasks to committees and to appropriate council officers. That delegation does not remove or avoid the responsibility of all the council's elected members for governance.
- 1.4 In the council's Corporate Plan 2013/17 the place of corporate governance as an “enabler” is recognised and established. It is one of the essential back-office corporate services necessary to assist the setting, monitoring, achievement and reporting on corporate priorities and outcomes. The Corporate Plan acknowledges the wide understanding that good governance promotes good decision-making.

**2. Governance framework**

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

**3. System of internal control**

- 3.1 A significant part of the council's governance framework is its system of internal control (financial and other). It is an ongoing process designed to identify risks to the achievement of the council's objectives; to evaluate the likelihood of those risks occurring; to consider the potential impact of the risks; and to manage them effectively. Those controls can never eliminate risk or failure to achieve objectives entirely – they can only provide reasonable and not absolute assurance. The design, development and management of the system of internal control is undertaken by managers within the council.
- 3.2 The system of internal financial control is designed to provide assurance on the effectiveness and efficiency of operations and the reliability of financial reporting. It is based on a framework, which includes financial regulations and a system of management supervision, delegation and accountability, supported by regular management information, administrative procedures and segregation of duties. Its key elements include a documented internal control framework relating to financial processes, procedures and regulations; a comprehensive budgeting and monitoring framework; scrutiny of periodic and annual financial and operational performance reports; performance management information; and project management disciplines.
- 3.3 Reporting to members on the effectiveness of the system of internal control is carried out by the Audit Risk & Counter Fraud Manager in his Internal Audit Annual Report to committee (June 2017). His conclusion is that the framework of governance, risk management and control is generally sound. He identified areas where improvements could be made and confirmed that recommendations would be followed up and reported as required. Of those, four areas were identified where the conclusion was that control was unsound - information security breaches, grants to voluntary organisations, information asset register and procurement business case exemptions. The agreed actions in relation to those areas will be followed up in the next year.

**4. Audit & Governance Committee**

- 4.1 The Audit & Governance Committee monitors the independence and effectiveness of the Audit, Risk and Counter Fraud Unit. It is given assurance in relation to non-internal audit functions through the internal audit manager of Falkirk Council. The committee considers annual reports by the Audit, Risk and Counter Fraud Manager and the Governance Manager which provide an opinion and assurance on the overall adequacy and effectiveness of the council's framework and code of governance, risk management and control. This statement forms part of that process and was approved at committee in June 2017.
- 4.2 The committee meets four times each year. Reports by the Audit, Risk and Counter Fraud Manager are presented and considered in public unless there is clear legal justification for excluding the public. The outcome of internal audit and counter-fraud investigations judged to be significant are reported. They express an opinion as to whether controls are satisfactory or require improvements. They set out improvement actions which have been agreed with relevant managers. The findings, actions and times for completion are presented for committee approval. The committee periodically receives a report by the Audit, Risk and Counter Fraud Manager in relation to agreed actions which have been reported to committee but which have not been fulfilled.
- 4.3 The committee also receives reports in relation to governance matters, principally reports issued by the Accounts Commission and/or Audit Scotland in relation to the council or local government as a whole. It can consider those reports from the councillors' perspective and recommend any action which it considers should be taken in response. The committee also receives the annual report on corporate governance and the annual governance statement for approval.
- 4.4 The committee includes one non-councillor member recruited for a three-year tenure. That member is entitled to the same papers and reports as councillor members of the committee and brings a different non-council and non-councillor perspective to the work of the committee.

**ANNUAL GOVERNANCE STATEMENT****STATEMENT 2****5. Code of Corporate Governance**

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

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

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

**6. Compliance statements**

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

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

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

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

**7. Scrutiny**

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

- Policy Development & Scrutiny Panels are working groups of members and representatives from external community bodies. They consider quarterly performance reports from the service areas included in their remit. The reports are drawn from the council's well-established performance monitoring and reporting system (Covalent) and reports are presented with graphs, charts and RAG analysis together with explanatory commentary. Members and external representatives are able to question officers on service performance and make recommendations to them about improvement actions.
- The Performance Committee is established to consider the performance of service units against the council's performance appraisal system, the West Lothian Assessment Model (WLAM). It receives written reports presented at public committee meetings by senior service managers and can question them and make recommendations to them about improvement actions.

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

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

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

**8. Officer activity**

- 8.1 The council is required by legislation to operate a professional and objective internal audit service. The Audit, Risk and Counter Fraud Unit includes internal audit which is an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). An annual audit plan is prepared based on an assessment of risk and is approved by the Audit & Governance Committee. Internal audit reports are issued to the committee in relation to the outcome of significant proactive and reactive reports. Reports are issued in the name of the Audit, Risk and Counter Fraud Manager who has the right, when deemed necessary, of direct access to the Chief Executive. There is annual reporting to the committee of internal audit activities and to give assurance about the independence, effectiveness and soundness of the service.
- 8.2 Legislation requires the council to appoint a Chief Financial Officer. That role is to be performed to conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for qualification. The council's Head of Finance & Property Services is the council's Chief Financial Officer. He operates in accordance with the council's Financial Regulations and Treasury Management plan, and reports regularly to members on revenue and capital budgetary performance and compliance. The role is undertaken in accordance with the relevant statutory rules, guidance and standards.
- 8.3 Governance and risk management are supervised on the officer side of the council by the Governance & Risk Board. It is chaired by a Deputy Chief Executive and its members include the Monitoring Officer, the Audit Risk and Counter Fraud Manager, the Governance Manager, the Chief Solicitor and senior managers from across the council's service areas. It receives reports from officer working groups on risk and corporate governance, and monitors corporate and high risks. It considers the annual report on corporate governance and the compliance statements before they are presented to committee. It provides an effective control and conduit for risk and governance issues and matters of concern.
- 8.4 Risk management is embedded at a service level across the council and management teams monitor, assess and mitigate risk at service level as a matter of routine at their management team meetings. That process continues at lower levels in each service's management structure. Risk assessment and monitoring and the progress towards agreed actions are carried out using Covalent.
- 8.5 Similarly, management teams routinely monitor their performance through Covalent, utilising the high-level performance indicators which are reported publicly as well as lower level management performance indicators. Services are divided into WLAM units which report on an agreed cycle to a panel chaired by the Chief Executive. It considers the evidence presented and allocates a score. The service unit then proceeds to report to the Performance Committee.

**9. Assurance**

- 9.1 In addition to the activities and procedures already described, throughout the year the council has considered, reviewed and approved numerous documents, strategies, policies and procedures which are reflected and assessed in the code of corporate governance. All of these can be found in the reports and minutes of the committees and other bodies in the council's decision-making structure. The following are small lists of examples of that work:-
- Significant document reviews - Corporate Plan 2013/17; ICT, Corporate Procurement and Information Strategies; Standing Orders and Scheme of Administration; Members' Role Descriptions; Officer/Member Protocols
  - Annual reports - System of Internal Control and External Auditors' Review of Key Internal Controls; Equality Outcome and Mainstreaming; Code of Corporate Governance and Annual Compliance Statements; Councillors' Code of Conduct; Chief Social Work Officer Report
  - Annual plans and progress/completion reports - Treasury Management Plan and Annual Report; Internal Audit Charter, Plan and Annual Report; Corporate Procurement Plans; Management Plans; People Strategy and Staff Engagement
  - Performance and scrutiny - General and HRA revenue fund and capital programme monitoring; procurement activity; complaints performance; service unit performance reports to Performance Committee; Public performance reporting, including Fact File and the End of Term Report
  - *Ad hoc* reporting and issues - Independent Review of the Planning Service; Public Protection Committee Biennial Report; Audit & Governance Committee on outstanding actions from risk-based audit reports; recording and broadcasting council meetings; monitoring of performance of Police Scotland and Fire & Rescue Service

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

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

**10. Matters of concern from 2015/16**

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

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

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

**11. Matters addressed and to be addressed**

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

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

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

- In 2016 a new CIPFA/SOLACE Framework “Delivering Good Governance” was introduced. It replaces the principles, sub-principles and standards found in the 2007 version with revised and updated versions. The Code of Corporate Governance currently reflects the 2007 version of the Framework. Detailed consideration will be given in the next year to transferring the current Code into the framework introduced in the 2016 version. In doing so, it is likely that more specific issues requiring action will be identified as the new principles are applied in the context of the council’s present arrangements.
- The review of the system of internal control identified four areas where control was unsound (information security breaches, grants to voluntary organisations, information asset register and procurement business case exemptions). Actions for improvement have been agreed and progress will be monitored in the next year.

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



**Graham Hope**  
Chief Executive

**26 September 2017**



**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.

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

**2. COUNCIL LEADER, PROVOST AND SENIOR COUNCILLORS****2.1 Remuneration Policy**

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

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

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £295,643. The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2016/17 (2015/16) West Lothian Council had 11 senior councillors and the basic salary paid to these councillors totalled £299,510 (£275,990). The Regulations also permit the council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

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

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

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

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

**2.3 Total Councillors Remuneration**

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

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

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

# REMUNERATION REPORT

# STATEMENT 3

## 2.4 Council Leader, Provost and Senior Councillors Remuneration

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

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

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

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

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

## 3. SENIOR EMPLOYEES

### 3.1 Remuneration Policy

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

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

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

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

# REMUNERATION REPORT

# STATEMENT 3

## 3.2 Senior Employees Remuneration

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

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

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

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

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

# REMUNERATION REPORT

# STATEMENT 3

## 3.3 Employee Information by Pay Band

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

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

## 3.4 Employee Exit Packages

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

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

## 4. PENSIONS

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

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

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

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

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

# **REMUNERATION REPORT**

# **STATEMENT 3**

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

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

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

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

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

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

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

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

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

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

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

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

# REMUNERATION REPORT

# STATEMENT 3

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

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

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

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

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

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

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

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

1. Depute Chief Executive until 13 September 2015.

2. Appointed to Depute Chief Executive from 17 August 2015. Previous post Head of Education (Quality Assurance) until 16 August 2015.


3. At the meeting of West Lothian Council on 23 February 2016, a report on organisational review was approved which resulted in the reduction in the number of heads of service from eight to seven from 1 April 2016. As a result, the post of Head of Area Services was removed from the Corporate Management Structure.

4. Appointed to Head of Education (Curriculum, Quality Improvement and Performance) from 1 October 2015.



**Graham Hope**  
Chief Executive

26 September 2017



**Councillor Lawrence Fitzpatrick**  
Leader of the Council

**EXPENDITURE AND FUNDING ANALYSIS****STATEMENT 4****PURPOSE**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

**EXPENDITURE AND FUNDING ANALYSIS  
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Net Expenditure Chargeable to the General Fund and HRA Balance £'000	Adjustments Between the Funding and Accounting Basis (Note 6) £'000	Transfers to or from other Statutory Reserves £'000	Net Expenditure In the Comprehensive Income and Expenditure Statement £'000
<b>2015/16</b>					
Schools, Education Support		137,195	37,875	-	175,070
Planning, Economic Development and Regeneration		4,070	3,611	-	7,681
Operational Services		57,702	11,100	-	68,802
Housing, Customer and Building Services		5,720	11,348	-	17,068
Corporate Services		12,039	(11,463)	-	576
Social Policy – IJB, Adult and Elderly Services		10	-	-	10
Social Policy – non IJB Adult and Elderly Services		59,005	-	-	59,005
Social Policy – non IJB, Children's Services		31,450	11,806	-	43,256
Chief Executive, Finance and Property		24,103	6,225	-	30,328
Joint Boards		1,214	-	-	1,214
Time Limited Expenditure		340	-	-	340
Other Services		10,991	(1,356)	(9,340)	295
<b>Net Cost of General Fund Services</b>		<b>343,839</b>	<b>69,146</b>	<b>(9,340)</b>	<b>403,645</b>
Housing Revenue Account		-	70,367	-	70,367
<b>Net Cost of Services</b>		<b>343,839</b>	<b>139,513</b>	<b>(9,340)</b>	<b>474,012</b>
Other Income and Expenditure		(343,579)	(23,656)	(885)	(368,120)
<b>(Surplus) or Deficit</b>	<b>7</b>	<b>260</b>	<b>115,857</b>	<b>(10,225)</b>	<b>105,892</b>
		<b>General Fund</b>	<b>HRA Fund</b>	<b>Total</b>	
<b>Opening General Fund and HRA Balance</b>		<b>(25,869)</b>	<b>(926)</b>	<b>(26,795)</b>	
Deficit on General Fund and HRA Balance in Year		260	-	260	
<b>Closing General Fund and HRA Balance as at 31 March</b>		<b>(25,609)</b>	<b>(926)</b>	<b>(26,535)</b>	
<b>2016/17</b>					
Schools, Education Support		142,039	83,748	-	225,787
Planning, Economic Development and Regeneration		5,031	1,501	-	6,532
Operational Services		57,675	12,771	-	70,446
Housing, Customer and Building Services		5,126	11,177	-	16,303
Corporate Services		11,072	(10,669)	-	403
Social Policy – IJB, Adult and Elderly Services		60,584	-	-	60,584
Social Policy – non IJB, Children's Services		28,223	6,425	-	34,648
Chief Executive, Finance and Property		23,250	6,510	-	29,760
Joint Boards		1,214	-	-	1,214
Time Limited Expenditure		-	-	-	-
Other Services		10,385	(8,261)	(2,259)	(135)
<b>Net Cost of General Fund Services</b>		<b>344,599</b>	<b>103,202</b>	<b>(2,259)</b>	<b>445,542</b>
Housing Revenue Account		-	18,144	-	18,144
<b>Net Cost of Services</b>		<b>344,599</b>	<b>121,346</b>	<b>(2,259)</b>	<b>463,686</b>
Other Income and Expenditure		(344,252)	(23,372)	(847)	(368,471)
<b>(Surplus) or Deficit</b>	<b>7</b>	<b>347</b>	<b>97,974</b>	<b>(3,106)</b>	<b>95,215</b>
		<b>General Fund</b>	<b>HRA Fund</b>	<b>Total</b>	
<b>Opening General Fund and HRA Balance</b>		<b>(25,609)</b>	<b>(926)</b>	<b>(26,535)</b>	
Deficit on General Fund and HRA Balance in Year		347	-	347	
<b>Closing General Fund and HRA Balance as at 31 March</b>		<b>(25,262)</b>	<b>(926)</b>	<b>(26,188)</b>	

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT****STATEMENT 5****PURPOSE**

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

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

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

**MOVEMENT IN RESERVES STATEMENT****STATEMENT 6****PURPOSE**

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

**MOVEMENT IN RESERVES STATEMENT  
AS AT 31 MARCH 2017**

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

**BALANCE SHEET****STATEMENT 7****PURPOSE**

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

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

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

**DONALD FORREST CPFA, Head of Finance and Property Services**

**26 September 2017**

**CASH FLOW STATEMENT****STATEMENT 8****PURPOSE**

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 1. ACCOUNTING POLICIES

**General**

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

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

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

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

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

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

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

**Revenue Transactions**

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

**Property, Plant and Equipment - Valuation**

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

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

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

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

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

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

**Property, Plant and Equipment - Capital Receipts**

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**Property, Plant and Equipment - Depreciation**

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

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

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

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

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

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

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

**Property, Plant and Equipment - Revaluation**

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

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

**Property, Plant and Equipment - Impairment**

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

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

**Property, Plant and Equipment - Charges to Revenue**

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

**Heritage Assets**

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

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

**Artworks & Sculptures**

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

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

**Civic Regalia**

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**Archives**

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

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

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

**Archaeology**

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

The council does not make any purchases of archaeological items.

**Memorials, Monuments and Public Art**

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

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

**Heritage Assets - General**

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

**Improvement Grants**

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

**Government Grants and Contributions**

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

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

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

**Redemption of Debt**

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

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

**Investments**

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

**Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in values.

Cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the council's cash management.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**Prior Period Adjustments**

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

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

**Financial Liabilities**

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

**Reserves**

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

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

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

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

**Revaluation Reserve**

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

**Capital Adjustment Account**

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

**Inventories**

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

**External Interest Payable and Loans Fund Interest**

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

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

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

**Central Support Services**

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

- a) Administration Buildings - The number of employees based at each building.
- b) Central Telephone Service - Based on number of extensions.
- c) Central Postal and Messenger Services - Based on actual usage.
- d) HR Pay and Reward – based on employee numbers within each Service.

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

**Corporate and Democratic Core**

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

**Finance Leases**

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

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

**Employee Benefits**

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by an officer, in agreement with the council, to terminate their employment before the normal retirement date or an officer's decision to accept voluntary severance. The costs are charged on an accruals basis to the Other Services line in the Comprehensive Income and Expenditure Statement. Where the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund or pensioners and any such amounts payable but unpaid at the year-end.

**Public Private Partnership (PPP)**

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

**Operating Leases**

Current annual operating lease rentals have been charged to revenue.

**Non Domestic Rates (NDR)**

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

**Pension Costs**

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

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

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

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

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

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

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

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

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

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

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

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

**Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the Notes to the Annual Accounts. Details of the liabilities are shown in note 32.

**Provisions**

Provisions are made where an event has taken place that gives the council a Legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Details of the provisions are shown in note 21.

**Carbon Reduction Commitment Scheme**

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

**VAT**

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

**Fair Value Measurement**

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

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

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

Level 3 – unobservable inputs for the asset or liability

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

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

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

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

- **PPP** - The council is deemed to control the services provided under the agreement for the provision of educational establishments in accordance with IFRC12. The council controls the services provided under the scheme and ownership of the schools will pass to the council at the end of the contract. The schools are therefore recognised on the council's balance sheet.
- **Associates** - The valuation joint board is included within the group accounts under the wider definition of an "associate" although the council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements in place.
- **Investment Properties** - All property, plant and equipment is used on the delivery of services or as part of the council's strategy for economic regeneration.
- **Uncertainty over future funding** - There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a reduction in funding.

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

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

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

**PENSIONS LIABILITY**

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

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

The following table shows the sensitivity of the results to the changes in the principal assumptions used to measure the scheme liabilities.

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

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

**FAIR VALUE MEASUREMENTS**

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

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

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

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

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

Significant changes in any of the observable inputs may result in a significantly lower or higher fair value measurement for assets and liabilities.

**DEBTORS**

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

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

If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £3.601 million to be set aside as an allowance.

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 5. 2015/16 RESTATEMENT

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

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

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

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS**

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

**Adjustments between Funding and Accounting Basis 2015/16**

	<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>
Schools, Education Support	29,272	2,248	6,355	37,875
Planning, Economic Development and Regeneration	532	417	2,662	3,611
Operational Services	6,471	2,325	2,304	11,100
Housing, Customer and Building Services	4,452	1,634	5,262	11,348
Corporate Services	5,297	717	(17,477)	(11,463)
Social Policy – non IJB, Children's Services	1,209	2,993	7,604	11,806
Chief Executive, Finance and Property	18,044	828	(12,647)	6,225
Other Services	(225)	(1,760)	629	(1,356)
<b>Net Cost of General Fund Services</b>	<b>65,052</b>	<b>9,402</b>	<b>(5,308)</b>	<b>69,146</b>
Housing Revenue Account	81,348	-	(10,981)	70,367
<b>Net Cost of Services</b>	<b>146,400</b>	<b>9,402</b>	<b>(16,289)</b>	<b>139,513</b>

Other income and expenditure from the Expenditure and Funding Analysis

	(47,064)	8,860	14,548	(23,656)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>99,336</b>	<b>18,262</b>	<b>(1,741)</b>	<b>115,857</b>

**Adjustments between Funding and Accounting Basis 2016/17**

Schools, Education Support	73,769	1,346	8,633	83,748
Planning, Economic Development and Regeneration	(45)	239	1,307	1,501
Operational Services	9,003	1,432	2,336	12,771
Housing, Customer and Building Services	5,346	996	4,835	11,177
Corporate Services	6,140	410	(17,219)	(10,669)
Social Policy – non IJB, Children's Services	(224)	1,774	4,875	6,425
Chief Executive, Finance and Property	8,436	479	(2,405)	6,510
Other Services	(174)	(1,700)	(6,387)	(8,261)
<b>Net Cost of General Fund Services</b>	<b>102,251</b>	<b>4,976</b>	<b>(4,025)</b>	<b>103,202</b>
Housing Revenue Account	30,019	-	(11,875)	18,144
<b>Net Cost of Services</b>	<b>132,270</b>	<b>4,976</b>	<b>(15,900)</b>	<b>121,346</b>

Other income and expenditure from the Expenditure and Funding Analysis

	(47,418)	6,246	17,800	(23,372)
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>84,852</b>	<b>11,222</b>	<b>1,900</b>	<b>97,974</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 authority 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 9

## 6.3 Other Differences

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

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

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

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

## 7. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

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

Gain on disposal of non-current assets

2016/17 £'000	2015/16 £'000
2,559	1,877
<b>2,559</b>	<b>1,877</b>

**9. 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

2016/17 £'000	2015/16 £'000
29,480	27,333
6,246	8,860
(2,180)	(2,095)
(485)	4,168
<b>33,061</b>	<b>38,266</b>

**10. 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

2016/17 £'000	2015/16 £'000
62,186	60,937
87,726	94,216
218,861	217,938
30,200	31,418
<b>398,973</b>	<b>404,509</b>

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

Transfer (to) / from Insurance Fund

Transfer (to) / from Capital Fund

General  
Fund  
£'000HRA  
£'000Insurance  
Fund  
£'000Capital  
Fund  
£'000Total  
Usable  
Reserves  
£'000Unusable  
Reserves  
£'000Total  
Council  
Reserves  
£'000

(145)

-

145

-

-

-

-

(10,080)

-

-

10,080

-

-

-

**(10,225)****-****145****10,080****-****-****-****TRANSFERS TO OR  
(FROM) OTHER  
STATUTORY RESERVES -  
2016/17**

Transfer (to) / from Insurance Fund

Transfer (to) / from Capital Fund

1,880

-

(1,880)

-

-

-

-

(4,986)

-

-

4,986

-

-

-

**(3,106)****-****(1,880)****4,986****-****-****-**

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

12. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS  2015/16 Restated	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	67,799	89,476	-	-	157,275	(157,275)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(31,418)	-	-	-	(31,418)	31,418	-
Net loss (gain) on sale of non-current assets	(1,106)	(771)	-	-	(1,877)	1,877	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(422)	-	-	-	(422)	422	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	17,992	270	-	-	18,262	(18,262)	-
Statutory provision for repayment of debt	(9,962)	(3,806)	-	-	(13,768)	13,768	-
Statutory charge for lifecycle capital (PFI)	(93)	-	-	-	(93)	93	-
Capital expenditure charged to the General Fund and HRA	(2,748)	(8,035)	-	-	(10,783)	10,783	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(1,319)	-	-	-	(1,319)	1,319	-
Capital receipts transferred to the Capital Fund	-	-	-	(6,631)	(6,631)	6,631	-
	<b>38,723</b>	<b>77,134</b>	<b>-</b>	<b>(6,631)</b>	<b>109,226</b>	<b>(109,226)</b>	<b>-</b>
2016/17	General Fund £'000	HRA £'000	Insurance Fund £'000	Capital Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	103,833	37,915	-	-	141,748	(141,748)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(30,200)	-	-	-	(30,200)	30,200	-
Net loss (gain) on sale of non-current assets	(495)	(2,064)	-	-	(2,559)	2,559	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(422)	-	-	-	(422)	422	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	10,941	281	-	-	11,222	(11,222)	-
Statutory provision for repayment of debt	(10,551)	(4,109)	-	-	(14,660)	14,660	-
Statutory charge for lifecycle capital (PFI)	(168)	-	-	-	(168)	168	-
Capital expenditure charged to the General Fund and HRA	(1,507)	(7,802)	-	-	(9,309)	9,309	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	2,329	(7)	-	-	2,322	(2,322)	-
Capital receipts transferred to the Capital Fund	-	-	-	(27,673)	(27,673)	27,673	-
	<b>73,760</b>	<b>24,214</b>	<b>-</b>	<b>(27,673)</b>	<b>70,301</b>	<b>(70,301)</b>	<b>-</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 13. PROPERTY, PLANT AND EQUIPMENT

13.1 Movements in 2015/16  
Restated

## Cost or Valuation

## At 1 April 2015

## Additions

Revaluation increases / (decreases) recognised in the Revaluation Reserve

Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in cost or valuation

## At 31 March 2016

## Accumulated Depreciation and Impairment

## At 1 April 2015

## Depreciation charge

Depreciation written out to the Revaluation Reserve

Depreciation written out to the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in depreciation and impairment

## At 31 March 2016

## Net Book Value

## At 31 March 2016

## At 31 March 2015

## Cost or Valuation

## At 1 April 2015

## Additions

Revaluation increase / (decreases) recognised in the Revaluation Reserve

Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in cost or valuation

## At 31 March 2016

## Accumulated Depreciation and Impairment

## At 1 April 2015

## Depreciation charge

Depreciation written out to the Revaluation Reserve

Depreciation written out to the Surplus / Deficit on the Provision of Services

Derecognition - disposals

Other movements in depreciation and impairment

## At 31 March 2016

## Net Book Value

## At 31 March 2016

## At 31 March 2015

	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 2015</b>	<b>548,470</b>	<b>783,389</b>	<b>56,352</b>	<b>241,704</b>
Additions	34,893	17,825	7,175	14,573
Revaluation increases / (decreases) recognised in the Revaluation Reserve	875	353,882	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(157,222)	(27,649)	-	-
Derecognition - disposals	(3,293)	(8)	(513)	-
Other movements in cost or valuation	(16,030)	3,475	-	360
<b>At 31 March 2016</b>	<b>407,693</b>	<b>1,130,914</b>	<b>63,014</b>	<b>256,637</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2015</b>	<b>85,290</b>	<b>128,341</b>	<b>37,706</b>	<b>42,556</b>
Depreciation charge	15,831	34,095	7,093	6,228
Depreciation written out to the Revaluation Reserve	(64)	(134,913)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	(85,289)	(5,722)	-	-
Derecognition - disposals	(514)	-	(514)	-
Other movements in depreciation and impairment	-	(465)	-	-
<b>At 31 March 2016</b>	<b>15,254</b>	<b>21,336</b>	<b>44,285</b>	<b>48,784</b>
<b>Net Book Value</b>				
<b>At 31 March 2016</b>	<b>392,439</b>	<b>1,109,578</b>	<b>18,729</b>	<b>207,853</b>
<b>At 31 March 2015</b>	<b>463,180</b>	<b>655,048</b>	<b>18,646</b>	<b>199,148</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 2015</b>	<b>529</b>	<b>10,534</b>	<b>23,062</b>	<b>1,664,040</b>
Additions	-	21,429	-	95,895
Revaluation increase / (decreases) recognised in the Revaluation Reserve	525	-	(364)	354,918
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(168)	-	-	(185,039)
Derecognition - disposals	(72)	-	(150)	(4,036)
Other movements in cost or valuation	-	11,681	514	-
<b>At 31 March 2016</b>	<b>814</b>	<b>43,644</b>	<b>23,062</b>	<b>1,925,778</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2015</b>	-	-	-	<b>293,893</b>
Depreciation charge	-	-	-	63,247
Depreciation written out to the Revaluation Reserve	-	-	(465)	(135,442)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	(91,011)
Derecognition - disposals	-	-	-	(1,028)
Other movements in depreciation and impairment	-	-	465	-
<b>At 31 March 2016</b>	-	-	-	<b>129,659</b>
<b>Net Book Value</b>				
<b>At 31 March 2016</b>	<b>814</b>	<b>43,644</b>	<b>23,062</b>	<b>1,796,119</b>
<b>At 31 March 2015</b>	<b>529</b>	<b>10,534</b>	<b>23,062</b>	<b>1,370,147</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

13.1 Movements in 2016/17	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000
<b>Cost or Valuation</b>				
<b>At 1 April 2016</b>	<b>407,693</b>	<b>1,130,914</b>	<b>63,014</b>	<b>256,637</b>
Additions	48,087	21,837	8,501	9,813
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	(1,809)	(105)	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(20,639)	(9,325)	-	-
Derecognition - disposals	(5,412)	(431)	(122)	-
Other movements in cost or valuation	(15,285)	15,176	-	164
<b>At 31 March 2017</b>	<b>414,444</b>	<b>1,156,362</b>	<b>71,288</b>	<b>266,614</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2016</b>	<b>15,254</b>	<b>21,336</b>	<b>44,285</b>	<b>48,784</b>
Depreciation charge	16,328	86,952	7,943	6,611
Depreciation written out to the Revaluation Reserve	-	-	(105)	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(6,510)	-	-
Derecognition - disposals	(193)	(11)	(122)	-
Other movements in depreciation and impairment	64	(665)	-	-
<b>At 31 March 2017</b>	<b>31,453</b>	<b>101,102</b>	<b>52,001</b>	<b>55,395</b>
<b>Net Book Value</b>				
<b>At 31 March 2017</b>	<b>382,991</b>	<b>1,055,260</b>	<b>19,287</b>	<b>211,219</b>
<b>At 31 March 2016</b>	<b>392,439</b>	<b>1,109,578</b>	<b>18,729</b>	<b>207,853</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 2016</b>	<b>814</b>	<b>43,644</b>	<b>23,062</b>	<b>1,925,778</b>
Additions	-	29,652	-	117,890
Revaluation increase / (decreases) recognised in the Revaluation Reserve	-	-	-	(1,914)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	-	-	(1,061)	(31,025)
Derecognition - disposals	(244)	-	-	(6,209)
Other movements in cost or valuation	-	(1,241)	1,186	-
<b>At 31 March 2017</b>	<b>570</b>	<b>72,055</b>	<b>23,187</b>	<b>2,004,520</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2016</b>	-	-	-	<b>129,659</b>
Depreciation charge	-	-	-	117,834
Depreciation written out to the Revaluation Reserve	-	-	-	(105)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	(601)	(7,111)
Derecognition - disposals	-	-	-	(326)
Other movements in depreciation and impairment	-	-	601	-
<b>At 31 March 2017</b>	-	-	-	<b>239,951</b>
<b>Net Book Value</b>				
<b>At 31 March 2017</b>	<b>570</b>	<b>72,055</b>	<b>23,187</b>	<b>1,764,569</b>
<b>At 31 March 2016</b>	<b>814</b>	<b>43,644</b>	<b>23,062</b>	<b>1,796,119</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 13.2 Property, Plant and Equipment - PPP Schools

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

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

## 13.3 Financial Liabilities - PPP Schools

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

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

## 13.4 Capital Expenditure and Capital Financing

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 13.5 Fixed Asset Valuation

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

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

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

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

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

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

## 13.6 Depreciation

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

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

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

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

## 13.7 Capital Commitments

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 13.8 Finance Leases

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

		2016/17 £'000	2015/16 £'000
Operational Buildings	- Gross Cost	1,157	1,157
	- Aggregate Depreciation	998	945
	- Depreciation for the year	53	157
Vehicles	- Gross Cost	399	344
	- Aggregate Depreciation	217	140
	- Depreciation for the year	41	38
Finance lease interest for the year		17	24
The future obligations (net of finance charges) under these finance leases are:-		2016/17 £'000	2015/16 £'000
2017/18	(2016/17)	107	102
2018/19 to 2021/22	(2017/18 to 2020/21)	277	358
2022/23 onwards	(2021 onwards)	3	13

## 14. HERITAGE ASSETS

## 14.1 Five-Year Summary of Transactions

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

## Reconciliation of carrying value of Heritage Assets held

## Cost or Valuation

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

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

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

## 14.2 Heritage Assets – Further Information

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

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

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

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

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

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

**Artworks & Sculptures**

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

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

**Civic Regalia**

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

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

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

**Archives**

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

**Archaeology**

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

**Memorials, Public Art and Monuments**

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

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

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

**15. CURRENT INTANGIBLE ASSETS - CARBON REDUCTION COMMITMENT ALLOWANCE**

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 16. FINANCIAL INSTRUMENTS

## 16.1 Types of Financial Instrument

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

**Investments and Lending**

Loans, receivables and interest

Investments to cash equivalents

Long term investments

**Borrowing**

Financial liabilities at amortised cost

Long-term		Current	
31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
-	-	125,585	100,466
-	-	12,675	25,725
277	249	-	-
<b>277</b>	<b>249</b>	<b>138,260</b>	<b>126,191</b>
503,641	433,671	100,290	100,066
<b>503,641</b>	<b>433,671</b>	<b>100,290</b>	<b>100,066</b>

**Long Term Investments**

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

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

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

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

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

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

The fair values are calculated as follows:

**Lending****Loans and receivables - Cash**

The loans and receivables valuation is made by the prevailing benchmark rates

**Loans and receivables - Fixed Term Deposits**

The fixed term deposit valuation is made by comparison of the fixed term investment with a comparable investment with the same / similar lender for the remaining period of the deposit

31 March 2017		31 March 2016	
Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
12,675	12,680	25,725	25,736
125,585	125,872	100,466	100,735
<b>138,260</b>	<b>138,552</b>	<b>126,191</b>	<b>126,471</b>

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

**Borrowing****Financial liabilities - PWLB**

For loans from the PWLB, Capita Asset Services have provided fair value estimates using both redemption and new borrowing (certainty rate) discount rates.

**Financial liabilities - LOBO's and Temporary borrowing**

For non PWLB loans Capita Asset Services have provided fair value estimates using both PWLB redemption and new market loan discount rates.

31 March 2017		31 March 2016	
Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
535,203	719,664	464,980	599,168
68,728	103,150	68,757	89,920
<b>603,931</b>	<b>822,814</b>	<b>533,737</b>	<b>689,088</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

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

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

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

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

The council's management of treasury risks actively works to minimise the council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

**Credit Risk**

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers. It is the policy of the council to place deposits only with a limited number of high quality UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the council expects full repayment on the due date of deposits placed with its counterparties.

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

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

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

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

**Liquidity Risk**

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

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

**Market risk**

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

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

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

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

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

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

**Price Risk**

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

**Foreign Exchange Risk**

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

## 17. LONG TERM DEBTORS

**Loan Advances**

Small Business Loans

	Balance at 1 April 2016 £'000	Advances £'000	Write-offs/ Repayments £'000	Balance at 31 March 2017 £'000
	11	-	(11)	-
	<b>11</b>	<b>-</b>	<b>(11)</b>	<b>-</b>

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

## 18. INVENTORIES

Building Maintenance

Transport

Printing

Canteens

Roads and Grounds Maintenance

Countryside Deer / Highland Cows

	2016/17 £'000	2015/16 £'000
	152	164
	109	127
	4	4
	98	104
	720	504
	54	68
	<b>1,137</b>	<b>971</b>

## 19. SHORT TERM DEBTORS

Central Government Bodies

Other Local Authorities

NHS Bodies

Public Corporations and Trading Funds

Other Entities and Individuals

- Council Tax Debtors
- Provision for Council Tax Debtors
- Trade Debtors
- Provision for Trade Debtors
- Other Entities and Individuals

	2016/17		2015/16	
	£'000	£'000	£'000	£'000
		13,338		15,057
		1,247		458
		2,267		204
		94		1,122
	27,282		28,358	
	(20,119)		(19,709)	
	4,134		4,526	
	(1,974)		(1,932)	
	9,743		7,895	
		19,066		19,138
		<b>36,012</b>		<b>35,979</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**20. SHORT TERM CREDITORS**

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

**21. PROVISIONS**

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

**Equal Pay Provision**

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

**22. LONG TERM CREDITORS**

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

**23. PENSION SCHEMES****23.1 Pension Schemes**

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

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

- Local Government Pension Scheme**

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

- Teachers' Pension Scheme**

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

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

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

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

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 23.2 Transactions Relating to Post-Employment Benefits

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

**Comprehensive Income And Expenditure Statement****Cost of Services**

Current Service cost  
Past Service Costs

**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**

2016/17		2015/16	
£'000	£'000	£'000	£'000
28,769	29,038	32,993	33,259
269		266	
	6,246		8,860
	35,284		42,119
(147,763)		(12,772)	
-		-	
251,395		(93,050)	
(712)	102,920	(8,496)	(114,318)
	138,204		(72,199)

**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

2016/17		2015/16	
£'000	£'000	£'000	£'000
	(114,142)		96,056
	(22,113)		(21,717)
	(1,949)		(2,140)
	(24,062)		(23,857)

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

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

The amount included in the Balance Sheet arising from the council's obligation in respect of Lothian Pension Fund is as follows:-

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**

31 March 2017 £'000	31 March 2016 £'000
950,082	772,175
(1,208,740)	(916,992)
(258,658)	(144,817)
(31,632)	(31,331)
(290,290)	(176,148)

## 23.4 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)

Employer's contributions payable to the scheme

Contributions by scheme participants

Benefits paid

**Closing fair value of assets at 31 March**

31 March 2017 £'000	31 March 2016 £'000
772,175	735,494
27,061	23,542
147,763	12,772
22,113	21,717
6,598	6,483
(25,628)	(27,833)
950,082	772,175

## 23.5 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**

31 March 2017 £'000	31 March 2016 £'000
(948,323)	(1,007,698)
(28,769)	(32,993)
(33,307)	(32,402)
(6,598)	(6,483)
-	-
(251,395)	93,050
712	8,496
(269)	(266)
25,628	27,833
1,949	2,140
(1,240,372)	(948,323)

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

## 23.6 Lothian Pension Fund Assets by Category

The asset values below are at bid value as required by IAS 19

**Equity Securities:**

	2016/17		2015/16	
	£'000	%	£'000	%
*Consumer	142,635	15%	117,598	15%
*Manufacturing	144,029	15%	91,073	12%
*Energy and Utilities	70,498	7%	61,337	8%
*Financial Institutions	66,342	7%	65,402	8%
*Health and Care	55,690	6%	51,329	7%
*Information Technology	47,021	5%	46,263	6%
*Other	65,469	7%	44,198	6%

**Private Equity:**

*All	11,048	1%	8,666	1%
All	19,641	2%	25,103	3%

**Investment funds and unit trusts:**

*Equities	-	-	-	-
Equities	-	-	-	-
*Commodities	2,786	-	2,142	-
Commodities	-	-	-	-
*Infrastructure	6,036	1%	4,297	1%
Infrastructure	78,982	9%	47,061	6%
*Other	-	-	-	-
Other	20,268	2%	18,500	2%

**Equity**

**730,445 77% 582,969 75%**

**Debt Securities:**

*Corporate Bonds A (investment grade)	-	-	-	-
*Corporate Bonds (non-investment grade)	-	-	-	-
*UK Government	95,401	10%	49,690	6%
*Other	1,974	-	19,534	3%

**Investment funds and unit trusts:**

Bonds	11,963	1%	4,184	1%
*Bonds	2,128	-	2,072	-

**Derivatives:**

Inflation	-	-	-	-
Interest rate	-	-	-	-
*Foreign exchange	-	-	(45)	-
*Other	-	-	-	-

**Bonds**

**111,466 11% 75,435 10%**

**Real Estate:**

UK Property	64,103	7%	66,051	9%
Overseas Property	-	-	-	-

**Property**

**64,103 7% 66,051 9%**

**Cash and cash equivalents**

*All	44,068	5%	47,720	6%
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**Cash and cash equivalents**

**44,068 5% 47,720 6%**

**950,082 100% 772,175 100%**

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

## 23.7 Basis for Estimating Assets and Liabilities

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

**Mortality Assumptions**

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

**Investment Returns**

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

Actual Returns from 1 April 2016 to 31 December 2016	<b>17.1%</b>
Total Returns from 1 April 2016 to 31 March 2017	<b>22.6%</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

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

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

**Financial Assumptions**

Rate of inflation	2.4%	2.2%
Rate of increase in salaries	4.4%	4.2%
Increase in Pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.6%	3.5%

## 23.8 Sensitivity Analysis

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

0.5% decrease in Real Discount Rate	11%	137,565
0.5% increase in the Salary Increase Rate	4%	47,798
0.5% increase in the Pension Increase Rate	7%	85,496

Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
11%	137,565
4%	47,798
7%	85,496

For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3 – 5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

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

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

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

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

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

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

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

## 23.10 Impact on Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the schemes' actuary to achieve a funding level of 100% over the long term. Funding Levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2017.

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

## 24. USABLE RESERVES

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

## 24.1 Revenue Statutory Funds

	2016/17 £'000	2015/16 £'000
<b>Insurance Fund</b>		
Balance at 1 April	13,715	13,570
Appropriation	(1,880)	145
Balance at 31 March	<b>11,835</b>	<b>13,715</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

24.2 Capital Fund	2016/17 £'000	2015/16 £'000
Balance at 1 April	88,214	84,765
Transfer (to) / from Capital Adjustment Account	(27,673)	(6,631)
Appropriation	4,986	10,080
Balance at 31 March	<b>65,527</b>	<b>88,214</b>

**25. UNUSABLE RESERVES**

	2016/17 £'000	2015/16 Restated £'000
Revaluation Reserve	579,486	630,463
Available for Sale Financial Instruments Reserve	252	224
Capital Adjustment Account	533,501	542,245
Financial Instruments Adjustment Account	(9,260)	(9,682)
Pensions Reserve	(290,290)	(176,148)
Accumulated Absences Account	(10,002)	(7,680)
<b>Total Unusable Reserves</b>	<b>803,687</b>	<b>979,422</b>

**25.1 Revaluation Reserve**

	2016/17 £'000	2015/16 Restated £'000
Balance at 1 April	630,463	147,840
Unrealised gains / (losses) on revaluation of fixed assets	(2,542)	490,210
Less: Depreciation on revaluations	(48,435)	(7,587)
Balance at 31 March	<b>579,486</b>	<b>630,463</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.

**25.2 Available-for-Sale Financial Instruments Reserve**

	2016/17 £'000	2015/16 £'000
Balance at 1 April	224	189
Revaluation of long-term investments at fair value	28	35
Balance at 31 March	<b>252</b>	<b>224</b>

**25.3 Capital Adjustment Account**

	2016/17 £'000	2015/16 Restated £'000
Balance at 1 April	542,245	627,363
Depreciation and impairment	(141,748)	(157,275)
Government grants written off	30,200	31,418
Loans fund principal repayments	14,660	13,768
Capital financed from current revenue (General Fund)	1,675	2,841
Capital financed from current revenue (HRA)	7,802	8,035
Gain/ (Loss) on disposal of non-current assets	2,559	1,877
Revaluation Reserve - Depreciation on revaluations	48,435	7,587
Transfer of Capital Receipts to Capital Fund	27,673	6,631
Balance at 31 March	<b>533,501</b>	<b>542,245</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 9

## 25.4 Financial Instruments Adjustment Account

Balance at 1 April  
Appropriations (to) from Movements on Reserve Statement

Balance at 31 March

The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the council's lending and borrowing. The balance at 31 March 2017 represents:

Deferred Premiums less Discounts from Debt Rescheduling  
Market LOBO loans restated - balance sheet value  
- Deduct: actual loans outstanding

## 25.5 Pension Fund Reserve

The pension reserve mirrors the net pensions liability detailed in 19.3. The movements in the year are summarised as follows:

Balance at 1 April  
Net surplus for year  
Actuarial Gains (Losses) in Pension Plan  
Balance at 31 March

## 25.6 Accumulated Absences Account

Balance at 1 April  
Annual leave and flexitime accrual - previous year  
Annual leave, maternity and flexitime accrual - current year  
Statutory adjustment for the year  
Balance at 31 March

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

## 26. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The following amounts are included in the net cash flows from Operating Activities:-

Interest paid  
Interest element of finance lease rental payments including PPP contracts  
Interest received

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:-

Depreciation  
Impairment and downward revaluations  
Amortisation  
Increase/(decrease) in creditors  
(Increase)/decrease in debtors  
(Increase)/decrease in Short Term Intangible Assets  
(Increase)/decrease in inventories  
Movement in pension liability  
Gain / (Loss) on disposal of non-current assets  
Other non-cash items

2016/17 £'000	2015/16 £'000
(9,682)	(10,104)
422	422
<b>(9,260)</b>	<b>(9,682)</b>

2016/17 £'000	2015/16 £'000
(6,671)	(7,064)
(63,169)	(63,198)
60,580	60,580
<b>(9,260)</b>	<b>(9,682)</b>

2016/17 £'000	2015/16 £'000
(176,148)	(272,204)
(11,222)	(18,262)
(102,920)	114,318
<b>(290,290)</b>	<b>(176,148)</b>

2016/17 £'000	2015/16 £'000
	(7,680)
7,680	8,999
(10,002)	(7,680)
	(2,322)
	1,319
	<b>(10,002)</b>
	<b>(7,680)</b>

2016/17 £'000	2015/16 Restated £'000
24,439	22,457
3,818	3,983
(1,236)	(1,204)
117,834	63,247
23,914	94,028
(30)	(28)
377	6,819
(1,811)	(8,193)
30	14
(166)	(3)
11,222	18,262
(2,559)	(1,877)
(113)	405
<b>148,698</b>	<b>172,674</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

27. CASH FLOW STATEMENT - INVESTING ACTIVITIES	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment	(120,268)	(97,691)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment	9,278	3,689
Net decrease (increase) in short term investments	(25,000)	(9,978)
Net cash flows from Investing Activities	(135,990)	(103,980)
28. CASH FLOW STATEMENT - FINANCING ACTIVITIES	2016/17 £'000	2015/16 £'000
Cash receipts of short and long term borrowing	100,000	70,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(86)	(241)
Repayments of short and long term borrowing	(30,125)	(30,000)
Net cash flows from Financing Activities	69,789	39,759
29. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS	2016/17 £'000	2015/16 £'000
Cash held by officers	151	145
Bank current accounts	2,258	1,932
Short term deposits	12,675	25,725
Total Cash and Cash Equivalents	15,084	27,802
30. AGENCY SERVICES		
Expenditure	2016/17 £'000	2015/16 £'000
<b>Local Bus Services</b>		
Cross boundary bus services where other local authorities contract for the services and charge West Lothian for shared cross boundary agreements.	76	67
<b>Residential Schools and other Social Work payments</b>		
Costs incurred in relation to residential care for children under the age of 18 who are deemed to be a significant risk to themselves or others in the community. Secure care is provided by third sector organisations. Secure care provides intensive support and safe boundaries whilst providing care, including health and education.	860	679
<b>Special School Placements</b>		
Costs incurred in respect of West Lothian children who are in receipt of supported education services provided by other local authorities outwith the West Lothian Area.	262	308
<b>Other</b>		
Provision of other services – Speech Therapy, Additional Needs Support, New business Start-up support, Childrens Panel etc.	1,077	1,346
<b>Non Domestic Rates</b>		
The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	93,058	85,516
Total Expenditure	95,333	87,916
Income		
<b>Scottish Water Collection Services</b>		
The Council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of Council Tax for a collection fee.	553	576
<b>Social Work Services</b>		
Income in respect of delivery of support for people with alcohol and drug problems. This is delivered through West Lothian Council's Social Work Addictions Team and funded by National Health Service under our Alcohol and Drug Partnership contracts.	1,182	1,102
<b>Local Bus Services</b>		
Cross boundary bus services where West Lothian contract for the services and recharge other local authorities for shared cross boundary agreements.	161	226
<b>Special School Placements</b>		
Recovery of the cost of provision of supported education provided to Other Local Authority children living outwith the West Lothian boundary but receiving educational services in West Lothian.	355	377
<b>Non Domestic Rates</b>		
The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	90,619	80,308
Total Income	92,870	82,589

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**31. TRADING OPERATIONS**

The Local Government in Scotland Act 2003 repealed the requirement to have separate DSO/DLO trading accounts and introduced a specific performance requirement for each significant trading operation to breakeven over a three year rolling basis.

Economic Development Properties have been identified as a significant trading operation. The Service involves the maintenance and letting of industrial units, office accommodation and shops. The portfolio contains around 500 individual rental units and the policy objective is to ensure an adequate supply of property to meet the requirements of business needs in West Lothian. Summarised details of the account are as follows:-

	2016/17 £'000	2015/16 £'000
Turnover	4,819	4,718
Expenditure	4,334	8,886
Surplus (Deficit) for year	485	(4,168)
Budget Surplus (Deficit) for year	397	(4,225)

Included in turnover is internal income of £0.325 million (£0.417 million 2015/16).

The requirement to charge notional interest was removed in the 2006 SORP. However, for the purposes of assessing whether the trading operation has met the statutory requirement to breakeven over a three year rolling period, interest still requires to be included in expenditure for this assessment. A share of General Fund loan interest has been made based on the net book value of Economic Development Properties fixed assets to the total net book value of General Fund fixed assets. The results are summarised as follows:-

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2014/15	912	813	99
2015/16	(4,168)	740	(4,908)
2016/17	485	531	(46)
	(2,771)	2,084	(4,855)

In the three years to 31 March 2017 the trading account sustained a statutory aggregate loss of £4.855 million, therefore not achieving the statutory financial requirement to breakeven over the three year period. This was as a result of charges for impairment of £4.477 million in 2015/16 and £0.644 million in 2016/17 on assets from the Economic Development Property Portfolio. The financial position excluding the impairment charges would have resulted in the following surplus.

	2016/17 £'000	2015/16 £'000	2014/15 £'000
Turnover	4,819	4,718	4,445
Expenditure	3,690	4,409	3,533
Surplus for year	1,129	309	912
Budget Surplus for year	1,041	252	779

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2014/15	912	813	99
2015/16	309	740	(431)
2016/17	1,129	531	598
	2,350	2,084	266

Excluding impairment charges incurred during 2015/16 and 2016/17, in the three years to 31 March 2017 the trading account would have made a statutory aggregate surplus of £0.266 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

**32. EXTERNAL AUDIT COSTS**

The council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:-

	2016/17 £'000	2015/16 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	318	331
The Accounts Commission for Scotland has appointed Ernst and Young LLP as the Council External Auditor for the financial years 2016/17 to 2020/21.	318	331

**33. CONTINGENT LIABILITIES****West Lothian Recycling**

The council, under the terms of the Shareholder's Agreement with its partner Tarmac, has guaranteed to meet any loan from Tarmac to its related company, West Lothian Recycling Ltd. up to a maximum of £96,500, plus 50% of the related financing costs. There were no loans during 2016/17.

**Equal Pay Provision**

Before and after the council implemented its new pay and grading structure on 1 October 2007, a number of employees raised Employment Tribunal proceedings for equal pay compensation. These cases have been managed through the tribunal process in two separate batches – for claims covering the period before implementation (These have been detailed in note 21) and for claims covering the period after implementation which are currently being handled by an employment judge.

The council has made appropriate provisions for claims covering the period before implementation, as detailed in note 21, for all known outstanding claims relating to the first wave of equal pay claims, the council does however recognise the potential for future compensation claims in respect of cases not yet presented.

There are currently 101 post implementation equal pay claims with a total claim value of £1.8 million which have been lodged and served but are not actively being managed or pursued with the employment tribunal. The claims are subject to ongoing legal review and there are ongoing discussions taking place with claims representatives. At the current time, management have not recognised a provision relating to the second wave of claims due to the uncertainty around the amount that will be used to settle these claims.

**Municipal Mutual – Scheme of Arrangement**

The Municipal Mutual Scheme of Arrangement was triggered in November 2012. The scheme administrator announced that the initial levy rate was 15% of claims paid since 1993. The council has paid a total of £0.198 million in respect of West Lothian District Council and Livingston Development Corporation liability and £0.035 million in respect of the council's share of Lothian Regional Council liability. The council recognises that further levies will be imposed and therefore acknowledges a potential future liability.

**Holiday Pay Liability**

During periods of annual leave employees receive their basic contractual pay. This means that any non-contractual additional payments e.g. overtime, are not reflected in the rate of pay the employee receives while on annual leave. A decision made by the European Court of Justice in May 2014 under the Working Time Directive 2003/88/EC has held that holiday pay should be the normal remuneration received by the employee and the matter remains under consideration by the employment tribunal system.

The council has received a number of claims for holiday pay. In accordance with Employment Tribunal procedures being applied across the UK, they are suspended until decisions are made in appeal proceedings which may clarify the legal position. No payments have been made by the council in relation to this issue.

**34. POST REPORTING PERIOD EVENTS**

The Head of Finance and Property Services, Donald Forrest CPFA, being the officer responsible for the council's financial affairs, authorised the issue of the unaudited annual accounts on 30 June 2017 and the audited annual accounts on 26 September 2017. Events after the balance sheet date have been considered up to 26 September 2017.

**35. GRANT INCOME**

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

**Credited to Taxation and Non Specific Grant Income**

## Capital Grants and Contributions

- General Capital Grant
- Other Scottish Government Grant
- Developers Contributions
- Other Capital Contributions

**Total Capital Grants and Contributions**

Revenue Support Grant

Distribution from Non Domestic Rate Pool

**Total Grants credited to Taxation and Non Specific Grant Income****Credited to Services**

Housing Benefits Grant

Administration of Benefits Grant

DWP Discretionary Housing Payment

Integration Joint Board

Education Maintenance Allowance

European Grants

Private Sector Housing Grant

Community Led Regeneration

Criminal Justice Grant

Economic Growth Plan

Home Energy Efficiency Programme for Scotland

Sport Scotland

Creative Scotland

Skills Development

Big Lottery Fund

Vehicle Emissions Testing

Syrian Resettlement Programme

Other Grants

Contribution from - Local Authorities

- Scottish Enterprise Edinburgh and Lothian

- NHS

**Total Grants credited to Services**

	2016/17 £'000	2015/16 £'000
	12,298	17,083
	10,610	9,177
	4,245	3,791
	3,047	1,367
	<b>30,200</b>	<b>31,418</b>
	218,861	217,938
	87,726	94,216
	<b>336,787</b>	<b>343,572</b>
	53,656	54,254
	792	843
	971	287
	7,130	-
	670	706
	837	3,535
	732	732
	37	34
	2,634	2,399
	1,699	1,371
	693	2,880
	388	460
	224	381
	257	89
	212	13
	186	169
	340	120
	2,996	1,896
	742	923
	219	-
	7,084	7,032
	<b>82,499</b>	<b>78,124</b>

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**36. GENERAL FUND BALANCE**

The following amounts have been earmarked within the General Fund Balance.

	Balance at 1 April 2015 Restated £'000	Transfers Out 2015/16 £'000	Transfers in 2015/16 £'000	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance at 31 March 2017 £'000
<b>General Balance at 31 March</b>	<b>25,869</b>			<b>25,609</b>			<b>25,262</b>
<b>Movement in Earmarked Reserves</b>							
Balances held by schools under a scheme of delegation	1,053	-	5	1,058	-	2	1,060
Energy Efficiency Fund	358	(7)	-	351	(2)	-	349
Weather Emergency Fund	1,000	-	-	1,000	(1,000)	-	-
Modernisation Fund	4,372	-	-	4,372	(608)	-	3,764
Senior Peoples Challenge Fund	88	-	-	88	(88)	-	-
Scottish Government Grant	4,812	-	386	5,198	(1,396)	1,736	5,538
Time Limited Projects	5,414	(1,674)	1,010	4,750	(2,060)	2,171	4,861
War Memorial Fund	50	-	-	50	(6)	-	44
Local Plan	110	-	-	110	-	-	110
Developer Contribution Fund	6,562	-	-	6,562	-	-	6,562
Use of Reserves to balance Revenue Budget	-	-	-	-	-	899	899
Demand Responsive Transport	50	(50)	-	-	-	-	-
<b>Total Earmarked Reserves</b>	<b>23,869</b>	<b>(1,731)</b>	<b>1,401</b>	<b>23,539</b>	<b>(5,160)</b>	<b>4,808</b>	<b>23,187</b>
<b>Uncommitted General Fund Balance at 31 March</b>	<b>2,000</b>			<b>2,070</b>			<b>2,075</b>

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £1.060 million (£1.058 million 2015/16) is held within the General Fund. This sum represents the amount by which schools underspent their delegated schemes and may be used to supplement their 2017/18 budgetary provision. This sum, although held within the General Fund, must be spent on Education Services and is not available to the council for general use.

**37. LEASING AND PPP PAYMENTS****Leases**

The council uses leased cars, street sweeping vehicles, occupies certain offices financed under the terms of various operating leases and leases windows and doors in some of the council's housing stock. The amounts paid under these arrangements were as follows:-

	2016/17 £'000	2015/16 £'000
Plant and Vehicles	3,258	3,329
Property	361	546
	<b>3,619</b>	<b>3,875</b>

Assets acquired under finance leases have been capitalised and are detailed in note 13.8.

**Operating Leases**

The future cash payments required under operating leases are:-

	2016/17 £'000	2015/16 £'000
2017/18 (2016/17)	353	218
2018/19 to 2021/22 (2017/18 to 2020/21)	3,073	3,053
2022/23 onwards (2021/22 onwards)	566	644
	5,061	5,879
	1,476	1,575
	26	13

The cumulative value of leases where the council is a lessor is £5.573 million for 720 units.

**Education Service PPP1 Schools Project**

This is a 31 year PPP contract which was awarded in August 2001 for the construction, extension and refurbishment of existing facilities, for three high schools, three primary schools and two nursery schools in Bathgate, Broxburn, Whitburn and Linlithgow. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 7 November 2032.

The unitary charge is subject to annual RPI indexation. The PPP contractor has price risk for utilities, so the council may be due a rebate on the unitary charge and this is reviewed bi-annually. The contractor is also entitled to a change adjustment to reflect any relevant costs incurred by the contractor within the first eleven and a half years of the contract. The council is however entitled to receive a share of any Refinancing Gain in accordance with a formula linked to the Equity IRR.

**37. LEASING AND PPP PAYMENTS (CONTINUED)****Education Service PPP1 Schools Project (continued)**

The council has rights to access the school facilities each school day. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

**Education Service PPP3 Schools Project**

This is a 31 year PPP contract for the construction of new facilities, for two high schools in Livingston (Deans) and Armadale. The contractor is also responsible for the ongoing maintenance and operation of school facilities, which requires the ongoing procurement of construction services, plant and equipment. Contract expiry date is 16 August 2039.

The Unitary Charge is subject to annual RPI indexation. The parties share the benefit/cost of improving or not achieving the set utility consumption targets, so the council may be due a rebate on the unitary charge and this is reviewed annually. Whilst the council may have to meet any additional cost of insurance premiums, it may also benefit from their reduction. In addition, the council is entitled to receive a 50% share of a refinancing gain arising from a qualifying refinancing.

The council has rights to access the school facilities each week day, and each weekend. The contract specifies standards for the services to be delivered by the PPP contractor, with payment deductions to be made if facilities become unavailable or performance falls below the required standards. The school facilities and any plant and equipment installed in them at the end of the contract will be transferred to the council for nil consideration. Both parties have rights to terminate the contract, but compensation may be payable.

A number of minor changes to the arrangements have been made in the period, but none significant enough to change the risk profile of the project.

**PPP Payments**

The future cash payments under two PPP schools contracts are analysed as follows:-

	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	2016/17 Total £'000	2015/16 Total £'000
Within one year	2,392	3,675	177	6,217	12,461	12,201
2 to 5 years	9,352	13,040	1,144	29,027	52,563	51,463
6 to 10 years	12,311	13,221	2,213	44,544	72,289	70,771
11 to 15 years	17,720	9,263	1,810	51,602	80,395	78,702
16 to 20 years	15,528	4,004	198	36,684	56,414	62,365
21 to 25 years	8,161	593	-	18,111	26,865	37,686
	<b>65,464</b>	<b>43,796</b>	<b>5,542</b>	<b>186,185</b>	<b>300,987</b>	<b>313,188</b>

**38. RELATED PARTIES**

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

**Scottish Government**

Scottish Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in note 35.

**Councillors**

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2016/17 are shown in the Remuneration Report note 2.3 on page 20. There are no related party transactions with members of the council.

**Officers**

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

## NOTES TO THE ANNUAL ACCOUNTS

## STATEMENT 9

**38. RELATED PARTIES (CONTINUED)**

During the year, the council entered into a number of transactions with related parties which include Central Government, Other Local Authorities, the Joint Valuation Board and related companies.

	2016/17 £'000	Restated 2015/16 £'000
<b>EXPENDITURE</b>		
<b>Government Payments</b>		
PAYE and National Insurance	56,641	50,590
Superannuation – Teachers	12,430	11,588
<b>Other Local Authority Payments</b>		
Superannuation	23,808	23,584
Other Payments	950	1,336
<b>Other Related Party Payments</b>		
Joint Valuation Board	1,145	1,145
West Lothian Integration Board	60,584	10
West Lothian Municipal Bank Ltd.	-	-
West Lothian Leisure Ltd.	2,758	1,906
Councillors Remuneration	722	705
Criminal Justice Authority	3,498	3,169
SESTRAN / SESPLAN	69	69
	<b>162,605</b>	<b>94,102</b>
<b>Other Related Party Income</b>		
Other Local Authority Receipts	742	923
Criminal Justice Authority	2,634	2,399
	<b>3,376</b>	<b>3,322</b>
<b>BALANCE SHEET</b>		
The amounts due (to) or from related parties are detailed below:-		
Government departments	4,780	6,668
Other local authorities	(1,439)	(2,758)
Related companies		
- West Lothian Leisure Ltd.	13	205
- West Lothian Integration Board	(95)	-
	<b>3,259</b>	<b>4,115</b>

**39. WEST LOTHIAN INTEGRATION JOINT BOARD (IJB)**

The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. Section 71(2) of the 2014 Act expressly repealed Sections 4A and 4B of the National Health Service (Scotland) Act 1978 which made provision regarding community health partnerships. That repeal took effect on 1 April 2015 and the West Lothian Integration Joint Board (IJB) superseded the West Lothian Community Health and Care Partnership (WLCHCP) arrangement in 2015/16. The IJB operated on a shadow basis until the West Lothian IJB was legally established on 21 September 2015.

The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government. The IJB's primary purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian were delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions. The level of resources associated with council functions delegated to the IJB in 2016/17 was £60.584 million (£0.010 million 2015/16).

HRA – INCOME AND EXPENDITURE STATEMENT		STATEMENT 10	
PURPOSE	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.		
INCOME		2016/17 £'000	2015/16 Restated £'000
	Dwellings Rent (gross)	(44,724)	(43,418)
	Non-Dwellings Rent (gross)	(550)	(592)
	Other Income	(1,174)	(3,179)
	TOTAL INCOME	(46,448)	(47,189)
EXPENDITURE			
	Repairs and Maintenance	15,011	13,973
	Supervision and Management	8,482	8,707
	Depreciation and Revaluation of non-current assets	37,915	89,476
	Bad or Doubtful Debts	512	517
	Other Expenditure	2,672	4,883
	TOTAL EXPENDITURE	64,592	117,556
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	18,144	70,367
	HRA Services share of Corporate and Democratic Core (CDC)	94	93
	HRA Share of Accumulated Absences	(7)	-
	HRA share of Non Distributed Costs	12	8
	Net Cost of HRA Services	18,243	70,468
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(Profit) / Loss on sale of HRA assets	(2,064)	(771)
	Interest payable and similar charges	7,766	7,175
	Net interest on the net defined benefit liability	269	262
Deficit for the year on HRA Services	24,214	77,134	

## MOVEMENT ON THE HRA STATEMENT

## STATEMENT 11

PURPOSE	This statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.			
MOVEMENT		Note	2016/17 £'000	2015/16 Restated £'000
	Balance on the HRA at the end of the previous year		(926)	(926)
	Deficit for the year on the HRA Income and Expenditure Statement		24,214	77,134
	Adjustments between accounting basis and funding basis under regulations	1	(24,214)	(77,134)
	(Increase) or decrease in year on the Housing Revenue Account		-	-
	Balance on the HRA at the end of the current year		(926)	(926)
NOTES	1. <b>Adjustments between accounting basis and funding basis under regulations</b>			
	Depreciation and Revaluation		(37,915)	(89,476)
	Profit / (Loss) on sale of HRA fixed assets		2,064	771
	Share of Accumulated Absences		7	-
	Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund		(281)	(270)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		(36,125)	(88,975)
	Loans fund principal		4,109	3,806
	Capital expenditure funded by HRA		7,802	8,035
	<b>Adjustments between accounting basis and funding basis under regulations</b>		(24,214)	(77,134)
	2. <b>Housing Stock</b>			
	The council's stock at 1 April 2016 was 13,234 houses and at 31 March 2017 was 13,169 houses. As a result the council was responsible for managing an average of 13,202 dwellings during 2016/17.		<b>2016/17 No of Houses</b>	<b>2015/16 No of Houses</b>
	Stock movements can be summarised as follows:-			
	Stock as at 1 April		13,234	13,275
	Additions		214	88
	Less Demolitions		(83)	(49)
	Less Stock restated		(30)	-
	Less Sales		(166)	(80)
	Stock as at 31 March		<b>13,169</b>	<b>13,234</b>
	Housing Stock Numbers by type are as follows:			
	1 Bed		2,367	2,296
	2 Bed		6,190	6,204
	3 Bed		4,037	4,142
	4 Bed		448	461
	More than 4 Bed		127	131
			<b>13,169</b>	<b>13,234</b>
	3. <b>Rent Arrears</b>		<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
	Current Tenant Gross Rent Arrears at 31 March		1,220	1,247
	Former Tenant Gross Rent Arrears at 31 March		1,033	980
	4. <b>Losses on Void Properties</b>		<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
	Losses on void properties at 31 March		266	250
	5. <b>Bad Debt Provision</b>		<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
	Bad Debt Provision for housing rent arrears and former tenant's debt.		1,543	1,559

## COUNCIL TAX INCOME ACCOUNT

## STATEMENT 12

PURPOSE	This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.																																																																																																																																																																													
INCOME	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' Community Charge and Council Tax  <b>Transfers to General Fund</b>					2016/17 £'000			2015/16 £'000																																																																																																																																																																					
						81,830			80,905																																																																																																																																																																					
						(6,712)			(6,705)																																																																																																																																																																					
						(1,648)			(1,626)																																																																																																																																																																					
						(9,265)			(9,387)																																																																																																																																																																					
						(1,751)			(1,488)																																																																																																																																																																					
						(19,376)			(19,206)																																																																																																																																																																					
					62,454			61,699																																																																																																																																																																						
					(268)			(762)																																																																																																																																																																						
					62,186			60,937																																																																																																																																																																						
NOTES	1.	Calculation of the Council Tax base 2016/17																																																																																																																																																																												
		<table><tr><td></td><th colspan="9">PROPERTY BANDS</th></tr><tr><th>A</th><th>B</th><th>C</th><th>D</th><th>E</th><th>F</th><th>G</th><th>H</th><th>Total</th><td></td></tr><tr><td>Properties</td><td>17,636</td><td>24,705</td><td>9,944</td><td>8,154</td><td>9,507</td><td>5,830</td><td>2,655</td><td>185</td><td>78,616</td><td></td></tr><tr><td>Exemptions</td><td>(787)</td><td>(620)</td><td>(206)</td><td>(103)</td><td>(55)</td><td>(36)</td><td>(14)</td><td>(12)</td><td>(1,833)</td><td></td></tr><tr><td>Disabled Relief</td><td>173</td><td>(70)</td><td>(21)</td><td>20</td><td>(37)</td><td>(24)</td><td>(41)</td><td>-</td><td>-</td><td></td></tr><tr><td>Discounts (10%)</td><td>(10)</td><td>(13)</td><td>(7)</td><td>(6)</td><td>(5)</td><td>(1)</td><td>(2)</td><td>-</td><td>(44)</td><td></td></tr><tr><td>Discounts (25%)</td><td>(2,440)</td><td>(2,403)</td><td>(948)</td><td>(535)</td><td>(418)</td><td>(173)</td><td>(56)</td><td>(3)</td><td>(6,976)</td><td></td></tr><tr><td>Discounts (50%)</td><td>(79)</td><td>(74)</td><td>(52)</td><td>(27)</td><td>(19)</td><td>(10)</td><td>(7)</td><td>-</td><td>(268)</td><td></td></tr><tr><td>Council Tax Reduction Scheme</td><td>(4,837)</td><td>(4,261)</td><td>(1,086)</td><td>(405)</td><td>(212)</td><td>(63)</td><td>(14)</td><td>(1)</td><td>(10,879)</td><td></td></tr><tr><td>Effective Properties</td><td>9,656</td><td>17,264</td><td>7,624</td><td>7,098</td><td>8,761</td><td>5,523</td><td>2,521</td><td>169</td><td>58,616</td><td></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>11/9</td><td>13/9</td><td>15/9</td><td>18/9</td><td></td><td></td></tr><tr><td>Band D Equivalents</td><td>6,435</td><td>13,428</td><td>6,777</td><td>7,098</td><td>10,707</td><td>7,979</td><td>4,201</td><td>337</td><td>56,962</td><td></td></tr><tr><td>Contributions in lieu</td><td colspan="9"></td><td>-</td></tr><tr><td>Level of non-payment provided for</td><td colspan="9"></td><td>(1,424)</td></tr><tr><td>COUNCIL TAX BASE</td><td colspan="9"></td><td>55,538</td></tr></table>											PROPERTY BANDS									A	B	C	D	E	F	G	H	Total		Properties	17,636	24,705	9,944	8,154	9,507	5,830	2,655	185	78,616		Exemptions	(787)	(620)	(206)	(103)	(55)	(36)	(14)	(12)	(1,833)		Disabled Relief	173	(70)	(21)	20	(37)	(24)	(41)	-	-		Discounts (10%)	(10)	(13)	(7)	(6)	(5)	(1)	(2)	-	(44)		Discounts (25%)	(2,440)	(2,403)	(948)	(535)	(418)	(173)	(56)	(3)	(6,976)		Discounts (50%)	(79)	(74)	(52)	(27)	(19)	(10)	(7)	-	(268)		Council Tax Reduction Scheme	(4,837)	(4,261)	(1,086)	(405)	(212)	(63)	(14)	(1)	(10,879)		Effective Properties	9,656	17,264	7,624	7,098	8,761	5,523	2,521	169	58,616		Ratio to Band D	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9			Band D Equivalents	6,435	13,428	6,777	7,098	10,707	7,979	4,201	337	56,962		Contributions in lieu										-	Level of non-payment provided for										(1,424)	COUNCIL TAX BASE										55,538
	PROPERTY BANDS																																																																																																																																																																													
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COUNCIL TAX BASE										55,538																																																																																																																																																																				
	2.	<p>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.</p> <p>A bad debt provision of 2.25% of the net income from Council Tax has been provided, this represents a collection level of 97.75%.</p>																																																																																																																																																																												
	3.	The Council Tax charge for each band is as follows:-																																																																																																																																																																												
		Band	2016/17 Council Tax £				2015/16 Council Tax £																																																																																																																																																																							
		A	752.00				752.00																																																																																																																																																																							
		B	877.33				877.33																																																																																																																																																																							
		C	1,002.67				1,002.67																																																																																																																																																																							
		D	1,128.00				1,128.00																																																																																																																																																																							
		E	1,378.67				1,378.67																																																																																																																																																																							
		F	1,629.33				1,629.33																																																																																																																																																																							
		G	1,880.00				1,880.00																																																																																																																																																																							
		H	2,256.00				2,256.00																																																																																																																																																																							

## NON-DOMESTIC RATE INCOME ACCOUNT

## STATEMENT 13

PURPOSE	This account shows the income from the rate levied on non-domestic property under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992.		
INCOME		<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
	Gross rates levied and contributions in lieu	108,458	101,518
	<u>Less</u>		
	Reliefs and other deductions	(14,783)	(19,231)
	Provisions for bad and doubtful debts	(2,168)	(2,202)
		(16,951)	(21,433)
	<b>Net non-domestic rate income</b>	<b>91,507</b>	<b>80,085</b>
	<b>Allocated:</b>		
	National non-domestic rate pool	91,648	80,218
NOTES		(141)	(133)
		<b>91,507</b>	<b>80,085</b>
	1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2016/17 was £87.726 million (£94.216 million 2015/16).		
	2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government, and was 48.4p per £ in 2016/17 (48.0p in 2015/16). The rate was 51.0p (49.3p in 2015/16) for properties with a rateable value of more than £35,000. Properties with a rateable value of £18,000 or less are subject to a reduced charge if they meet the qualifying criteria under the small business bonus scheme.		
	3. Rateable values at 1 April 2016		
		<b>Number</b>	<b>Rateable Value £'000</b>
	Shops, Offices and other Commercial Subjects	2,981	91,709
	Industrial Subjects	1,759	79,844
	Miscellaneous (Schools etc.)	1,115	44,473
	<b>Total</b>	<b>5,855</b>	<b>216,026</b>
	4. There is no retained income from the Business Rates Incentivisation Scheme for 2016/17.		

## TRUSTS AND MORTIFICATIONS

## STATEMENT 14

PURPOSE	<p>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.</p> <p>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.</p>		
EXPENDITURE  INCOME SURPLUS / (DEFICIT)	<b>INCOME AND EXPENDITURE STATEMENT</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
	Beneficiaries	7	4
	Loans Fund and Dividend Interest	5	5
	For Year	(2)	1
	At 1 April	382	381
	At 31 March	<b>380</b>	<b>382</b>
	<b>BALANCE SHEET</b>		
	<b>Current Assets</b>		
	Investments	47	47
	Revenue Advances to Loans Fund	333	335
		380	382
	<b>Current Liabilities</b>	-	-
	TOTAL ASSETS	<b>380</b>	<b>382</b>
	<b>Reserves</b>		
NOTES	1. In order to preserve the capital value of Trust Funds, it is council policy to disburse only revenue income arising from them. This is done one year in arrears i.e. revenue income received during 2016/17 is disbursed in 2017/18.		
	2. The main fund balances where the Council is sole trustee at 31 March 2017 are:-		
		<b>Capital £'000</b>	<b>Revenue £'000</b>
		Irene Elizabeth Miller Trust	60 3
		West Lothian Trust for the Benefit of People with Disabilities	41 18
		Quarter Farm Trust	17 40
		James Wood Bequest	14 53
		Robert Turner of Armadale Trust	11 19
	3. The council also administered five other trusts in 2016/17, which have external and council trustees. At 31 March 2017 the total assets of these trusts, valued at cost, was £0.210 million (£0.208 million at 31 March 2016).		

## COMMON GOOD ACCOUNT

## STATEMENT 15

## PURPOSE

The Common Good Fund was inherited from West Lothian District Council and the former Linlithgow Town Council at the respective reorganisations of local government in 1996 and 1975 and is administered by the Council. Income from the Fund may be applied for the benefit of inhabitants of Linlithgow.

The figures below summarise the Income and Expenditure arising during the year and the Assets and Liabilities of the Fund at the year end.

INCOME AND EXPENDITURE STATEMENT		2016/17 £'000	2015/16 £'000
<b>Expenditure</b>			
Donations		-	-
<b>Income</b>			
Interest		-	-
<b>Surplus / (Deficit)</b>			
At 1 April		14	14
At 31 March		14	14
<b>BALANCE SHEET</b>			
<b>Non-Current Assets</b>			
Heritable Property		1	1
Furnishings		4	4
		5	5
<b>Current Assets</b>			
Revenue Advances to Loans Fund		18	18
<b>TOTAL ASSETS</b>		23	23
<b>FINANCED BY:</b>			
<b>Reserves</b>			
Revenue Balance		14	14
Capital Reserve		9	9
<b>TOTAL LOANS AND RESERVES</b>		23	23

## NOTES

- Fixed Assets represent book values taken over from former councils as recorded in their Annual Accounts. They consist of:-

	£'000
Furnishings	4
Heritable Property	1
<b>Total</b>	<b>5</b>
- 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.
- Interest received in 2016/17 amounted to £147 (£157 2015/16).

# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP**

## **STATEMENT 16**

<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 2017**

	Group Note	2016/17			2015/16		
		Gross Expend £'000	Gross Income £'000	Net Expend £'000	Gross Expend £'000	Gross Income £'000	Net Expend £'000
Schools, Education Support		231,791	6,004	225,787	181,831	6,761	175,070
Planning, Economic Development and Regeneration		11,478	4,946	6,532	15,098	7,417	7,681
Operational Services		79,497	9,051	70,446	79,052	10,250	68,802
Housing, Customer and Building Services		21,761	5,458	16,303	22,146	5,078	17,068
Corporate Services		1,067	664	403	1,178	602	576
Social Policy – IJB, Adult and Elderly Services		145,587	85,003	60,584	10	-	10
Social Policy – non IJB, Adult and Elderly Services		-	-	-	75,041	16,036	59,005
Social Policy – non IJB, Children's Services		39,200	4,552	34,648	47,845	4,589	43,256
Chief Executive, Finance and Property		35,277	5,517	29,760	34,867	4,539	30,328
Joint Boards		1,214	-	1,214	1,214	-	1,214
Time Limited Expenditure		-	-	-	340	-	340
Other Services		58,171	58,306	(135)	59,285	58,990	295
<b>Net Cost of General Fund Services</b>		<b>625,043</b>	<b>179,501</b>	<b>445,542</b>	<b>517,907</b>	<b>114,262</b>	<b>403,645</b>
Housing Revenue Account		64,592	46,448	18,144	117,556	47,189	70,367
<b>Net Cost of Services</b>		<b>689,635</b>	<b>225,949</b>	<b>463,686</b>	<b>635,463</b>	<b>161,451</b>	<b>474,012</b>
Other Operating Expenditure		(2,559)	-	(2,559)	(1,877)	-	(1,877)
Financing and Investment Income and Expenditure		67,445	34,343	33,102	68,940	30,602	38,338
Share of corporation tax of Joint Venture		-	-	-	-	-	-
Taxation and Non-Specific Grant Income		-	398,973	(398,973)	-	404,509	(404,509)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>754,521</b>	<b>659,265</b>	<b>95,256</b>	<b>702,526</b>	<b>596,562</b>	<b>105,964</b>
Share of Operating Results of Associates and Joint Ventures		4,929	4,126	803	3,212	3,602	(390)
<b>(Surplus) or Deficit on Group</b>		<b>759,450</b>	<b>663,391</b>	<b>96,059</b>	<b>705,738</b>	<b>600,164</b>	<b>105,574</b>
<b>Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services</b>							
(Surplus) / Deficit on revaluation of property, plant and equipment				2,542			(490,210)
Actuarial (gains) / losses on pension assets and liabilities				102,920			(114,318)
(Gains) / Losses on Investments in Associates and Joint Ventures				1,182			(1,264)
<b>Items that may be reclassified to the Surplus / (Deficit) on the Provision of Services</b>				<b>106,644</b>			<b>(605,792)</b>
(Surplus) / Deficit on revaluation of available for sale financial assets				(28)			(35)
<b>Other Comprehensive Income and Expenditure</b>				<b>106,616</b>			<b>(605,827)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>202,675</b>			<b>(500,253)</b>

**MOVEMENT IN RESERVES STATEMENT - GROUP****STATEMENT 17****PURPOSE**

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

**MOVEMENT IN RESERVES STATEMENT - GROUP  
AS AT 31 MARCH 2017**

	Group Note	Single Entity Usable Reserves (Note 1) £'000	Single Entity Unusable Reserves (Note 1) £'000	Group Reserves (Note 2) £'000	Total Group Reserves £'000
<b>Balance at 1 April 2015</b>		<b>125,130</b>	<b>484,085</b>	<b>(2,407)</b>	<b>606,808</b>
<b>Movement in Reserves during 2015/16</b>					
Total comprehensive income and expenditure		(105,892)	604,563	1,582	500,253
Adjustments between accounting basis and funding basis under regulations		109,226	(109,226)	-	-
Net increase (decrease) before transfers to other statutory funds		3,334	495,337	1,582	500,253
Transfers to or from other statutory funds		-	-	-	-
<b>Increase (decrease) in year</b>		<b>3,334</b>	<b>495,337</b>	<b>1,582</b>	<b>500,253</b>
<b>Balance at 31 March 2016</b>	<b>G3</b>	<b>128,464</b>	<b>979,422</b>	<b>(825)</b>	<b>1,107,061</b>
<b>Movement in Reserves during 2016/17</b>					
Total comprehensive income and expenditure		(95,215)	(105,434)	(2,026)	(202,675)
Adjustments between accounting basis and funding basis under regulations		70,301	(70,301)	-	-
Net increase (decrease) before transfers to other statutory funds		(24,914)	(175,735)	(2,026)	(202,675)
Transfers to or from other statutory funds		-	-	-	-
<b>Increase (decrease) in year</b>		<b>(24,914)</b>	<b>(175,735)</b>	<b>(2,026)</b>	<b>(202,675)</b>
<b>Balance at 31 March 2017</b>	<b>G3</b>	<b>103,550</b>	<b>803,687</b>	<b>(2,851)</b>	<b>904,386</b>

1. Statement 6 and notes 11 and 12 to the Annual Accounts provide details of the Single Entity Reserves.
2. Note G3 to the Group Accounts provides details of the Combining Entities Reserves.

**BALANCE SHEET - GROUP****STATEMENT 18****PURPOSE**

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

	<b>Group Note</b>	<b>As at 31 March 2017 £'000</b>	<b>As at 31 March 2016 £'000</b>	<b>As at 31 March 2015 £'000</b>
<b>LONG TERM ASSETS</b>				
<b>Property, Plant and Equipment</b>				
- Council Dwelling		382,991	392,439	463,180
- Other Land and Buildings		1,055,260	1,109,578	655,048
- Vehicles, Plant, Furniture and Equipment		19,287	18,729	18,646
- Infrastructure Assets		211,219	207,853	199,148
- Community Assets		570	814	529
- Assets under construction		72,055	43,644	10,534
- Surplus Assets, not yet held for disposal		23,187	23,062	23,062
Heritage Assets		1,764,569	1,796,119	1,370,147
Long Term Investments		779	677	677
Long Term Debtors		277	249	213
		-	11	53
<b>TOTAL LONG TERM ASSETS</b>		<b>1,765,625</b>	<b>1,797,056</b>	<b>1,371,090</b>
<b>CURRENT ASSETS</b>				
Short Term Investments		125,585	100,466	90,462
Inventories		1,137	971	968
Short Term Debtors		36,012	35,979	26,726
Cash and Cash Equivalents		15,084	27,802	25,241
Intangible Assets		592	622	636
<b>TOTAL CURRENT ASSETS</b>		<b>178,410</b>	<b>165,840</b>	<b>144,033</b>
<b>CURRENT LIABILITIES</b>				
Short Term Borrowing		(100,290)	(100,066)	(89,883)
Short Term Creditors		(78,191)	(77,885)	(70,080)
Provisions		(174)	(431)	(1,242)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(178,655)</b>	<b>(178,382)</b>	<b>(161,205)</b>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>(245)</b>	<b>(12,542)</b>	<b>(17,172)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,765,380</b>	<b>1,784,514</b>	<b>1,353,918</b>
<b>LONG TERM LIABILITIES</b>				
Long Term Creditors		(1,140)	(1,345)	(1,042)
Long Term Borrowing		(503,641)	(433,671)	(403,796)
Defined Benefit Scheme Liability		(290,290)	(176,148)	(272,204)
Other Long Term Liabilities		(63,072)	(65,464)	(67,661)
Share of Net Liabilities of Associates and Joint Venture		(2,851)	(825)	(2,407)
<b>TOTAL LONG TERM LIABILITIES</b>	<b>G3</b>	<b>(860,994)</b>	<b>(677,453)</b>	<b>(747,110)</b>
<b>TOTAL NET ASSETS</b>		<b>904,386</b>	<b>1,107,061</b>	<b>606,808</b>
<b>Financed by:</b>				
<b>USABLE RESERVES</b>				
General Funds Balance		24,648	25,862	25,580
HRA Balance		926	926	926
Capital Fund		65,527	88,214	84,765
Insurance Fund		11,835	13,715	13,570
<b>TOTAL USABLE RESERVES</b>		<b>102,936</b>	<b>128,717</b>	<b>124,841</b>
<b>UNUSABLE RESERVES</b>		<b>801,450</b>	<b>978,344</b>	<b>481,967</b>
<b>TOTAL RESERVES</b>		<b>904,386</b>	<b>1,107,061</b>	<b>606,808</b>

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

**DONALD FORREST CPFA, Head of Finance and Property Services**

**26 September 2017**

**CASH FLOW STATEMENT - GROUP****STATEMENT 19****PURPOSE**

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

	<b>Group Note</b>	<b>2016/17 £'000</b>	<b>2015/16 £'000</b>
Net Surplus or (Deficit) on Group		<b>(96,059)</b>	<b>(105,574)</b>
Adjust net surplus or deficit on the provision of services for non-cash movements		149,542	172,356
Net cash flows from Operating Activities		53,483	66,782
Net cash flows from Investing Activities		(135,990)	(103,980)
Net cash flows from Financing Activities		69,789	39,759
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(12,718)</b>	<b>2,561</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>27,802</b>	<b>25,241</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>15,084</b>	<b>27,802</b>

## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 20

## G1. ACCOUNTING POLICIES

The group accounting policies are those specified for the single entity financial statements as detailed in Statement 9 note 1.

## G2. WEST LOTHIAN INTEGRATION JOINT BOARD

The West Lothian Integration Joint Board (IJB) was established as a body corporate by order of Scottish Ministers on 21 September 2015, and is a separate and distinct legal entity from West Lothian Council and NHS Lothian. The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government.

The IJB's purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian were delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions.

The IJB meets on a six weekly basis and is made up of eight voting members, comprising four elected members appointed by West Lothian Council and four NHS Lothian non-executive directors appointed by NHS Lothian. The IJB Audit Risk and Governance Committee and Strategic Planning Group have been set up to support integrated policy and strategic development and to ensure IJB business adheres to the principles of good corporate governance.

The IJB is defined as a joint venture. The net expenditure of the IJB for 2016/17 is £60.584 million (2015/16 £0.010 million). It should be noted that this expenditure does not include support services such as Human Resources, Legal and Financial Services which are not delegated to the IJB and are provided free of charge to the IJB. The IJB does not employ staff directly delivering services and does not hold cash resources or operate a bank account. The IJB accounts for 2016/17 show the Balance Sheet with no assets, liabilities or reserves and, as a result, no values have been consolidated into the Group Balance Sheet in respect of the IJB.

## G3. COMBINING ENTITIES

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 75 and 76. For the purposes of consolidation and incorporation within the Group Accounts the council did not have any subsidiary companies during 2016/17. It was assessed as exerting significant influence but not control over West Lothian Leisure Ltd and Lothian Valuation Joint Board, therefore these interests are deemed to be associates. However, during 2016/17 West Lothian Leisure Ltd converted to a company limited by guarantee and from 1 April 2017 will be treated as a subsidiary.

The council has joint control and right to net assets in West Lothian Recycling Ltd and West Lothian Integration Joint Board, which are both defined to be joint ventures.

The following shares of the accounts of these bodies have been included within the Group Accounts.

**Associates**

West Lothian Leisure Ltd. - basis - WLC funding to total income  
Valuation Joint Board - basis - WLC funding to total funding

**Joint Venture**

West Lothian Recycling Ltd. - basis - 50% of share capital  
West Lothian Integration Joint Board - basis - WLC representation on board

	2016/17	2015/16
West Lothian Leisure Ltd.	22.68%	16.69%
Valuation Joint Board	18.72%	18.72%
West Lothian Recycling Ltd.	50%	50%
West Lothian Integration Joint Board	50%	50%

The summarised Financial Information of the associates and joint venture are detailed below:

Council share of Associates and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Total Assets	2016/17	451	749	220	1,420
	2015/16	422	659	229	1,310
Total Liabilities and shareholders' equity	2016/17	(2,499)	(1,634)	(138)	(4,271)
	2015/16	(1,359)	(707)	(69)	(2,135)
Net Assets / (Liabilities)	2016/17	(2,048)	(885)	82	(2,851)
	2015/16	(937)	(48)	160	(825)
Included in Surplus / (Deficit) in Group	2016/17	(27)	(820)	3	(844)
	2015/16	(117)	403	32	318

The summarised reserves of the associates and joint venture are detailed below:

Council share of Associates and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
General Fund Balance	2016/17	189	(885)	82	(614)
	2015/16	141	(48)	160	253
Capital Fund	2016/17	-	-	-	-
	2015/16	-	-	-	-
Capital Grants Unapplied A/C	2016/17	-	-	-	-
	2015/16	-	-	-	-
Capital Receipts Reserve	2016/17	-	-	-	-
	2015/16	-	-	-	-
Total Usable Reserves	2016/17	189	(885)	82	(614)
	2015/16	141	(48)	160	253

## NOTES TO THE GROUP ACCOUNTS

## STATEMENT 20

**G3. COMBINING ENTITIES (Continued)**

Council share of Associates and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
Unusable Reserves	2016/17	(2,237)	-	-	(2,237)
	2015/16	(1,078)	-	-	(1,078)
Total Reserves	2016/17	(2,048)	(885)	82	(2,851)
	2015/16	(937)	(48)	160	(825)

The accounting period for the two Associates and the IJB is the 31 March 2017 while West Lothian Recycling Ltd is the 31 December 2016. There have not been any significant transactions or events between 31 December 2016 and 31 March 2017 and therefore no adjustment is required to the position of West Lothian Recycling Ltd. The associates and joint ventures, have been accounted for using the equity method.

The Trusts, Mortifications and the Common Good Fund, which the council manage, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 14 and 15 on pages 68 and 69.

**G4. FINANCIAL IMPACT OF CONSOLIDATION**

The effect of inclusion of the Associates and Joint Venture on the Group Balance Sheet as at 31 March 2017 (2016) is to reduce the net assets by £2.851 million (£0.825 million) representing the council's share of net liabilities of these organisations. The net liabilities are attributable to the Lothian Valuation Joint Board which has significant pension liabilities under IAS 19 of £2.320 million (£1.168 million).

Further information regarding these deficits can be found in the annual report and accounts of the relevant bodies.

**G5. GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

The 2016/17 (2015/16) share of Associates pension interest cost and expected return on pension assets is £0.042 million (£0.072 million). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of Associates for the year.

**G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES**

The council has a relationship with the following companies which have been set up for specific purposes. The following companies are not consolidated into the Group Accounts as it is not considered that the council is able to exert a significant influence over any of the entities and participation is deemed to be immaterial.

Accounts of the companies may be obtained on application to the Head of Finance and Property Services.

**6.1 WL Ventures Group Limited**

The company is limited by guarantee and was set up to promote industry and commerce within West Lothian. The council has a right to nominate six members and directors.

The unaudited (audited) accounts for the period ended 31 March 2017 (2016) show a loss before and after tax of £1,950 (£192,000 profit) with net assets of £712,068 (£662,000).

**6.2 West Lothian Enterprise Limited**

The company is limited by guarantee. The principal activity is the management of funds designed for investments in industrial and commercial businesses with a view to promoting economic development. The company commenced in 2012/13.

The unaudited (audited) accounts for the period ended 31 March 2017 (2016) show losses before and after tax of £1,950 (£2,000) with net liabilities of £24,320 (£22,000).

West Lothian Enterprise Limited is in the process of being wound up and it is anticipated this will be completed by November 2017.

**6.3 Visit West Lothian Limited**

Visit West Lothian Limited was set up in August 2008 as a company limited by guarantee. The company consists of one employee, the Tourism Executive, and a board of 7 Directors comprising 1 council representative and 6 stakeholders. The purpose of the company is to promote and develop West Lothian as a visitor destination. As part of this the company aims to maximise the economic impact of West Lothian's visitor potential, improve the quality of the visitor experience and raise the profile of the locality. The company is funded by the council but also works to access available funding sources and generate additional revenue.

The unaudited (audited) accounts for the year ended 31 March 2017 (2016) show a breakeven position before tax (£18,747 loss) and breakeven after tax (£18,743 loss) with net assets of £25,413 (£25,413).

**6.4 The West of Scotland Archaeology Service**

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 11 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £12,691 (£12,691 2015/16) representing 7.19% (7.40% 2015/16) of the Committee's estimated running costs for the year to 31 March.

**6.5 South East of Scotland Transport Partnership (SESTRAN)**

The council is a member of SESTRAN, one of seven statutory regional transport partnerships set up under the Transport (Scotland) Act 2005. SESTRAN has a membership of 8 local authorities and they have a statutory duty to produce a Regional Transport Strategy Plan and provide the council with capital grant for West Lothian projects within the plan. During the year, the council made a contribution of £22,884 (£22,892 2015/16) and had a voting share of 12.5%.

**G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (Continued)****6.6 SESplan is the Strategic Development Planning Authority for Edinburgh and South East Scotland (SESplan)**

The council is a member of SESplan. SESplan is composed of 6 local authorities that have a statutory duty under Section 4 of the Planning (Scotland) Act 2006 to work together to prepare, and keep under review, a Strategic Development Plan (SDP) for the South East of Scotland. During the year, the council made a contribution of £46,550 (£46,550 2015/16) to the running costs of SESplan, representing 17% (17% 2015/16) of the authority's running costs. The council has a voting share of 17%.

**6.7 Scotland Excel**

Scotland Excel was launched in April 2008 to establish a centre of procurement expertise for the local government sector in Scotland. Its remit is to work collaboratively with the 32 local authority members and external suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. During 2016/17, the council made a contribution of £113,930 (£104,121 2015/16), 3.3% (3.3% 2015/16) of Scotland Excel's funding.

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