West Lothian Council

Annual Accounts

Year ended 31 March 2018

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Accounts of West Lothian Council for the year ended 31 March 2018, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Accounts

Annual Accounts (Continued)

INDEPENDENT AUDITOR'S REPORT

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

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of West Lothian Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, the Common Good Fund, the Trusts and Mortifications Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

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

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance and Property Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

In preparing the financial statements, the Head of Finance and Property Services is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Council and the Audit Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (continued)

Other information in the annual accounts

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

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which we are required to report by exception

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

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

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

Local authorities have a prescribed financial objective under section 10 of the Local Government in Scotland Act 2003 to conduct their significant trading operations so that income is not less than expenditure over each three year period. The authority failed to comply with this statutory requirement for the three year period ending 31 March 2018 in respect of their significant trading operation, Economic Development Properties.

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

Stephen Reid, for and on behalf of Ernst & Young LLP
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144 Morrison Street,
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28 September 2018

MANAGEMENT COMMENTARY

1. The Council

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

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

- Education
- Social Services
- Housing
- Environmental Health
- Planning
- Economic Development
- Waste
- Highways
- Transport

The quality and effectiveness of these services relies on the commitment, dedication and ability of the council's 6,816 (Full Time Equivalent) employees, who on a daily basis make a difference to the lives of our customers.

West Lothian has a total population of over 180,000, which accounts for 3.3% of the total population of Scotland. Located in the central belt of Scotland, bordered by five neighbouring authorities, West Lothian is less than 30 miles from Edinburgh and Glasgow and in 2016 had over 78,200 jobs and 4,860 registered firms. The three largest sectors in West Lothian are health, construction and retail.

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

The council is proud of its school estate which is one of the best in Scotland in terms of condition and suitability. The council has, over a number of years, invested considerable sums to ensure school pupils have the best possible environment to learn and develop. The new ten year capital investment programme approved in February 2018 supports the delivery of essential council services and will invest over £200 million in maintaining and improving the school estate.

The opening of the new West Calder High School in August 2018 provides one of the most modern learning environments of any secondary school in Scotland and will also provide the community of West Calder with local access to facilities including a swimming pool and sports and leisure accommodation.

The council is committed to delivering 3,000 new homes for West Lothian before 2022. This will include the building and purchasing of new affordable housing supply. Expenditure on the New Build Programme amounted to £30.587 million in 2017/18. There were 124 new build completions during the financial year across West Lothian, including further completions at Kirkhill in Broxburn, Redhouse in Blackburn and sites completed in Livingston, East Calder and Eliburn. Construction works are progressing across a range of locations, with handovers expected in Livingston, Broxburn, Fauldhouse, Armadale, Winchburgh, Drumshoreland and East Calder in summer 2018.

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

MANAGEMENT COMMENTARY

1. The Council (Continued)

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

The Public Bodies (Joint Working) (Scotland) Act 2014 established the framework for the integration of health and social care in Scotland. A health and social care partnership in the form of the West Lothian Integration Joint Board (IJB) is in place in West Lothian. The arrangements require the delegation of relevant functions and resources by the council and NHS Lothian to the West Lothian IJB. The level of resources associated with council functions delegated to the IJB in 2017/18 is £64.457 million (2016/17 £60.584 million).

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

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

2. Corporate Strategy

The Corporate Plan sets West Lothian Council's strategic direction and identifies our priorities for the five years 2018/19 to 2022/23. These priorities are the focus for all council services, as the council, its partners and local communities work together to deliver better services for West Lothian.

The council's Corporate Plan can be accessed using the following link
https://www.westlothian.gov.uk/media/19574/West-Lothian-Council-Corporate-Plan-2018---2023/pdf/West_Lothian_Council_Corporate_Plan_2018-2023.pdf

The council's overall aim is to improve the quality of life for people in West Lothian. The Corporate Plan contains eight key priorities that aim to make a lasting and sustainable impact on the local area and improve the lives of residents in West Lothian. To help elected members and officers understand the future priorities for stakeholders, a public consultation exercise (Transforming Your Council) was undertaken in autumn 2018. The TYC consultation focused on three key areas – taxation, priorities and areas for budget savings. The consultation received 7,026 responses, with over 45,000 comments and help shape and inform the corporate and financial plans. Feedback received showed strong support for the council's priorities, although there was some change to the order of the priorities from the previous Corporate Plan. The priorities are:

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

Following approval of the Corporate Plan in February 2018, the council has developed an integrated set of strategies designed to support the delivery of the council's priorities and also to contribute to Strategic Outcomes of the West Lothian Community Planning Partnership.

2. Corporate Strategy (Continued)

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

The council produces a Factfile on an annual basis which provides an essential guide to the council's performance in relation to the eight priorities. The most recent publication for 2017/18 can be found on the council's website: https://www.westlothian.gov.uk/factfile.

3. Budget Strategy and Budget Setting

On 13 February 2018, West Lothian Council agreed a long term revenue financial plan for five years and detailed revenue budgets for the three years 2018/19 to 2020/21. This ensured that the council complied with Audit Scotland, CIPFA and the Accounts Commission best practice which states that public bodies should focus on their medium to long term financial sustainability through having a financial strategy covering a minimum of five years, supported by detailed plans covering a minimum of three years. Incorporating the decision of the Council Executive, budget savings of £60.102 million were agreed by Council, leaving a balance of £5.227 million to be identified to cover the anticipated five year budget gap of £65.329 million.

The annual general services and housing revenue budgets form part of the council's integrated approach to financial strategy, corporate planning, delivery of outcomes and performance monitoring. The activity budget links the council's activities, resources and outcomes and is a core element of the council's financial strategy and annual management plans. The 2018/19 activity budget is published on the council's intranet. The council's budget setting process is subject to statutory, regulatory and governance requirements. The Local Government Finance Act 1992 section 93(2) requires councils to formally agree council tax levels before 11 March each year, and the Housing (Scotland) Act 1987 requires the housing budget and rent increases to be reported to Council each year for approval.

The ten year general services capital programme supports the delivery of the council's eight priorities incorporated in the Corporate Plan. The programme also takes into consideration comments received during budget consultations where there was support for the managing of our assets and reducing energy use workstreams. It is important that resources are prioritised on an ongoing basis to ensure investment has the maximum impact on the core assets required to sustain existing service delivery. A five year housing capital strategy and ten year general services capital investment strategy was approved by Council on 13 February 2018, along with the Corporate Asset Management Strategy. Individual asset management plans for each asset category will be approved by Autumn 2018. Asset management provides appropriate structures and governance arrangements to ensure the council's assets are utilised appropriately in support of service delivery.

The Prudential Code requires councils to approve, on an annual basis, a defined set of prudential indicators, covering both general fund and housing capital investment, at the same council meeting that approves the revenue budget for the forthcoming year. In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. The revisions have particularly focused on non-treasury investments, the requirement to prepare a capital strategy and an extension of the specific role of the Section 95 Officer in respect of both the capital strategy and investment in non-financial assets. CIPFA have recognised that the late issue of the revised codes means that most local authorities will be unable to implement the revised guidance in 2018/19. Accordingly, full implementation is not required until 2019/20. Officers will consider the requirements of the revised codes during 2018/19 and will ensure that any action required to comply with the guidance by 2019/20 will be reported to elected members in the 2019/20 Treasury Management Plan.

The key objective of the Prudential Code is to ensure that the capital investment plans are affordable, sustainable and prudent in the long term. The Code's prudential indicators are designed to support and record local decision making, which require to be approved and monitored by the Council. In doing so, the council is fulfilling its duty to ensure that spending plans are affordable, prudent and sustainable and also confirming that the treasury management function operates in accordance with the requirements of the CIPFA Treasury Management in the Public Services Code of Practice.

In line with the council's integrated approach to Corporate and financial planning, the 2018/19 budgets for general services revenue, the housing revenue account (HRA), the general services capital programme and the housing capital programme along with the 2018/19 treasury management plan were approved by full Council on 13 February 2018. The financial plans were also shaped and informed by the feedback received by the TYC consultation as outlined in the revenue budget report to Council.

To support the implementation of the council's five year plan through ensuring delivery of service changes and budget saving measures, the council created a Corporate Transformation Programme Team (CTPT) in 2017/18. The team are focused on facilitating transformational change throughout the council, whilst working with enabler services to ensure the council continues to have a balanced budget over the next five years.

MANAGEMENT COMMENTARY

3. Budget Strategy and Budget Setting (Continued)

The CTPT consists of council staff rather than the use of consultants to drive change. The council believes this is a strength of the team as it includes experienced employees and managers from throughout the council who bring a wealth of knowledge, experience and ideas of how to modernise the council. Moving forward it is also important that the council builds internal capacity to support ongoing modernisation reflecting the challenges facing local government.

4. Performance Overview

West Lothian Council has instituted a strong approach to performance management, with clear standards for reporting meaningful performance information to different stakeholders. This approach provides a range of management and public data about our corporate and service performance and critically, has a performance framework, aligned to our eight priorities (in the Corporate Plan), that tracks the measurable impact of council services and investments in the agreed outcomes for West Lothian.

The performance management approach is comprehensive and consistently applied throughout all services. Key principles help identify the measures of performance that will inform decision making and operational planning and support evaluations of the relative value of the services we provide. A clear performance framework requires a balanced set of indicators for services and processes to track the overall impact and quality of services through measures of efficiency, effectiveness and satisfaction with the service. Moreover, the performance management approach defines robust tracking and monitoring processes to manage performance effectively and also, target setting and benchmarking that enables timely, appropriate interventions.

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

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

and on comparative performance:

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

The council has operated a cyclical corporate programme of self-assessment since 2003/04 to evaluate achievement in services and support improvement across the organisation. There are two recognised programmes of self-assessment and both are based on the same framework: The European Foundation for Quality Management. Our schools use Validated Self Evaluation (VSE) and all other services use the West Lothian Assessment Model (WLAM).

External scrutiny is also used to improve service performance and challenge practice against the best in class in the public, private and third sectors. The council retained Customer Service Excellence (CSE) following external assessment in 2017/18 and also holds Gold Level Investors accreditations in People (IIP) and Investors in Young People. The council was the first Scottish local authority to be assessed by EFQM at international level and were highly commended at the EFQM Global Excellence Awards 2017/18. Following the assessment the council is now recognised in the EFQM Global Excellence Index as a Gold Leading Organisation for Excellence in the Public sector and was Highly Commended in Adding Value for Customers.

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

- **Customer satisfaction with the service:**

  We consult with customers on the quality of services that they receive from the council and this information is used to identify ways to improve our services. Seven consistent indicators of customer satisfaction are measured by every service in the council and analysed and compared to demonstrate that the council is providing high quality customer-focused services to customers. Our consultation approaches and customer results are also validated and improved through assessment processes such as; the self-assessment programmes, EFQM and Customer Service Excellence assessment.

- **How we perform against Service Standards:**

  Service Standards are the promises that the council makes to our customers about the quality of the service that we will deliver. The standards set out what customers accessing our services can expect regarding customer service, timeliness and overall quality. We monitor our performance against the standards with customer satisfaction results and the measurable aspects of service provision, such as time taken to deliver services and the number of complaints received or upheld. Telling people how our services are performing is important. It helps the council to demonstrate that we are open and honest with the public, and that we are working to improve the value and impact of our services for the people living, working and learning in West Lothian.

4. Performance Overview (Continued)

- **The efficiency of the service:**

The council has a responsibility to achieve value for money and report our performance to the public, explaining how efficiently we deliver services and how this compares to others. Efficiency indicators are in place to help measure the value of our services and these will generally focus on how efficiently services and processes are delivered. This can be calculated by what goes into a process (e.g. inputs such as cost, staff and other resources) and the output of that process, including any waste or repeat work, amount of resources (time, cost, people, etc.). For comparative purposes, there are also indicators tracking the unit cost of services and processes or the total cost of the service based on population or users.

There are long and short-term measures of performance that indicate how services and processes contribute to council priorities. These are aligned with the council's key corporate strategies and plans and ensure that the key services and processes of the council are measured, monitored, reported and improved.

Benchmarking is an improvement process that allows West Lothian Council to compare our performance with other organisations, such as other Scottish Local Authorities. Benchmarking is used to identify how we are doing and what we can learn from the high performance and good practice of others. Performance management is the way that West Lothian Council measures achievement in key activities and processes. It enables the council to track the progress made in achieving outcomes and priorities and to demonstrate that services are delivered efficiently and effectively.

- **The impact of the service:**

The council has set challenging outcomes and priorities for West Lothian with our Community Planning Partners. Services' contribution to achieving those outcomes and the corporate priorities is determined by measurement of the key activities and processes that they deliver. The outcomes a service achieves is assessed through a set of measures developed in line with the council's performance framework. Service performance measures demonstrate performance across a range of areas including customer satisfaction, quality of services, efficiency of services and effectiveness of key processes.

In 2017/18 the council continued to perform well in key priority areas for West Lothian. This included; improving attainment and positive destinations, minimising poverty through effective housing and tenancy management and welfare support for the most deprived in our community and delivering high quality and technology-enabled personalised care at home for older people.

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

MANAGEMENT COMMENTARY

5. Financial Performance Review

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

5.1 Financial Ratios

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

Council Tax	**2017/18**	**2016/17**	**Notes on Ratios**
In-year collection rate Target for year	96.2% 95.8%	95.3% 95.3%	This shows the % of Council Tax collected during the financial year that relates to bills issued for that year. It does not include collection of funding relating to previous financial years.
Council Tax income as a percentage of overall funding	19.4%	18.9%	This shows the proportion of total funding that is derived from Council Tax. The percentage increased in 2017/18 as a result of increased council tax income arising from the Scottish Government's rebanding of E to H houses.
Debt and Borrowing – Prudence			
Capital Financing Requirement (£'000)	£681,977	£652,361	The capital financing requirement represents the underlying need to borrow to fund expenditure on assets. The council's borrowing requirement increased in 2017/18 as the council continues to invest in its assets, and in particular building new council houses. An element of the General Services and Housing Capital Programmes are funded by borrowing.
Debt and Borrowing – Affordability			
Financing costs to net revenue stream – General Fund	7.0%	7.3%	These ratios show the proportion of total revenue funding that is used to meet financing costs. The ratios exclude any voluntary repayments of debt made during the year. For General Fund the percentage decreased as the revenue budget grew more than the cost of servicing debt. For HRA the percentage increased to reflect the substantial investment being made in new build council houses. These percentages are deemed to be affordable as outlined in the 2017/18 treasury plan and approved indicators.
Financing costs to net revenue stream – HRA	27.6%	26.6%	
Impact of capital investment on Council Tax (£'000)	£212,358	£188,820	These ratios show incremental impact of financing costs (the increase in financing costs from the previous financial year) as a percentage of Council Tax, in respect of costs payable through the General Fund and house rents for the HRA. The council's financing costs have increased reflecting the borrowing undertaken to fund the council's capital investment programme. The increase was in line with treasury forecasts and was anticipated based on the council continuing to invest in assets.
Impact of capital investment on house rents (£'000)	£469,619	£463,541	

5.2 Financial Out-turn

Net expenditure on General Services is met from government grants and council tax. In 2017/18 government grants accounted for 80.6% (81.1% 2016/17) of the council's external funding with the remaining 19.4% (18.9% 2016/17) from council tax. The in-year collection rate for council tax in 2017/18 was 96.2% (95.3% 2016/17).

In 2017/18 the council incurred net expenditure of £477.444 million (£442.610 million 2016/17) against a budget of £481.291 million (£444.421 million 2016/17), utilising 99.2% (99.6% 2016/17) of available budget.

The Expenditure and Funding Analysis (EFA), Note 5 on page 47 shows how the annual net expenditure is used, how it is funded from resources and how expenditure is allocated for decision making purposes between the council's services.

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

As shown in the EFA, the General Fund recorded a net deficit for the year of £1.356 million. This was made up as follows:-

Service Expenditure	**2017/18 Budget £'000**	**2017/18 Actual £'000**	**Variance £'000**
Education, Planning, Economic Development and Regeneration			
Schools, Education Support	226,094	225,567	(527)
Planning, Economic Development and Regeneration	10,423	10,423	-
Corporate, Operational and Housing			
Operational Services	69,887	70,728	841
Housing, Customer and Building	12,338	12,607	269
Corporate Services	18,468	18,283	(185)
Social Policy			
IJB – Adult and Elderly Services	64,457	64,457	-
Non- IJB – Children's Services	34,556	34,556	-
Chief Executive, Finance and Property	32,830	32,660	(170)
Joint Boards	1,213	1,179	(34)
Service Expenditure	**470,266**	**470,460**	**194**
Economic Growth Fund Grant	-	(1,500)	(1,500)
Roads Maintenance Funding	-	(280)	(280)
NET SERVICE EXPENDITURE	**470,266**	**468,680**	**(1,586)**
Non Service Expenditure			
Pensions, NDR Relief and Benefit Payments	11,025	8,764	(2,261)
TOTAL EXPENDITURE	**481,291**	**477,444**	**(3,847)**
FUNDING			
Scottish Government Grant	(311,020)	(311,020)	-
Council Tax and Community Charge	(75,010)	(74,744)	266
TOTAL FUNDING	**(386,030)**	**(385,764)**	**266**
NET OUTTURN POSITION	**95,261**	**91,680**	**(3,581)**
Expenditure Funded from Committed General Fund Balance	-	4,937	4,937
Deficit for the year	**95,261**	**96,617**	**1,356**

5.2 **Financial Out-turn (Continued)**

The net service underspend of £1.586 million reflects additional funding of £1.5 million received from the Scottish Government for investment linked to employability and economic regeneration which will be carried forward to fund expenditure in 2018/19. In addition, Scottish Government allocated funding of £0.280 million to meet the costs of winter maintenance and roads maintenance arising from the exceptional weather event in March 2018. The remaining overspend of £0.194 million is the net effect of the following movements in a number of demand led areas.

- An exceptional weather event in March 2018 which resulted in additional costs within the winter maintenance budget.
- Partially offset by an underspend in Education due to additional vacancies contributing to a one-off underspend.
- The Chief Executive, Finance and Property Services underspend was less than reported previously. This was due to the announcement by the Cabinet Secretary for Finance and the Constitution, of changes relating to the funding for council properties that have, or have yet to, transfer to an Arm's Length External Organisation (ALEO).

Key demand led areas of the budget will be closely monitored during 2018/19 and any overspend risks will be highlighted on a timely basis to ensure action is taken to mitigate pressures.

The following table reconciles the out-turn report to column 1 of Note 5 Expenditure and Funding Analysis (EFA):-

	Out-turn Report £'000	Depreciation £'000	Pensions £'000	Accumulated Absences £'000	EFA Column 1 Note 5 £'000
Net Cost of Services	477,444	(109,651)	(16,310)	3,630	355,113
Other Income and Expenditure	(476,088)	109,651	16,310	(3,630)	(353,757)
Deficit on Provision of Services	**1,356**	**-**	**-**	**-**	**1,356**

The net deficit of £1.356 million decreases the General Fund balance to £23.906 million at 31 March 2018. Existing commitments against the balance are £21.805 million, including a Modernisation Fund of £3.156 million, Developer Contributions from HRA of £6.414 million, Scottish Government grant for 2018/19 of £1.167 million, and time limited projects of £2.330 million. Time limited projects are investments in specific programmes or activities for a short period of time typically to support transformational change or focus on a particular area to generate future financial and non-financial benefits. Full details of the commitments against the General Fund Balance are detailed in Note 35 on page 70. The uncommitted balance of £2.101 or 0.4% of budgeted net expenditure is £0.101 million above the council's target minimum uncommitted General Fund balance of £2 million.

The council holds a provision of £1.212 million to meet the remaining liabilities arising from equal pay claims. West Lothian is currently finalising discussions with claimants' representatives to establish settlement terms on the outstanding claims. To date £2.038 million has been paid to claimants and their representatives. During 2017/18 £0.762 million (£0.257 million 2016/17) was paid from the provision. The remaining balance in the equal pay provision is deemed sufficient to cover any further payments which may be required.

The council has a Modernisation Fund which can be used to assist in funding potential termination costs for staff or other costs associated with modernisation and change within the council. From 2010/11 to date £15.213 million has been paid from the Modernisation Fund. As at 31 March 2018 (2017), the balance of the Modernisation Fund is £3.156 million (£3.764 million).

Included in the Comprehensive Income and Expenditure Statement is £0.658 million (£0.951 million 2016/17) of expenditure in relation to the cost of employee exit packages paid to 31 staff during 2017/18 (42 staff during 2016/17) as part of the council's strategy to balance the budget.

During the normal fixed assets revaluation cycle, car parks, depots, stores, agricultural land, development land, industrial land and other ground leases, open spaces and woodlands were revalued. As a result, £26.369 million was charged to the Comprehensive Income and Expenditure Account. £2.185 million of this relates to the downward revaluation of the Economic Development Properties and £19.625 million of the remaining £24.184 million relates to impairment on council dwellings. The revaluation charge has no impact on the General Fund Balance carried forward.

5.3 **Revenue Budget – Housing 2017/18**

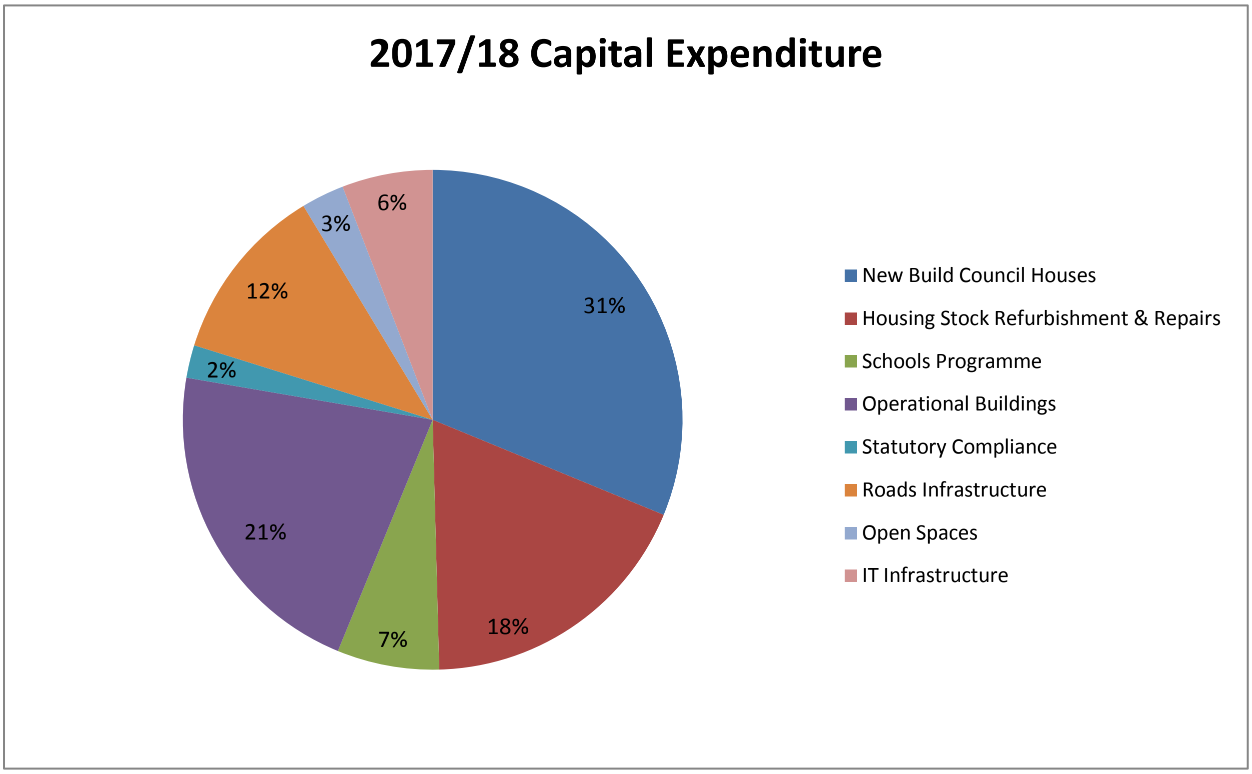
Statement 9 (page 73) the HRA – Income and Expenditure Statement includes depreciation and impairment on housing assets. The deficit for the year is £22.698 million (£24.214 million 2016/17). Statement 10 (page 74) the Statement of Movement on the HRA Balance adjusts this deficit as a result of amounts which are required by statute to be debited or credited to the HRA Balance for the year, the net credit for these items is £22.698 million (£24.214 million 2016/17). The overall position was breakeven for the year, which maintains the HRA balance carried forward at £0.926 million (£0.926 million 2016/17).

5.4 **Capital Budget 2017/18**

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

Based on approved indicators, the council was able to demonstrate the affordability of capital plans. The capital financing requirement for 2017/18 was £681.977 million (£652.361 million 2016/17), £469.619 million (£463.541 million 2016/17) for general services and £212.358 million (£188.820 million 2016/17) for Housing Revenue Account. External debt levels were £650.130 million during 2017/18 (£668.084 million 2016/17).

5.5 **Capital Programme 2017/18**



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

	2017/18			2016/17		
Capital Programme	**Budget £'000**	**Actual £'000**	**Variance £'000**	**Budget £'000**	**Actual £'000**	**Variance £'000**
General Services	44,851	49,423	(4,572)	63,304	69,616	(6,312)
Housing Revenue Account	57,452	48,590	8,862	62,450	49,787	12,663
Total Capital Expenditure		**98,013**			**119,403**	

5.5 **Capital Programme 2017/18 (Continued)**

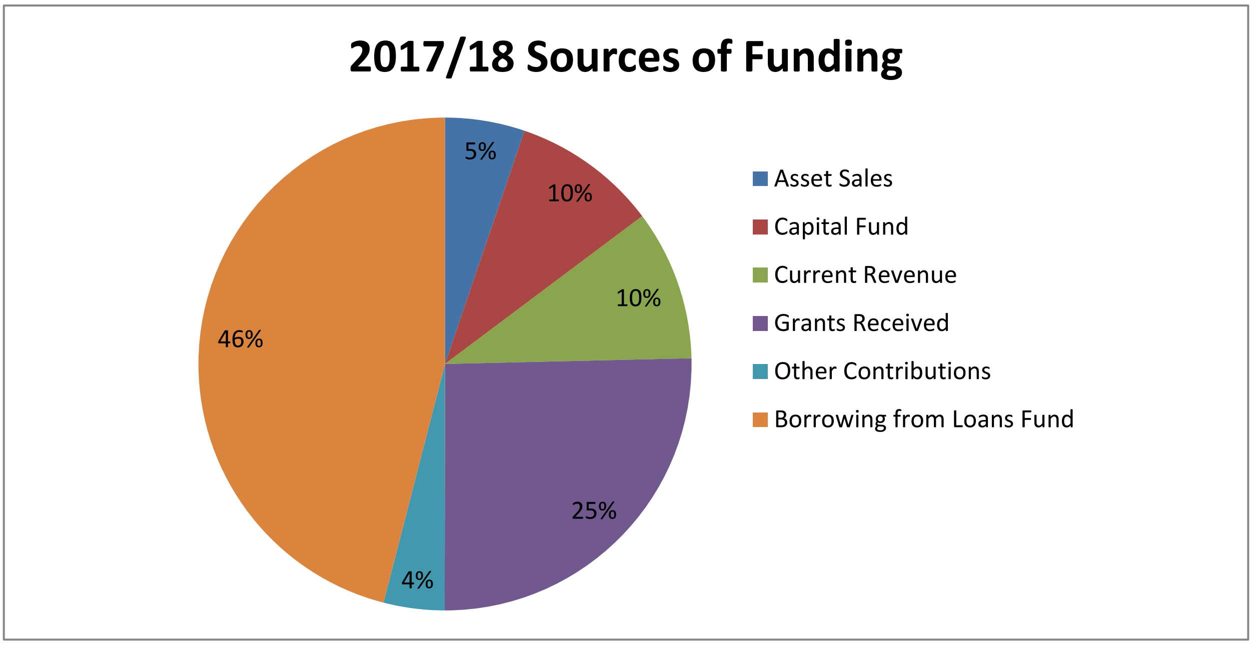
The 2017/18 General Services Capital Programme had a budget of £44.851 million and the final outturn for 2017/18 was £49.423 million. The variance of expenditure compared to budget for the year was £4.572 million due to accelerated spend on major projects from future years. There was net acceleration of £7.243 million within property projects, including Whitburn and Armadale Partnership Centres. The 2017/18 property capital programme has seen the completion of Whitehill Service Centre and Linlithgow Partnership Centre.

The HRA Capital Programme had a budget of £57.452 million and actual expenditure of £48.590 million resulting in a net variance of £8.862 million. This was mainly due to slippage on the 1,000 Houses New Build Programme, due to the timescales for statutory consents and permissions relating to planning, utilities and Scottish Water.

The total council capital expenditure was funded as follows:-

Sources of Funding	**2017/18 £000**	**2016/17 £000**
Asset sales and contributions from third parties / funds	43,263	67,180
Revenue contributions to Capital	9,677	9,309
Borrowing	45,073	42,914
Total Funding	**98,013**	**119,403**

Total debt outstanding at 31 March 2018 (2017) was £588.443 million (£603.931 million). The details of the debt outstanding are shown in note 17.3.



5.6 **PPP Contracts**

PPP Contracts are assessed under International Financial Reporting Standards (IFRS) which looks at aspects of control of an asset, such as specifying services and the price paid for these services. The net value of all PPP assets in the balance sheet at 31 March 2018 (2017) is £133.039 million (£148.471 million).

The outstanding liabilities on the PPP contracts are £63.072 million (£65.464 million 2016/17) of which £2.442 million (£2.392 million 2016/17) is shown under current liabilities and £60.630 million (£63.072 million 2016/17) under long term liabilities.

Details of the annual costs of these contracts are shown in note 36.

5.7 **Significant Trading Operations (STO)**

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

During 2017/18 the STO achieved an in-year deficit of £0.635 million (in-year surplus of £0.485 million 2016/17).

In the three years to 31 March 2018 the trading account sustained a statutory aggregate loss of £6.070 million, therefore not achieving the statutory financial requirement to breakeven over a three year period. This was a result of accounting charges for impairment of £4.477 million in 2015/16, £0.644 million in 2016/17 and £2.185 million in 2017/18. The financial position excluding these impairment charges of £7.306 million would have resulted in a surplus of £1.236 million over the three year period on assets from the Economic Development Property Portfolio. Note 30 provides further details.

5.8 **Pension Reserve and IAS19**

The pensions accounting standard IAS 19 is fully adopted in the accounts and details are available in Statement 8 note 1 on accounting policies. The requirement to recognise the council's share of the net liabilities of the Lothian Pension Fund (LPF) in the balance sheet has resulted in a Pension Reserve debit balance of £202.413 million at 31 March 2018 (£290.290 million at 31 March 2017).

Formal actuarial valuations of LPF are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data. The formal valuation for the Lothian Pension Fund was concluded by 31 March 2018.

For accounting purposes LPF project forward the results from the most recently completed formal valuation, incorporating some elements of experience since the formal valuation date, such as actual investment return, estimated contributions paid, estimated benefit outgo, actual early retirements and actual outsourcings / bulk transfers when advised to do so by the employer.

The accounting balance sheet position as at 31 March 2018 is based on this new roll forward from the 2017 formal valuation. This differs from the balance sheet position as at 31 March 2017, which was based on a roll forward from the 2014 formal valuation. This resulting base change known as 'step change' can lead to sizeable asset and liability remeasurement between balance sheets.

The default financial assumptions used at 31 March 2018 for the valuation were relatively similar to those used at 31 March 2017. Given the average LGPS fund returns over the year have also been broadly in line with the 2017 accounting expected return assumption, it can be concluded that the effect of asset returns and financial assumption changes for 2018 may have been overshadowed by the effect of the 2017 formal actuarial valuation calculations and the resulting 'step-change' from the roll forward approach.

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

5.9 **Other Reserves**

The following table details the usable reserves held by the council for the five year period 2013/14 to 2017/18.

Fund	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**
Committed General Fund	20,571	23,869	23,539	23,187	21,805
Uncommitted General Fund	2,000	2,000	2,070	2,075	2,101
HRA Fund	926	926	926	926	926
Capital Fund	79,008	84,765	88,214	65,527	58,963
Insurance Fund	12,193	13,570	13,715	11,835	10,125
Total	**114,698**	**125,130**	**128,464**	**103,550**	**93,920**

5.9 **Other Reserves (Continued)**

The reduction in the Capital Fund of £6.564 million from 2016/17 is a result of the planned usage of the fund to supplement the capital programme. The 2017/18 capital investment programme and treasury management plan agreed and acknowledge the use of the council's capital fund to support investment in General Services assets of £49.423 million as outlined in section 5.5 of this commentary. Use of the capital fund was one source of income that funded improvements in council buildings, extensions to schools, investment in the road and footpath network, open space improvements and development of council ICT.

5.10 **Group Accounts**

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

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 84 and 85. For the purposes of consolidation and incorporation with the Group Accounts the council did not have any subsidiary companies during 2016/17. However, following the conversion of West Lothian Leisure to a company limited by guarantee and based on the changes to their Articles of Association, it was assessed that the council exerted significant influence and control and as such, rather than be treated as an associate as previously, West Lothian Leisure should be treated as a subsidiary of the council for financial reporting from 2017/18 onwards.

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

The council has joint venture relationships with a 50% holding in West Lothian Recycling Ltd and a joint venture in relation to the health and social care partnership in the form of the West Lothian Integration Joint Board (IJB).

6. Risk and Uncertainty

At present, there are no confirmed Scottish Government budget allocations for local government beyond 2018/19. The future level of Scottish Government grant funding is therefore a substantial risk to the council as only a one year finance settlement has been provided to local government. The approved five year financial plan is based on a number of short, medium and long term financial assumptions which are subject to significant risks and uncertainties. Whilst acknowledging that the council's planning assumptions are subject to uncertainty due to the planning time horizon, some of the general risks and uncertainties facing the council are:

- Economic uncertainty, where economic growth is not in line with forecasts, and the impact of the vote to leave the European Union on public spending levels.
- Removal of EU funding to support business competitiveness, employability, poverty and social inclusion.
- Introduction of new legislation where inadequate funding is provided.
- Policy changes by the UK or Scottish governments which restrict the council's flexibility to decide how to deliver services locally.
- If the Scottish Government decides to introduce more ring fencing of grant funding, constraining how local authorities allocate their resources to delivering local priorities.
- Structural reform of the governance of local government, and in particular schools, is pursued providing
- uncertainty for service provision and funding.
- Changes to the financial and budget responsibilities delegated to head teachers following implementation of changes to the Education Bill.

Other, more specific areas of financial risk for West Lothian Council include:

- Pay award – although the council's budget model assumptions reflect the pay award offer for 2018/19, discussions are ongoing between COSLA and the recognised trade unions. Any increases above the assumptions included in the budget model would result in additional costs.
- The increase in costs associated with demand led services is greater than assumed. The areas of greatest pressure are community care for older people and people with learning disabilities. Any increases above these assumptions would result in additional costs over the five year period. In addition, there is also a risk that there will be pressure for substantial inflationary increases in externally purchased national and local care contracts

6. Risk and Uncertainty (Continued)

- House building assumptions of 900 per year are not realised resulting in changes to the council tax and school demographic assumptions.

- Actual pupil numbers do not reflect the school pupil forecasts, requiring more teachers to be employed.

- Inflation – there will remain risks and changes to inflation. The UK Government has a target of 2% CPI inflation which has been used as the basis of budget model forecasting. Any increases above this would result in additional costs over the five year period.

- Continued increase in demand for homelessness hotel and bed and breakfast.

- Failure of West Lothian Leisure to agree a financial plan 2019/20 to 2022/23 with a resultant financial impact on the council.

In addition to the financial risks, some of the key non-financial risks identified include:

- Insufficient service capacity and supply to meet demand, resulting in vulnerable people not being able to access vital council services such as social care.

- Brexit impacting on labour supply, local employers, the general economic position in West Lothian and the council's ability to meet changing regulatory requirements.

- Adverse impact of welfare reform on local communities and families

West Lothian Council approved a five year revenue financial plan and detailed annual revenue budgets for the three years 2018/19 to 2020/21 at the Council meeting of 13 February 2018. In order to maintain a balanced budget for the five years 2018/19 to 2022/23 the council is required to deliver total budget savings of £65.329 million. Council has approved budget saving measures of £60.102 million, leaving a balance of savings to be identified of £5.227 million. The development of the five year plan and budget saving measures was based on the public feedback received from the TYC consultation which reaffirmed the council's priorities.

The five year financial plan highlighted a number of risks for all five years that will be monitored. In addition, an appendix was added to the budget report assessing the risk to deliverability of each of the proposed budget saving measures to assist councillors in the scrutiny aspect of their budget setting role.

Whilst the council has an approved five year financial plan, with savings representing over 90% of the five year gap having been approved, the council continues to face unprecedented challenges in delivering essential services whilst resources are constrained. The five year financial plan assists elected members and officers in effectively focusing on medium to long term sustainability and meets best practice requirements to ensure budgets are balanced, priority outcomes are met and performance is maintained or improved for key areas of service delivery.

The approved financial plan recognises that to ensure the council has balanced budgets going forward, fundamental changes are required to some services which contribute less to council priorities and the introduction of new models of service delivery are necessary in some areas. The council's Corporate Transformation Programme Team will help facilitate transformational change in the council and to assist with fully delivering approved budget reduction measures, helping to mitigate the risk of non-delivery of savings.

The council has an established risk based approach to budget monitoring which ensures that effective action is taken to manage risks. During 2018/19, officers will continue to provide updates on risks as part of the quarterly budget monitoring to Council Executive. The Audit, Risk and Counter Fraud Manager also monitors and oversees financial and non-financial risks through updates provided by managers on the Pentana System. Regular updates are provided to the Officer Governance and Risk Board and to elected members and the public through the Governance and Risk Committee. Reports and minutes for the Governance and Risk Committee are available on COINS.

7. Future Work and Ongoing Developments

The council has made good progress in securing its ongoing financial sustainability through the approval of the corporate plan, the five year revenue plan and ten year capital investment programme. The five year revenue plan provides a medium term framework for the continued delivery of balanced budgets however officers continue to undertake work on financial planning and delivery of savings. It was agreed by both Council Executive and Council that officers would review areas for potential future savings measures to replace items removed from consideration officers are working on these areas and will report back to PDSPs and Council Executive on potential items.

In addition, as outlined in the revenue budget report, officers are reviewing the good ideas received from the TYC consultation to identify if any additional savings can help contribute to the outstanding gap of £5.227 million. Further updates on the results of this review will be provided to PDSPs during 2018/19.

With approval of the five year plan and detailed three year budget, officers will focus on the delivery of services that achieve the agreed priorities, including delivery of the agreed budget saving measures. Services will be supported in the delivery of their savings by the Corporate Transformation Team who are focused on delivering transformational change whilst continuing to meet the needs of communities.

Donald Forrest CPFA
Head of Finance and Property Services

Graham Hope
Chief Executive

Councillor Lawrence Fitzpatrick
Leader of the Council

25 September 2018

THE AUTHORITY'S RESPONSIBILITIES

The authority is required to:

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

I confirm that these Annual Accounts were approved for signature by West Lothian Council at its meeting on 25 September 2018.

Signed on behalf of West Lothian Council

Councillor Lawrence Fitzpatrick
Leader of the Council
25 September 2018

THE HEAD OF FINANCE AND PROPERTY SERVICES' RESPONSIBILITIES

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

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

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

The Head of Finance and Property Services has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2018.

Donald Forrest CPFA
Head of Finance and Property Services
25 September 2018

1. Corporate Governance

1.1 Corporate governance is the systems, processes, culture and values by which the council is directed and controlled, and the activities through which it is accountable to, engages with and leads the West Lothian community. It comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

1.2 The council, through all 33 of its members, has overall responsibility for good governance arrangements – for establishing its values and principles and culture, for ensuring the existence and review of an effective governance framework, and for putting in place monitoring and reporting arrangements. In practice, the council to a large extent entrusts the delivery of those tasks to committees and to appropriate council officers. That delegation does not remove or avoid the responsibility of all the council's elected members for governance.

1.3 In the council's Corporate Plan 2018/19 to 2022/23 "Transforming Your Council" (13 February 2018) the place of corporate governance as an "enabler" is recognised and established. Along with risk management, financial planning and modernisation and improvement it is one of the essential back-office corporate services necessary to assist the setting, monitoring, achievement and reporting on corporate priorities and outcomes. The Corporate Plan acknowledges the wide understanding that good governance promotes good decision-making. The Corporate Plan also identified eight general areas of focus on governance as an enabler to achievement of the Plan's proposed outcomes.

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

1.5 All of the council's decision-making is carried out within the framework of its Standing Orders. They are made up of:-

- Standing Orders for the Regulation of Meetings governing the way Council, Committee and Policy Development and Scrutiny Panel meetings are arranged, convened and run
- Scheme of Administration containing the remits and powers of all the bodies in the structure in which elected members are involved
- Scheme of Delegation to Officers setting out the responsibilities and powers allocated to senior officers by elected members
- Standing Orders for Contracts and Corporate procurement procedures which control the council's procurement activity
- Financial Regulations which set the rules and procedures for financial, budget and treasury management

1.6 All these documents are subject to review, at least once in each administrative term, but in practice are reviewed and refreshed on a more frequent basis as circumstances require.

2. System of internal control

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

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

2.3 Reporting to members on the effectiveness of the system of internal control is a statutory requirement carried out by the Audit, Risk and Counter Fraud Manager in his Internal Audit Annual Report to committee in June each year. Its consideration precedes and informs this statutory annual governance statement which requires approval by the council and incorporation into the annual accounts and financial statements.

2.4 Following his review for 2017/18 his conclusion is that the framework of governance, risk management and control is generally sound. Based on internal audit investigations and reports throughout the year he has identified areas where improvements could be made and confirmed that recommendations would be followed up and reported as required. Of those, two areas were identified where the conclusion was that control was unsound – procurement business case exemptions and the administration of school medication. Both were reported to Audit Committee and will be followed up by further reports in 2018/19.

3. Council elections

3.1 Local government elections were held in Scotland on 4 May 2017. West Lothian Council is a council of nine electoral wards and 33 councillors. Those elected were made up of 13 SNP members, 12 Labour members, 7 Conservative members and 1 Independent member.

3.2 The statutory first council meeting was held on 11 May 2017, and adjourned on two occasions before its business was completed at a special meeting on 25 May. The legal requirement to elect a convenor (Provost) was met and a minority Labour administration was established. The Leader of the Council was elected along with 8 Executive Councillors (portfolio holders in relation to council services) and chairs and vice-chairs of all other committees. Senior councillor payments were agreed. Those appointments and payments remained unchanged at the end of 2017/18.

4. Decision-making and scrutiny arrangements

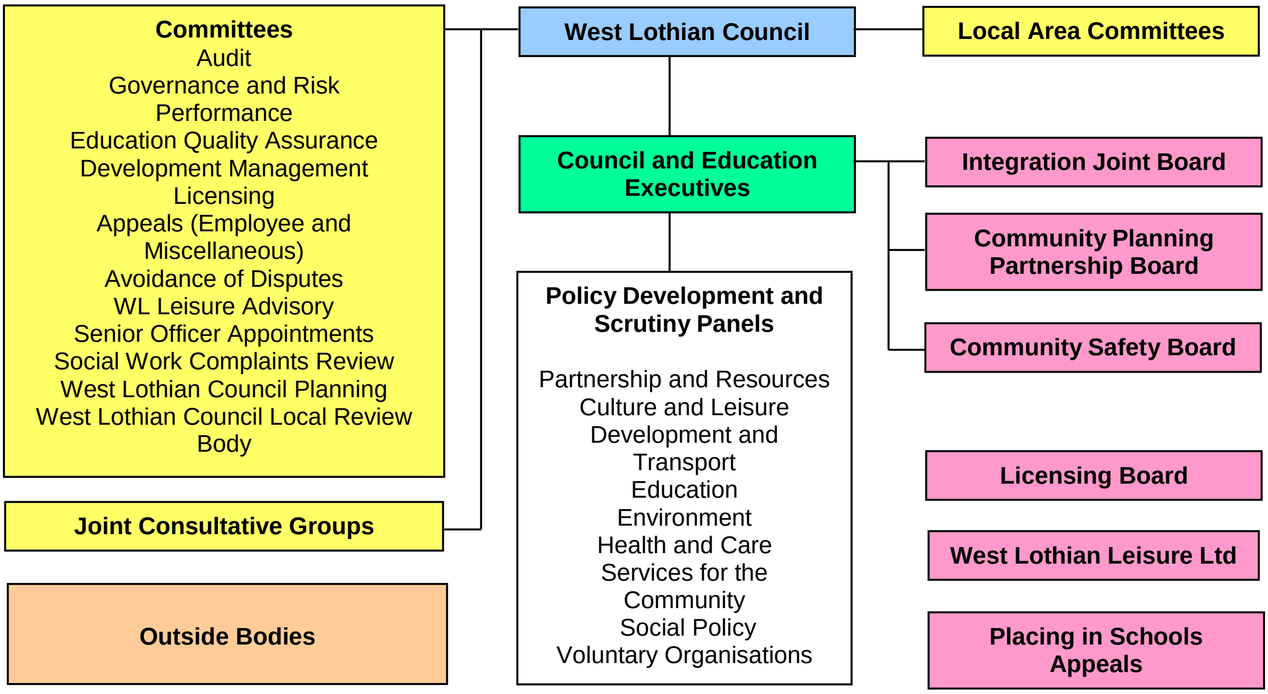
4.1 The council has a well-established framework of committees and working groups. The various bodies and their remits and powers are set out in the Scheme of Administration which is part of the council's Standing Orders. Standing Orders can only be changed at a meeting of full council. The committee structure is supported by a complementary Scheme of Delegations to officers which sets out the responsibilities and decision-making powers that council has delegated to officers. That too is part of Standing Orders and is updated every three months to reflect changes agreed at council and its committees.

4.2 The committee structure in place at the end of 2016/17 was reported for review and adoption to the council at its first statutory meeting following the local government elections in May 2017. Council adopted those existing arrangements and instructed officers to review specific aspects of it.

4.3 That review was reported on 7 June 2017 and led to changes to some scrutiny arrangements. Other changes have been made in the course of 2017/18 in response to the external audit report and the Accounts Commission Best Value Assurance Report for the council. Two new committees were added and the remit and powers of West Lothian Leisure Advisory Committee were reviewed.

4.4 The structure in place at the end of 2017/18 follows. It consists of two main decision-making committees (Council Executive and Education Executive). Proposed policy changes are considered first at one of nine Policy Development and Scrutiny Panels. There are a number of regulatory and appeals committees. There is one local area committee for each ward to focus ward issues. Scrutiny is carried out through Audit Committee, Governance and Risk Committee, Performance Committee and Education (Quality Assurance) Committee. The Council meets every 8 weeks to deal with reserved matters and political debate and scrutiny.

Decision Making Structure



5. Principal changes

5.1 The remit of the Audit and Governance Committee was divided. Two new committees were established in its place – Audit Committee and Governance and Risk Committee. This reflected the council's view of the significance of risk management to achieving the council's goals and outcomes, and the need for greater involvement in the scrutiny of risk by members. Those committees have met separately since June 2017.

5.2 The positions of chair of these two committees have been reserved in Standing Orders for members who are not part of the ruling administration political group, to achieve a greater separation of political control and scrutiny. (Although not formally stated in Standing Orders, the positions of chair of Performance Committee and Education Quality Assurance Committee (EQAC) have been for several years and are still held by a member from outwith the administration group).

5.3 During the year, the remit and powers of West Lothian Leisure Advisory Committee were reviewed. This is the scrutiny committee through which the council's relationship with West Lothian Leisure Ltd., its only ALEO, is monitored. Its remit, powers and reporting arrangements were reviewed in 2017/18 and strengthened at full council on 22 May 2018. The Scheme of Administration was at the same time amended to require membership of the committee and the Board of Directors of West Lothian Leisure Ltd. to be kept entirely separate, applying Standards Commission advice and comment by the council's external auditors.

5.4 Following development and review during the year, two new committees were added to the Scheme of Administration to reflect the requirements for asset transfer requests in the Community Empowerment (Scotland) Act 2015.

5.5 On 13 February 2018 council instructed officers to carry out a review of its decision-making. That review is ongoing and was reported to PDSP on 24 August 2018 as the first stage in the committee process.

6. Management structure

6.1 The council's services are managed through its Executive Management Team, comprised of the Chief Executive, three Depute Chief Executives and the Head of Finance and Property Services. Those officers and seven Heads of Service form the Corporate Management Team. Each service has a Senior Management Team and other managers and teams within its structure. The service management structure is as follows.

6.2 In addition to and linking across its service structure the council's management is carried out through Executive Boards, Project Boards and Working Groups with defined remits and membership to reflect the remit and aims of the body concerned.

6.3 The council in February 2018 established a Business Transformation Team, made up of senior council officers seconded from across its service areas. They are managed by a Depute Chief Executive and their task is the project management of the transformational change required to deliver on the council's Corporate Plan objectives and priorities and its long-term financial plan.

7. Audit Committee

7.1 The committee's remit includes undertaking a corporate overview of the council's control environment, developing an anti-fraud culture to ensure the highest standards of probity and public accountability, and evaluating the arrangements in place for securing the economical, efficient and effective management of the council's resources. It considers annual reports by Audit, Risk and Counter Fraud Manager which provide an opinion and assurance on the overall adequacy and effectiveness of the council's control framework. It monitors the independence and effectiveness of the Audit, Risk and Counter Fraud Unit. It is given assurance in relation to non-internal audit functions managed by the Audit, Risk and Counter Fraud Manager through the internal audit manager of Falkirk Council. The committee includes one non-councillor member recruited for a three-year tenure. That member is entitled to the same papers and reports as councillor members of the committee and brings a different non-council and non-councillor perspective to the work of the committee.

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

7.3 The committee deals with reports from the council's external auditors. It receives the External Audit Annual Plan which informs the council of the work to be undertaken in the course of the year, the extent to which the external auditors are able to rely on the work of Internal Audit and the extent of additional risk-based external scrutiny through the Local Area Network. The external auditor's annual report on the council's accounts and financial statements are referred to the committee by council after it approves the audited accounts for signature.

7.4 The committee also considers reports issued by the Accounts Commission and/or Audit Scotland in relation to the council or local government as a whole. It can consider those reports from the councillors' perspective and recommend any action which it considers should be taken in response.

8. Governance and Risk Committee

8.1 The committee's remit includes undertaking a corporate overview of the council's corporate governance and risk management arrangements, reviewing policies and practices in operation to ensure compliance with governance statutes, directions, standards and codes, developing a culture within the council of good corporate governance, risk awareness and risk management, and reviewing the council's strategy and systems for the management of risk and relevant reporting arrangements and ensuring they are adequate and cost effective. It considers reports from the Governance Manager and Audit, Risk and Counter Fraud Manager in relation to matters within its remit.

8.2 The committee meets at least four times each year. It receives reports on a rota basis from services on their risk management arrangements. It considers a report at every meeting on the council's high risks and on health and safety incident reporting. It examines ad hoc risk and governance issues, such as cyber-security risks. It now considers risk reports from the council's external risk advisers, Gallagher and Bassett. It is charged with approving the annual governance statement after considering the Audit, Risk and Counter Fraud Manager's review of the system of internal control. That was done at its meeting on 18 June 2018.

8.3 As an action arising from the external audit report for 2017/18 the committee conducted a self-assessment exercise to inform its development and progress. The same exercise will be carried out each year as part of the committee work plan and has also been applied to Audit Committee.

9. Other scrutiny arrangements

9.1 The council deals with the remainder of its scrutiny function by members in three places – Policy Development and Scrutiny Panels (PDSPs), Performance Committee and Education (Quality Assurance) Committee.

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

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

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

9.5 Arising from the council's Best Value Assurance Report a review was to be undertaken of the overall arrangements for reporting and monitoring of corporate and service financial and service performance. That review was commenced in February 2018 and was completed by 30 June 2018. Progress was reported to Audit Committee on 25 June 2018.

10. Code of Corporate Governance

10.1 The council's governance arrangements are now monitored and reviewed and reported in accordance with statutory requirements and under a Framework and guidance for Scotland called "Delivering Good Governance in Local Government", produced by CIPFA/SOLACE in 2016. Its annual governance statement in 2016/17 was produced in accordance with the Framework and for 2017/18 a new Local Code of Corporate Governance has been developed and adopted under that Framework and Guidance as well.

10.2 The Code adopts the seven over-arching principles from the Framework which are

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

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

10.3 Each of those principles is broken down into sub-principles and then separate elements to allow a more focused approach to the components of each. A list of sources of evidence has been added and the council's actions and performance over the year are assessed to determine where the council exceeds, meets or fails to meet the required standards. Areas of concern are picked out and reported on through the annual reporting process. Actions are identified and allocated and progress monitored though committee.

10.4 The Code and the assessment process in 2017/18 will be different to those used in recent previous years. There is the potential for some loss of ability to compare in detail and on a like-for-like basis to previous years. That is inevitable in making the transition to the new Code but careful analysis will still be able to identify any trends or longer-term issues.

10.5 The Code is used to inform the drafting and approval of the annual governance statement through the Governance and Risk Board and Governance and Risk Committee. It is reported on in detail to members at Council Executive in the autumn after consideration by the Corporate Management Team. It is then published and considered in more detail, with any recommendations from officers and Council Executive, and agreed actions are monitored throughout the rest of the reporting year.

11. Compliance statements

11.1 A set of compliance statements is produced to sit alongside the Code and also inform the drafting and approval of the annual governance statement. They deal with compliance with the law and with the council's corporate policies, procedures and practices of significance to good governance. They are prepared after consultation with services and senior officers and take into account oversight by external bodies of the council's compliance. They are signed by the responsible senior officer. They are designed to bring to the attention of elected members any incidents of non-compliance which are significant to the council's operations and which are not reported elsewhere in a systematic way.

11.2 They cover the following areas of activity:-

- Best Value Framework - Head of Finance and Property Services
- Procurement - Head of Corporate Services
- Fraud and Corruption - Head of Finance and Property Services
- Employee Whistleblowing - Head of Finance and Property Services
- Discipline and Grievances - Head of Corporate Services
- Occupational Health and Safety - Head of Corporate Services
- Protection of Vulnerable Groups - Head of Corporate Services
- Information Security - Head of Corporate Services
- Public Sector Equality Duty - Head of Corporate Services
- Breaches of the law - Monitoring Officer

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

11.4 Separate and stand-alone reporting is carried out annually on the Councillors' Code of Conduct and Freedom of Information. In previous years a Compliance Statement was produced for Covert Surveillance and Accessing Communications Data. Following an external inspection in 2016, a new policy and reporting arrangements were put in place during 2017/18. As a result that will now also be undertaken through stand-alone reports to Partnership and Resources PDSP.

12. Officer activity

12.1 The council is required by legislation to operate a professional and objective internal audit service. The Audit, Risk and Counter Fraud Unit includes internal audit which is an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). An annual audit plan is prepared based on an assessment of risk and is approved by the Audit and Governance Committee. Internal audit reports are issued to the committee in relation to the outcome of significant proactive and reactive reports. Reports are issued in the name of the Audit, Risk and Counter Fraud Manager who has the right, when deemed necessary, of direct access to the Chief Executive. His position complies with the terms of the CIPFA Statement on the Role of Internal Audit (2010). There is annual reporting to the committee of internal audit activities and to give assurance about the independence, effectiveness and soundness of the service.

12.2 Legislation requires the council to appoint a Chief Financial Officer. That role is to be performed to conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) as set out in the Delivering Good Governance in Local Government: Framework. It sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for qualification. The council's Head of Finance and Property Services is the council's Chief Financial Officer. He operates in accordance with the council's Financial Regulations and Treasury Management Plan, and reports regularly to members on revenue and capital budgetary performance and compliance. The role is undertaken in accordance with the relevant statutory rules, guidance and standards.

12.3 Risk Management is overseen by the Audit, Risk and Counter Fraud Manager. It is embedded at Executive and Corporate Management team level as well as in service management teams across the council. Management teams monitor, assess and mitigate risk as a matter of routine at their meetings. The process is managed through Pentana.

12.4 The council's counter fraud activities are managed by the Audit, Risk and Counter Fraud manager. The service is operated in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). The unit is responsible for the council's whistleblowing hotline and for dealing with information from there and other sources relevant to fraud or corruption. It also administers the council's participation in the National Fraud Initiative.

12.5 The Audit, Risk and Counter Fraud Manager presents annual plans for each of these three services to committee in February/March each year for approval. He presents an interim and then year-end report for each, summarising activity, performance and completion on the annual plans. The council's external audit and Best Value Assurance Reports commented on the potential for conflict of interest where these services are managed by the same officer. The council's response was that the risk was recognised and mitigated by management who ensured that the risk management process is audited externally as part of a partnership arrangement with another council. The view of the council's Corporate Management Team is that the arrangements for management of risk have improved significantly since responsibility for risk was combined with internal audit. A review was undertaken by officers in the course of the year to ensure mitigating actions are identified and implemented.

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

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

13. External reports

13.1 The external audit report made a series of recommendations in relation to governance. Actions were agreed by council and taken forward by officers and in some cases led to further reports and decisions by council. Progress and completion were recorded and monitored through Pentana and by monitoring reports to Audit Committee. Completion was on track at the year-end. A report on progress and completion was made to Audit Committee on 25 June 2018.

13.2 The council's statutory Best Value Assurance Report was conducted and completed during the year. The Accounts Commission's recommendations were accepted. Some related to governance issues. Actions were agreed and a summary of those agreed with the Commission before appearing in a public notice in February 2018. They were monitored through Pentana and by reports to Audit Committee. Completion was on track and a report to Audit Committee on 25 June 2018 confirmed the up-to-date position.

13.3 The Local Scrutiny Plan 2017/18 confirmed that the Local Area Network had identified no risks for detailed scrutiny. A joint inspection was carried out and reported during the year of Children's and Young People's Services.

14. Matters of concern from 2016/17 – progress and completion

14.1 Members' training is an issue that has featured intermittently in governance reporting in previous years. In 2016/17 the local government elections provided a focus through the post-election induction programme for members. The programme had been assembled by a working group that met between September 2016 and May 2017. The programme was delivered over the three weeks following the elections. It dealt with generic issues for all councillors as well as more specific sessions those with additional responsibilities. Training was compulsory for regulatory committee members. Follow-up and repeat sessions were given where required. Favourable feedback was received along with topics for future sessions. Other sessions were delivered throughout the rest of the year on topics such as Code of Conduct, planning, and equality impact assessments. Five days have been formally identified in the Calendar of Meetings for members' training. Officers consider that some momentum has been achieved and will engage with members to maintain it.

14.2 The transition onto the 2016 CIPFA/SOLACE Framework of Governance was achieved through reports to the Governance and Risk Board, Corporate Management Team, Governance and Risk Committee and Council Executive. The use and assessment against the Code have been streamlined and simplified.

14.3 The areas in which control was noted in last year's Statement to be unsound were addressed through Audit Committee reporting as follows:-

- Information security breaches – a follow-up report to committee by the Head of Corporate Services confirmed that actions had been completed. Further follow up work will be undertaken by internal audit during 2018/19

- Grants to voluntary organisations – areas of weakness were reported to committee with completion of the outstanding actions to be monitored and reported through future reporting to committee. The Head of Planning, Economic Development and Regeneration provided a follow up report on progress to the committee which stated that the issues raised by the internal audit report had been addressed. Further follow up work will be undertaken by internal audit during 2018/19

- Information asset register - a follow-up report to committee confirmed that control remained unsound. Further follow up work will be undertaken by internal audit during 2018/19

- Procurement business case exemptions – the internal audit report was reported to committee and outstanding actions are due to be followed up by internal audit during 2018/19.

15. Governance issues arising in 2017/18

15.1 The risks associated with political change and uncertainty as a result of the local government elections in May 2017 had been recognised in last year's statement. The working group which met between September 2016 and May 2017 played a key part in preparing the way for a successful transition. The post-election statutory requirements were completed timeously. The council was able to resume its normal calendar of meetings by 26 May 2017.

15.2 A procedure was agreed and implemented for a public consultation on savings and efficiencies and was reported through PDSP and committee. In the course of that procedure additional steps were added to improve member involvement and public awareness. The council was able to place reliance on the whole process when timeously setting its council tax and budgets for the year and in addition successfully approving detailed budgets for two further years and financial plans for the following two, through until 2023.

15.3 The council's Best Value Assurance Report was dealt with in accordance with statutory requirements.

15.4 Financial difficulties experienced by West Lothian Leisure Ltd. were managed through strengthened monitoring arrangements at officer and member level. More focused financial reporting was made to West Lothian Leisure Advisory Committee. Special meetings of that committee and Council Executive were held to ensure appropriate decisions were taken by members and financial measures approved.

15.5 Agreement was reached during the year on the council's participation in a joint committee to govern the City Region Deal. Formal approval was given by full council on 22 May 2018.

15.6 The administration of and reporting to the Audit Committee and Governance and Risk Committees has been developed and has become well-established. Both operate to work plans for year ahead and both have carried out self-assessment exercises to identify ways in which improvements can be made.

15.7 Governance arrangements have been established for participation requests and asset transfer requests under the Community Empowerment (Scotland) Act 2015. Proposals are to be brought forward for participatory budgeting (Community Choices) in 2018/19.

15.8 A cross-service working group has met during the year, and continues to meet, to deal with the General Data Protection Regulation and Data Protection Act 2018.

15.9 Control was found to be unsound in two areas reported to Audit Committee. Those were in relation to exemptions from the council's Standing Orders for Contracts and the administration of medication in schools.

15.10 A breach of Standing Orders for Contracts was identified in relation to the procurement of accommodation required to meet the council's homelessness duties. It was addressed through the service and the Procurement Board.

15.11 The council omitted to obtain an appropriate HMO licence for a homelessness unit, and the failure was remedied by a retrospective application and grant of licence.

16. Matters to be considered in 2018/19

16.1 The development and the implementation of community empowerment measures will be significant. Proposals for Community Choices will have to have appropriate regard to Following the Public Pound whilst complying with the legislation and meeting community aspirations.

16.2 The review of the council's decision-making arrangements will be concluded and reported. The impact on council business and governance will require to be kept under review.

16.3 Actions from the external audit report and Best Value Assurance Report will require to be concluded and then implemented. These include the review of corporate financial and service reporting information and the involvement of members in future years in setting council priorities and in budget reduction measures.

16.4 The council's relationship with West Lothian Leisure Ltd. will require to be kept under review and its performance monitored and reported to ensure the ALEO arrangement continues to be the best option for service delivery and best value.

16.5 The council's position on the review of local governance being conducted jointly by the Scottish Government and COSLA will have to be developed and established through the PDSP and committee structure.

16.6 Arrangements for members' training will continue to be kept under review and discussion.

16.7 The reporting on corporate governance using the new Local Code will be reviewed.

16.8 The template and guidance for council and committee reports will be reviewed and updated to ensure it continues to capture and provide all relevant information to members to best ensure sound decision-making.

16.9 Work will be undertaken to strengthen the recording and retention of the interests of senior officers which may be considered to be relevant for the discharge of their decision-making duties.

16.10 The restructure of the Community Planning Partnership will continue and be concluded. The effectiveness of that will be significant in relation to community empowerment, local governance review outcome and delivery of partnership outcome and the council's own priorities.

16.11 The two areas in which control was identified as unsound will be concluded through reports to Audit Committee (schools medicine and procurement business case exemptions).

16.12 Appropriate actions for these issues and targets for completion will be developed and reported to committee after approval of the council's accounts and financial statements in September 2018.

16.13 Work will progress towards compliance with the public sector equality duty due in April 2019. The procedures for conducting and reporting equality impact assessments will be reviewed and adjusted to ensure they include the newly-activated socio-economic duty.

17. Conclusion and assurance

17.1 Based on the governance framework, arrangements and review already described, the council and the West Lothian community can be assured that the council's corporate governance standards have been substantially met in 2017/18.

Graham Hope
Chief Executive

25 September 2018

Councillor Lawrence Fitzpatrick
Leader of the Council

1. INTRODUCTION

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

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

2. COUNCIL LEADER, PROVOST AND SENIOR COUNCILLORS

2.1 Remuneration Policy

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2017 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A senior councillor is a councillor who holds a significant position of responsibility in the council's political management structure.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2017/18 the salary for the Leader of West Lothian Council was £33,857. The Regulations permit the council to remunerate one Provost and set out the maximum salary that may be paid to the Provost. For 2017/18 the salary of the Provost of West Lothian Council was £25,392. The council's Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses 2017/18 sets the level of payment in accordance with the regulations at the national maximum.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the council for remuneration of all of its Senior Councillors for 2017/18 shall not exceed £296,238 (£295,644 2016/17). The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2017/18 (2016/17) West Lothian Council had 12 (11) senior councillors and the basic salary paid to these councillors totalled £289,860 (£295,644 2016/17). The Regulations also permit the council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The Scheme of Elected Members Remuneration, Allowances and Reimbursement of Expenses which sets out details of the salary parameters for all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the Council Executive on 28 March 2017 and is available at http://coins.westlothian.gov.uk/coins/submissiondocuments.asp?submissionid=34245

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

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

In 2016/17 the amount recharged to Lothian Valuation Joint Board for Councillor B Robertson, to 13 December 2016, in respect of a vice-convenor position was £2,456.

In 2017/18 the amount recharged to Lothian Valuation Joint Board for Councillor A McGuire, from 28 August 2017, in respect of a vice-convenor position was £1,956.

2.3 Total Councillors Remuneration

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

Type of Remuneration	2017/18 £'000	2016/17 £'000
Salaries	670	676
Allowances	13	15
Expenses	35	31
Total	**718**	**722**

The annual return of Councillors' salaries and expenses for 2017/18 is available for any member of the public to view at all Council Information Services Offices and Libraries during normal working hours and is also available on the council's website at http://www.westlothian.gov.uk/article/1956/Councillors-and-Wards.

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

The following table provides details of the remuneration paid to the Council's Senior Councillors and remuneration paid to councillors with the responsibility of a convenor or vice-convenor of a Joint Board during 2017/18:-

Name	**Post Title**	**Total Remuneration 2017/18 £**	**Total Remuneration 2016/17 £**
Provost payment from 1 April 2017 to 31 March 2018			
T Kerr	Provost (Civic Leader)	25,993	25,341
Senior Councillor payments from 1 April 2017 to 4 May 2017			
A Boyle	Chair of Licensing Board and Licensing Committee	2,479	25,341
F Toner	Chair of Audit and Risk Committee	2,479	24,125
A Davidson	Chair of Development Management Committee	2,479	25,341
J Dixon	Executive Post - Voluntary Organisations	2,479	25,341
D Logue	Executive Post - Social Policy	2,479	25,341
J McGinty	Leader of the Council	18,835	33,789
A McMillan	Executive Post - Health and Care	2,479	25,341
Senior Councillor payments to 31 March 2018			
H Cartmill	Executive Post - Health and Care from 7 June 2017	23,272	18,109
T Conn	Executive Post - Environment until 4 May 2017 and from 25 May 2017	24,357	25,341
L Fitzpatrick	Executive Post - Education until 24 May 2017. Leader of the Council from 25 May 2017	32,165	25,341
D King	Executive Post - Culture and Leisure (Depute Provost) until 4 May 2017 and from 25 May 2017	24,616	25,341
C Muldoon	Executive Post - Development and Transport (Depute Leader) until 4 May 2017 and from 25 May 2017	24,357	25,341
C Horne	Chair of Audit Committee from 7 June 2017	21,620	-
D Timson	Chair of Governance and Risk Committee from 7 June 2017	21,620	-
P Heggie	Chair of Licensing Board and Licensing Committee from 7 June 2017	21,620	-
K Sullivan	Executive Post - Voluntary Organisations from 25 May 2017	21,878	-
CJ Kennedy	Chair of Development Management Committee from 25 May 2017	21,878	-
A Doran	Executive Post - Social Policy from 25 May 2017	21,878	-
D Dodds	Executive Post - Education from 25 May 2017	23,532	-
G Paul	Executive Post - Services for the Community until 4 May 2017 and from 25 May 2017	24,357	25,341
A McGuire[1]	Lothian Valuation Joint Board from 28 August 2017	17,227	-
B Robertson[2]	Lothian Valuation Joint Board until 13 December 2016	-	19,349
Total		**384,079**	**374,123**

1. West Lothian appointee on Lothian Valuation Joint Board from 28 August 2017. The amount recharged to Lothian Valuation Joint Board in 2017/18 was £1,956 in respect of Councillor A McGuire.

2. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016. The amount recharged to Lothian Valuation Joint Board in 2016/17 in respect of Councillor B Robertson was £2,456.

A small number of matters are reserved to full council. Regulatory business and scrutiny are remitted to a number of committees with specific and limited powers. Responsibility for management and operational issues is delegated to council officers.

The main powers to make policy and take significant decisions are held by Council Executive and Education Executive. Education Executive deals with education business. It has 18 councillor members and 6 non-councillors representing churches, teaching staff and parent councils. Council Executive holds all other significant decision-making powers. It is chaired by the Leader of the Council and has 13 members. The Leader of the Council and 8 Executive Councillors have additional responsibilities in relation to defined portfolios of services and also chair Policy Development and Scrutiny Panels, which are working groups which consider new and revised strategies and policies before they are sent for decision at Council Executive or Education Executive.

3. SENIOR EMPLOYEES

3.1 Remuneration Policy

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/148 sets the amount of salary for the Chief Executive of West Lothian Council for the period 2017/18.

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

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

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

3.2 Senior Employees Remuneration

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

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

The full year equivalent salary has been provided for senior employees who have been in post for part year during 2016/17 or 2017/18.

Name and Post Title	Full Year Equivalent Salary £	Total Remuneration 2017/18 £	Total Remuneration 2016/17 £
G Hope[1] Chief Executive	-	142,503	138,180
J Forrest[2] Depute Chief Executive / Chief Officer West Lothian Integration Joint Board	103,068	51,534	49,828
R G Struthers Depute Chief Executive	-	117,792	116,627
E Cook Depute Chief Executive	-	117,792	113,031
D Forrest Head of Finance and Property Services	-	96,028	95,078
J Jack Head of Operational Services	-	88,769	87,890
A Shaw Head of Housing, Customer and Building Services	-	88,769	87,890
C McCorriston Head of Planning, Economic Development and Regeneration	-	88,769	87,890
J Whitelaw Head of Corporate Services	-	88,769	87,890
J Cameron Head of Education (Learning, Policy and Resources)	-	96,028	95,078
D McMaster Head of Education (Curriculum, Quality Improvement and Performance)	-	96,028	93,269
J Kellock Head of Social Policy	-	96,028	93,269
Total		**1,168,809**	**1,145,920**

3.2 **Senior Employees Remuneration (continued)**

1. Remuneration includes returning officer payment of £7,495 in 2017/18 (2016/17 £4,509).
2. The Depute Chief Executive/Chief Officer West Lothian Integration Joint Board, J Forrest, is remunerated by the National Health Service (NHS) with West Lothian contributing 50% of his total cost of employment. The total pension contribution paid by WLC in relation to J Forrest in 2017/18 (2016/17) is £7,679 (£7,424).
3. There were no compensation payments for loss of employment or annual compensation payments in 2016/17 or 2017/18.

3.3 Employee Information by Pay Band

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

	Number of Employees	
Remuneration Bands	**2017/18**	**2016/17**
£50,000 - £54,999	82	104
£55,000 - £59,999	64	48
£60,000 - £64,999	25	16
£65,000 - £69,999	15	13
£70,000 - £74,999	5	4
£75,000 - £79,999	7	5
£80,000 - £84,999	1	1
£85,000 - £89,999	4	4
£90,000 - £94,999	-	2
£95,000 - £99,999	5	2
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	1
£115,000 - £119,999	2	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
£135,000 - £139,999	-	1
£140,000 - £144,999	1	-
Total	**211**	**203**

3.4 Employee Exit Packages

The number of employee exit packages with total cost per band is set out in the table below. There were no compulsory redundancies in 2016/17 or 2017/18.

Exit package Cost Range	**Number of employee exit packages agreed**		**Total cost of employee exit packages in each band**	
	2017/18	**2016/17**	**2017/18 £'000**	**2016/17 £'000**
£0 - £20,000	21	26	189	307
£20,001 - £40,000	4	11	122	306
£40,001 - £60,000	5	2	253	103
£60,001 - £80,000	-	2	-	145
£80,001 - £100,000	1	1	94	90
Total	**31**	**42**	**658**	**951**

4. PENSIONS

4.1 Local Government Pension Scheme Details (LGPS)

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

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

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

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

The members contribution rates for 2017/18 remain at the 2016/17 rates, however the ranges have changed as follows:

Whole time pay	Range 2017/18	Range 2016/17	Contribution rate 2017/18	Contribution rate 2016/17
On earnings up to and including	£20,700	£20,500	5.5%	5.5%
On earnings above	£20,700 and up to £25,300	£20,500 and up to £25,000	7.25%	7.25%
On earnings above	£25,300 and up to £34,700	£25,000 and up to £34,400	8.5%	8.5%
On earnings above	£34,700 and up to £46,300	£34,400 and up to £45,800	9.5%	9.5%
On earnings above	£46,300	£45,800	12.0%	12.0%

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

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

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

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

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

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

The pension entitlements of Senior Councillors for the year to 31 March 2018 are shown in the table below, together with the contribution made by the council to each Senior Councillor's pension during the year.

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2018	For year to 31 March 2017	As at 31 March 2018		Difference from 31 March 2017	
Name	**Post Title**	**£**	**£**	**Pension £'000**	**Lump Sum £'000**	**Pension £'000**	**Lump Sum £'000**
Provost contributions from 1 April 2017 to 31 March 2018							
T Kerr	Provost (Civic Leader)	5,216	5,170	5	2	1	-
Senior Councillor contributions from 1 April 2017 to 4 May 2017							
A Boyle	Chair of Licensing Board and Licensing Committee	505	5,170	1	10	(1)	10
F Toner	Chair of Audit and Risk Committee	505	4,922	1	-	-	-
D Logue	Executive Post - Social Policy	505	5,170	4	2	-	-
A McMillan	Executive Post - Health and Care	505	5,170	2	-	-	-
Senior Councillor contributions to 31 March 2018							
H Cartmill	Chair of Audit and Governance Committee	4,747	3,694	2	-	-	-
T Conn	Executive Post - Environment	4,968	5,170	4	2	-	-
L Fitzpatrick	Executive Post - Education	6,561	5,170	4	2	-	-
D King[1]	Executive Post - Culture and Leisure (Depute Provost)	-	4,646	-	-	(7)	(2)
C Muldoon	Executive Post - Development and Transport (Depute Leader)	4,968	5,170	4	2	-	-
C Horne	Chair of Audit Committee	4,410	-	-	-	-	-
D Timson	Chair of Governance and Risk Committee	4,410	-	-	-	-	-
P Heggie	Chair of Licensing Board and Licensing Committee	4,410	-	-	-	-	-
K Sullivan	Executive Post - Voluntary Organisations	4,463	-	-	-	-	-
CJ Kennedy	Chair of Development Management Committee	4,463	-	-	-	-	-
A Doran	Executive Post - Social Policy	4,463	-	-	-	-	-
D Dodds	Executive Post - Education	4,800	-	1	-	1	-
G Paul[2]	Executive Post - Services for the Community	1,298	5,170	3	26	(1)	24
B Robertson[3]	Lothian Valuation Joint Board	-	3,947	-	-	-	-
Total		**61,197**	**58,569**	**31**	**46**	**(7)**	**32**

1. Included in the pension scheme until 22 February 2017 when reached age 75.
2. Included in the pension scheme until 10 July 2017 when reached age 75.
3. West Lothian appointee on Lothian Valuation Joint Board until 13 December 2016.

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

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

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

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

The pension entitlements of Senior Employees who are members of the LGPS for the year to 31 March 2018 are shown in the table below, together with the contribution made by the council to each Senior Employee's pension during the year.

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

		In-year pension contributions		Accrued pension benefits			
		For year to 31 March 2018	For year to 31 March 2017	As at 31 March 2018		Difference from 31 March 2017	
Name	**Post Title**	**£**	**£**	**Pension £'000**	**Lump Sum £'000**	**Pension £'000**	**Lump Sum £'000**
G Hope[1]	Chief Executive	29,002	27,269	59	109	4	1
R G Struthers	Depute Chief Executive	24,029	23,792	47	86	4	-
E Cook	Depute Chief Executive	24,029	23,058	58	-	4	-
D Forrest	Head of Finance and Property Services	19,589	19,396	39	70	2	-
J Jack	Head of Operational Services	18,108	17,930	39	75	2	-
A Shaw	Head of Housing, Customer and Building Services	18,108	17,930	51	111	2	-
C McCorriston	Head of Planning, Economic Development and Regeneration	18,108	17,930	39	75	2	-
J Whitelaw	Head of Corporate Services	18,108	17,930	28	41	2	-
J Cameron	Head of Education (Learning, Policy and Resources)	19,589	19,396	67	-	2	-
D McMaster	Head of Education (Curriculum, Quality Improvement and Performance)	19,589	19,026	53	-	3	-
J Kellock	Head of Social Policy	19,589	19,026	30	45	2	1
Total		**227,848**	**222,683**	**510**	**612**	**29**	**2**

1. Chief Executive includes pension benefits for Returning Officer duties

4.4 **Facility Time Report 2017/18**

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the council to collect and publish a range of information on trade union (TU) facility time in respect of its employees who are TU representatives.

The information is summarised in the following table:

		Non Teacher	Teacher
Number of employees who were relevant union officials during 2017/18		38	15
Number of FTE employees who were relevant union officials during 2017/18		37.39	14.78
Percentage of time spent on facility time	0%	15%	7%
	1% - 50%	19%	7%
	51% - 99%	4%	1%
	100%	-	-
Percentage of pay bill spend on facility time	Total cost facility time	£171,740	£55,037
	Total pay bill	£129,749,000	£125,390,000
	Percentage of total pay bill on facility time	0.13%	0.04%
Paid trade union activities		2.12%	-

4.4 **Facility Time Report 2017/18 (Continued)**

Full details are available at https://www.westlothian.gov.uk/article/11827/Trade-Unions

Graham Hope
Chief Executive

25 September 2018

Councillor Lawrence Fitzpatrick
Leader of the Council

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT — STATEMENT 4

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

		2017/18			2016/17		
	Note	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**
Schools, Education Support		235,948	5,008	230,940	231,791	6,004	225,787
Planning, Economic Development and Regeneration		15,533	5,345	10,188	11,478	4,946	6,532
Operational Services		81,548	8,966	72,582	79,497	9,051	70,446
Housing, Customer and Building Services		22,903	5,665	17,238	21,761	5,458	16,303
Corporate Services		1,779	585	1,194	1,067	664	403
Social Policy – IJB, Adult and Elderly Services		157,550	93,093	64,457	145,587	85,003	60,584
Social Policy – non IJB Children's Services		40,568	2,318	38,250	39,200	4,552	34,648
Chief Executive, Finance and Property		35,558	4,965	30,593	35,277	5,517	29,760
Joint Boards		1,213	34	1,179	1,214	-	1,214
Other Services		56,985	56,904	81	58,171	58,306	(135)
Net Cost of General Fund Services		**649,585**	**182,883**	**466,702**	**625,043**	**179,501**	**445,542**
Housing Revenue Account		64,077	48,309	15,768	64,592	46,448	18,144
Net Cost of Services		**713,662**	**231,192**	**482,470**	**689,635**	**225,949**	**463,686**
Other Operating Expenditure	9	(2,427)	-	(2,427)	(2,559)	-	(2,559)
Finance and Investment Income and Expenditure	10	66,198	30,761	35,437	67,121	34,060	33,061
Taxation and Non-Specific Grant Income	11	-	405,399	(405,399)	-	398,973	(398,973)
Deficit / (Surplus) on Provision of Services	5	**777,433**	**667,352**	**110,081**	**754,197**	**658,982**	**95,215**
Items that will not be reclassified to the (surplus) / Deficit on the Provision of Services							
Deficit / (Surplus) on revaluation of property, plant and equipment				(18,077)			2,542
Actuarial (gains) / losses on pension assets and liabilities				(111,938)			102,920
Items that may be reclassified to the (Surplus) / Deficit on the Provision of Services				**(130,015)**			**105,462**
Deficit / (Surplus) on revaluation of available for sale financial assets				7			(28)
Other Comprehensive Income and Expenditure				**(130,008)**			**105,434**
Total Comprehensive Income and Expenditure				**(19,927)**			**200,649**

MOVEMENT IN RESERVES STATEMENT — STATEMENT 5

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

MOVEMENT IN RESERVES STATEMENT
AS AT 31 MARCH 2018

	Note	General Fund £'000	Housing Revenue Account £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 1 April 2016		**25,609**	**926**	**88,214**	**13,715**	**128,464**	**979,422**	**1,107,886**
Movement in Reserves during 2016/17								
Total comprehensive income and expenditure		(71,001)	(24,214)	-	-	(95,215)	(105,434)	(200,649)
Adjustments between accounting basis and funding basis under regulations	13	73,760	24,214	(27,673)	-	70,301	(70,301)	-
Net increase (decrease) before transfers to other statutory funds		2,759	-	(27,673)	-	(24,914)	(175,735)	(200,649)
Transfers to / (from) other statutory funds	12	(3,106)	-	4,986	(1,880)	-	-	-
Increase (decrease) in year		**(347)**	**-**	**(22,687)**	**(1,880)**	**(24,914)**	**(175,735)**	**(200,649)**
Balance at 31 March 2017		**25,262**	**926**	**65,527**	**11,835**	**103,550**	**803,687**	**907,237**
General Fund analysed over:								
Amounts Earmarked	35	**23,187**						
Amounts Uncommitted		**2,075**						
Total General Fund Balance at 31 March 2017		**25,262**						
Movement in Reserves during 2017/18								
Total comprehensive income and expenditure		(87,383)	(22,698)	-	-	(110,081)	130,008	19,927
Adjustments between accounting basis and funding basis under regulations	13	87,092	22,698	(9,339)	-	100,451	(100,451)	-
Net increase (decrease) before transfers to other statutory funds		(291)	-	(9,339)	-	(9,630)	29,557	19,927
Transfers (to) / from other statutory funds	12	(1,065)	-	2,775	(1,710)	-	-	-
Increase (decrease) in year		**(1,356)**	**-**	**(6,564)**	**(1,710)**	**(9,630)**	**29,557**	**19,927**
Balance at 31 March 2018		**23,906**	**926**	**58,963**	**10,125**	**93,920**	**833,244**	**927,164**
General Fund analysed over:								
Amounts Earmarked	35	**21,805**						
Amounts Uncommitted		**2,101**						
Total General Fund Balance at 31 March 2018		**23,906**						

BALANCE SHEET — STATEMENT 6

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

LONG TERM ASSETS	**Note**	**As at 31 March 2018 £'000**	**As at 31 March 2017 £'000**
Property, Plant and Equipment			
- Council Dwelling		374,955	382,991
- Other Land and Buildings		1,034,287	1,055,260
- Vehicles, Plant, Furniture and Equipment		17,740	19,287
- Infrastructure Assets		219,005	211,219
- Community Assets		591	570
- Assets under construction		66,041	72,055
- Surplus Assets, not yet held for disposal		19,194	23,187
	14.1	1,731,813	1,764,569
Heritage Assets	15	779	779
Long Term Investments	17.1	270	277
TOTAL LONG TERM ASSETS		**1,732,862**	**1,765,625**
CURRENT ASSETS			
Short Term Investments	17.1	54,212	125,585
Inventories		1,045	1,137
Short Term Debtors	18	38,643	36,012
Cash and Cash Equivalents	28	30,947	15,084
Intangible Assets	16	639	592
TOTAL CURRENT ASSETS		**125,486**	**178,410**
CURRENT LIABILITIES			
Short Term Borrowing	17.1	(99,802)	(100,290)
Short Term Creditors	19	(63,227)	(64,528)
Provisions	20	(1,212)	(174)
Capital Grant Receipts in Advance	34	(14,740)	(13,663)
TOTAL CURRENT LIABILITIES		**(178,981)**	**(178,655)**
NET CURRENT ASSETS (LIABILITIES)		**(53,495)**	**(245)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,679,367**	**1,765,380**
LONG TERM LIABILITIES			
Long Term Creditors	21	(519)	(1,140)
Long Term Borrowing	17.1	(488,641)	(503,641)
Defined Benefit Scheme Liability	22.3	(202,413)	(290,290)
Other Long Term Liabilities	21	(60,630)	(63,072)
TOTAL LONG TERM LIABILITIES		**(752,203)**	**(858,143)**
TOTAL NET ASSETS		**927,164**	**907,237**
Financed by:			
USABLE RESERVES			
General Fund Balance	35	23,906	25,262
Housing Revenue Fund Balance		926	926
Capital Fund	23.2	58,963	65,527
Insurance Fund	23.1	10,125	11,835
TOTAL USABLE RESERVES		**93,920**	**103,550**
UNUSABLE RESERVES	24	**833,244**	**803,687**
TOTAL RESERVES		**927,164**	**907,237**

The unaudited accounts were considered by the Audit committee on 25 June 2018 and the audited accounts were authorised for issue on 25 September 2018.

Donald Forrest

DONALD FORREST CPFA, Head of Finance and Property Services **25 September 2018**

CASH FLOW STATEMENT	STATEMENT 7
PURPOSE	The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	**2017/18 £'000**	**2016/17 £'000**
Net Deficit on the provision of services		**(110,081)**	**(95,215)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	25	164,837	148,698
Net cash flows from Operating Activities		54,756	53,483
Net cash flows from Investing Activities	26	(23,756)	(135,990)
Net cash flows from Financing Activities	27	(15,137)	69,789
Net increase / (decrease) in cash and cash equivalents		**15,863**	**(12,718)**
Cash and cash equivalents at the beginning of the reporting period		**15,084**	**27,802**
Cash and cash equivalents at the end of the reporting period	28	**30,947**	**15,084**

1. ACCOUNTING POLICIES

General

The council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (The Code) supported by International Financial Reporting Standards (IFRS).

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

Revenue Transactions

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

Property, Plant and Equipment - Valuation

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

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

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

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

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

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

Property, Plant and Equipment - Capital Receipts

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

Property, Plant and Equipment - Depreciation

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

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

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

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

However, during 2017/18, all properties subject to material change in valuation; car parks, depots, stores, agricultural land, ground leases, development and industrial land, open spaces, woodland and a restaurant and caravan site were revalued. In total, they were collectively deemed to be significant in terms of their overall asset value and as such depreciation was charged on a componentised basis for all properties revalued as part of those groups.

The current policy of quinquennial revaluation will remain. However, in line with the requirements of the Code, only assets which were acquired, enhanced or revalued in 2017/18 had their useful lives updated.

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

Property, Plant and Equipment - Revaluation

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

Property, Plant and Equipment - Impairment

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

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

Property, Plant and Equipment - Charges to Revenue

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

Heritage Assets

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

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

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

There have been no acquisitions, one donation and no disposals during the previous five years. No council owned additions to the Heritage Asset portfolio have been identified during the financial year 2017/18.

Heritage Assets - General

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

Artworks and Sculptures

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

Civic Regalia

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

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

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

Archives

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

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

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

Archaeology

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

The council does not make any purchases of archaeological items.

Memorials, Monuments and Public Art

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

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

Improvement Grants

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

Government Grants and Contributions

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

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

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

Redemption of Debt

The council operates a Consolidated Loans Fund under the terms of the Local Government (Scotland) Act 1975. All loans raised are paid into the fund. For the period prior to 2016/17, capital payments made by services were financed from the Loans Fund and repaid over 30 years using the annuity method. For 2017/18, the capital payments were attributed to specific assets and repaid over 40 years.

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

Investments

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

Cash and Cash Equivalents

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

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

Prior Period Adjustments

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

There are no prior period adjustments during 2017/18 in relation to 2016/17.

There has however been a reclassification adjustment to the balance sheet in respect of creditors and capital grants received in advance. The balance of developer contributions of £14.740 million in 2017/18 (2016/17 £13.663 million) has been removed from the short term creditors' balance and is now disclosed as capital grants received in advance, both of which are current liabilities. Following audit review it was agreed that developer contributions should be disclosed as grants received in advance, and should therefore be disclosed separately on the balance sheet as per the Code. They should be classed as a contribution with conditions attached and should therefore be disclosed as grants received in advance.

Financial Liabilities

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

Reserves

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

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

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

Capital Fund - established to ensure that, following the introduction of the CIPFA Prudential Code for Capital Finance in Local Authorities in April 2004, borrowing decisions and capital programme management are based on Best Value considerations. General Fund treasury management balances in any given year will normally be transferred to or from the Capital Fund. The balance in the Capital Fund at 31 March 2018 was £58.963 million.

Revaluation Reserve

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

Capital Adjustment Account

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

Inventories

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

External Interest Payable and Loans Fund Interest

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

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

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

Central Support Services

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

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

b) Central Telephone Service - based on number of extensions

c) Central Postal and Messenger Services - based on actual usage

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

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

Finance Leases

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

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

Employee Benefits

Local Government Finance Circular 2/2018 replaces Circular 3/2010 in providing guidance in relation to Accounting for Short-Term Accumulating Absences and implements a change to the coverage of the adjustment, limiting it to annual leave.

Whilst councils have flexibility in allowing a taper to remove the accounting charge over a period to 2021, the council has removed all statutory adjustments for flexi leave in 2017/18. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements earned by employees but not taken before the year end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves Statement.

Termination Benefits

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

Public Private Partnership (PPP)

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

Operating Leases

Current annual operating lease rentals have been charged to revenue.

Non Domestic Rates (NDR)

Local authorities act as the agent of the Government when collecting NDR. The Code therefore requires local authorities not to recognise NDR debtors in their balance sheets but to instead recognise a creditor or debtor for cash collected from NDR debtors as agent of the Government but not paid or overpaid to the Government.

Pension Costs

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

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

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

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

The IAS 19 actuarial valuation involves the actuary reviewing the most recent triennial actuarial valuation, updating it to reflect current conditions at the balance sheet date and apportioning assets and liabilities amongst employers. Assets are valued at fair value, principally bid value for investments. Liabilities are valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The 2017/18 discount rate was 2.7% (2.6% 2016/17). The inclusion of attributable scheme assets and liabilities in the balance sheet represents an authority's commitment to increase contributions to make up any shortfall, or its ability to benefit, via reduced contributions, from a surplus in the scheme.

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

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

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

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

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

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

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

Contingent Liabilities

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

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

Provisions

Provisions are made where an event has taken place that gives the council a Legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the appropriate service revenue account in the Comprehensive Income and Expenditure Statement in the year the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. Details of the provisions are shown in note 20.

Carbon Reduction Commitment Scheme

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

VAT

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

Fair Value Measurement

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

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

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

Level 3 – unobservable inputs for the asset or liability

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

For 2017/18 the following accounting policy changes require to be reported as issued but not yet adopted by the code.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- Amendments to IAS12 income taxes: recognition of deferred tax assets for unrealised losses
- Amendments to IAS7 statement of cash flows: disclosure initiative

There is no impact of these changes on the accounts covering the 2017/18 financial year.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

- Associates - The valuation joint board is included within the group accounts under the wider definition of an "associate" although the council holds less than 20% of voting rights that is normally presumed to confer significant influence. This is in view of the funding arrangements in place.

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

- Uncertainty over future funding - There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a reduction in funding.

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

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

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

PROVISIONS
Equal Pay

Uncertainties: The council has a remaining provision of £1.212 million for the settlement of claims for back pay arising from equal pay claims. With regard to West Lothian Council's position, discussions continue to take place with the claimants' representatives to establish settlement terms on the outstanding claims. The value of the total liability has been estimated at £1.800 million based on the number of claims received and an average settlement amount, of which £0.762 million has been paid in 2017/18. It is not certain that all valid claims have yet been received by the council.

Effect if actual results differ from assumptions: An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.121 million to the provision required.

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

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

Sensitivities at 31 March 2018	Approx % increase to Employer Liability	Approx monetary amount £'000
0.5% decrease in Real Discount Rate	10%	118,054
0.5% increase in the Salary Increase Rate	2%	24,747
0.5% increase in the Pension rate	8%	90,891

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

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

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

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

Information about valuation techniques and inputs used in determining the fair value of these assets is set out in note 17.

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

DEBTORS
Uncertainties: At 31 March 2018, the authority had a balance of debtors of £38.643 million. A review of balances suggested that an allowance for doubtful debts of £21.225 million was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Effect if actual results differ from assumptions: If collection rates were to deteriorate, a 10% increase in the amount of doubtful debts would require an additional £3.864 million to be set aside as an allowance.

5. EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on Page 36.

EXPENDITURE AND FUNDING ANALYSIS FOR THE YEAR ENDED 31 MARCH 2018

	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments Between the Funding and Accounting Basis (Note 6) £'000	Net Expenditure In the Comprehensive Income and Expenditure Statement £'000
2016/17			
Schools, Education Support	142,039	83,748	225,787
Planning, Economic Development and Regeneration	5,031	1,501	6,532
Operational Services	57,675	12,771	70,446
Housing, Customer and Building Services	5,126	11,177	16,303
Corporate Services	11,072	(10,669)	403
Social Policy – IJB, Adult and Elderly Services	60,584	-	60,584
Social Policy – non IJB, Children's Services	28,223	6,425	34,648
Chief Executive, Finance and Property	23,250	6,510	29,760
Joint Boards	1,214	-	1,214
Other Services	10,385	(10,520)	(135)
Net Cost of General Fund Services	**344,599**	**100,943**	**445,542**
Housing Revenue Account	-	18,144	18,144
Net Cost of Services	**344,599**	**119,087**	**463,686**
Other Income and Expenditure	(344,252)	(24,219)	(368,471)
(Surplus) or Deficit	**347**	**94,868**	**95,215**
	General Fund	**HRA Fund**	**Total**
Opening General Fund and HRA Balance	**(25,609)**	**(926)**	**(26,535)**
Deficit on General Fund and HRA Balance in Year	347	-	347
Closing General Fund and HRA Balance as at 31 March	**(25,262)**	**(926)**	**(26,188)**
2017/18			
Schools, Education Support	148,132	82,808	230,940
Planning, Economic Development and Regeneration	4,784	5,404	10,188
Operational Services	58,665	13,917	72,582
Housing, Customer and Building Services	4,883	12,355	17,238
Corporate Services	11,081	(9,887)	1,194
Social Policy – IJB, Adult and Elderly Services	64,457	-	64,457
Social Policy – non IJB, Children's Services	27,082	11,168	38,250
Chief Executive, Finance and Property	23,968	6,625	30,593
Joint Boards	1,179	-	1,179
Other Services	10,882	(10,801)	81
Net Cost of General Fund Services	**355,113**	**111,589**	**466,702**
Housing Revenue Account	-	15,768	15,768
Net Cost of Services	**355,113**	**127,357**	**482,470**
Other Income and Expenditure	(353,757)	(18,632)	(372,389)
(Surplus) or Deficit	**1,356**	**108,725**	**110,081**
	General Fund	**HRA Fund**	**Total**
Opening General Fund and HRA Balance	**(25,262)**	**(926)**	**(26,188)**
Deficit on General Fund and HRA Balance in Year	1,356	-	1,356
Closing General Fund and HRA Balance as at 31 March	**(23,906)**	**(926)**	**(24,832)**

Notes 12 and 13 to the Movement in Reserves Statement provide details of the Adjustments between accounting and funding basis and transfers to and from other Statutory Reserves

NOTES TO THE ANNUAL ACCOUNTS STATEMENT 8

6. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

	Adjustments for Capital Purposes (Note 6.1) £'000	Net change for the Pensions Adjustments (Note 6.2) £'000	Other Differences (Note 6.3) £'000	Total Adjustments £'000
Adjustments between Funding and Accounting Basis 2016/17				
Schools, Education Support	73,769	1,346	8,633	83,748
Planning, Economic Development and Regeneration	(45)	239	1,307	1,501
Operational Services	9,003	1,432	2,336	12,771
Housing, Customer and Building Services	5,346	996	4,835	11,177
Corporate Services	6,140	410	(17,219)	(10,669)
Social Policy – non IJB, Children's Services	(224)	1,774	4,875	6,425
Chief Executive, Finance and Property	8,436	479	(2,405)	6,510
Other Services	(174)	(1,700)	(8,646)	(10,520)
Net Cost of General Fund Services	**102,251**	**4,976**	**(6,284)**	**100,943**
Housing Revenue Account	30,019	-	(11,875)	18,144
Net Cost of Services	**132,270**	**4,976**	**(18,159)**	**119,087**
Other income and expenditure from the Expenditure and Funding Analysis	(47,418)	6,246	16,953	(24,219)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**84,852**	**11,222**	**(1,206)**	**94,868**

	Adjustments for Capital Purposes (Note 6.1) £'000	Net change for the Pensions Adjustments (Note 6.2) £'000	Other Differences (Note 6.3) £'000	Total Adjustments £'000
Adjustments between Funding and Accounting Basis 2017/18				
Schools, Education Support	76,024	3,782	3,002	82,808
Planning, Economic Development and Regeneration	3,520	645	1,239	5,404
Operational Services	7,812	4,023	2,082	13,917
Housing, Customer and Building Services	5,066	2,700	4,589	12,355
Corporate Services	6,092	1,153	(17,132)	(9,887)
Social Policy – non IJB, Children's Services	2,831	4,796	3,541	11,168
Chief Executive, Finance and Property	7,363	1,328	(2,066)	6,625
Other Services	(788)	(2,117)	(7,896)	(10,801)
Net Cost of General Fund Services	**107,920**	**16,310**	**(12,641)**	**111,589**
Housing Revenue Account	28,552	-	(12,784)	15,768
Net Cost of Services	**136,472**	**16,310**	**(25,425)**	**127,357**
Other income and expenditure from the Expenditure and Funding Analysis	(46,683)	7,751	20,300	(18,632)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**89,789**	**24,061**	**(5,125)**	**108,725**

6.1. Adjustments for Capital Purposes

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

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

6.2. Net Change for the Pensions Adjustments

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

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statue and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

6.3 **Other Differences**

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

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

7. EXPENDITURE AND INCOME ANALYSED BY SEGMENT AND NATURE

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

2016/17	**Schools with Education Support £'000**	**Planning, Economic Development and Regeneration £'000**	**Operational Services £'000**	**Housing, Customer and Building Services £'000**	**Corporate Services £'000**	**Social Policy - IJB, Adult and Elderly Services £'000**	**Social Policy - non IJB, Children's Services £'000**
Expenditure							
Employee Expenses	128,846	5,971	31,241	10,096	881	26,001	17,389
Other Services Expenses	22,066	4,055	35,498	1,468	448	119,136	17,155
Support Services	6,156	1,449	3,650	4,849	(6,402)	-	4,939
Depreciation, Amortisation, Impairment	74,723	3	9,108	5,348	6,140	450	(283)
Interest Payments	-	-	-	-	-	-	-
Gain on the Disposal of Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Expenditure	**231,791**	**11,478**	**79,497**	**21,761**	**1,067**	**145,587**	**39,200**
Income							
Fees, Charges and Other Service Income	6,004	4,946	9,051	5,458	664	85,003	4,552
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	-	-	-	-	-	-	-
Total Income	**6,004**	**4,946**	**9,051**	**5,458**	**664**	**85,003**	**4,552**
(Surplus) or Deficit on Provision of Services	**225,787**	**6,532**	**70,446**	**16,303**	**403**	**60,584**	**34,648**

	Chief Executive, Finance and Property £'000	**Joint Boards £'000**	**Other Services £'000**	**Housing Revenue Account £'000**	**Cost of Services £'000**	**Not included in Cost of Services £'000**	**Total £'000**
Expenditure							
Employee Expenses	4,833	-	289	4,305	**229,852**	29	**229,881**
Other Services Expenses	21,215	1,214	57,437	22,467	**302,159**	1,129	**303,288**
Support Services	3,167	-	445	-	**18,253**	800	**19,053**
Depreciation, Amortisation, Impairment	6,062	-	-	37,820	**139,371**	2,377	**141,748**
Interest Payments	-	-	-	-	**-**	62,786	**62,786**
Gain on the Disposal of Assets	-	-	-	-	**-**	(2,559)	**(2,559)**
Total Expenditure	**35,277**	**1,214**	**58,171**	**64,592**	**689,635**	**64,562**	**754,197**
Income							
Fees, Charges and Other Service Income	5,517	-	58,306	46,448	**225,949**	4,819	**230,768**
Interest and Investment Income	-	-	-	-	**-**	29,241	**29,241**
Income from Council Tax	-	-	-	-	**-**	62,186	**62,186**
Government Grants and Contributions	-	-	-	-	**-**	336,787	**336,787**
Total Income	**5,517**	**-**	**58,306**	**46,448**	**225,949**	**433,033**	**658,982**
(Surplus) or Deficit on Provision of Services	**29,760**	**1,214**	**(135)**	**18,144**	**463,686**	**(368,471)**	**95,215**

7. EXPENDITURE AND INCOME ANALYSED BY SEGMENT AND NATURE (continued)

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

2017/18	Schools with Education Support £'000	Planning, Economic Development and Regeneration £'000	Operational Services £'000	Housing, Customer and Building Services £'000	Corporate Services £'000	Social Policy - IJB, Adult and Elderly Services £'000	Social Policy - non IJB, Children's Services £'000
Expenditure							
Employee Expenses	129,156	6,501	35,087	11,454	2,073	27,933	18,409
Other Services Expenses	23,853	4,137	34,660	1,748	571	126,803	18,354
Support Services	6,144	1,374	3,868	4,632	(6,957)	-	3,742
Depreciation, Amortisation, Impairment	76,795	3,521	7,933	5,069	6,092	2,814	63
Interest Payments	-	-	-	-	-	-	-
Gain on the Disposal of Assets	-	-	-	-	-	-	-
Total Expenditure	**235,948**	**15,533**	**81,548**	**22,903**	**1,779**	**157,550**	**40,568**
Income							
Fees, Charges and Other Service Income	5,008	5,345	8,966	5,665	585	93,093	2,318
Interest and Investment Income	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	-
Government Grants and Contributions	-	-	-	-	-	-	-
Total Income	**5,008**	**5,345**	**8,966**	**5,665**	**585**	**93,093**	**2,318**
(Surplus) or Deficit on Provision of Services	**230,940**	**10,188**	**72,582**	**17,238**	**1,194**	**64,457**	**38,250**

	Chief Executive, Finance and Property £'000	Joint Boards £'000	Other Services £'000	Housing Revenue Account £'000	Cost of Services £'000	Not included in Cost of Services £'000	Total £'000
Expenditure							
Employee Expenses	5,797	-	(185)	4,375	**240,600**	89	**240,689**
Other Services Expenses	21,637	1,213	56,690	23,027	**312,693**	889	**313,582**
Support Services	4,135	-	480	-	**17,418**	863	**18,281**
Depreciation, Amortisation, Impairment	3,989	-	-	36,675	**142,951**	3,375	**146,326**
Interest Payments	-	-	-	-	**-**	60,982	**60,982**
Gain on the Disposal of Assets	-	-	-	-	**-**	(2,427)	**(2,427)**
Total Expenditure	**35,558**	**1,213**	**56,985**	**64,077**	**713,662**	**63,771**	**777,433**
Income							
Fees, Charges and Other Service Income	4,965	34	56,904	48,309	**231,192**	4,581	**235,773**
Interest and Investment Income	-	-	-	-	**-**	26,180	**26,180**
Income from Council Tax	-	-	-	-	**-**	65,580	**65,580**
Government Grants and Contributions	-	-	-	-	**-**	339,819	**339,819**
Total Income	**4,965**	**34**	**56,904**	**48,309**	**231,192**	**436,160**	**667,352**
(Surplus) or Deficit on Provision of Services	**30,593**	**1,179**	**81**	**15,768**	**482,470**	**(372,389)**	**110,081**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - SERVICE INCOME AND EXPENDITURE STATEMENT INCLUDING INTERNAL RECHARGES

The service lines in the Comprehensive Income and Expenditure Statement exclude internal recharges. These were eliminated in the Expenditure and Funding Analysis. The income and expenditure for each service, inclusive of internal recharges, are shown below.

	2017/18			2016/17		
	Gross Expend £'000	**Gross Income £'000**	**Net Expend £'000**	**Gross Expend £'000**	**Gross Income £'000**	**Net Expend £'000**
Schools, Education Support	235,948	5,008	230,940	231,791	6,004	225,787
Planning, Economic Development and Regeneration	15,571	5,383	10,188	11,513	4,981	6,532
Operational Services	88,241	15,659	72,582	86,723	16,277	70,446
Housing, Customer and Building Services	48,783	31,545	17,238	49,700	33,397	16,303
Corporate Services	23,123	21,929	1,194	22,317	21,914	403
Social Policy – IJB, Adult and Elderly Services	157,550	93,093	64,457	145,587	85,003	60,584
Social Policy – non IJB Children's Services	40,568	2,318	38,250	39,200	4,552	34,648
Chief Executive, Finance and Property	51,686	21,093	30,593	52,279	22,519	29,760
Joint Boards	1,213	34	1,179	1,214	-	1,214
Other Services	56,985	56,904	81	58,171	58,306	(135)
Cost of General Fund Services	719,668	252,966	466,702	698,495	252,953	445,542
HRA	64,077	48,309	15,768	64,592	46,448	18,144
Net Cost of Services	**783,745**	**301,275**	**482,470**	**763,087**	**299,401**	**463,686**

9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

	2017/18 £'000	**2016/17 £'000**
Gain on disposal of non-current assets	**2,427**	**2,559**

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

	2017/18 £'000	**2016/17 £'000**
Interest payable and similar charges	28,629	29,480
Net interest on the defined benefit liability (asset)	7,751	6,246
Interest receivable and similar income	(1,578)	(2,180)
(Surplus) / Deficit on trading operations	635	(485)
	35,437	**33,061**

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

	2017/18 £'000	**2016/17 £'000**
Council tax income	65,580	62,186
Non domestic rates distribution	90,056	87,726
Non ring-fenced government grants	220,964	218,861
Capital grants and contributions	28,799	30,200
	405,399	**398,973**

12. MOVEMENT IN RESERVES STATEMENT - TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2016/17

	General Fund £'000	**HRA £'000**	**Capital Fund £'000**	**Insurance Fund £'000**	**Total Usable Reserves £'000**	**Unusable Reserves £'000**	**Total Council Reserves £'000**
Transfer (to) / from Insurance Fund	1,880	-	-	(1,880)	-	-	-
Transfer (to) / from Capital Fund	(4,986)	-	4,986	-	-	-	-
	(3,106)	-	**4,986**	**(1,880)**	-	-	-
TRANSFERS TO OR (FROM) OTHER STATUTORY RESERVES - 2017/18							
Transfer (to) / from Insurance Fund	1,710	-	-	(1,710)	-	-	-
Transfer (to) / from Capital Fund	(2,775)	-	2,775	-	-	-	-
	(1,065)	**-**	**2,775**	**(1,710)**	-	-	-

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

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

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

2017/18	General Fund £'000	HRA £'000	Capital Fund £'000	Insurance Fund £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Depreciation and impairment of non-current assets	109,554	36,772	-	-	146,326	(146,326)	-
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(28,799)	-	-	-	(28,799)	28,799	-
Net loss (gain) on sale of non-current assets	(893)	(1,534)	-	-	(2,427)	2,427	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(430)	-	-	-	(430)	430	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under pension scheme regulations	23,849	212	-	-	24,061	(24,061)	-
Statutory provision for repayment of debt	(10,848)	(4,609)	-	-	(15,457)	15,457	-
Statutory charge for lifecycle capital (PFI)	(177)	-	-	-	(177)	177	-
Capital expenditure charged to the General Fund and HRA	(1,554)	(8,123)	-	-	(9,677)	9,677	-
Net transfer to / (from) earmarked reserves required by legislation (i.e. holiday pay accrual)	(3,610)	(20)	-	-	(3,630)	3,630	-
Capital receipts transferred to the Capital Fund	-	-	(9,339)	-	(9,339)	9,339	-
	87,092	**22,698**	**(9,339)**	**-**	**100,451**	**(100,451)**	**-**

14. PROPERTY, PLANT AND EQUIPMENT

14.1 **Movements in 2016/17**

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

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

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

14.1 **Movements in 2017/18**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-structure Assets £'000
Cost or Valuation				
At 1 April 2017	**414,444**	**1,156,362**	**71,288**	**266,614**
Additions	18,892	27,283	6,610	13,161
Revaluation increase / (decreases) recognised in the Revaluation Reserve	556	9,623	-	-
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(19,062)	(2,735)	-	-
Derecognition - disposals	(2,780)	(183)	(98)	-
Other movements in cost or valuation	10,434	26,081	109	1,492
At 31 March 2018	**422,484**	**1,216,431**	**77,909**	**281,267**
Accumulated Depreciation and Impairment				
At 1 April 2017	**31,453**	**101,102**	**52,001**	**55,395**
Depreciation charge	16,289	88,644	8,157	6,867
Depreciation written out to the Revaluation Reserve	-	(6,685)	-	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(862)	-	-
Derecognition - disposals	(213)	(9)	(98)	-
Other movements in depreciation and impairment	-	(46)	109	-
At 31 March 2018	**47,529**	**182,144**	**60,169**	**62,262**
Net Book Value At 31 March 2018	**374,955**	**1,034,287**	**17,740**	**219,005**
At 31 March 2017	**382,991**	**1,055,260**	**19,287**	**211,219**

	Community Assets £'000	Assets Under Construction £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Cost or Valuation				
At 1 April 2017	**570**	**72,055**	**23,187**	**2,004,520**
Additions	-	32,244	-	98,190
Revaluation increase / (decreases) recognised in the Revaluation Reserve	88	-	1,948	12,215
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the provision of Services	(247)	-	(5,187)	(27,231)
Derecognition - disposals	(742)	-	(83)	(3,886)
Other movements in cost or valuation	922	(38,258)	(671)	109
At 31 March 2018	**591**	**66,041**	**19,194**	**2,083,917**
Accumulated Depreciation and Impairment				
At 1 April 2017	-	-	-	**239,951**
Depreciation charge	-	-	-	119,957
Depreciation written out to the Revaluation Reserve	(46)	-	-	(6,731)
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	(862)
Derecognition – disposals	-	-	-	(320)
Other movements in depreciation and impairment	46	-	-	109
At 31 March 2018	**-**	**-**	**-**	**352,104**
Net Book Value At 31 March 2018	**591**	**66,041**	**19,194**	**1,731,813**
At 31 March 2017	**570**	**72,055**	**23,187**	**1,764,569**

14.2 Property, Plant and Equipment - PPP Schools

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

	2017/18 £'000	2016/17 £'000
Value as at 1 April	164,074	163,906
Additions	177	168
Value as at 31 March	**164,251**	**164,074**
Aggregate Depreciation		
Value as at 1 April	15,603	-
Charge for year	15,609	15,603
Value as at 31 March	**31,212**	**15,603**
Net Book Value		
As at 31 March	**133,039**	**148,471**

14.3 Financial Liabilities - PPP Schools

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

	2017/18 £'000	2016/17 £'000
As at 1 April	**65,464**	**67,661**
Principal repayments	(2,392)	(2,197)
As at 31 March	**63,072**	**65,464**
Split		
Short term Creditors	2,442	2,392
Long term Creditors	60,630	63,072
	63,072	**65,464**

14.4 Capital Expenditure and Capital Financing

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

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		**652,361**		**624,099**
Capital Investment				
Property, Plant and Equipment		98,190		117,890
		750,551		**741,989**
Sources of Finance				
Capital Receipts	(14,464)		(35,280)	
Government Grants	(24,889)		(22,908)	
Contributions from Other Bodies	(3,910)		(7,292)	
Capital Financed from Current Revenue	(9,677)		(9,309)	
Long Term Debtors	-		(11)	
Finance Lease Principal (incl. PPP)	(2,676)		(2,470)	
Loans Fund Principal	(12,958)	**(68,574)**	(12,358)	**(89,628)**
Closing Capital Financing Requirement		**681,977**		**652,361**
Increase in Capital Financing Requirement		**29,616**		**28,262**

14.5 Fixed Asset Valuation

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

Date of Valuation	Council Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	Total £'000
1 April 2013	1,030	43,863	887	45,780
1 April 2014	3,737	105,179	2,940	111,856
1 April 2015	369,738	454,058	150	823,946
1 April 2016	(35,924)	429,810	125	394,011
1 April 2017	1,990	131,512	18,626	152,128
	340,571	1,164,422	22,728	1,527,721
Net historical cost alterations	81,913	477,817	(3,534)	556,196
Gross Valuation	**422,484**	**1,642,239**	**19,194**	**2,083,917**

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

Properties regarded by the council as operational were valued on the current value basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. The major components of each building are separately identified in the Plant and Equipment category and depreciated based on the assessed useful life of each component. The accounting policy for Componentisation is as detailed in Statement 8 note 1.

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

For assets other than those valued at 1 April 2017 the council considers that there is no permanent material change in value in 2017/18.

14.6 Depreciation

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

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

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

The total depreciation charge for 2017/18 was £119.957 million (£117.834 million 2016/17).

14.7 Capital Commitments

At 31 March 2018 the council has commitments on capital contracts of £35.007 million (£42.750 million 2016/17) for the Housing Programme and £8.570 million (£15.041 million 2016/17) for the Composite Programme.

The Housing commitment of £35.007 million is a result of ongoing investment in the new council house build programme for 1,000 houses.

The committed expenditure in the Composite Programme is a consequence of several significant capital investment projects namely the refurbishment of various properties (£1.900 million), the development of two partnership centres (£1.270 million), the construction of Whitehill Service Centre (£1.000 million), West Calder High School (£1.300 million) and expenditure in relation to various open spaces (£0.357 million). The remaining £2.743 million relates to committed expenditure on numerous projects.

14.8 Finance Leases

Included within the analysis of fixed assets in note 14.1 are the following assets acquired by finance leases, excluding PPP assets which are detailed in note 14.2 :-

		2017/18 £'000	2016/17 £'000
Operational Buildings	- Gross Cost	528	1,157
	- Aggregate Depreciation	422	998
	- Depreciation for the year	53	53
Vehicles	- Gross Cost	351	399
	- Aggregate Depreciation	211	217
	- Depreciation for the year	41	41
Finance lease interest for the year		14	17

The future obligations (net of finance charges) under these finance leases are:-		2017/18 £'000	2016/17 £'000
2018/19	(2017/18)	110	107
2019/20 to 2022/23	(2018/19 to 2021/22)	170	277
2023/24 onwards	(2022 onwards)	-	3

15. HERITAGE ASSETS

Five-Year Summary of Transactions

For the period 2012/13 to 2017/18 there has been no acquisition, impairment or disposals of Heritage Assets. The carrying value remained at £0.677 million until 2015/16. Following the revaluation during 2016/17, the carrying value increased to £0.779 million. Details as follows:-

Reconciliation of carrying value of Heritage Assets held

Cost or Valuation	Artworks and Sculpture £'000	Civic Regalia £'000	Other Assets £'000	Total Assets £'000
1 April 2016	337	279	61	677
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	64	22	16	102
31 March 2017	**401**	**301**	**77**	**779**
1 April 2017	401	301	77	779
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	-	-	-	-
31 March 2018	**401**	**301**	**77**	**779**

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

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

16. CURRENT INTANGIBLE ASSET - CARBON REDUCTION COMMITMENT ALLOWANCE

	Balance of Allowances at 31 March 2017 £'000	Allowances Discharged In Year £'000	Purchase of Allowances In Year £'000	Balance of Allowances at 31 March 2018 £'000
Carbon Reduction Commitment Allowance	**592**	534	581	**639**

The expenditure of £0.581 million on Intangible Assets relates to Carbon Reduction Commitment (CRC) Allowances purchased in a forecast sale in April 2017 for the purpose of settling 2017/18 CRC liabilities during 2018/19.

It is anticipated that the allowances will meet the estimated CRC liability of £0.530 million arising from the council's energy consumption during 2017/18.

17. FINANCIAL INSTRUMENTS

17.1 **Types of Financial Instrument**

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

	31 March 2018		31 March 2017	
Investments and Lending	**Long-term £'000**	**Current £'000**	**Long-term £'000**	**Current £'000**
Loans, receivables and interest	-	54,212	-	125,585
Investments to cash equivalents	-	29,471	-	12,675
Long term investments	270	-	277	-
	270	**83,683**	**277**	**138,260**
Borrowing				
Financial liabilities at amortised cost	488,641	99,802	503,641	100,290
	488,641	**99,802**	**503,641**	**100,290**

Long Term Investments

The council has a shareholding in Lothian Buses Ltd, the shares in this company are not traded in an active market and therefore the fair value of £0.270 million has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the current calculated share price multiplied by the council's shareholding.

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

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

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

- Interest rates at 31 March 2018 for PWLB vary from 2.09% to 8.25% depending on the maturity profile of the loans and for other market loans (LOBO's) from 3.75% to 4.85% again based on the maturity profile of the loans.
- No early repayments or impairment are recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is assumed to be the invoiced or billed amount.

For both lending and borrowing the valuation basis adopted in this report uses level 2 Inputs i.e. inputs other than quoted prices that are observable for the financial asset / liability. The accounting policy for the Fair Value Measurement is included in Statement 8 note 1 on page 40.

The fair values are calculated as follows:	31 March 2018		31 March 2017	
Lending	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Loans and receivables - Cash The loans and receivables valuation is made by the prevailing benchmark rates	29,471	29,481	12,675	12,680
Loans and receivables - Fixed Term Deposits The fixed term deposit valuation is made by comparison of the fixed term investment with a comparable investment with the same / similar lender for the remaining period of the deposit	54,212	54,203	125,585	125,872
	83,683	**83,684**	**138,260**	**138,552**

The fair value is more than the carrying amount because the council's lending figure includes a number of loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. The commitment to receive interest above current market rates increases the amount that the council would receive if it agreed to early repayment of the loans. The fair value amount also includes accrued interest receivable on the loans of £0.212 million.

	31 March 2018		31 March 2017	
Borrowing	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial liabilities - PWLB For loans from the PWLB, Link Asset Services have provided fair value estimates using both redemption and new borrowing (certainty rate) discount rates.	519,757	698,778	535,203	719,664
Financial liabilities - LOBO's and Temporary borrowing For non PWLB loans Link Asset Services have provided fair value estimates using both PWLB redemption and new market loan discount rates.	68,686	100,839	68,728	103,150
	588,443	**799,617**	**603,931**	**822,814**

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

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

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

17.3 Nature and Extent of Risks arising from Financial Instruments

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

Credit Risk

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

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

	Amount at 31 March 2018 £'000	Historical experience of non-payment adjusted for market conditions at 31 March 2018 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and building societies	83,683	0%	-
Customers (council tax and other income)	41,670	2.25%	938

The council does not generally allow credit for customers, however, £30.137 million of the £41.670 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than three months	699
Three to six months	699
Six months to one year	5,706
More than one year	23,033
	30,137

The council has provided £21.225 million against possible bad debts at 31 March 2018 (£22.093 million at 31 March 2017).

Liquidity Risk

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

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

	31 March 2018 £'000	31 March 2017 £'000
Less than one year	99,802	100,290
Between one and two years	20,000	25,000
Between two and five years	20,000	40,000
More than five years	448,641	438,641
	588,443	**603,931**

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

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

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

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

- It is the policy of the council to ensure its variable rate borrowing is limited to a maximum of 35% of total borrowing. At 31 March 2018 the council had no debt subject to variable rates.
- During periods of falling rates and where it is economically advantageous to do so, the council will consider the repayment and restructuring of fixed interest rate debt.
- The council takes daily advice from its specialist treasury adviser and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructuring of existing borrowings.

To illustrate the impact of changes in interest rates upon the council, the following table shows the financial effect if rates had been 1% higher for the financial year 2017/18, with all other variables held constant.

Impact on tax-payer and rent-payers	**£'000**
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate lending	(2,278)
Net effect on Income and Expenditure Account	**(2,278)**
Housing Revenue Account's Share	**(759)**

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

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

18. SHORT TERM DEBTORS

	2017/18		**2016/17**	
	£'000	**£'000**	**£'000**	**£'000**
Central Government Bodies		10,484		13,338
Other Local Authorities		1,465		1,247
NHS Bodies		2,704		2,267
Public Corporations and Trading Funds		1,239		94
Other Entities and Individuals				
• Council Tax Debtors	27,004		27,282	
• Provision for Council Tax Debtors	(18,917)		(20,119)	
• Trade Debtors	7,900		4,134	
• Provision for Trade Debtors	(2,308)		(1,974)	
• Other Entities and Individuals	9,072		9,743	
		22,751		19,066
		38,643		**36,012**

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19. SHORT TERM CREDITORS

	2017/18 £'000	Restated 2016/17 £'000
Central Government Bodies	10,418	8,558
Other Local Authorities	2,973	2,686
NHS Bodies	321	378
Public Corporations and Trading Funds	535	368
Other Entities and Individuals	48,980	52,538
	63,227	**64,528**

There has been a reclassification adjusted to the Balance Sheet for 2016/17 in respect of creditors and capital received in advance. The balance of developer contributions has been removed from the short-term creditors' balance and is now disclosed as "Capital Grants Received in Advance" on note 34.

20. PROVISIONS

	Balance at 31 Mar 2017 £'000	Provision in Year £'000	Payments in year £'000	Balance at 31 Mar 2018 £'000
Equal pay settlements	**174**	1,800	762	**1,212**

The council has a remaining provision of £1.212 million for the settlement of claims for back pay arising from equal pay claims.

The value of the total liability was estimated at £1.8 million based on the number of claims received and an average settlement amount. During 2017/18 £0.762 million has been paid to claimants. The remaining balance of £1.212 million is deemed sufficient to meet all outstanding liabilities.

21. LONG TERM CREDITORS

	Sum Outstanding 2017/18 £'000	Sum Outstanding 2016/17 £'000
Finance Leases - outstanding principal	170	280
Open Space Agreements	260	273
Economic Development Business Gateway	89	587
	519	**1,140**
OTHER LONG TERM LIABILITIES		
PPP1 Schools	11,788	12,976
PPP3 Schools	48,842	50,096
	60,630	**63,072**

22. PENSION SCHEMES

22.1 **Pension Schemes**

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

As explained in Statement 8 note 1 of the Accounting Policies the council participates in two post-employment schemes:

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

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

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

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

In 2017/18 the council paid an employer's contribution of £12.702 million (2016/17 £12.430 million) at the prescribed rate 17.2% (2016/17 17.2%) of pensionable pay to the Scottish Government in respect of teachers' pension costs. An actuarial valuation was carried out at 31 March 2005. In addition, the council is responsible for all pension payments relating to added years together with related increases. In 2017/18 (2016/17) these amounted to £0.412 million (£0.436 million) representing 0.36% (0.38%) of pensionable pay.

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

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

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

	2017/18		2016/17	
Comprehensive Income And Expenditure Statement	**£'000**	**£'000**	**£'000**	**£'000**
Cost of Services				
Current Service cost	41,173		28,769	
Past Service Costs	140		269	**29,038**
Effect of Settlements	(339)	**40,974**		
Financing and Investment Income and Expenditure				
Net Interest Expense		**7,751**		**6,246**
		48,725		**35,284**
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense	14,593		(147,763)	
Actuarial (gains) and losses arising on changes in demographic assumptions	9		-	
Actuarial (gains) and losses arising on changes in financial assumptions	(37,610)		251,395	
Other experience	(88,930)	**(111,938)**	(712)	**102,920**
Total Post-employment Benefits Charged to Comprehensive Income and Expenditure Statement		**(63,213)**		**138,204**

	2017/18		2016/17	
Movement in Reserves Statement	**£'000**	**£'000**	**£'000**	**£'000**
Reversal of net charges made to the surplus on the provision of services for post-employment benefits in accordance with Code		**87,877**		**(114,142)**
Actual Amount charged against the General Fund Balance of pensions in the year				
Employer's contributions payable to the scheme	(22,667)		(22,113)	
Contributions in respect of unfunded benefits	(1,997)		(1,949)	
		(24,664)		**(24,062)**

The amount charged to taxation for the Lothian Pension Fund Scheme in 2017/18 (2016/17) was £24.338 million (£23.808 million).

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

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

	31 March 2018 £'000	**31 March 2017 £'000**
Fair Value of Assets	958,412	950,082
Present Value of Funded Liabilities	(1,129,673)	(1,208,740)
Share of net liabilities	(171,261)	(258,658)
Present value of unfunded liabilities	(31,152)	(31,632)
Net pension liabilities arising from defined benefit obligation	**(202,413)**	**(290,290)**

22.4 **Reconciliation of the Movements in the Fair Value of Lothian Pension Fund Assets**	**31 March 2018 £'000**	**31 March 2017 £'000**
Opening fair value of assets at 1 April	950,082	772,175
Interest income on plan assets	24,602	27,061
Remeasurement gain / (loss) - Return on plan assets (excluding the amount included in the net interest expense	(14,593)	147,763
Employer's contributions payable to the scheme	22,667	22,113
Contributions by scheme participants	6,774	6,598
Benefits paid	(26,397)	(25,628)
Effect of settlements	(4,723)	-
Closing fair value of assets at 31 March	**958,412**	**950,082**

22.5 **Reconciliation of the Present Value of Lothian Pension Fund Liabilities**	**31 March 2018 £'000**	**31 March 2017 £'000**
Opening Balance at 1 April	(1,240,372)	(948,323)
Current Service costs	(41,173)	(28,769)
Interest cost	(32,353)	(33,307)
Contributions by scheme participants	(6,774)	(6,598)
Remeasurement gain / (loss):		
- Actuarial (gains) and losses arising on changes in demographic assumptions	(9)	-
- Actuarial (gains) and losses arising on changes in financial assumptions	37,610	(251,395)
- Other experience	88,930	712
Past service costs	(140)	(269)
Benefits paid	26,397	25,628
Unfunded benefits paid	1,997	1,949
Effect of settlements	5,062	-
Closing balance of liabilities at 31 March	**(1,160,825)**	**(1,240,372)**

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

	2017/18		2016/17	
	£'000	%	£'000	%
Equity Securities:				
*Consumer	131,316	14%	142,635	15%
*Manufacturing	142,686	15%	144,029	15%
*Energy and Utilities	59,956	6%	70,498	7%
*Financial Institutions	85,146	9%	66,342	7%
*Health and Care	46,987	5%	55,690	6%
*Information Technology	58,430	6%	47,021	5%
*Other	60,144	6%	65,469	7%
Private Equity:				
*All	3,054	-	11,048	1%
All	14,444	2%	19,641	2%
Investment funds and unit trusts:				
*Equities	9,212	1%	-	-
Equities	-	-	-	-
*Commodities	-	-	2,786	-
Commodities	-	-	-	-
*Infrastructure	-	-	6,036	1%
Infrastructure	113,587	12%	78,982	9%
*Other	-	-	-	-
Other	2,189	-	20,268	2%
Equity	**727,151**	**76%**	**730,445**	**77%**
Debt Securities:				
*Corporate Bonds A (investment grade)	-	-	-	-
Corporate Bonds (non-investment grade)	18,674	2%	-	-
*UK Government	92,916	10%	95,401	10%
*Other	-	-	1,974	-
Investment funds and unit trusts:				
Bonds	-	-	11,963	1%
*Bonds	-	-	2,128	-
Derivatives:				
Inflation	-	-	-	-
Interest rate	-	-	-	-
*Foreign exchange	441	-	-	-
*Other	-	-	-	-
Bonds	**112,031**	**12%**	**111,466**	**11%**
Real Estate:				
UK Property	61,600	6%	64,103	7%
Overseas Property	1,002	-	-	-
Property	**62,602**	**6%**	**64,103**	**7%**
Cash and cash equivalents				
*All	56,628	6%	44,068	5%
Cash and cash equivalents	**56,628**	**6%**	**44,068**	**5%**
	958,412	**100%**	**950,082**	**100%**

Assets marked with an asterisk (*) have quoted prices in active markets and equate to £746.916 million (2016/17 £755.125 million) with prices not quoted in active markets totalling £211.496 million (2016/17 £194.957 million).

22.7 **Basis for Estimating Assets and Liabilities**
Liabilities are valued on an actuarial basis using the projected unit credit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as of 31 March 2017 and updated for the following periods by Hymans Robertson, the independent actuaries to the Lothian Pension Fund. The significant assumptions used in the calculations for both the Lothian Pension Fund and discretionary payments are:

Mortality Assumptions
Life expectancy is based on the Fund's Vita Curves analysis (improvements in line with the CMI2016 model), with an allowance for smoothing of recent mortality experience and a long term rate of 1.25%, used in the formal funding valuation as at 31 March 2017. Based on these assumptions, the average future life expectancies at age 65 are summarised on page 64.

Investment Returns
The return on the Fund in market value terms for the period to 31 March 2018 is estimated based on actual employer returns as reported in HEAT and index returns where necessary index returns, where used, are based on employer asset holdings. Details are given below:

Actual Returns from 31 March 2017 to 31 January 2018	**1.4%**
Total Returns from 1 April 2017 to 31 March 2018	**1.4%**

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

		2017/18 Years	2016/17 Years
Current Pensioners	- Males	21.7	22.1
	- Females	24.3	23.7
Future Pensioners	- Males	24.7	24.2
	- Females	27.5	26.3

Financial Assumptions	2017/18 %	2016/17 %
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	4.1%	4.4%
Increase in Pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%

22.8 **Sensitivity Analysis**

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

	Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	10%	118,054
0.5% increase in the Salary Increase Rate	2%	24,747
0.5% increase in the Pension Increase Rate	8%	90,891

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

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

The deficit has decreased mainly as a result of the 2017 formal actuarial valuation. Overall, the default financial assumptions are relatively similar to 31 March 2017 and average LGPS fund returns over the year have been broadly in line with the 2017 accounting expected return assumption. However, the effect of asset returns and financial assumption changes on the 2018 balance sheet have been overshadowed by the effect of the 2017 formal actuarial valuation calculations.

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

The net pensions liability does not impact on the council's usable reserves but the requirement to recognise the net pensions liability in the balance sheet has decreased the reported net worth of the council by 18% (24% 2016/17).

The following table sets out the projected amount to be charged to operating profit for the year to 31 March 2019, based on assumptions as at 31 March 2018:-

	31 March 2019			
	Assets £'000	Obligations £'000	Net £'000	% of pay
Current service cost	-	(42,420)	(42,420)	(38.3%)
Past service cost including curtailments	-	-	-	-
Effect of settlements	-	-	-	-
Total Service Cost	**-**	**(42,420)**	**(42,420)**	**(38.3%)**
Interest income on plan assets	25,930	-	25,930	23.4%
Interest cost on defined benefit obligation	-	(31,626)	(31,626)	(28.5%)
Total Net Interest Cost	**25,930**	**(31,626)**	**(5,696)**	**(5.1%)**
Total included in Profit or Loss	**25,930**	**(74,046)**	**(48,116)**	**(43.4%)**

The estimated Employer's contributions for the year to 31 March 2019 will be approximately £23.128 million.

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

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy with the schemes' actuary to achieve a funding level of 100% over the long term. Funding Levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2020.

The estimated Employer's contributions for the year to 31 March 2019 will be approximately £23.128 million. Employer contributions have been set at 20.5% for 2018/19 (20.0% 2017/18).

23. USABLE RESERVES

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

23.1 **Revenue Statutory Funds**

	2017/18 £'000	2016/17 £'000
Insurance Fund		
Balance at 1 April	11,835	13,715
Appropriation	(1,710)	(1,880)
Balance at 31 March	**10,125**	**11,835**

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23.2 **Capital Fund**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	65,527	88,214
Transfer (to) / from Capital Adjustment Account	(9,339)	(27,673)
Appropriation	2,775	4,986
Balance at 31 March	**58,963**	**65,527**

24. UNUSABLE RESERVES

	2017/18 £'000	**2016/17 £'000**
Revaluation Reserve	549,079	579,486
Available for Sale Financial Instruments Reserve	245	252
Capital Adjustment Account	501,535	533,501
Financial Instruments Adjustment Account	(8,830)	(9,260)
Pensions Reserve	(202,413)	(290,290)
Accumulated Absences Account	(6,372)	(10,002)
Total Unusable Reserves	**833,244**	**803,687**

24.1 **Revaluation Reserve**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	579,486	630,463
Unrealised gains / (losses) on revaluation of fixed assets	18,077	(2,542)
Less: Depreciation on revaluations	(48,484)	(48,435)
Balance at 31 March	**549,079**	**579,486**

The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sales, and contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. The revaluations are depreciated over the life of the revalued assets with the corresponding credit charged to the Capital Adjustment Account.

24.2 **Available-for-Sale Financial Instruments Reserve**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	252	224
Revaluation of long-term investments at fair value	(7)	28
Balance at 31 March	**245**	**252**

24.3 **Capital Adjustment Account**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	533,501	542,245
Depreciation and impairment	(146,326)	(141,748)
Government grants written off	28,799	30,200
Loans fund principal repayments	15,457	14,660
Capital financed from current revenue (General Fund)	1,731	1,675
Capital financed from current revenue (HRA)	8,123	7,802
Gain/ (Loss) on disposal of non-current assets	2,427	2,559
Revaluation Reserve - Depreciation on revaluations	48,484	48,435
Transfer of Capital Receipts to Capital Fund	9,339	27,673
Balance at 31 March	**501,535**	**533,501**

The balances on the former Fixed Asset Restatement Account and Capital Financing Account at 31 March 2007 have been transferred into the Capital Adjustment Account. Revaluation gains up to 1 April 2007 have been accumulated in the Capital Adjustment Account. This account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure.

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

24.4 **Financial Instruments Adjustment Account**	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	(9,260)	(9,682)
Appropriations (to) from Movements on Reserve Statement	430	422
Balance at 31 March	**(8,830)**	**(9,260)**

The Financial Instruments Adjustment Account is an accounting reserve arising from the re-measurement of financial instruments. It is a balancing account to allow for differences in statutory requirements and proper accounting practices for the council's lending and borrowing. The balance at 31 March 2018 represents:

	2017/18 £'000	**2016/17 £'000**
Deferred Premiums less Discounts from Debt Rescheduling	(6,276)	(6,671)
Market LOBO loans restated - balance sheet value	(63,134)	(63,169)
- Deduct: actual loans outstanding	60,580	60,580
	(8,830)	**(9,260)**

24.5 **Pension Fund Reserve**

The pension reserve mirrors the net pensions liability detailed in note 22.3. The movements in the year are summarised as follows:	**2017/18 £'000**	**2016/17 £'000**
Balance at 1 April	(290,290)	(176,148)
Net surplus for year	(24,061)	(11,222)
Actuarial Gains (Losses) in Pension Plan	111,938	(102,920)
Balance at 31 March	**(202,413)**	**(290,290)**

24.6 **Accumulated Absences Account**	**2017/18 £'000**		**2016/17 £'000**
Balance at 1 April		(10,002)	(7,680)
Annual leave and flexitime accrual - previous year	10,002		7,680
Annual leave and maternity leave accrual - current year	(6,372)		(10,002)
Statutory adjustment for the year		3,630	(2,322)
Balance at 31 March		**(6,372)**	**(10,002)**

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

Local Government Finance Circular 3/2010 was issued in July 2010 to allow local authorities to exclude the accounting charge for short term accumulated absences when determining the movement on the General Fund. Following a review of the statutory adjustment in 2017 a change to the coverage of the adjustment is being made limiting the statutory adjustment to annual leave.

All balances on the Accumulated Absences account at 31 March 2017 (0.402 million) in respect of flexi leave have been written back to the General Fund in 2017/18.

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2017/18 £'000	**2016/17 £'000**
The following amounts are included in the net cash flows from Operating Activities:-		
Interest paid	24,765	24,439
Interest element of finance lease rental payments including PPP contracts	3,689	3,818
Interest received	(1,384)	(1,236)
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:-		
Depreciation	119,957	117,834
Impairment and downward revaluations	26,369	23,914
Amortisation	(35)	(30)
Increase/(decrease) in creditors	90	377
(Increase)/decrease in debtors	(2,710)	(1,811)
(Increase)/decrease in Short Term Intangible Assets	(47)	30
(Increase)/decrease in inventories	92	(166)
Movement in pension liability	24,061	11,222
Gain / (Loss) on disposal of non-current assets	(2,427)	(2,559)
Other non-cash items	(513)	(113)
	164,837	**148,698**

NOTES TO THE ANNUAL ACCOUNTS — STATEMENT 8

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Purchase of property, plant and equipment	(100,333)	(120,268)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment	5,577	9,278
Net decrease (increase) in short term investments	71,000	(25,000)
Net cash flows from Investing Activities	**(23,756)**	**(135,990)**

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18 £'000	2016/17 £'000
Cash receipts of short and long term borrowing	15,000	100,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PPP contracts	(107)	(86)
Repayments of short and long term borrowing	(30,030)	(30,125)
Net cash flows from Financing Activities	**(15,137)**	**69,789**

28. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

	2017/18 £'000	2016/17 £'000
Cash held by officers	136	151
Bank current accounts	1,340	2,258
Short term deposits	29,471	12,675
Total Cash and Cash Equivalents	**30,947**	**15,084**

29. AGENCY SERVICES

Expenditure	2017/18 £'000	2016/17 £'000
Local Bus Services Cross boundary bus services where other local authorities contract for the services and charge West Lothian for shared cross boundary agreements.	76	76
Residential Schools and other Social Work payments Costs incurred in relation to residential care for children under the age of 18 who are deemed to be a significant risk to themselves or others in the community. Secure care is provided by third sector organisations. Secure care provides intensive support and safe boundaries whilst providing care, including health and education.	187	860
Special School Placements Costs incurred in respect of West Lothian children who are in receipt of supported education services provided by other local authorities outwith the West Lothian Area.	158	262
Other Provision of other services – Speech Therapy, Additional Needs Support, New business Start-up support, Childrens Panel etc.	1,055	1,077
Non Domestic Rates The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	83,232	93,058
Total Expenditure	**84,708**	**95,333**
Income		
Scottish Water Collection Services The Council has an agreement with Scottish Water whereby it collects water and waste charges in conjunction with collection of Council Tax for a collection fee.	553	553
Social Work Services Income in respect of delivery of support for people with alcohol and drug problems. This is delivered through West Lothian Council's Social Work Addictions Team and funded by National Health Service under our Alcohol and Drug Partnership contracts.	1.346	1,182
Local Bus Services Cross boundary bus services where West Lothian contract for the services and recharge other local authorities for shared cross boundary agreements.	192	161
Special School Placements Recovery of the cost of provision of supported education provided to Other Local Authority children living outwith the West Lothian boundary but receiving educational services in West Lothian.	417	355
Other Recovery of the cost of the Housing Needs Officer at Addiewell Prison and recovery of the cost of provision of payroll, Human Resources, IT and Telephony Services to the Improvement Service and West Lothian College.	155	-
Non Domestic Rates The council provides a collection service for Scottish Government in relation to Non Domestic Rates. The difference between funding received and costs incurred is fully funded by Scottish Government and is included as a debtor in the council's Balance Sheet.	83,011	90,619
Total Income	**85,674**	**92,870**

30. TRADING OPERATIONS

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

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

	2017/18 £'000	2016/17 £'000
Turnover	4,581	4,819
Expenditure	5,216	4,334
Surplus (Deficit) for year	**(635)**	**485**
Budget Surplus (Deficit) for year	**(641)**	**397**

Included in turnover is internal income of £0.275 million (£0.325 million 2016/17).

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

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2015/16	(4,168)	740	(4,908)
2016/17	485	531	(46)
2017/18	(635)	481	(1,116)
	(4,318)	**1,752**	**(6,070)**

In the three years to 31 March 2018 the trading account sustained a statutory aggregate loss of £6.070 million, therefore not achieving the statutory financial requirement to breakeven over the three year period. This was as a result of charges for impairment of £4.477 million in 2015/16, £0.644 million in 2016/17 and £2.185 million in 2017/18 on assets from the Economic Development Property Portfolio. The financial position excluding the impairment charges of £7.306 million would have resulted in the following surplus.

	2017/18 £'000	2016/17 £'000	2015/16 £'000
Turnover	4,581	4,819	4,718
Expenditure	3,031	3,690	4,409
Surplus for year	**1,550**	**1,129**	**309**
Budget Surplus for year	**1,544**	**1,041**	**252**

	Surplus £'000	Loan Interest £'000	Net Surplus (Deficit) £'000
2015/16	309	740	(431)
2016/17	1,129	531	598
2017/18	1,550	481	1,069
	2,988	**1,752**	**1,236**

Excluding impairment charges incurred during the period 2015/16 to 2017/18, in the three years to 31 March 2018 the trading account would have made a statutory aggregate surplus of £1.236 million, therefore meeting the statutory financial requirement to breakeven over the three year period.

31. EXTERNAL AUDIT COSTS

The Accounts Commission for Scotland has appointed Ernst and Young LLP as the Council External Auditor for the financial years 2016/17 to 2020/21.

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

	2017/18 £'000	2016/17 £'000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice.	319	318
	319	**318**

32. CONTINGENT LIABILITIES

West Lothian Recycling

The council, under the terms of the Shareholder's Agreement with its partner Tarmac, has guaranteed to meet any loan from Tarmac to its related company, West Lothian Recycling Ltd. up to a maximum of £96,500, plus 50% of the related financing costs. There were no loans during 2017/18.

Equal Pay Provision

Before and after the council implemented its new pay and grading structure on 1 October 2007, a number of employees raised Employment Tribunal proceedings for equal pay compensation.
The council has made appropriate provision for claims, as detailed in note 20, for all known outstanding claims, the council does however recognise the potential for future compensation claims in respect of cases not yet presented.

Municipal Mutual – Scheme of Arrangement

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

Holiday Pay Liability

Since 2014, there have been a number of Employment Tribunal Cases heard which have been decided in favour of claimants with regard to the calculation of holiday pay and, in particular, which components of pay should be considered for the purposes of determining normal remuneration.
On 31 July 2017, the Employment Appeals Tribunal handed down a judgement that non-contractual payments should be included in pay for holiday leave where these payments are sufficiently regular or recurring to be justified as normal pay.
Following approval by the Council Executive on 19 September 2017, the council commenced the payment of the COSLA recommended rate of 8.3% with effect from 1 October 2017 on non-contractual additional payments to ensure holiday pay is reflective of normal remuneration.
The council has received a number of claims for backdated holiday pay. As a result of the recent judgements, the Employment Tribunal Service has now started to schedule hearing dates. Whilst current payments have been made through the normal payroll from 1 October 2017, no payments have been made by the council in relation to any liability that may exist for arrears of pay prior to that date.

33. POST REPORTING PERIOD EVENTS

The Head of Finance and Property Services, Donald Forrest CPFA, being the officer responsible for the council's financial affairs, authorised the issue of the unaudited annual accounts on 25 June 2018 and the audited annual accounts on 25 September 2018. Events after the balance sheet date have been considered up to 25 September 2018.

34. GRANT INCOME

The council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18.

Credited to Taxation and Non Specific Grant Income	**2017/18 £'000**	**2016/17 £'000**
Capital Grants and Contributions		
- General Capital Grant	16,724	12,298
- Other Scottish Government Grant	8,165	10,610
- Developers Contributions	2,210	4,245
- Other Capital Contributions	1,700	3,047
Total Capital Grants and Contributions	**28,799**	**30,200**
Revenue Support Grant	220,964	218,861
Distribution from Non Domestic Rate Pool	90,056	87,726
Total Grants credited to Taxation and Non Specific Grant Income	**339,819**	**336,787**
Credited to Services		
Housing Benefits Grant	52,239	53,656
Administration of Benefits Grant	725	792
DWP Discretionary Housing Payment	462	971
Integration Joint Board	10,190	7,130
Education Maintenance Allowance	719	670
European Grants	1,102	837
Private Sector Housing Grant	732	732
Community Led Regeneration	-	37
Criminal Justice Grant	356	2,634
Economic Growth Plan	1,500	1,699
Home Energy Efficiency Programme for Scotland	1,745	693
Sport Scotland	455	388
Creative Scotland	200	224
Skills Development	59	257
Big Lottery Fund	226	212
Vehicle Emissions Testing	136	186
Winter Maintenance	280	-
Syrian Resettlement Programme	281	340
Early Learning Childcare	739	-
Other Grants	3,447	2,996
Contribution from - Local Authorities	893	742
- Scottish Enterprise Edinburgh and Lothian	-	219
- NHS	7,157	7,084
Total Grants credited to Services	**83,643**	**82,499**

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34. GRANT INCOME (continued)

Capital Grants Received in Advance

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

	2017/18 £'000	2016/17 £'000
Developer Contributions	**14,740**	**13,663**

35. GENERAL FUND BALANCE

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

	Balance at 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers in 2016/17 £'000	Balance at 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'0000	Balance at 31 March 2018 £'000
General Balance at 31 March	**25,609**			**25,262**			**23,906**
Movement in Earmarked Reserves							
Balances held by schools under a scheme of delegation	1,058	-	2	1,060	(210)	-	850
Energy Efficiency Fund	351	(2)	-	349	(36)	-	313
Weather Emergency Fund	1,000	(1,000)	-	-	-	-	-
Modernisation Fund	4,372	(608)	-	3,764	(608)	-	3,156
Senior Peoples Challenge Fund	88	(88)	-	-	-	-	-
Government Grants	5,198	(1,396)	1,736	5,538	(992)	1,500	6,046
Time Limited Projects	4,750	(2,060)	2,171	4,861	(3,119)	588	2,330
War Memorial Fund	50	(6)	-	44	-	-	44
Local Plan	110	-	-	110	(110)	-	-
Developer Contribution Fund	6,562	-	-	6,562	(148)	-	6,414
Use of Reserves to balance Revenue Budget	-	-	899	899	(899)	-	-
Anti-Poverty Fund	-	-	-	-	-	285	285
West Lothian Leisure Ltd.	-	-	-	-	-	1,200	1,200
General Revenue Grant 2018/19	-	-	-	-	-	1,167	1,167
Total Earmarked Reserves	**23,539**	(5,160)	**4,808**	**23,187**	(6,122)	**4,740**	**21,805**
Uncommitted General Fund Balance at 31 March	**2,070**			**2,075**			**2,101**

In accordance with both the School Boards Delegation and Devolved School Management schemes, a net credit balance of £0.850 million (£1.060 million 2016/17) is held within the General Fund. This sum represents the amount by which schools underspent their delegated schemes and may be used to supplement their 2018/19 budgetary provision. This sum, although held within the General Fund, must be spent on Education Services and is not available to the council for general use.

36. LEASING AND PPP PAYMENTS

Leases

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

	2017/18 £'000	2016/17 £'000
Plant and Vehicles	3,126	3,258
Property	565	361
	3,691	**3,619**

Assets acquired under finance leases have been capitalised and are detailed in note 14.8.

Operating Leases

The future cash payments required under operating leases are:-

			2017/18 £'000	2016/17 £'000
2018/19	(2017/18)	- Land and Buildings	565	353
		- Other Operating Leases	2,503	3,073
2019/20 to 2022/23	(2018/19 to 2021/22)	- Land and Buildings	1,209	566
		- Other Operating Leases	3,611	5,061
2023/24 onwards	(2022/23 onwards)	- Land and Buildings	5,625	1,476
		- Other Operating Leases	9	26

The cumulative value of leases where the council is a lessor is £5.455 million for 743 units.

Education Service PPP1 Schools Project

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

36. LEASING AND PPP PAYMENTS (CONTINUED)

Education Service PPP1 Schools Project (continued)

The unitary charge is subject to annual RPI indexation. The PPP contractor has price risk for utilities, so the council may be due a rebate on the unitary charge and this is reviewed bi-annually. The council is entitled to receive a share of any Refinancing Gain in accordance with a formula linked to the Equity IRR.

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

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

Education Service PPP3 Schools Project

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

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

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

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

PPP Payments

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

Range	Principal £'000	Interest £'000	Lifecycle Capital Costs £'000	Operating Costs £'000	2017/18 Total £'000	2016/17 Total £'000
Within one year	2,442	3,507	120	6,658	12,727	12,461
2 to 5 years	8,616	12,526	1,636	30,909	53,687	52,563
6 to 10 years	13,186	12,469	2,304	45,880	73,839	72,289
11 to 15 years	19,018	8,145	1,305	51,215	79,683	80,395
16 to 20 years	14,850	3,237	-	34,729	52,816	56,414
21 to 25 years	4,960	237	-	10,577	15,774	26,865
	63,072	**40,121**	**5,365**	**179,968**	**288,526**	**300,987**

37. RELATED PARTIES

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

Scottish Government

Scottish Government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government Departments are set out in note 34.

Councillors

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2017/18 are shown in the Remuneration Report note 2.3 on page 28. There are no related party transactions with members of the council.

Officers

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

37. RELATED PARTIES (CONTINUED)

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

EXPENDITURE	2017/18 £'000	2016/17 £'000
Government Payments		
PAYE and National Insurance	56,800	56,641
Superannuation – Teachers	12,702	12,430
Other Local Authority Payments		
Superannuation	24,338	23,808
Other Payments	926	950
Other Related Party Payments		
Joint Valuation Board	1,147	1,145
West Lothian Integration Board	64,457	60,584
West Lothian Leisure Ltd.	2,004	2,758
Councillors Remuneration	718	722
Criminal Justice Authority	3,834	3,498
SESTRAN / SESPLAN	66	69
Scotland Excel	114	114
	167,106	**162,719**
Other Related Party Income		
Other Local Authority Receipts	893	742
Criminal Justice Authority	356	2,634
	1,249	**3,376**
BALANCE SHEET		
The amounts due (to) or from related parties are detailed below:-		
Government departments	66	4,780
Other local authorities	(1,508)	(1,439)
Related companies		
- West Lothian Leisure Ltd.	1,427	13
- West Lothian Integration Joint Board	-	(95)
	(15)	**3,259**

38. WEST LOTHIAN INTEGRATION JOINT BOARD (IJB)

The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. Section 71(2) of the 2014 Act expressly repealed Sections 4A and 4B of the National Health Service (Scotland) Act 1978 which made provision regarding community health partnerships. That repeal took effect on 1 April 2015 and the West Lothian Integration Joint Board (IJB) superseded the West Lothian Community Health and Care Partnership (WLCHCP) arrangement in 2016/17. The IJB operated on a shadow basis until the West Lothian IJB was legally established on 21 September 2015.

The arrangements for the IJB's operation, remit and governance are set out in the integration scheme which was approved by West Lothian Council, NHS Lothian and the Scottish Government. The IJB's primary purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. Relevant functions and resources from the council and NHS Lothian were delegated to the West Lothian IJB from 1 April 2016 to enable it to plan the delivery of functions and deliver on strategic outcomes. The IJB gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions. The level of resources associated with council functions delegated to the IJB in 2017/18 was £64.457 million (£60.584 million 2016/17).

HRA – INCOME AND EXPENDITURE STATEMENT — STATEMENT 9

PURPOSE

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

		2017/18 £'000	2016/17 £'000
INCOME			
	Dwellings Rent (gross)	(45,695)	(44,724)
	Non-Dwellings Rent (gross)	(639)	(550)
	Other Income	(1,975)	(1,174)
	TOTAL INCOME	**(48,309)**	**(46,448)**
EXPENDITURE			
	Repairs and Maintenance	14,080	15,011
	Supervision and Management	8,603	8,482
	Depreciation and Revaluation of non-current assets	36,772	37,915
	Bad or Doubtful Debts	919	512
	Other Expenditure	3,703	2,672
	TOTAL EXPENDITURE	**64,077**	**64,592**
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**15,768**	**18,144**
	HRA Services share of Corporate and Democratic Core (CDC)	97	94
	HRA Share of Accumulated Absences	(20)	(7)
	HRA share of Non Distributed Costs	(6)	12
	Net Cost of HRA Services	**15,839**	**18,243**
	HRA share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
	(Profit) / Loss on sale of HRA assets	(1,534)	(2,064)
	Interest payable and similar charges	8,175	7,766
	Net interest on the net defined benefit liability	218	269
	Deficit for the year on HRA Services	**22,698**	**24,214**

MOVEMENT ON THE HRA STATEMENT — STATEMENT 10

PURPOSE

This statement summarises the differences between the outturn on the HRA Income and Expenditure Account and the HRA Balance.

MOVEMENT

	Note	2017/18 £'000	2016/17 £'000
Balance on the HRA at the end of the previous year		(926)	(926)
Deficit for the year on the HRA Income and Expenditure Statement		22,698	24,214
Adjustments between accounting basis and funding basis under regulations	1	(22,698)	(24,214)
(Increase) or decrease in year on the Housing Revenue Account		-	-
Balance on the HRA at the end of the current year		**(926)**	**(926)**

NOTES

		2017/18	2016/17
1.	**Adjustments between accounting basis and funding basis under regulations**		
	Depreciation and Revaluation	(36,772)	(37,915)
	Profit / (Loss) on sale of HRA fixed assets	1,534	2,064
	Share of Accumulated Absences	20	7
	Amount by which pension costs calculated in accordance with IAS 19 are different from contributions due to the Lothian Pension Fund	(212)	(281)
		(35,430)	(36,125)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
	Loans fund principal	4,609	4,109
	Capital expenditure funded by HRA	8,123	7,802
	Adjustments between accounting basis and funding basis under regulations	**(22,698)**	**(24,214)**
2.	**Housing Stock**		
	The council's stock at 1 April 2017 was 13,169 houses and at 31 March 2018 was 13,244 houses. As a result the council was responsible for managing an average of 13,207 dwellings during 2017/18.	**2017/18 No of Houses**	**2016/17 No of Houses**
	Stock movements can be summarised as follows:-		
	Stock as at 1 April	13,169	13,234
	Additions	164	214
	Less Demolitions	(6)	(83)
	Less Stock restated	6	(30)
	Less Sales	(89)	(166)
	Stock as at 31 March	**13,244**	**13,169**
	Housing Stock Numbers by type are as follows:		
	1 Bed	2,428	2,367
	2 Bed	6,242	6,190
	3 Bed	3,998	4,037
	4 Bed	450	448
	More than 4 Bed	126	127
		13,244	**13,169**
3.	**Rent Arrears**	**2017/18 £'000**	**2016/17 £'000**
	Current Tenant Gross Rent Arrears at 31 March	1,401	1,220
	Former Tenant Gross Rent Arrears at 31 March	1,076	1,033
4.	**Losses on Void Properties**	**2017/18 £'000**	**2016/17 £'000**
	Losses on void properties at 31 March	241	266
5.	**Bad Debt Provision**	**2017/18 £'000**	**2016/17 £'000**
	Bad Debt Provision for housing rent arrears and former tenant's debt.	1,899	1,543

COUNCIL TAX INCOME ACCOUNT — STATEMENT 11

PURPOSE

This statement shows the net income raised from Council Tax levied under the Local Government Finance Act 1992.

INCOME

	2017/18 £'000		2016/17 £'000
Gross Council Tax levied and contributions in lieu		85,846	81,830
Less:			
Discounts	(6,827)		(6,712)
Provision for bad debts	(1,732)		(1,648)
Council Tax Reduction Scheme	(9,164)		(9,265)
Other deductions	(2,491)		(1,751)
		(20,214)	(19,376)
		65,632	**62,454**
Adjustments for previous years' Community Charge and Council Tax		(52)	(268)
Transfers to General Fund		**65,580**	**62,186**

NOTES

1. Calculation of the Council Tax base 2017/18

	PROPERTY BANDS								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
Properties	17,656	24,765	10,012	8,299	9,630	6,008	2,713	191	79,274
Exemptions	(784)	(651)	(213)	(107)	(66)	(28)	(21)	(12)	(1,882)
Disabled Relief	169	(70)	(22)	26	(27)	(34)	(41)	(1)	-
Discounts (10%)	(8)	(10)	(5)	(5)	(4)	(1)	(1)	-	(34)
Discounts (25%)	(2,470)	(2,402)	(967)	(541)	(426)	(179)	(55)	(3)	(7,043)
Discounts (50%)	(57)	(79)	(54)	(26)	(22)	(10)	(6)	(2)	(256)
Council Tax Reduction Scheme	(4,771)	(4,249)	(1,098)	(409)	(224)	(72)	(16)	-	(10,839)
Effective Properties	9,735	17,304	7,653	7,237	8,861	5,684	2,573	173	59,220
Ratio to Band D	6/9	7/9	8/9	1	473/360	39/24	47/24	49/20	
Band D Equivalents	6,487	13,459	6,803	7,237	11,642	9,236	5,039	424	**60,327**
Contributions in lieu									-
Level of non-payment provided for									**1,508**
COUNCIL TAX BASE									**58,819**

2. The level of Council Tax depends upon the value of the property. Certain prescribed dwellings are exempt and discounts are given to eligible taxpayers i.e. single occupants. A Council Tax Scheme Reduction is available to taxpayers on a low income. Other deductions include Disabled Relief.

A bad debt provision of 2.25% of the net income from Council Tax has been provided, this represents a collection level of 97.75%.

3. The Council Tax charge for each band is as follows:-

Band	**2017/18 Council Tax £**	**2016/17 Council Tax £**
A	752.00	752.00
B	877.33	877.33
C	1,002.67	1,002,67
D	1,128.00	1,128.00
E	1,482.07	1,378.67
F	1,833.00	1,629.33
G	2,209.00	1,880.00
H	2,763.60	2,256.00

NON-DOMESTIC RATE INCOME ACCOUNT — STATEMENT 12

PURPOSE

This account shows the income from the rate levied on non-domestic property under the Local Government (Scotland) Act 1975 as amended by the Local Government Finance Act 1992.

INCOME

	2017/18 £'000		2016/17 £'000
Gross rates levied and contributions in lieu		99,613	108,458
Less			
Reliefs and other deductions	(16,935)		(14,783)
Provisions for bad and doubtful debts	(2,009)		(2,168)
		(18,944)	(16,951)
Net non-domestic rate income		**80,669**	**91,507**
Allocated:			
National non-domestic rate pool		80,836	91,648
Cost of council rate relief		(167)	(141)
		80,669	**91,507**

NOTES

1. The amount distributed to West Lothian Council from the national non-domestic rate income pool in 2017/18 was £90.056 million (£87.726 million 2016/17).

2. Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for Lothian area. The National non-domestic rate poundage is determined by the Scottish Government, and was 46.6p per £ in 2017/18 (48.4p in 2016/17). The rate was 49.2p (51.0p in 2016/17) for properties with a rateable value of more than £51,000. Properties with a rateable value of £18,000 or less are subject to a reduced charge if they meet the qualifying criteria under the small business bonus scheme.

3. Rateable values at 1 April 2017

	Number	Rateable Value £'000
Shops, Offices and other Commercial Subjects	3,129	78,526
Industrial Subjects	1,717	79,369
Miscellaneous (Schools etc.)	1,608	50,023
Total	**6,454**	**207,918**

4. There is no retained income from the Business Rates Incentivisation Scheme for 2017/18.

TRUSTS AND MORTIFICATIONS — STATEMENT 13

PURPOSE

The council acts as sole trustee for 40 Trusts and Mortifications. The funds do not represent the assets of the council and therefore they have not been included in the Balance Sheet.

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

	INCOME AND EXPENDITURE STATEMENT	2017/18 £'000	2016/17 £'000
EXPENDITURE	Beneficiaries	6	7
INCOME	Loans Fund and Dividend Interest	5	5
SURPLUS / (DEFICIT)	For Year	(1)	(2)
	At 1 April	380	382
	At 31 March	**379**	**380**
	BALANCE SHEET		
	Current Assets		
	Investments	47	47
	Revenue Advances to Loans Fund	332	333
		379	380
	Current Liabilities	-	-
	TOTAL ASSETS	**379**	**380**
	Reserves		
	Capital Fund	165	165
	Revenue Fund	214	215
	TOTAL RESERVES	**379**	**380**

NOTES

1. In order to preserve the capital value of Trust Funds, it is council policy to disburse only revenue income arising from them. This is done one year in arrears i.e. revenue income received during 2017/18 is disbursed in 2018/19.

2. The main fund balances where the Council is sole trustee at 31 March 2018 are:-

	Capital £'000	Revenue £'000
Irene Elizabeth Miller Trust	60	3
West Lothian Trust for the Benefit of People with Disabilities	41	16
Quarter Farm Trust	17	40
James Wood Bequest	14	54
Robert Turner of Armadale Trust	11	19

3. The council also administered five other trusts in 2017/18, which have external and council trustees. At 31 March 2018 the total assets of these trusts, valued at cost, was £0.211 million (£0.210 million at 31 March 2017).

COMMON GOOD ACCOUNT — STATEMENT 14

PURPOSE

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

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

INCOME AND EXPENDITURE STATEMENT	2017/18 £'000	2016/17 £'000
Expenditure		
Donations	-	-
Income		
Interest	-	-
Surplus / (Deficit)		
At 1 April	14	14
At 31 March	**14**	**14**

BALANCE SHEET		
Non-Current Assets		
Heritable Property	1	1
Furnishings	4	4
	5	**5**
Current Assets		
Revenue Advances to Loans Fund	18	18
TOTAL ASSETS	**23**	**23**
FINANCED BY:		
Reserves		
Revenue Balance	14	14
Capital Reserve	9	9
TOTAL LOANS AND RESERVES	**23**	**23**

NOTES

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

	£'000
Furnishings	4
Heritable Property	1
	5

2. LASAAC has issued guidance on the application of accounting requirements to Common Good assets. The council has not taken any action due to the insignificant amount involved (£5,000) and have not included this amount in their asset register.

3. Interest received in 2017/18 amounted to £134 (£147 2016/17).

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - GROUP

STATEMENT 15

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

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Group Note	2017/18 Gross Expend £'000	2017/18 Gross Income £'000	2017/18 Net Expend £'000	2016/17 Gross Expend £'000	2016/17 Gross Income £'000	2016/17 Net Expend £'000
Schools, Education Support		232,994	5,008	227,986	231,791	6,004	225,787
Planning, Economic Development and Regeneration		15,533	5,345	10,188	11,478	4,946	6,532
Operational Services		81,548	8,870	72,678	79,497	9,051	70,446
Housing, Customer and Building Services		22,903	5,665	17,238	21,761	5,458	16,303
Corporate Services		1,779	585	1,194	1,067	664	403
Social Policy – IJB, Adult and Elderly Services		157,550	93,093	64,457	145,587	85,003	60,584
Social Policy – non IJB, Children's Services		40,568	2,318	38,250	39,200	4,552	34,648
Chief Executive, Finance and Property		35,558	4,965	30,593	35,277	5,517	29,760
Joint Boards		1,213	34	1,179	1,214	-	1,214
Other Services		56,985	56,904	81	58,171	58,306	(135)
West Lothian Leisure Ltd.		14,053	9,425	4,628	-	-	-
Net Cost of General Fund Services		**660,684**	**192,212**	**468,472**	**625,043**	**179,501**	**445,542**
Housing Revenue Account		64,077	48,309	15,768	64,592	46,448	18,144
Net Cost of Services		**724,761**	**240,521**	**484,240**	**689,635**	**225,949**	**463,686**
Other Operating Expenditure		(2,417)	-	(2,417)	(2,559)	-	(2,559)
Financing and Investment Income and Expenditure		67,305	31,661	35,644	67,445	34,343	33,102
Share of corporation tax of Joint Venture		2	-	2	-	-	-
Taxation and Non-Specific Grant Income		-	405,399	(405,399)	-	398,973	(398,973)
(Surplus) or Deficit on Provision of Services		**789,651**	**677,581**	**112,070**	**754,521**	**659,265**	**95,256**
Share of Operating Results of Associates and Joint Ventures		126,763	126,581	182	4,929	4,126	803
(Surplus) or Deficit on Group		**916,414**	**804,162**	**112,252**	**759,450**	**663,391**	**96,059**
Items that will not be reclassified to the (Surplus) / Deficit on the Provision of Services							
(Surplus) / Deficit on revaluation of property, plant and equipment				(18,077)			2,542
Actuarial (gains) / losses on pension assets and liabilities				(113,143)			102,920
(Gains) / Losses on Investments in Associates and Joint Ventures				(1,364)			1,182
Items that may be reclassified to the Surplus / (Deficit) on the Provision of Services				**(132,584)**			**106,644**
(Surplus) / Deficit on revaluation of available for sale financial assets				7			(28)
Other Comprehensive Income and Expenditure				**(132,577)**			**106,616**
Total Comprehensive Income and Expenditure				**(20,325)**			**202,675**

MOVEMENT IN RESERVES STATEMENT - GROUP — STATEMENT 16

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

MOVEMENT IN RESERVES STATEMENT - GROUP
AS AT 31 MARCH 2018

	Group Note	Single Entity Usable Reserves (Note 1) £’000	Single Entity Unusable Reserves (Note 1) £’000	Group Reserves (Note 2) £’000	Total Group Reserves £’000
Balance at 1 April 2016		**128,464**	**979,422**	**(825)**	**1,107,061**
Movement in Reserves during 2016/17					
Total comprehensive income and expenditure		(95,215)	(105,434)	(2,026)	(202,675)
Adjustments between accounting basis and funding basis under regulations		70,301	(70,301)	-	-
Net increase (decrease) before transfers to other statutory funds		(24,914)	(175,735)	(2,026)	(202,675)
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		**(24,914)**	**(175,735)**	**(2,026)**	**(202,675)**
Balance at 31 March 2017	**G3**	**103,550**	**803,687**	**(2,851)**	**904,386**
Balance at 1 Aril 2017		**103,550**	**803,687**	**(5,868)**	**901,369**
Movement in Reserves during 2017/18					
Total comprehensive income and expenditure		(110,081)	130,008	398	20,325
Adjustments between accounting basis and funding basis under regulations		100,451	(100,451)	-	-
Net increase (decrease) before transfers to other statutory funds		(9,630)	29,557	398	20,325
Transfers to or from other statutory funds		-	-	-	-
Increase (decrease) in year		**(9,630)**	**29,557**	**398**	**20,325**
Balance at 31 March 2018	**G3**	**93,920**	**833,244**	**(5,470)**	**921,694**

1. Statement 5 and notes 12 and 13 to the Annual Accounts provide details of the Single Entity Reserves.
2. Note G3 to the Group Accounts provides details of the Combining Entities Reserves.
3. The Balance of Group Reserves at 31 March 2017 includes 22.68% of West Lothian Leisure Ltd. based on the equity method of accounting for associates. However, from 1 April 2017 West Lothian Leisure Ltd. has been assessed as a subsidiary of the council and therefore 2017/18 has been fully consolidated on a line by line basis into the Group Accounts.

BALANCE SHEET - GROUP — STATEMENT 17

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

LONG TERM ASSETS	**Group Note**	**As at 31 March 2018 £'000**	**As at 31 March 2017 £'000**
Property, Plant and Equipment			
- Council Dwelling		374,955	382,991
- Other Land and Buildings		1,034,287	1,055,260
- Vehicles, Plant, Furniture and Equipment		19,022	19,287
- Infrastructure Assets		219,005	211,219
- Community Assets		591	570
- Assets under construction		66,041	72,055
- Surplus Assets, not yet held for disposal		19,194	23,187
		1,733,095	1,764,569
Heritage Assets		779	779
Long Term Investments		270	277
TOTAL LONG TERM ASSETS		**1,734,144**	**1,765,625**
CURRENT ASSETS			
Short Term Investments		54,212	125,585
Inventories		1,072	1,137
Short Term Debtors		38,025	36,012
Cash and Cash Equivalents		31,808	15,084
Intangible Assets		639	592
TOTAL CURRENT ASSETS		**125,756**	**178,410**
CURRENT LIABILITIES			
Short Term Borrowing		(99,802)	(100,290)
Short Term Creditors		(64,191)	(64,528)
Provisions		(1,212)	(174)
Capital Grants Receipts in Advance		(14,740)	(13,663)
TOTAL CURRENT LIABILITIES		**(179,945)**	**(178,655)**
NET CURRENT ASSETS (LIABILITIES)		**(54,189)**	**(245)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,679,955**	**1,765,380**
LONG TERM LIABILITIES			
Long Term Creditors		(1,077)	(1,140)
Long Term Borrowing		(488,641)	(503,641)
Defined Benefit Scheme Liability		(207,066)	(290,290)
Other Long Term Liabilities		(60,630)	(63,072)
Share of Net Liabilities of Associates and Joint Venture	**G3**	(847)	(2,851)
TOTAL LONG TERM LIABILITIES		**(758,261)**	**(860,994)**
TOTAL NET ASSETS		**921,694**	**904,386**
Financed by:			
USABLE RESERVES			
General Funds Balance		24,133	24,648
Housing Revenue Fund Balance		926	926
Capital Fund		58,963	65,527
Insurance Fund		10,125	11,835
TOTAL USABLE RESERVES		**94,147**	**102,936**
UNUSABLE RESERVES		**827,547**	**801,450**
TOTAL RESERVES		**921,694**	**904,386**

The unaudited accounts were considered by the Audit Committee on 25 June 2018 and the audited accounts were authorised for issue on 25 September 2018.

DONALD FORREST CPFA, Head of Finance and Property Services — **25 September 2018**

CASH FLOW STATEMENT - GROUP

STATEMENT 18

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

	Group Note	2017/18 £'000	2016/17 £'000
Net Surplus or (Deficit) on Group		**(112,252)**	**(96,059)**
Adjust net surplus or deficit on the provision of services for non-cash movements		168,144	149,542
Net cash flows from Operating Activities		55,892	53,483
Net cash flows from Investing Activities		(23,856)	(135,990)
Net cash flows from Financing Activities		(15,557)	69,789
Net increase / (decrease) in cash and cash equivalents		**16,479**	**(12,718)**
Cash and cash equivalents at the beginning of the reporting period		**15,329**	**27,802**
Cash and cash equivalents at the end of the reporting period		**31,808**	**15,084**

NOTES TO THE GROUP ACCOUNTS — STATEMENT 19

G1. ACCOUNTING POLICIES

The group accounting policies are those specified for the single entity financial statements as detailed in Statement 8 note 1. The accounting policies of all group members are materially the same as those of the single entity.

G2. WEST LOTHIAN INTEGRATION JOINT BOARD

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

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

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

The IJB is defined as a joint venture. The net expenditure of the IJB for 2017/18 is £64.457 million (2016/17 £60,584 million). It should be noted that this expenditure does not include support services such as Human Resources, Legal and Financial Services which are not delegated to the IJB and are provided free of charge to the IJB. The IJB does not employ staff directly delivering services and does not hold cash resources or operate a bank account. The IJB accounts for 2017/18 show the Balance Sheet with no assets, liabilities or reserves and, as a result, no values have been consolidated into the Group Balance Sheet in respect of the IJB.

G3. COMBINING ENTITIES

The council has a number of non-consolidation interests in other entities, full details of which are shown on pages 84 and 85. For the purposes of consolidation and incorporation within the Group Accounts the council did not have any subsidiary companies during 2016/17. However, following the conversion of West Lothian Leisure to a company limited by guarantee and based on the changes to their Articles of Association, it was assessed that the council exerted significant influence and control and as such, rather than be treated as an associate as previously, West Lothian Leisure should be treated as a subsidiary of the council for financial reporting from 2017/18 onwards.

Lothian Valuation Joint Board is deemed to be an associate.

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

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

Subsidiary

West Lothian Leisure Ltd. is a subsidiary body of the council and the details are as follows:

- The Chief Executive is Robin Strang
- There were no Councillors of West Lothian Council remunerated by the body in 2017/18
- There were no employees of the body whose remuneration in 2017/18 was £150,000 or more

The council has not paid any consideration for its interests in West Lothian Leisure Ltd. and therefore no goodwill is involved in the acquisition. All intra-group transactions have been eliminated from the Group Accounts as part of the consolidation process. The subsidiary has been consolidated on a line by line basis.

Associates		**2017/18**	**2016/17**
West Lothian Leisure Ltd.	- basis - WLC funding to total income	-	22.68%
Valuation Joint Board	- basis - WLC funding to total funding	18.76%	18.72%
Joint Venture			
West Lothian Recycling Ltd.	- basis - 50% of share capital	50%	50%
West Lothian Integration Joint Board	- basis - WLC representation on board	50%	50%

The summarised Financial Information of the associate, subsidiary and joint ventures are detailed below:

Council share of Associate, Subsidiary and Joint Ventures		**Valuation Joint Board £'000**	**West Lothian Leisure £'000**	**West Lothian Recycling £'000**	**Total £'000**
Total Assets	**2017/18**	449	2,989	132	**3,570**
	2016/17	451	749	220	**1,420**
Total Liabilities and shareholders' equity	**2017/18**	(1,343)	(7,612)	(85)	**(9,040)**
	2016/17	(2,499)	(1,634)	(138)	**(4,271)**
Net Assets / (Liabilities)	**2017/18**	(894)	(4,623)	47	**(5,470)**
	2016/17	(2,048)	(885)	82	**(2,851)**
Included in Surplus / (Deficit) in Group	**2017/18**	(210)	(1,926)	(35)	**(2,171)**
	2016/17	(27)	(820)	3	**(844)**

NOTES TO THE GROUP ACCOUNTS — STATEMENT 19

G3. COMBINING ENTITIES (Continued)

The summarised reserves of the associate, subsidiary and joint ventures are detailed below:

Council share of Associate, Subsidiary and Joint Ventures		Valuation Joint Board £'000	West Lothian Leisure £'000	West Lothian Recycling £'000	Total £'000
General Fund Balance	**2017/18**	150	30	47	**227**
	2016/17	189	(885)	82	**(614)**
Capital Fund	**2017/18**	-	-	-	**-**
	2016/17	-	-	-	**-**
Capital Grants Unapplied A/C	**2017/18**	-	-	-	**-**
	2016/17	-	-	-	**-**
Capital Receipts Reserve	**2017/18**	-	-	-	**-**
	2016/17	-	-	-	**-**
Total Usable Reserves	**2017/18**	150	30	47	**227**
	2016/17	189	(885)	82	**(614)**
Unusable Reserves	**2017/18**	(1,044)	(4,653)	-	**(5,697)**
	2016/17	(2,237)	-	-	**(2,237)**
Total Reserves	**2017/18**	(894)	(4,623)	47	**(5,470)**
	2016/17	(2,048)	(885)	82	**(2,851)**

The accounting year for the Valuation Joint Board, West Lothian Leisure Ltd. and the West Lothian Integration Joint Board ends 31 March 2018, while West Lothian Recycling Ltd is the 31 December 2017. There have not been any significant transactions or events between 31 December 2017 and 31 March 2018, therefore no adjustment is required to the position of West Lothian Recycling Ltd. The associate and joint ventures have been accounted for using the equity method.

The Trusts, Mortifications and the Common Good Fund, which the council manage, have not been included in the Group Accounts on the grounds of materiality. Full details of these accounts can be found in Statements 13 and 14 on pages 77 and 78.

G4. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the associate, subsidiary and joint ventures on the Group Balance Sheet as at 31 March 2018 (2017) is to reduce the net assets by £5.470 million (£2.851 million) representing the council's share of net liabilities of these organisations. The net liabilities are attributable to the Lothian Valuation Joint Board which has significant pension liabilities under IAS 19 of £1.333 million (£2.320 million) and West Lothian Leisure Ltd. with pension liabilities of £4.653 million.

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

G5. GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

The 2017/18 (2016/17) share of Associates pension interest cost and expected return on pension assets is £0.061 million (£0.041 million). These figures are not included in the Group Comprehensive Income and Expenditure Account as they are part of the IAS 19 pension entries which are reversed out in arriving at the share of operating results of associates for the year.

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES

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

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

6.1 WL Ventures Group Limited

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

The unaudited (audited) accounts for the period ended 31 March 2018 (2017) show a profit before and after tax of £66,581 (£1,950 loss) with net assets of £698,052 (£712,068).

6.2 West Lothian Enterprise Limited

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

The unaudited (audited) accounts for the period ended 31 March 2018 (2017) show profit before and after tax of £2,280 (£1,950) with net liabilities of £51,681 (£24,320).

West Lothian Enterprise Limited is in the process of being wound up and it is anticipated this will be completed in 2018/19.

6.3 Visit West Lothian Limited

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

The unaudited (audited) accounts for the year ended 31 March 2018 (2017) show a breakeven position before tax (breakeven) and profit after tax of £3,779 (breakeven) with net assets of £29,192 (£25,413).

G6. NON-CONSOLIDATION INTEREST IN OTHER ENTITIES (Continued)

6.4 The West of Scotland Archaeology Service

This body was set up in 1997 as a Joint Committee of local authorities in the area. It is currently funded by 11 local authorities and Historic Scotland for Specific Projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Executive planning guidance for the treatment of archaeological remains in the planning process. During the year, the council made a contribution of £12,691 (£12,691 2016/17) representing 8.47% (7.19% 2016/17) of the Committee's estimated running costs for the year to 31 March.

6.5 South East of Scotland Transport Partnership (SESTRAN)

The council is a member of SESTRAN, one of seven statutory regional transport partnerships set up under the Transport (Scotland) Act 2005. SESTRAN has a membership of 8 local authorities and they have a statutory duty to produce a Regional Transport Strategy Plan and provide the council with capital grant for West Lothian projects within the plan. During the year, the council made a contribution of £21,751 (£22,884 2016/17) and had a voting share of 12.5%.

6.6 SESplan is the Strategic Development Planning Authority for Edinburgh and South East Scotland (SESplan)

The council is a member of SESplan. SESplan is composed of 6 local authorities that have a statutory duty under Section 4 of the Planning (Scotland) Act 2006 to work together to prepare, and keep under review, a Strategic Development Plan (SDP) for the South East of Scotland. During the year, the council made a contribution of £44,000 (£46,550 2016/17) to the running costs of SESplan, representing 17% (17% 2016/17) of the authority's running costs. The council has a voting share of 17%.

6.7 Scotland Excel

Scotland Excel was launched in April 2008 to establish a centre of procurement expertise for the local government sector in Scotland. Its remit is to work collaboratively with the 32 local authority members and external suppliers to raise procurement standards, secure best value for customers and to improve the efficiency and effectiveness of public sector procurement in Scotland. During 2017/18, the council made a contribution of £113,930 (£113,930 2016/17), 3.3% (3.3% 2016/17) of Scotland Excel's funding.

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